

STAFF REPORT



ITEM NO. 9 CITY OF OCEANSIDE

DATE: September 2, 2009
TO: Honorable Mayor and City Councilmembers
FROM: Development Services Department
SUBJECT: **TEMPORARY FEE-DEFERRAL PROGRAM FOR DEVELOPMENT IMPACT FEES**

SYNOPSIS

Staff recommends that the City Council adopt an ordinance to implement a fee-deferral program for development impact fees.

BACKGROUND

Development impact fees are imposed by the City as a condition of development approval for the purpose of financing capital improvements. City Code states that impact fees shall be collected at the time of building permit issuance for all development projects.

Various cities in California have considered deferral of impact fees as a way to encourage economic development and job formation during the current economic decline. The development community has requested that the City consider the implementation of an impact fee-deferral program to reduce encumbered finances during the building phase of land development. On June 17, 2009, the City Council directed the City Manager to develop a fee-deferral program for the temporary deferment of development impact fees.

ANALYSIS

The fee-deferral program is intended to respond to the current market conditions; therefore, the program is proposed as a temporary one. Impact fees within the City's control may be deferred; deferral of those impact fees which are not under the City's control are excluded from the fee-deferral program. Processing fees to pay for the time City staff spends working on each development application would not be eligible for fee-deferral.

There are several issues to consider regarding an impact fee-deferral program. Primary issues include the delay of capital improvement infrastructure projects, provision to ensure fee payment, evaluating the use of the Statewide Community Infrastructure Program (SCIP), and the duration of the deferral program.

Capital Improvement Infrastructure – In order to assist the City in having sufficient funds to construct needed public infrastructure funded through development impact fees, staff identifies maximum time limits on the deferral of impact fees. These time limits are intended to account for a reasonable construction schedule given the type of project. Deferral of impact fees with no time constraints could effectively reduce Capital Improvement Project (CIP) funding to \$0 for the term of the program.

Residential projects may be deferred until final inspection or twelve months from the date the fee-deferral is approved, whichever comes first. Nonresidential construction may be deferred until final inspection or twenty-four months from the date the fee-deferral is approved, whichever comes first.

Ensure Fee Payment – An additional agreement will be required between the City and the property owner when the building permit is issued to ensure the payment of all fees. At a minimum, the agreement shall include provisions for:

1. an administrative fee to cover the costs of processing and monitoring the status of the agreement;
2. deferred impact fee payment to occur prior to the final building inspection; and
3. the withholding of occupancy permit(s) for nonpayment.

Obtaining appropriate security from the developer is essential, especially if units are built during a fee-deferral period and the developer either goes out of business or bankrupt prior to payment of the fees. To ensure the fees are collected and proper controls are in place, the agreement will be recorded and constitute a lien against the property. This approach is intended to eliminate the type of situation where all funding is exhausted, construction activities are near completion, and issuance of occupancy is being pleaded for without payment of fees.

Statewide Communities Infrastructure Program (SCIP) – City staff is currently evaluating fee financing programs available through the SCIP. The SCIP provides payment of development fees through the sale of state bonds, secured by the property. Due to the current market for development use of the SCIP in addition to a temporary fee-deferral program appears appropriate.

Program Duration – Many of the cities that have implemented these measures have instituted a sunset clause because the action is deemed a temporary measure to be used during time of economic distress. The City Council may consider extending the deferral if current economic conditions remain. An initial sunset date of June 30, 2012, with one or two twelve (12) month extensions should be considered.

It will be difficult to measure the direct positive influence of a fee-deferral program as an economic stimulus for the developer; however, the intent is to stimulate new development. Revisions to this program will be executed administratively by City staff, as appropriate.

FISCAL IMPACT

The additional costs to implement the program are a result of increased staff demand associated with processing and monitoring the fee deferral program. A standard application and administrative fee of \$250 per project should be established to address the additional costs; the fee adequacy to recover costs can be reviewed and adjusted as necessary. The deferral of impact fees may influence the timing of some capital projects. A provision for City staff to evaluate the effect of each application has been incorporated into the program. The evaluation process will help identify the specific impacts to the given capital fund and minimize delays to priority public infrastructure projects.

COMMISSION OR COMMITTEE REPORT

Does not apply.

CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

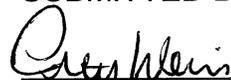
Staff recommends that the City Council adopt an ordinance to implement a fee-deferral program for development impact fees.

