

January 17, 2012

To: Lemoore City Council

From: Jeffrey Garcia, O.D.

Re: Agenda Item #4, January 17, 2012

First, I want it to be clear that I am not looking for any special treatment for my project. It is my hope that the City Council will see the inherent value in reducing or eliminating the impact fees for new construction in Downtown Lemoore for a specified period of time **to eliminate blighted vacant lots and to stimulate and continue the Revitalization of Downtown Lemoore with new construction.**

The best way to learn is through experience....

This whole process to build in Lemoore has been a real eye opener for me and a tremendous learning experience. If I had not gone through this process myself, I would have never understood what I have heard for many years as a business person and as a member of the Lemoore Chamber of Commerce Board Member for the better part of 15 years. I have always heard that Lemoore was not "Business Friendly". I never really understood what that meant, until I personally went through this process. Our reputation may have been earned because of our onerous SIGN ORDINANCE, ZONING REGULATIONS or the misguided ARCHITECTURAL DESIGN GUIDELINES REVIEW COMMITTEE.

Let me just thank you Council members for finally making the necessary changes to either eliminate or modify these barriers to business.

1) Real Estate Market Unfavorable to New Construction:

Conclusion: "Even entirely eliminating impact fees will not make new construction competitive with existing structures."

Response:

By eliminating impact fees, the City will be making new construction more feasible! It **WILL** make new construction more competitive with existing structures Downtown due to decreased cost of construction.

It also makes borrowing money from the Banks to build a project more economically feasible. It costs more money to build today, than the property is "worth". So the gap between what is needed to build and what banks are willing to lend based on appraised values needs to be "made up" through cost cutting and reducing expenses wherever possible and impact fees make up a large portion of this "gap".

This is why impact fees are such a large variable in the decision to build.

2) Downtown Architectural Requirements:

Conclusion: "Staff has not made a comparison of construction costs in the various areas of the City."

Response:

Anyone who is familiar with the extensive (29 pages) Downtown Architectural Guidelines can attest to the degree of detail required in Downtown construction and **even numerous details "NOT REQUIRED" but enforced as such are significantly more costly to construct relative to any other locations in the City.**

Building Downtown does "cost" more than building in other areas of Lemoore due to the Architectural Design Guidelines. For example, my construction costs are increased by \$101,500:

1) Landmark tower:	\$17,000
2) Articulation (façade deco arches around building):	\$8,500
3) Hand trowled stucco	\$8,000
4) Mansard roof system	\$25,000
5) Outriggers on roof line	\$9,000
6) "Spanish" style deep window ledges	\$5,500
7) Tiled arched recesses	\$3,000
8) Corner entry way with "Spanish" design	\$5,500
9) Minimum building height requirement	\$20,000

3) Impact Fee Reductions May Have No Correlation to Increased Commercial Development:

Conclusion: "Attached for Council review is a 2010 study from the State of Florida that compares rates of residential development areas with reduced impact fees versus in areas with status quo impact fees."

Response:

First of all, we are NOT in Florida. Second, this study is referencing residential impact fees, which we are not addressing. So it appears that this study has no correlation to what we are discussing tonight.

This is a NO RISK proposition for the City. Let's assume the worst case scenario that the City eliminates the impact fees for new construction Downtown, and NOBODY takes advantage of the opportunity. What is the downside? The City was not out any impact fees either way. However, if just one new project takes advantage of the opportunity, then everybody wins the Residents, the City, the Builder, and the NEW BUSINESS! This is an opportunity to continue the momentum Downtown that has begun with the recently completed DOWNTOWN FACADE Projects, thanks to JUDY and STAFF.

Please think of the long term of the benefit of CONTINUING TO REVITALIZE DOWNTOWN LEMOORE. In terms of increased sales tax dollars, and creating a VIABLE DOWNTOWN ECONOMY.

We have to look no further than our own back yard, and not all the way to Florida to see the positive results of impact fee reduction and elimination:

Our neighboring Cities have the right idea:

- 1) Merced voted 7-0 to extend a two year reduction in impact fees for new construction by 28%
- 2) Clovis voted for a two year suspension of impact fees.
- 3) Sanger voted 4-1 to eliminate impact fees.
- 4) Hanford voted to extend a two year 30% reduction in impact fees.

I have personally contacted City Officials from all of these Communities and ALL have expressed positive results from impact fee reduction and or elimination. Why would these Councils have voted to enact and or extend these impact fee adjustments if it were not a mutually beneficial and a smart economic decision?

