



May 2, 2013

Mr. Jeff Laws
Acting City Manager
119 Fox Street
Lemoore CA, 93245
Jeff.laws@lemoorepd.com

SUBJECT: Request to Modify Impact Fee Area Designation

Dear Mr. Laws,

Montrio Capital Partners has been working with the City of Lemoore for more than a year to develop an approximately 10 acre site on the west side of 19 ½ Ave., north of Bush St., for 184 apartment units (see attached map). To obtain the required entitlements, including a change in zoning from Professional Office (PO) to Multi-family Residential (RMD), we incorporated all the design and engineering elements requested by City staff, including permanent retention of all storm water on-site. As we began the process of securing financing for the project, we learned that the City's Westside Fee Improvement Schedule totaled more than \$2.776 M, or nearly 20% of the construction cost for the project.

In conversations with potential lenders, this has become a detriment to obtaining the necessary construction financing, and in comparison with other lender projects, this represents a very high ratio of fees to cost, considering the available market rents in Lemoore.

Because of this situation, we are requesting relief from a portion of these fees. The financial impact of our request is summarized in the attached sheet, which compares the Eastside and Westside fee structures and is based on the following requests and rationales:

1. Development Impact Fee Schedule. We request that the development impact fees for our project (Ref. CUP 2012-01) be calculated on the *Eastside* Impact Fee Schedule, rather than the *Westside* Impact Fee Schedule.

Rationale:

As you may know, the demarcation line for the geographic determination for Impact Fees in the vicinity of our project is 19 ½ Ave. The east side of 19 ½ is in the Eastside Fee Area and the west side (which is the location of our project) is in the Westside Fee area. Our understanding of the fee structure, put into effect May 16, 2011, was to generate additional fee income to offset new infrastructure cost created by *commercial* developments in the "Western" section of the City. In the process of entitling CUP 2012-01, we underwent a zoning change from Professional Office (PO) to Multi-Family Residential (RMF). We believe subjecting our project to the Westside Impact Fee schedule is not warranted because: (1) It is a *residential* and not *commercial* development

and, (2) The designation of the west side of 19 ½ into the Westside schedule is arbitrary since it will operate within an existing *residential* neighborhood, and will not require any new or expanded City infrastructure or improvements. If our development were to be located on the east side of 19 ½, we would impose no more burden on City infrastructure or services than it's approved location. Therefore we believe the use of the Eastside fee schedule is appropriate and rational.

2. Storm Drainage Facility Fees

We request that the Storm Drainage Facility Fee for CUP 2012-01 be waived, if and until, it connects to the City-operated storm drainage system.

Rationale: Given the design of the City's existing storm water system, our project is practically required to collect and retain all storm water runoff on-site in a ponding basin. Since we are paying for the design and construction of the system, and maintaining it indefinitely, our storm water imposes no added impact on the existing City system or its operation and maintenance. If the City system is extended and there is reasonable need to abandon our on-site system in favor of the City's system, we would agree to pay the fees imposed at the time of our CUP.

3. Community Recreation Facility fee

We request that the Community Recreation Facility Fee be waived for CUP 2012-01.

Rationale: We understand and appreciate the need for appropriate city-wide recreation facilities. Few single-family residential developments offer facilities other than those provided by the City. However, our project includes its own community recreation building, pool, entertainment area and children's play yards and will maintain them in perpetuity at our expense. Given the access to these on-side facilities, it is unlikely that our residents will frequently go offsite for the same facilities.

Please note that we are not objecting to the Parkland acquisition or Parkland Improvement fees (which total nearly \$500,000 for CUP 2012-01), as we recognize that over time, our residents will use the larger parkland resources of the community.

The net reduction in fees represented by these requests is \$ 542,342. In order for our project to move forward in a timely manner we must resolve these matters to achieve our underwriting criteria with our lender. Your accommodation of these requests is critical to a \$15M construction investment in Lemoore, along with the property, sales and related tax revenue. This will also stem the need for residents to seek attractive market-rate housing in Hanford, Visalia, Fresno and other Cities. Cities throughout the state and nation have responsibly reduced or eliminated certain impact fees in favor of economic stimulation as we pull ourselves out of the recession and invest in our communities.

I will be available at your meeting on May 7 to discuss this request with you and answer questions you might have. Thank you for your consideration.