PREPARED BY:



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SUBMITTED BY:



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Jerry Hittleman, City Planner
Jim Zicaro, Chief Building Official
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ATTACHMENTS:

- 1. Ordinance
- 2. Temporary Impact Fee Deferral Program
- 3. City of Oceanside Impact Fees Table
- 4. BIA Impact Fee Deferral Matrix
- 5. Statewide Communities Infrastructure Program Information

1 WHEREAS, the City recognizes that establishing a payment plan for certain fees may
2 assist in the development of projects and provide jobs and growth in the City; and

3 WHEREAS, this Ordinance establishes a payment plan for certain impact fees for a
4 specified period of time.

5 NOW THEREFORE, the City Council of the City of Oceanside does ordain as follows:

6 SECTION 1. Purpose.

7 The City Council of the City of Oceanside recognizes the extraordinary fiscal challenges
8 faced by the development community due to general economic downturn and by this Ordinance
9 encourages construction of residential and commercial development projects within the City.
10 The City Council finds that the payment of certain impact fees for new development at the
11 building permit stage, in the current financial climate, discourages such development and
12 desires, by the adoption of this Ordinance to encourage new construction by establishing a
13 payment plan for certain development impact fees.

14 SECTION 2. California Environmental Quality Act.

15 The City Planner has determined that the proposed Ordinance is not a “Project” as
16 defined under Section 15378 of the CEQA guidelines, therefore, pursuant to Section
17 15060(c)(3) of the CEQA guidelines the activity is not subject to CEQA review.

18 SECTION 3. Definitions.

19 “Applicant” means the owner of the real property or the developer with an approved
20 development project who seeks a development impact fee payment plan pursuant to this
21 Ordinance.

22 “Approved Residential Development Project” means a market rate residential
23 development consisting of single-family or multi-family residential units sold or rented at
24 prevailing market rates and free of any affordability restrictions which has received final
25 discretionary action by the City and which is in compliance with all environmental requirements
26 due prior to issuance of a building permit.

27 “Approved Development Project” means a nonresidential development which has
28 received final discretionary action by the City and which is in compliance with all

1 environmental requirements due prior to issuance of a building permit.

2 SECTION 4. Development Impact Fees Subject to Payment Plan

3 Notwithstanding the provisions of Article 32B of the Oceanside Municipal Code and the
4 Ordinances listed below, the provisions of this Ordinance shall apply only to the following
5 development impact fees:

6 (a) The Wastewater System Buy-in Fee codified in Oceanside City Code § 29.11.1.

7 (b) The Water System Buy-in Fee codified in Oceanside City Code § 37.56.1.

8 (c) The Public Facilities Fee established pursuant to Ordinance No. 91-09.

9 (d) The Traffic Signal Fee established pursuant to Ordinance No. 87-19.

10 (e) The Thoroughfare Fee established pursuant to Ordinance No. 83-01.

11 (f) The Parkland Dedication Fee established pursuant to Ordinance No. 91-10.

12 (g) The Drainage Fee established pursuant to Ordinance No. 85-23.

13 (h) The Inclusionary Housing in-lieu fee for residential projects codified in Chapter
14 14-C of the Oceanside City Code.

15 SECTION 5. Establishment of the Development Impact Fee Payment Plan Program
16 (hereafter "DIFP")

17 (a) The DIFP is established for those development impact fees listed in Section 4
18 above.

19 (b) The DIFP shall apply only to Approved Residential Development Projects and
20 Approved Development Projects as defined in this Ordinance.

21 (c) At the time the Applicant applies for a Building Permit, the Applicant may file an
22 application with the City to request a DIFP for any or all of those development impact fees
23 listed in Section 4.

24 (d) The Applicant shall deposit with the City a non-refundable fee of \$250 for the
25 processing of the DIFP application. No building permit shall be issued for an Approved
26 Residential Development or Approved Development Project subject to this Ordinance unless
27 the Applicant has paid this processing fee.

28 (e) The Applicant, and the owner of the property, if different, shall be required to

1 enter into an agreement with the City, in a form acceptable to the City Attorney, agreeing to the
2 DIFP.

3 (f) The maximum period for any DIFP pursuant to this Chapter is 12 months from
4 the date of issuance of building permits for Approved Residential Development Projects and 24
5 months from the date of issuance of building permits for Approved Development Projects. This
6 period may be extended once for 12 months at the discretion of the City Manager. Any
7 additional extensions shall be at the discretion of the City Council.

8 (g) All fees subject to the DIFP shall be paid in full the earlier of (1) the City's
9 approval and signature on the final inspection card by the Building Official or designee for an
10 Approved Residential Development Project; or (2) the issuance of the Certificate of Occupancy
11 for an Approved Development Project; or (3) the end of the maximum period described in
12 subsection (f) of this Section.

13 SECTION 6. Agreement Shall Constitute a Lien

14 The Applicant and the owner of the property, if different, shall execute a DIFP
15 Agreement with the City. The Agreement shall be recorded by the City and shall constitute a
16 lien against the property for the payment of the fees. The City Manager shall execute the
17 Agreement on behalf of the City. When the obligation is paid in full, the City shall record a
18 Release of the Lien.

19 SECTION 7. Determination of the Amount of Development Impact Fees

20 The amount of development impact fees owed by the Applicant shall be determined by
21 the City pursuant to the provisions outlined in the Oceanside City Code or in the ordinances and
22 resolutions establishing the fees. These amounts shall be fixed as of the date of the execution of
23 the DIFP Agreement by the City. The amounts of these fees shall not change as long as the
24 Applicant is in full compliance with all provisions and requirements of this Ordinance and
25 DIFP Agreement. If, however, the Applicant fails to comply with all the provisions and
26 requirements of this Ordinance or the Agreement, the City may adjust the development impact
27 fees to reflect the current rates for the fees.

