

CITY OF YUBA CITY  
STAFF REPORT

**Date:** October 20, 2009  
**To:** Honorable Mayor & Members of the City Council  
**From:** Community Development Department  
**Presentation By:** Aaron M. Busch, Community Development Director

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**Summary**

**Subject:** Planned increase to the City's Development Impact Fees.

**Recommendation:** Provide staff with direction regarding the planned increase to the City's Development Impact Fees.

**Fiscal Impact:** None

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**Background:**

At the October 16, 2007 City Council meeting, the Council conducted a public hearing for a proposed AB 1600 update to the City's Development Impact Fees and ultimately approved the new fee updates with a phased-in implementation schedule. The proposed phase-in of the ultimate fees was due to the condition of the economy for the past two years. The Council approved the following implementation schedule with the adoption of Resolution 07-101:

**Residential Projects:** For 2008, a one year "freeze" of 2007 impact fees; plus annual inflationary adjustment; plus full levee fee. Beginning January 2009, initiate incremental increase (33% of ultimate fee), with achievement of ultimate fee in January 2011.

**Non-Residential Projects:** For 2008, a one year "freeze" of 2007 impact fees; plus annual inflationary adjustment; plus full levee fee. At the end of 2008, Council to revisit the issue of impact fees for non-residential uses and determine: 1) if the freeze should be extended for one more year; or, 2) should the City initiate an incremental increase (33% of ultimate fee) beginning year two (January 2009), with achievement of ultimate fee in January 2011.

On November 18, 2008, the City Council decided to proceed with the planned incremental increase (33% of ultimate fee) beginning year two (January 2009), with achievement of ultimate fee in January 2011. At the same meeting, the Council reconfirmed their desire to proceed with the planned incremental increase (33% of the ultimate fee) for residential projects as well.

On March 17, 2009 the City Council reviewed a request from Interwest Homes to reduce the development impact fees to the 2004 rates for the completion of the Canterbury Estates residential subdivision which had been abandoned by the prior developer. After lengthy discussion regarding the validity and the appropriateness of the fee reduction request, Council directed staff to prepare an Agreement for their future consideration. This action was based on the premise that the proposal would result in the abatement of a blighted project and would produce new economic development opportunities within the community and provide new permit revenue for the City that may otherwise not occur.

On June 2, 2009, the City Council approved an Agreement with Interwest Homes that allowed Interwest to utilize the 2004 development impact fee rates for up to 24 units or for one year from the date of the agreement, whichever occurs first. At the same meeting, the Council also approved a Resolution which provided a similar fee reduction (2004 fees) to the first 24 citywide units or for one year from the Council's action. The purpose for this action was to provide other homebuilders with a similar opportunity for reduced fees in effort to promote new residential development within the community.

Prior to the fee reduction, a total of nine building permits were issued between January, 2009 and June, 2009. Since the Council's action to provide reduced fees for Interwest and on a citywide basis, there have been nine building permits issued for Interwest and four issued citywide.

**Analysis:**

The City's Development Impact Fees are planned for a scheduled incremental increase of 33% of the ultimate fee beginning on January 1, 2010. Provided below is a summary of the planned impact fee increases for both residential and non-residential projects. Please be advised that the fee numbers shown below do not include water, sewer, drainage, Sutter County fees, or annual inflationary adjustments. The fee amounts below (including the 2004 fees) do include the levee fee component.

Land Use	2004 Fee	2009 Fee	2010 Fee	2011 Fee (ultimate fee)
Single Family Res	\$9,872/d.u.	\$16,804/d.u.	\$20,095/d.u.	\$23,386/d.u.
Commercial	NA	\$7.44/s.f.	\$8.32/s.f.	\$9.21/s.f.
Office	NA	\$2.61/s.f.	\$3.31/s.f.	\$4.00/s.f.
Industrial	NA	\$0.85/s.f.	\$0.85/s.f.	\$0.85/s.f.

While the Development Impact Fees are scheduled for an automatic increase on January 1, 2010, the Council's action of June 2<sup>nd</sup> this year extends the local stimulus plan of utilizing 2004 fee rates (plus current levee fee component) until June 2, 2010, or whenever the balance of the 24 unit pool is completed (whichever occurs first). At this time, there are 15 remaining permits available at the 2004 rate for Interwest, and 20 remaining permits available citywide.

The subject of Development Impact Fees and their effect on building activity is a challenge, especially in this difficult economy. In recognition of these challenges, the Council has made multiple decisions regarding the implementation of the new fee schedule that was intended to promote new development activity including: freezing the existing impact fees for one year; phasing in the new impact fees over a three year period; and, allowing fee reductions to the 2004 fee rate for a specified period of time. Building activity during this time period was as follows: 53 new single family building permits during 2008 calendar year; and, 22 single family building permits so far this calendar year.

**Fiscal Impact:**

None at this time.

**Alternatives:**

If the Council supports the planned scheduled fee increase, with the understanding that the local stimulus plan of utilizing the 2004 fee rates until they sunset is still in place, then no formal action is required. Other potential alternatives for the Council's consideration include:

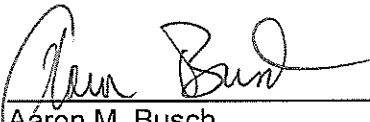
1. Extending the local stimulus plan beyond the existing sunset triggers.
2. Proposing a different reduction in impact fees on a citywide basis for a prescribed period of time.

Should either of the above alternatives, or some other alternative be the preference of the Council, then staff will need to prepare the appropriate report and Resolution for Council's consideration at a future meeting date.

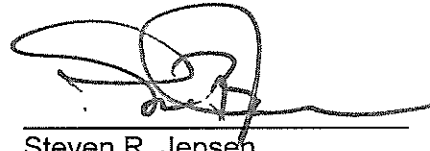
**Recommendation:**

Provide staff with direction regarding the planned increase to the City's Development Impact Fees.

Prepared By:


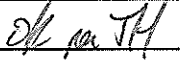
  
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