

TO: James L. App, City Manager
FROM: Mike Compton, Director of Administrative Services
SUBJECT: AB 1600 - Development Impact Fee Study
DATE: January 7, 2003

Need:

For the City Council to consider setting a date for a public workshop to formally review the proposed development impact fees.

Facts:

1. On June 19, 2001, the Council awarded a contract to Revenue & Cost Specialist, LLC to prepare an AB 1600 Development Impact Fee Study (Study).
2. On July 12, 2002, Councilmen, individually, were briefed on the progress of the Study including the proposed fees.
3. On July 12, 2002, staff and consultant presented the initial Study draft to the Home Builders Association (HBA).
4. On July 19, 2002, request was sent to HBA to provide their comments and/or questions in written form to staff by August 23, 2002. This communication included data and information requested by the HBA.
5. On August 23, 2002, staff received faxed communication from HBA requesting additional information and data.
6. By letter dated August 26, 2002, staff provides response to HBA request of August 23rd.
7. On September 12, 2002, staff received faxed communication from HBA in response to the July 19th staff request.
8. On October 9, 2002, staff and consultant have a second meeting with HBA to discuss their concerns and respond to the communication received September 12th.
9. By written correspondence dated October 15, 2002, staff provides initial response for additional data requested by HBA at the October 9th meeting.

10. An additional written correspondence dated November 1, 2002 is forwarded to HBA providing them with last of the information requested by them from the October 9th meeting.
11. Additional correspondence to HBA dated November 22, 2002 respectfully requests their feedback to the additional information/data provided to them on October 15th and November 1st. HBA is advised that individual council briefings will move forward as well public workshop to study the development impact fee report.
12. Written communication dated December 11, 2002 to HBA invites their input and willingness of staff to meet at their convenience for further discussions regarding proposed fees. HBA is alerted to fact that council briefings result in desire to set public workshop for Thursday, January 16, 2003.

Analysis &
Conclusion:

To date, the HBA has expressed concern on three issues; the inclusion of operating capital as a cost component for calculating the proposed fees, some of the projects included in the Chapter 5 relating to traffic mitigation, and the overall approach of using the “equity” method.

Inclusion of operating capital in the fee calculations is a minor issue. The consultant has prepared, for illustration purposes, revised fee schedules which reflects the removal of operating capital. The impact is relatively insignificant.

HBA’s concern relative to the equity method is a bit confounding. The equity method provides for new development contributions at rates no greater than that which has been contributed by current residents. In so doing, it seems eminently fair. For example: The initial draft Study illustrates that, given the total cost of the infrastructure identified to adequately address traffic needs, the traffic impact fee should be \$11,087 per single family residential unit. However, the current population has only invested \$3,929 per single-family residential unit in traffic mitigation infrastructure. Under the equity method, new residents would not be asked to pay more than current residents. Thus, the fee is set at the lower amount.

Lastly, traffic mitigation includes a number of highway interchanges. The HBA has questioned the appropriateness of the including these projects generally and have argued that City funding sources must be identified before assessing any development fees on new development.

In conclusion, staff is recommending that the Council move forward with the scheduling of a workshop to review the Study and take up directly the concerns raised by the HBA.

Fiscal
Impact:

Unless development impact fees accurately reflect the infrastructure needs of the community, each building permit issued results in the loss of funding resources, which over time, can be significant.

Options:

- a. Set 7:00 pm Thursday, January 16, 2003 as the date for an adjourned regular meeting/workshop to review the development impact fee study; or
- b. Amend, modify or reject any of the options above.

Copies of the DEVELOPMENT IMPACT FEE CALCULATION/NEXUS REPORT and the MASTER FACILITIES PLAN have been distributed separately to Council members.

Copies of both the reports noted above as well as Volumes I and II of the back-up documentation are available for public inspection/review at the City Library and upstairs in the City Clerk's office.

Pertinent sections of the DEVELOPMENT IMPACT FEE CALCULATION/NEXUS REPORT are also available on the City's web site.