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1 SECTION 8. Not Transferable.

2 The City's approval of a DIFP is not transferable to any other project, even if the
3 Applicant is the same and the other project would qualify for the DIFP.

4 SECTION 9. Recordation Costs

5 The Applicant shall pay all costs of recordation of documents required pursuant to this
6 Ordinance and the DIFP Agreement at the execution of the DIFP Agreement by the City.

7 SECTION 10. Sunset Provision.

8 This Ordinance shall expire on June 30, 2012, and as of that date, is repealed unless
9 extended by future action of the City Council.

10 SECTION 11. Notice is hereby given that the time within which judicial review must be
11 sought on this decision is governed by CCP Section 1094.6.

12 SECTION 12. This Ordinance shall not be codified.

13 SECTION 13. The City Clerk of the City of Oceanside is hereby directed to publish the
14 title of this Ordinance once within fifteen (15) days after its passage in the North County Times,
15 a newspaper of general circulation published in the City of Oceanside. This Ordinance shall
16 take effect and be in force on the thirtieth (30th) day from and after its final passage.

17 INTRODUCED at a regular meeting of the City Council of the City of Oceanside,
18 California, held on the ____ day of _____, 2009, and, thereafter,

19 PASSED AND ADOPTED at a regular meeting of the City Council of the City of
20 Oceanside, California, held on the ____ day of _____, 2009, by the following vote:

- 21 AYES:
- 22 NAYS:
- 23 ABSENT:
- 24 ABSTAIN:

25 MAYOR OF THE CITY OF OCEANSIDE

26 ATTEST:

27 APPROVED AS TO FORM:

28 _____
CITY CLERK


CITY ATTORNEY

TEMPORARY
DEVELOPMENT IMPACT FEE
DEFERRAL PROGRAM



City of Oceanside
Development Services Department
300 N. Coast Highway
Oceanside, CA 92054

Impact Fee Deferral Program

In order to help stimulate economic development and be responsive to the needs of our customers, the City of Oceanside is offering an impact fee deferral program. Rather than requiring developers to pay all “development impact fees” at the same time a building permit is issued, developers may request approval to defer the payment of select impact fees.

Program Highlights:

- Available to all new construction, including residential, retail, office and industrial
- Payment due at final inspection or as designated within the approved application, whichever comes first.
- Deferred fees shall be paid at the rates applicable at the time of payment
- Deferrals apply to City controlled impact fees only

Eligible Development Impact fees:

Fees within the City’s control may be deferred. Deferral of fees that are collected by the City and passed through directly to the City’s regional partners will require the approval of the regional partner with an agreement between the City and the other agency.

The following is a list of fees eligible for deferral:

- Wastewater System Buy-in Fees
- Water System Buy-in Fees
- Public Facilities Fees
- Park Fees
- Drainage Fees
- Thoroughfare and Bridge Fees
- Signalization Fees
- Inclusionary Housing Fees

The City will determine, at its discretion, and subject to approval by the City Manager, the amount of the fees that can be deferred. The City will be reviewing anticipated cash outlays and/or contracts related to specific development impact fees considered for deferment to determine which fees may be deferred at any point in time.

Non-Eligible fees:

- Building Permit Fees
- Processing Fees
- Plan Review Fees
- School Fees
- San Diego County Water Authority Fees
- Fee Deferral Application Fee - this fee will cover time City Staff spends working on each development application

Sunset for Impact Fee Deferral Program:

This program is intended as a temporary response to the current economic distress and will expire on June 30, 2012. City Council may consider extending the deferral program for one or two twelve (12) month periods.

Non-Residential Project Criteria (Meeting one or more of the following findings):

- Creates at least 25 full-time jobs
- Increases annual tax revenue by at least \$5,000
- Project located in Redevelopment Project Area
- Project is determined to be a “Catalyst Project” that will further economic development goal and objectives

Project Qualifications:

To participate in the deferral program, all outstanding City invoices, fees and taxes must have been paid in full.

Property owners are encouraged to utilize the Statewide Communities Infrastructure Program (SCIP) to finance their impact fees whenever possible. More information on SCIP can be found at City Hall or the City’s website, at www.ci.oceanside.ca.us

Fee Deferral Time Limits:

- **Non-residential project** – fees may be deferred until final inspection or twenty four (24) months from the date the fee deferral is approved, whichever comes first.
- **Residential projects** – Fees may be deferred to the final inspection or twelve (12) months from the date the fee deferral is approved, whichever comes first.

Processing Fee:

The Fee Deferral Program is expected to result in costs to the City to implement and service the program. The fee for processing the deferral applications shall be \$250 per application.

