



AGENCY: City Council/MID
MEETING DATE: November 12, 2019
DEPARTMENT: City Manager
PRESENTED BY: Tabatha Miller
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AGENDA ITEM SUMMARY

TITLE:

Receive Report and Consider Introducing by Title Only and Waiving the First Reading of Ordinance No. 954-2019 Adding Chapter 15.36 (Deferral of Development Impact Fees) to Title 15 (Buildings and Construction) of the Fort Bragg Municipal Code

ISSUE:

At the September 23, 2019 City Council meeting, the City Council provided staff direction to develop a Development Impact Fee Deferral Program for Council approval. The Development Impact Fee Deferral Program was brought forward to City Council in advance of the full Business Development, Economic Development and Housing Development Incentives Policy Manual, so that the new program to defer water and wastewater capacity fees could be applied to the current Habitat for Humanity of the Mendocino Coast's current project, which consists of two affordable housing units at 630 and 640 Dubois.

City Council provided direction at that meeting which has been incorporated into the proposed Development Impact Fee Deferral Program as set forth in proposed Ordinance 954-2019.

ANALYSIS:

Development fees generally fall into two categories: service fees and impact fees. Service fees cover the cost of staff time and overhead. These directly offset the cost of providing the service and by law must not exceed the reasonable cost to provide the service. Service fees include: plan review fees, building permit fees, grading fees and encroachment permits.

Development impact fees are one-time charges applied to new development and expansion to provide funding for the increased need for City infrastructure impacted by the service needs of new development. Fort Bragg collects three development impact fees and has a current moratorium on a fourth – Parking in Lieu Fees. Those currently collected are:

1. Water System Capacity Fee
2. Wastewater System Capacity Fee
3. General Plan Maintenance Fee

Development impact and permit fees are often cited as a hurdle to development, particularly in California. In response, a number of jurisdictions have created programs to provide for deferral of some of these fees, to encourage construction of residential and/or nonresidential development projects. The fact that development fees are generally accumulated over years then used to pay for future projects, as opposed to current expenses, makes it easier to defer their collection. Current accumulated balances for the City of Fort Bragg Development Impact Fees are set forth below:

Development Impact Fee	Balance 06/30/2019*
General Plan Maintenance	\$ 254,812
Parking -In-Lieu	\$ 33,571
Water System Capacity	\$ 198,085
Wastewater System Capacity	\$ 349,329

* Preliminary figures subject to audit and final adjustments.

At the September 23, 2019 meeting, City Council provided the following staff direction on development of a Development Impact Fee Deferral Program.

1. City Council concurred with implementing a water and wastewater Capacity Fee Deferral Program.
2. City Council agreed to allow the General Plan Maintenance Fee to be deferred, but will address deferral when a review of that fee is brought back to City Council.
3. City Council agreed that developers or owners must pay 20% of the Development Impact Fees to qualify for the program. However, affordable housing projects and nonprofits may qualify for deferral of 100% of the development impact fees.
4. Residential housing projects with total development impact fees of less than \$15,000 may defer payment of those fees until the finaling of the project.
5. Other incentives will be discussed when the Business Development, Economic Development and Housing Development Incentives Policy Manual and General Plan Maintenance Fee is addressed by Council.
6. Interest will be charged at the City's investment rate, which is the amount the City would receive on its investments in the Local Area Investment Fund (LAIF). (*This was 2.28% for the month of September, 2019.*)
7. Deferral period will be the staff recommended two- or three-year period.
8. Affordable Housing Projects may defer interest until the project is finalized.
9. No impact fees will be waived in part or in total.

Proposed Ordinance 954-2019 incorporates the above direction into a comprehensive program. The Ordinance is structured so that the City Council may add or remove an impact fee, such as the General Plan Maintenance Fee, from the program as fees are modified or added to the City's Development Impact Fees.

The proposed Ordinance incorporates the definition of *Affordable and Inclusionary Housing* and *Residential Development Project* set forth in the City's Inland Land Use and Development Code, so that the term is used consistently with other aspects of the development code. As written, the Ordinance provides for the option of collecting a fee to offset the cost of deferral fee program and has an expiration date of June 30, 2022, so staff and the City Council have an opportunity to review the program and its impacts and proactively extend it or allow it to automatically expire.

RECOMMENDED ACTION:

Introduce by title only and waive the first reading of Ordinance No. 954-2019 adding Chapter 15.36 (Deferral of Development Impact Fees).

ALTERNATIVE ACTION(S):

1. Provide staff alternative direction on the text of the proposed change to the City Code.
2. Do not introduce the Ordinance.

FISCAL IMPACT:

Deferral of fees will impact the timing of revenue collection but if interest is charged at the current investment rate, which as of this report was 2.28%, the City will be compensated for the deferral. Capacity fees are built up over years and used for appropriate projects when funds are available and projects are necessitated. Delayed collections will likely have only minor impacts on the timing of projects and the City's ability to offset the impact of growth on City infrastructure.

GREENHOUSE GAS EMISSIONS IMPACT:

If a Capacity Fee Deferral Program is successful and encourages development that would not otherwise have occurred, greenhouse gas emissions will be increased by the construction activities of the new projects.

CONSISTENCY:

At the City Council Goal Setting Retreat on March 27, 2019, the City Council established three goals which support allowing developers and property owners to defer payment of water system and wastewater system capacity fees.

1. Jobs/Industry: Become more business and customer service friendly.
2. Jobs/Industry: Foster and help sustain local businesses.
3. Housing: Streamline permitting process and pursue creative approaches to fees.

IMPLEMENTATION/TIMEFRAMES:

If the proposed Ordinance 954-2019 is introduced on November 12, 2019 and adopted on November 25, 2019, it will become effective thirty (30) days later on December 25, 2019.

ATTACHMENTS:

1. Proposed Ordinance
2. Minutes of the 9-23-2019 City Council Meeting

NOTIFICATION:

1. N/A