Yes, the impact fees can be financed, which increases still increases the costs of construction, and more importantly the BANKS WILLINGNESS TO LOAN FOR PROJECTS is based on appraised value of the completed project. Another significant factor is while construction costs are relatively low, commercial property appraisals are also at an all time low. The cost for new construction is higher than current appraisal values, making borrowing money extremely challenging. In my particular project, my appraisal was \$200,000 lower than loan needed for cost of construction.

4) Requirements For Adjustments, Reduction, or Waivers:

Conclusion: "His letter has not provided a rationale explaining how Downtown businesses would pose less of a burden on City infrastructure than commercial business in other parts of the City."

Response: The purpose of my request is to create infill projects in Downtown Lemoore by incentivizing new construction. If the City does nothing to create incentives to build on existing empty lots, it is likely that these empty lots will remain empty for decades. There has been no new construction DOWNTOWN since the Theatre was built under the leadership of Steve Froberg. This is a unique opportunity to encourage new construction, while costs are at an all time low. The City has the opportunity to be proactive rather than complacent with regards to this.

5) Impact Fee Reductions As Economic Stimulus:

Conclusion: “New or existing businesses would not enjoy a benefit from the reduction in fees; theoretically, this could result in a competitive disadvantage for business already calling Lemoore home.”

Response: How can the idea of filling empty lots with new construction and business ever be considered a disadvantage?

How can it be argued that, “ new or existing businesses making use of existing buildings would not enjoy the benefit from the reduction in fees”? **That is totally illogical.** Businesses making use of existing buildings are not taking on the additional financial risk of building.

Ask any business owner in town and to see if they would be opposed to new construction occurring in Downtown that is taking advantage of impact fee reduction incentives.

Is the City endorsed Façade Loan Program which has a Downtown only requirement not giving an unfair advantage? What’s the difference?

Facade Loan Program

The City of Lemoore has funds available to provide low-interest loans to property owners and/or tenants of commercial buildings within the Downtown Lemoore Business District for the purpose of upgrading the exterior appearance of their building. This loan program is funded by the Lemoore Redevelopment Agency. Loans will be approved for the entire cost of the facade improvement project up to a maximum of \$10,000 per twenty-five lineal foot of business frontage.

A recent example of how the Facade Loan Program has benefitted the Downtown is the new ARVAL Legal Services Building located on Heinlen Street. With help from the City and Crown Development Corporation, ARVAL was able to take a blighted Downtown building and turn it into the beautiful office building that just opened in early April 1998.

Directly adjacent to the new ARVAL building is another blighted building that detracts from Downtown's beauty. However, thanks to another Facade Loan, there will soon be a Physical Therapy office located in that particular spot, complete with a new building and an attractive facade. Both of these projects provide clear examples of how redevelopment is alive in Downtown Lemoore.

The City encourages all active revitalization efforts that take place in the Downtown.

Second Conclusion: “It would be extremely difficult to ensure that the desired benefit would actually result from the impact fee reduction.”

Response: **This is also completely illogical.** A simple CAUSE and EFFECT relationship exists here. If you reduce or eliminate the impact fees, and you market this to Downtown lot owners and if you see new projects submitted, then it worked! If you don’t get any new projects started, then it didn’t. What is the harm in doing this? Worst case scenario is that the City eliminates impact fees for Downtown Lemoore and experiences no new builds in Downtown! There would be no net effect and no cost to implement.

6) Funding Shortfalls Must Be Covered by Other Means:

Conclusion: “fees are set to sufficiently cover the cost of the new infrastructure without degradation of service.”

Response: The result of infill projects Downtown, will not only create additional sales tax dollars but create an overall more vibrant and viable Downtown. Wasn’t this the purpose of the RDA supported Façade Loan Program? Downtown businesses are largely co-dependent. The more businesses there are Downtown, the better everyone will do, including the City’s sales tax revenue funds. Nobody wins when there are dirt lots plaguing Downtown.

7) Alternative Solutions:

Conclusion: “The City Council could consider creating some type of economic stimulus program to assist citizens doing business in the City of Lemoore.”

Response: This request is an **ECONOMIC STIMULUS PROGRAM.** Again, other neighboring Cities are doing this with success. This is not a NEW concept. Don’t let Lemoore miss the boat, it’s time to begin making Lemoore **more SMALL BUSINESS friendly.**