Issuance of Building Permit:

Prior to the anticipated date of issuance of building permit, applicants should submit a fee deferral application to either Building staff for residential projects, or the Economic Development staff for non-residential projects. The Finance Director will then review the application and seek final approval from the City Manager. Building permits will be issued following approval of the application.

Payment of Fees:

Payment of deferred impact fees is due at final inspection or as designated within the approved application, whichever comes first. Deferred fees shall be paid at the rates applicable at the time of payment.

How Do I Apply?

Applications may be obtained by contacting the City of Oceanside Economic Development Department at (760) 435-3352 or the Building Division at (760) 435-3950.

Completed applications should be submitted to:

- Building Division Counter – for residential deferrals, or
- Economic Development Department – for non-residential fee deferrals

Upon approval, the City will contact each applicant to inform them they may obtain permits at the Building Division Counter.

CITY OF OCEANSIDE

IMPACT FEES FOR NEW DEVELOPMENT

For information only, not intended to be a final calculation.

FEE CATEGORY	METHOD OF CALCULATION	FEE	WHEN REQUIRED	WHEN DUE
Public Facility Residential	Calculated per unit	\$2,072 per unit	New development only	Prior to Building permit issuance.
Public Facility Non-Residential	Calculated per square foot	\$713 per thousand sq. feet	New development only	Prior to Building permit issuance.
Parks (Residential Only)	Calculated per unit	\$3,503 per unit	New development only	Prior to Building permit issuance.
Traffic- Residential Thoroughfare = \$255 per trip Signal = \$15.71 per trip	Calculated by trip generation: Single-family (10 trips per day) Condominiums (8 trips per day) Multiple-Family (apts.) (6 trips per day)	(Thoroughfare & signal combined) \$2,707.10 (single-family) \$2,165.68 (each condo) \$1,624.26 (each apt.)	Not area specific. Triggered by new dwelling unit construction.	Prior to Building permit issuance.
Traffic-Non-Residential Thoroughfare = \$255 per trip (A 75% discount will be given on the total dollar amount calculated for the Thoroughfare fee only.) Signal = \$15.71 per trip See <u>Engineering Division for detailed trip generation guide from SANDAG-your project's amount could differ.</u>	Calculated by trip generation SAMPLES below: Industrial/Business park w/commercial uses 16 trips per 1000 S.F. of building space. Industrial/Business Park with no commercial use 8 trips per 1000 S.F. of building space Commercial (strip commercial/specialty retail) 40 trips per 1000 S.F. of building space Commercial (24 hour convenience market) 700 trips per 1000 S.F. of building space	(Thoroughfare & signal combined) \$1,271.36/1,000 S.F. of bldg. \$476.76/1000 S.F. of bldg.	Not area specific. Triggered by new construction or expansion to existing commercial properties.	Prior to Building permit issuance.
Schools-Residential	Calculated per square foot	\$2.63 per sq. ft. (Oceanside 6-13-06); \$2.63 per sq ft for Fallbrook; \$2.63 per sq. ft. for Vista	New development.	Prior to Building permit issuance.

FEE CATEGORY	METHOD OF CALCULATION	FEE	REQUIREMENTS	DUE
Schools- Non-Residential (Commercial and Industrial)	Calculated per square foot	\$0.42 per sq. ft. (Oceanside 6-13-06) \$0.42 per sq.ft. (Vista and Fallbrook 4-24-06)	Paid directly to school district for new development.	Prior to Building permit issuance.
Drainage and Flood Control	Calculated per acre and drainage basin	\$2,843--\$15,964 depending on location	Fees are area specific for new development and increases of over 50% of the footprint of an existing dwelling unit. Where applicable, fees are collected prior to the recordation of maps.	Prior to Building permit issuance.
Wastewater Buy-In Fee- Residential and non-residential	Calculated per water meter size.	5/8" = \$6,313 (typical dwelling) 1" = \$15,782 2" = \$50,501 (See Water Utilities Dept. for other meter costs)	New connections to system.	Prior to Building permit issuance.
Water Buy-In Fee- Residential and Non-Residential;	Calculated per water meter size.	5/8" = \$4,597 (typical dwelling); 1" = \$11,492 2" = \$36,775 (See Water Utilities Dept. for other meter costs)	New connections to system.	Prior to Building permit issuance.
San Diego County Water Authority-Residential and Non-Residential	Figure is for less than one-inch meter (which would be typical for a single family dwelling)	\$4,326 (for typical dwelling) \$22,495 for 2" meter for non-residential. (See Water Utilities Dept.)	New connections to system.	Prior to Building permit issuance.
Inclusionary housing in lieu fees-Residential only.	Calculated per development project and unit. New calculation done early each calendar year. Only applies to projects of 3 units or more. Only required if units are not provided by developer for low and moderate-income families.	\$1,000 per development project + \$100 per unit plus \$10,275 per unit (effective 6-17-02).	Construction of 3 or more units.	Prior to Building permit issuance.

