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To: Lemoore City Council Item # 4
From: JP Prichard, Administrative Analyst
Date: June 13, 2012
Subject: Resolution 2012-24 Temporary Reduction To City-
Imposed Development Impact Fees For Infill Development

Discussion:

At the May 15, 2012, City Council meeting, staff was directed to prepare a Resolution to temporarily reduce City-imposed development impact fees for any infill development conditioned to pay impact fees adopted from December 5, 2006 to present.

“Infill development”, as defined for purposes of this Resolution only, means a proposed development with 75% of its perimeter adjoining developed parcels. The adjoining parcels must be developed with urban residential, commercial, public/institutional, transit, transportation passenger facility, retail, or industrial uses, or any combination thereof. For projects within a residential subdivision, the perimeter requirement is for the boundaries of the subdivision, not the boundaries of individual parcels within the subdivision.

Resolution 2012-24 will define the period of the temporary impact fee reduction as from the adoption of the Resolution to May 15, 2014, as requested by the City Council, and will reference known developments that will be subject to the reduction. Following the expiration of the temporary impact fee reduction period, developments will revert to paying the impact fee rates as conditioned for the project.

The proposed application of the impact fee reduction for infill projects takes two forms. For projects conditioned under Resolution 2005-24, impact fees would be set at the level they were on November 30, 2006, prior to the adoption of the fees supported by the Colgan impact fee study.

All other infill projects would be subject to a reduced fee based on the proportional difference between the pre-Colgan fees and the Colgan fees, specifically with the purpose of maintaining the nexus demonstrated by the Colgan report. Under this proposal, a Single Family Residential home was subject to a total of \$6,532 under the pre-Colgan fees, and \$10,755 under the Colgan fees: Rather than adopt the fees from an earlier time period, the later Colgan fees would remain in effect, but with a 39.2655% reduction to be made up by the City.

While Resolution 2012-24 Exhibit A lists current projects that are believed to meet the definition of infill, and would therefore be subject to the reduction, conditions may change within the City during the fee reduction period. Therefore, projects may be added to the list as time goes on when they become qualified. Final determination of whether a project is eligible for the fee reduction will be made when the building permit is pulled.

The legislation governing development impact fees addresses the fact that fees are to be set to sufficiently cover the cost of the new infrastructure without a degradation of service. In the event an

intentional reduction in fees results in a funding shortfall for the needed infrastructure, the governing body must identify an additional source of funding. As there is no way to accurately measure the magnitude of the shortfall, it is anticipated that they will be tracked as they occur with the totals reported to the Council at the end of the temporary fee reduction period so that a funding source and amount can be identified at that time.

The Home Builders Association of Tulare/Kings Counties has been apprised of the City's intent with respect to implementing a temporary impact fee reduction for infill development.

If there are questions regarding the location of any of the projects listed in the Resolution, a map will be available during the Council meeting.

Other approved projects not referenced, conditioned to pay impact fees in place prior to December 2006, are already at or below the incentivized amounts.

Budget Impact:

The most easily measurable effect of an impact fee reduction for an infill projects would occur due to two residential subdivisions that are subject to conditions of approval under Resolution 2005-24: Sugarplum and Parkview Estates. The resulting net funding shortfalls if all lots are developed prior to May 15, 2014 would be \$409,631 and \$380,070 respectively. Infill developments with conditions of approval making them subject to later impact fee amounts would create their own shortfalls that would be made up some other way.

As the Council has already determined that the Sugarplum subdivision will be subject to earlier impact fees than conditioned, the loss of revenue is anticipated to be at least \$409,631 if full buildout of the development occurs prior to May 15, 2014. Assuming that other subdivisions subject to Resolution 2005-24 take full advantage of the temporary fee reduction, the revenue loss would increase to approximately \$789,701. Further revenue losses, while possible, are not measurable at this time.

Recommendation:

It is recommended that the City Council adopt Resolution 2012-24 in order to implement temporary reductions to City-imposed impact fees for infill development.