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To: Lemoore City Council
From: JP Prichard, Administrative Analyst
Date: March 12, 2012
Subject: Public Hearing - Development Impact Fee Annual
Adjustments Resolution 2012-12

Item #5

STAFF REPORT

Background:

On February 1, 2005, City Council adopted the current objective that the City would “Ensure new development Pays Its Way.” Development impact fees are designed to be collected from new development to equitably and sufficiently fund new infrastructure required to handle increased service demands created by the new development. The development impact fees are ideally suited to help meet that objective.

The development impact fees adopted in 2006/2007, and again in 2010, were expected to be adjusted to keep pace with inflationary movements of the economy. The California Construction Cost Index (CCCI) is the recommended tool to determine the amount of the adjustment. Please note that the Development Impact Fee Study Report (in Chapter 13) produced by Colgan Consulting Corp.:

“All impact fees calculated in this report are based on current costs and should be adjusted annually to account for inflation. The logic for those adjustments is somewhat different for pay-as-you-go fees as opposed to fees that include a component to cover interest on bonds. In the pay-as-you-go case, the adjustment is intended to account for future escalation in costs for land and construction, and we recommend using the *Engineering News Record* Building Cost Index as the basis for indexing the costs of these projects. In that case, such fees could theoretically be adjusted downward if the relevant index declines during a particular period.”

The CCCI is based on the portion of the ENR Index exclusive to California. In other words, we have used a statewide instead of a nationwide index for increased relevance.

Council then, by resolution may raise these development-related fees by the amount stated in the CCCI, which was 1.5% for the year ending December 31, 2011. Proposed fee increases were made available according to public notice requirements 14 days before the public hearing, and provided to the Home Builders Association of Kings/Tulare County per their request. Staff has prepared these calculations as directed and the proposed Resolution accordingly. The new fees will take effect 60 days after adoption (May 20, 2012 if adopted as recommended) as set forth in the Mitigation Fee Act.

Along with the other development impact fees, in 2007 the City adopted a park land acquisition “Quimby” fee to be applied to new residential subdivisions, and a corresponding development

impact fee for park land acquisition that can only be applied to new non-subdivision residential development. As these fees collect funds for the purchase of land, and not construction-related, these fees are not indexed by the CCCI annually.

The Resolution contains a provision allowing for fees to be imposed at the time a building permit is issued with collection deferred until either a certificate of occupancy is issued or a final inspection is performed. Originally for the exclusive use in residential development, it has been successfully implemented and resulted in cost savings to those developers. Beginning this year, the provision has been modified to include all development types. Expanding the deferral option will help ease the financial burden developers face on new development projects by allowing them to cover the expense of impact fees later, at the time of occupancy. While not all developers will participate in using deferrals, this allows for greater flexibility by providing more options in the financial planning for their projects.

Attached for Council review are the City Mission, Goals and Objectives adopted in 2005, proposed Resolution 2012-12, and a spreadsheet comparing current development impact fees to those being proposed.

Budget Impact:

If Resolution 2012-12 is approved, remaining project revenue to be collected from development impact fees over the period of time it takes for the City to develop fully based on the existing General Plan will increase by approximately 1.5%.

Recommendation:

It is recommended that the City Council hold a public hearing and adopt Resolution 2012-12 to establish the 2012 Development Impact Fees schedule, effective May 20, 2012.