Local Impact Fee Deferral/Reduction Matrix

6-24-09

Fee Reductions	Fees Deferred or Reduced	Date Deferral/Reduction Ordinance Became Effective	Date Deferral/Reduction Ordinance Expires (if any)	Fee Payment Deferred Until	Bonding or Letter of Credit Requirements
	<p>Fresno County</p> <p>County of Fresno</p> <ul style="list-style-type: none"> • Fire Facilities • Police Facilities • Parks Capital • Quimby Parkland • Traffic Signal • Major Street • Community Sanitation <p>Total deferred - \$11,856</p>	2002	None	Upon Certificate of Occupancy	NO
	<p>City of Clovis</p> <ul style="list-style-type: none"> • Fire Facilities • Police Facilities • Parks Capital • Traffic Signal • Major Street • Community Sanitation • Underground Utilities <p>Total deferred - \$15,601</p>	1998	None	Upon close of escrow	NO
	<p>Imperial County</p> <p>County of Imperial</p> <ul style="list-style-type: none"> • General Government; SF \$1,699, MF \$977 • Sheriff; SF \$936, MF \$727 • Parks and Recreation; SF & MF \$452 • Fire; SF \$1,273, MF \$977 • Public Works; SF \$1,894, MF \$1,453 <p>Total deferral: SF \$6,254, MF \$4,933</p>	April 1, 2008	12 months w/ possible 12 month extension	At application for Certificate of Occupancy/ Final Inspection	NO
✻	<p>Imperial County Air Pollution Control District (DC)</p> <p>Rule 310 Operational Development Fees Cut by 50% to:</p> <ul style="list-style-type: none"> • \$258.00/SFU • \$196.50/MFU • \$0.80/sq.ft. Corn 	February 3, 2009	12 months w/ possible 12 month extension	At application for Certificate of Occupancy/ Final Inspection	NO

	City of Brawley (DC)	Development Impact Fees Delayed increase of \$8,596	January 1, 2008	Undetermined	At Building Permit	NO
	City of El Centro (DC)	Development Impact Fees	June 1, 2008	Undetermined	On a case-by-case basis after meeting w/ builder and a review of market conditions	Negotiated
	(4) El Centro School Districts (DC) McCabe Elementary Central Union High School Heber Elementary El Centro Elementary	School Fees – Average Combined \$5.00/sq.ft. Demanding \$15.10 - \$18.00/sq.ft. Extorting thru delay tactics in CEQA process	May 1, 2009	N/A	City has backed the industry, denied Marshall Krupp's (Districts) tactics, approved EIR	N/A
	City of Imperial (DC)	Development Impact Fees	August 1, 2008	12 months w/ possible 12 month extension	At application for Certificate of Occupancy/Final Inspection	Negotiated signed agreement at building permit
Madera County						
	County of Madera	Street Impact Fees	2000	None	Upon Certificate of Occupancy	NO
	City of Madera	<ul style="list-style-type: none"> • Park Facilities • Street Impact • Traffic Signal 	2001	None	Upon Certificate of Occupancy	NO
Orange County						
	City of Irvine	<ul style="list-style-type: none"> • System Development Charges • IBC Development Impact Fees • Park Fees • Street Slurry Seal Fees • Affordable Housing In-Lieu Fees Total deferral - Up to \$33,000 per unit Reduced DIF fees by 26% for 5 years	Approved	7/23/2009	Upon issue of Certificate of Occupancy	NO

*	City of Santa Ana	One year deferral up to \$15,852	Approved	10/1/2009	Upon issue of Certificate of Occupancy	NO
	City of Mission Viejo	7% decrease in Building & Planning Fees Permanent deferral of all DIF's	Approved	None	Upon issue of Certificate of Occupancy	
*	County of Orange	Impact Fees – does NOT include Police or Fire Total deferral - Up to \$40k per unit	Approved	5/8/2009	Upon issue of Certificate of Occupancy	NO
	City of Orange	7% decrease in Building & Planning Fees <ul style="list-style-type: none"> Police facility fee Park impact fees Library impact fees Fire protection facility impact fees Transportation systems improvement program fees Quimby park fees Total deferral - Up to \$13k per unit	Approved	None	Upon issue of Certificate of Occupancy	NO
	City of Anaheim	<ul style="list-style-type: none"> Parks Electrical Service fee Drainage fee Signal impact fee Traffic and Roads impact fee Total deferral - Up to \$10k per unit differed	Approved	7/5/2010	Upon issue of Certificate of Occupancy	NO
	City of Tustin	TBD – Based on density	Approved	10/1/2009		
	City of Huntington Beach	Total Deferral – up to \$30,000	Approved	3/30/2010		
	City of Costa Mesa	TBD Deferral Program	Pending			
	City of Fullerton	TBD Deferral Program	Pending			
	Anaheim Union High School District	School Fees - \$20,000	Approved	12/31/2009	Upon issue of Certificate of Occupancy	
	OC Sanitation District	Enabling Resolution for Deferral – Approx \$5,000	Approved	7/31/09		
Riverside County						
	County of Riverside	Impact Fees		None	At application for Certificate of Occupancy/ Final Inspection	

