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Staff Report

ITEM 4

To: Lemoore City Council
From: Lauren Apone, Administrative Analyst *A*
Date: January 14, 2014
Subject: Resolution 2014-02 – Development Impact Fee Annual Adjustment

Discussion:

At the last Council Meeting, Council approved Resolution 2014-01, the Impact Fee Deferral/Sales Tax Credit Program. This program did not change the actual Impact Fees charged by the City but did give some businesses some relief from paying up to 25% of those fees.

The main premise of impact fees is that when new development comes into Lemoore, they place a stress on the existing infrastructure. While the City might not need to drill a new water well for one additional business or residence, the cumulative impact of these developments will require more infrastructure. Thus each new project pays a fee equal to its proportion of the cost for this new infrastructure and offsets its individual impact. This money goes into an account which is dedicated to developing or upsizing this infrastructure, and thus the General Fund and current residents are not burdened with the cost of the infrastructure expansion to accommodate growth in the future.

The impact fees were set by the Development Impact Fee Study Report produced by Colgan Consulting and were expected to be adjusted annually to keep up with inflation. In the past, the City has used the California Construction Cost Index (CCCI) to index the impact fees. This index assesses the cost to construct in California and is the most relevant to determine how much the cost to construct the necessary infrastructure improvements has increased over the past year.

Council had adjusted the impact fees based on the CCCI until 2007. After that date, the fees were increased at a lower rate or not at all. Below is a list of the years, the CCCI index, and the rate the City of Lemoore's impact fees were increased:

<u>Year</u>	<u>CCCI Index</u>	<u>Lemoore Impact Fee Adjustment</u>
2008	6.8%	3.4%
2009	-1.1%	3.4%
2010	6.3%	6.3%
2011	1.5%	0%
2012	1.5%	0%
<u>2013</u>	<u>2.3%</u>	<u>1.5% (proposed)</u>
Cumulative:	17.3%	14.6%

As you can see, even if Council increases the impact fees by 1.5% for year 2013, a figure that had reached a preliminary consensus at a previous Council Meeting, we will be short 2.7% from what the CCCI has indexed over the past 6 years. This is not a cause for immediate concern, but I wanted Council to be aware of the shortfall.

In addition, our impact fees are based on the costs of necessary improvements in the future. These costs as calculated today are based on non-prevailing wage rates for construction labor. As a charter city, Lemoore has historically been able to construct locally funded projects with non-prevailing wage labor. However, in October, Senate Bill 7, which prevent charter cities that use non-prevailing wage rates for locally funded projects from receiving any state funding, was signed by Governor Brown and enacted into law beginning in January 2015. The Council had written a letter of opposition to this bill back in February 2013. The inclusion of prevailing wage rates will increase the cost of the construction projects our impact fees are based on. If Council wishes to continue to fund these projects, impact fees would need to be increased or another funding source would need to be identified.

Budget Impact:

If Resolution 2014-02 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 approve by motion Resolution 2014-02 to establish the 2014 Development Impact Fees schedule, effective March 21, 2014