

Mayor  
Willard Rodarmel  
Mayor Pro Tem  
John Flourde  
Council Members  
John Gordon  
John Murray  
William Siegel



**Office of the  
City Manager**

119 Fox Street  
Lemoore • CA 93245  
Phone • (559) 924-6700  
FAX • (559) 924-9003

**To: Lemoore City Council** SS Item # 3  
**From: JP Prichard, Administrative Analyst**  
**Date: September 29, 2011**  
**Subject: East Side Traffic Impact Fees - Alternative Strategies**

**Discussion:**

At Council's direction, Colgan Consulting Corporation was again contracted to create a study to support a revision to Eastside traffic impact fees. The study was created through a plan-based method used in the previous studies for traffic impact fees. Specific capital improvements were taken from the Circulation element of the General Plan, with costs divided proportionally among land use types by the amount of traffic each land use type generates. Obtaining cost estimates for necessary 2030 improvements was accomplished by Quad Knopf. Certain improvements within the Redevelopment Area are assumed to be funded similarly to those on the west side.

The City staff and impact fee consultant have reviewed the methodologies and defensibility of the study, and are confident that it is both adequate and accurate in supporting proposed fees. The proposed fees are as follows:

East Side Streets and Thoroughfares	Westside Current		Eastside Current		Eastside Proposed	
Single Family	\$2,689.00	per unit	\$1,133.00	per unit	\$1,965.00	per unit
Multi-Family	\$1,833.00	per unit	\$740.00	per unit	\$1,339.00	per unit
Neighborhood Commercial	\$80,230.00	per acre	\$118.64	per ADT	\$59,990.00	per acre
Regional Commercial	\$112,013.00	per acre	\$118.64	per ADT	\$81,831.00	per acre
Professional Office	\$16,465.00	per acre	\$118.64	per ADT	\$12,029.00	per acre
Industrial	\$7,051.00	per acre	\$118.64	per ADT	\$5,151.00	per acre
Public / Institutional	\$22,482.00	per acre	\$0.00	per ADT	\$12,319.00	per acre
Parks / Open Space	\$450.00	per acre	\$0.00	per ADT	\$328.00	per acre

\* Proposed East side fee equates to \$205.31 per ADT for all development types.

At Council's request, a comparison of the traffic impact fees of other local agencies was created for review. During the public hearing on September 6, 2011, Council requested that staff produce alternative strategies to reduce the burden of impact fees on development, particularly in commercial or industrial zones. Below are examples of alternative strategies that could be employed to accomplish this goal.

*A. Amendment of the Circulation Element of the 2030 General Plan*

As the capital improvements identified in the Impact Fee Study are taken from the Circulation Element, amending the Circulation Element to scale down the type or quantity of improvements would

reduce overall costs. In the original, there was an effort to maintain the same levels of service currently enjoyed by Lemoore's residents. This can be altered in the following ways:

- 1) Levels of service can be reduced. This would result in greater traffic delays by providing less-efficient improvements over time. Traffic flow throughout the City would become more congested. This approach would significantly reduce the overall cost of improvements.
- 2) Traffic modeling can be reviewed exhaustively to find Eastside improvements that might be downgraded without affecting the level of service. This is likely to reveal only marginal reductions in overall costs. (Particular attention would be given to more expensive improvements, such as the east-west collector street planned north of Glendale.)

Revising the Circulation Element is a time-consuming process, and would cause considerable delays in the final adoption of Eastside Streets and Thoroughfares impact fees. The Planning department is currently working with the Kings County Association of Governments to determine what modifications can be made to the existing traffic model and how long it will take to run the scenarios through the software used for this purpose. KCAG has agreed to run the remodeled scenarios at no charge and has already begun work to help determine the feasibility of these modifications.

#### *B. Dedication of Alternate Funding To Offset Under-Collection*

There are several options available if the Council would prefer that the City pays a portion of the impact fees for commercial and industrial developers:

- 1) Temporary reduction in fee collection: The City of Hanford recently created an 18-month moratorium during which five of their eight impact fees will be reduced by 30%. At the end of this period, the amount of any shortfall will be reported to their Council, who will dedicate funding from another source to make up the difference. The City of Lemoore could do something similar. Advantages to this approach would be that the City could end the reduced collection at any time, set it for a specific time frame, or even limit the total assistance to a certain dollar amount. The major disadvantage to this approach is that it could potentially force the hand of future Councils, as they would need to dedicate the funds in arrears, which would affect the availability of future General Fund revenue. Dedicating a specific amount as an overriding limit from a specific funding source in advance would eliminate this issue.
- 2) Forgivable loans or grants to businesses that provide measurable economic benefits to the City as a whole or to City revenues specifically: The City of Hanford recently adopted a sales tax rebate program to assist commercial businesses with paying impact fees. Businesses that could prove through measurable sales figures for their stores in nearby, comparable markets could be allowed, with Council approval, to pay less than their total fees. Hanford would then dedicate a portion of their future sales tax to make up the shortfall over a period of years. The only advantage to this program over #1 above is that it would immediately dedicate funds from a specific source. The disadvantages to this approach are numerous:
  - a) Only established businesses with discernable growth patterns, multiple sites, and established metrics would qualify, i.e. the businesses that need the least amount of assistance would be the only ones that could receive help.
  - b) Smaller "Mom and Pop" businesses may not provide enough sales tax to be individually reported to the City, so there would be no way to accurately measure what amount of sales tax they should be credited with against any liens, etc.
  - c) Many commercial businesses and nearly all industrial businesses do not generate sales tax.
  - d) The City would be assuming significant risk in the event of non-repayment. Many businesses fail, particularly small businesses that do not have established track

records (see “a” above): While City staff is capable of making an educated evaluation of a successful business plan at face value, there are variables critical to the success of every business that are beyond the knowledge and control of the City. If such a business were to fail early in its life, well within the period set to recoup costs through sales tax, the entire impact fee shortfall would become the responsibility of the City without having the anticipated sales tax offset. Performance bonds to ensure payment as a prerequisite would limit assistance to well-established businesses. Liens against property that would be required for this type of program can exist for years, and are only required to be paid on the transfer of the property.

- e) Similar to other development-assistance programs attempted by the City (or Redevelopment Agency), this type of approach would have more “red tape” than other approaches, from hidden costs (consultants, detailed business plans) to administrative delays.

### C. Dedication of Alternate Funding To Eliminate Improvements From Impact Fee Calculations

Similar to the dedication of Redevelopment Agency funds for eligible projects, General Fund dollars can be dedicated to pay for specific improvements as well. This would reduce the total improvement costs divided among the various land uses. This option differs from other alternatives in that it would reduce traffic impact fees for non-commercial/non-industrial land uses as well.

#### **Budget Impact:**

Amending the Circulation Element could cost up to \$5,000 at the maximum, without guarantees of actual reductions in the type, number, or cost of identified improvements (assuming the Council wishes to maintain the current level of service).

The alternatives that require dedication of alternate funding would be at whatever level is decided by Council. It should be noted that General Fund revenue generated by commercial businesses (such as sales tax) are currently used for operating expenses serving all of Lemoore – any dedication would result in a shortfall in those areas. Please note that for the most part, the General Fund is fungible – funds for assisting businesses that generate sales tax could be from any General Fund source, (including reserves, for example), with the same net effect.

Delaying the adoption of the proposed East Side Streets and Thoroughfares Impact Fee, whether for General Plan amendment or creation of a funding-offset program, would have minimal effect on funding for capital projects, as there is little development occurring presently requiring capital improvement.

#### **Recommendation:**

It is recommended that the City Council provide direction regarding any alternative strategies to offset impact fees.