	Deposit Based Fees for Transportation/Plan Check	16-Jan-08	None	Deposit prior to inspection 2% instead of 3 of construction cost - \$50,000 max. initial deposit	
	Deposit Based Fees for Transportation/Inspection Fees	16-Jan-08	None	Deposit prior to inspection 3% removed deposit for water and sewer construction costs - \$75,000 max. initial deposit	
	<ul style="list-style-type: none"> • Administrative program processing fee • Development impact fee • Fire protection facilities fee • General facility and equipment fee • General plan • Park land fee • Police facilities fee • Solid waste facility and equipment fee • Traffic control facility fee • Water capital facilities fee 	5-Mar-08	12 months	Upon issue of Certificate of Occupancy	
	Quimby Fees - \$2,193.75 per unit	19-Dec-07	None	From Map Application to Building permit	
	Impact Fees - \$13,745	8-Jan-08	None	Upon issue of Certificate of Occupancy	
	Planning and Service Fee Increase	13-Dec-07	Six (6) months w/ possible extension	At submittal for service deposit based	N/A
	\$5,217/DU reduction (32%) in Development Impact Fees and a deferral of DIF collection until "prior to final building inspection"	February 2009	July 2012		
	40% reduction of development impact fees	Approved (5/6/2009)	Two years (May 2011)		
✿					
✿					

City of Perris	Deferral of all impact fees to COO					Upon issue of Certificate of Occupancy	
City of Lake Elsinore	Deferral of all impact fees to COO					Upon issue of Certificate of Occupancy	
City of Hemet	Deferral of all impact fees to COO					Upon issue of Certificate of Occupancy	
City of San Jacinto	Deferral of all impact fees to COO					Upon issue of Certificate of Occupancy	
Eastern Municipal Water District	District postponed the imposition of an approved fee increase of over \$3,000 per EDU. (Approved (May, 2008) but not instituted fee \$10,427.00/EDU. Fee until July 1, 2009 \$7,275/EDU. Savings:\$3,152.00/EDU)	April 1, 2009			July 1, 2009		
Western Riverside Council of Governments	TUMF Master Ordinance					Upon issue of Certificate of Occupancy	
City of Menifee	Reduction of Development Impact Fee's by \$2,585.70 per Single Family Dwelling Unit (current DIF is \$5,185.00)	July 1, 2009			June 30, 2010 or upon the issuance of 500 permits (whichever comes first)		
Coachella Valley Association of Governments (DC)	Transportation Uniform Mitigation Fee (TUMF) (SFU - \$1,837.44)	September 1, 2008			2010 will see a new nexus study for potential increase	Fees were scheduled to increase twice during this time period based on ENR-CCI	
	Coachella Valley Multiple Species Habitat Conservation Plan (CVMSHCP) – Local Development Mitigation Fee (FDMF) (SFU - \$1,284)	October 2, 2008			None – Subject to periodic review	Fees do upon application for Certificate of Occupancy	

✿	Coachella Valley Water District (DC)	Water System Backup Facility Charge; Supplemental Water Charge; Sanitation Charge	December 24, 2007	12 months w/ possible 12 month extension	Fees due at close of Escrow or no later than six months after installation	Negotiated signed agreement – Board Approval
		Water System Backup Facility Charge \$3,557 proposed \$3, 755 (\$198 difference) Supplemental Water Charge \$9, 530 proposed \$17, 027 (\$7, 497 difference)	September 1, 2008 Extended May 2009	July 1, 2010 For evaluation	Will delay increasing valid fee rates until mid-2010	NO
		Sanitation Capacity Charge \$3, 995 proposed \$4,231 (\$235 difference)	May 1, 2009	July 1, 2010 For re-evaluation	Will delay increasing valid fee rates until mid-2010	NO
	Coachella Valley Unified School District (DC)	School Impact Fees Reduced from \$3. 78 to \$3.00 due to legal challenge	June 24, 2009	12 months or until next SFNA	Fees due at Building Permit	NO
	City of Desert Hot Springs (DC)	Development Impact & Public Art Fees – Tolling Agreement Proposed \$11,000 increase w/o basic nexus support	April 20, 2009	N/A	Outlined terms of agreement reducing proposed fee \$6,600	N/A
	Desert Water Agency (DC)	Backup Facility Charges – Supplemental Imported Water Charges	September 20, 2007	12 months w/ possible 12 month extension	Fees due at Escrow	Negotiated signed agreement
	City of La Quinta (DC)	Delayed Implementation of adopted / supportable Development Impact Fee increases on residential construction	October 7, 2008	w/ possible 12 month extension	Fees due at Building Permit	N/A
	City of Palm Springs (DC)	Public Arts and Quimby Fees	February 4, 2009	12 months w/ possible 12 month extension	At application for Final Inspection/Certificate	Not Stated
		Planning Land Use, Inspection Fees	February 4, 2009	12 months w/ possible 12 months extension	Delayed implementation of fee increase	N/A
San Bernardino County						

	San Bernardino	<p>Total Deferral: Single Family Detached (SFD) – \$15,506.60 Single Family Attached (SFA) – \$10,997.20</p> <ul style="list-style-type: none"> • Law enforcement facilities, vehicles and equipment; SFD, \$535; SFA, \$474 • Fire suppression facilities, vehicles and equipment; SFD, \$663; SFA, \$818 • Regional circulation system; SFD, \$2,435; SFA, \$1,626 • Local circulation system; SFD, \$195; SFA, \$130 • Quimby Act Parkland and open space acquisition and park improvement; AB 1600 parkland and open space acquisition and park improvement; SFD, \$6,688; SFA, \$5,293 • Library facility and collection; SFD, \$534; SFA, \$423 • Public meeting facilities; SFD, \$765.60; SFA, \$605.60 • Aquatics facilities; SFD, \$273; SFA, \$216 • Storm Drain Development; SFD, \$3,418; SFA, \$1,411 	Pending	None	Upon issue of Certificate of Occupancy	
	Victorville	<ul style="list-style-type: none"> • Roads, \$4,470.05 • Fire, \$328.81 • Police, \$139.07 • Parks, \$5,054.87 – Temp. Adjustment, \$0 • Facilities, \$1,334.35 – Temp. Adjustment, \$0 <p>DIF Fees dropped from \$11,300 to \$4,900 per unit</p>		Six (6) months w/ possible extension	Upon issue of Certificate of Occupancy	
Tulare County						
	County of Tulare	<ul style="list-style-type: none"> • Law Enforcement • Fire • General Facilities • Streets • Water • Sewer • Storm Drainage • Parks & Recreation <p>Impact Fees - \$6,963 – \$9,155 per lot</p>	Mid-1990s	None	Upon issue of Certificate of Occupancy/Final Inspection	

	City of Visalia	All Development Impact Fee's deferred	1994	Ongoing		
	City of Porterville	All Development Impact Fee's deferred	March 2009	Ongoing		
	Farmersville	All Development Impact Fee's deferred	March 2009	Ongoing		
	Porterville Unified School District	School Fees deferred	April 2009	One year		
	Burton School District	School Fees deferred	April 2009	Ongoing		
	Visalia Unified School District	School Fees deferred	June 2009	June 2010		
	Tulare City School District	School Fees deferred	June 2009	June 2010		
	Ventura County					
	City of Ventura	Impact Fees -- Determined on a case by case basis	Approved	Six months w/ possible six month extension	Upon issue of Certificate of Occupancy	
	City of Santa Paula	Impact Fees	Approved		Upon issue of Certificate of Occupancy	
*	City of Thousand Oaks	Temporary rollback of IZ in lieu fees to \$0 Savings: Detached single family dwelling 9,000 dwelling unit Townhouse condo 25,000 dwelling unit	Approved	June 30 th , 2010		
	Placer County					
	City of Roseville	Total Deferral: \$30,092.43 Fees paid at Issuance of Building Permit <ul style="list-style-type: none"> • Fire Service Construction Tax, \$1,107.30 • Public Facilities Fee, \$2,821.50 • Regional Sewer Fee, \$5,815 • Local Sewer Fee, \$305 • Water Connection Fee, \$4,675 • Traffic Mitigation Fee, \$4,411.13 Development Agreement Fees <ul style="list-style-type: none"> • Water meter retrofit program, \$135 • Public Benefit Fee, \$1,280 • General fund contribution, \$1,060 	Approved	31-Dec-08	Close of Escrow \$258 permit processing fee	NO

		<ul style="list-style-type: none"> Traffic signal coordination fee, \$100 South Placer animal control shelter fee, \$50 Transit shuttle service tax, \$52.50 Other Fees <ul style="list-style-type: none"> Electric direction installation fee, \$2,000 Solid waste impact fee, \$410 	Approved	Permanent	Certificate of Occupancy or up to 12 months following issuance of building permit, which ever occurs first.	NO	
	City of Lincoln	Fees deferred: Sewer Water CAT Drainage Community Services Fee Traffic Mitigation Dollar amount depends on location in the city. Could be as high as \$41,521.					
	Sacramento County						
	City of Elk Grove	<ul style="list-style-type: none"> Capital Facilities Fee Affordable Housing Fee Very Low-Income Housing Trust Fund Fee Citywide Roadway Fee \$18,595 for SF* \$11,931 for MF* *Total deferral may depend on project or part of the city.	Approved	The Ordinance implementing the program will expire on June 30, 2010	Issuance of a Final Inspection; OR to the close of escrow OR to the maximum allowed deferral period (24 months) After this period, residential projects may apply for an extension (12 months at the discretion of the City Manager) during which interest will accrue.	NO	
	Yolo County						
	City of Woodland	20% discount on impact fees	Approved				
	Yuba County						



	Yuba County	<ul style="list-style-type: none"> Countywide Capital Facilities Fee; Levee Impact Fee; PLSP/KASA Road Improvement Fee; PLSP/NASA Park Improvement Fee; ELSP Road Improvement Fee; ELSP Park Improvement Fee; Olivehurst Fire Impact Fee; and Linda Fire Impact Fee. 	Pending	June 30, 2010	Final inspection.	NO
Santa Clara County						
	City of San Jose	Park Fees	2007	Varies	Payment of In-Lieu fees may be deferred under a parkland agreement to final inspection for the first certificate of occupancy associated with the use of a residential unit(s)	
Contra Costa County						
	City of San Ramon	Quimby Act park fees *HBANC and city staff are in active discussions regarding additional fee deferral actions	Approved		Deferred until building permit is pulled - Common Quimby Act practice is to collect park fees at final map approval	
	City of Brentwood	Water, wastewater, roadway, community facilities, parks and trails and administration development impact fees			Deferred to COO/Final Inspection	
	City of Concord	*HBANC and city staff are in active discussions regarding developing fee deferral proposal.				
	Tri Valley Transportation Council	*HBANC and city staff are in active discussions regarding developing fee				

		deferral proposal.							
	City of Oakley		Repeal of a child care facility fee	Approved					
	Mt. Diablo Unified School District		School Facility Fees					Deferred to COO/Final Inspection	
	East Contra Costa Habitat Conservation Plan / Natural Community Conservation Plan		The HCP/NCCP provides that the HCP/NCCP Mitigation Fees are to be automatically updated on March 15 of every year. For 2009, the Development Fees have gone down about 11%.	Approved	3/14/2010				
	Central Contra Costa Sanitary District Board		Sewer connection fees deferred to close of escrow	Approved				Close of Escrow	
Alameda County									
*	City of Fremont		10% reduction in development impact fees citywide Creation of a package of specific Central Business District (CBD) incentives including, but not limited to, a reduction of Development Impact Fees by 25% within the CBD area until December 31, 2011. 75% of the fees will be collected during this time.	Approved	12/31/2010			City staff to explore collection of fees at final inspection or Certificate of Occupancy	
	City of Livermore		All development impact fees deferred until COO.	Approved				Upon issue of Certificate of Occupancy	
	Hayward Unified School District		School fees				Ongoing	Upon issue of Certificate of Occupancy	
*	City of Dublin		Reduction to traffic impact fees anywhere from 3 percent to 11 percent Two year moratorium on public art fees for residential and commercial development of 20	Approved					

		units or more.							
	City of Pleasanton	Deferral of impact fees	Approved (two years))		Deferred to COO/COE (which ever occurs first			
	Sonoma County								
	City of Petaluma	DIF's with the exception of the water connection fee which is due at time of setting meter.	Approved	None		Final Inspection or Certificate of Occupancy		NO	
	Napa County								
	City of Napa	Affordable housing in lieu fees				Paid at close of escrow			
	Stanislaus County								
	City of Modesto	Affordable Housing in lieu fees				Upon issue of Certificate of Occupancy			
	San Diego County								
	County of San Diego	Capital facilities fee Removal of affordable housing requirements and set-asides for SFR Fee deferrals from most school districts as in the Modesto MSA due to a pre-existing agreement.				Upon issue of Certificate of Occupancy			
	San Diego County								
*	County of San Diego	Residential and non residential Impact fees are deferred. Deferred fees include: transportation impact fee, Parkland dedication, Drainage and Sewer. Total: \$18,000 Reduced trans impact fees, one year ago, by	Approved			Upon final inspection or Certificate of Occupancy			

		40%.					
	City of Chula Vista	Deferral of development impact fees to Certificate of Occupancy for all development projects.	Approved			Upon Certificate of Occupancy	
*	City of Carlsbad	<p>Reduced Traffic Impact Fees by 25% (\$12 million saved).</p> <p>Savings around \$900 a house (10 ADT's/unit)</p> <p>Summary of NEW fees:</p> <p>Residential</p> <p><i>Outside CFD In CFD*</i></p> <p>\$265/ADT \$224.20/ADT</p> <p>Single Family (10 ADT's/unit) \$2,242/unit</p> <p>Multi-Family Condo (8 ADT's/unit) \$2,120/unit \$1,793.60/unit</p> <p>Apartment (6 ADT's/unit) \$1,590/unit \$1,345.20/unit</p> <p>Commercial/Industrial</p> <p><i>Outside CFD In CFD</i></p> <p>\$106/ADT \$89.68/ADT</p> <p>Retail (40 ADT's/1,000) \$4.24/sq. ft. \$3.59/sq. ft.</p> <p>Com. Shopping Ctr. (80 ADT's/1000) \$8.48/sq. ft. \$7.17/sq. ft.</p> <p>Office (20 ADT's/1,000) \$2.12/sq. ft. \$1.79/sq. ft.</p> <p>Industrial (8 ADT's/1,000) \$0.85/sq. ft. \$0.72/sq. ft.</p> <p>*CFD – Community Facilities District</p>	July 1, 2009	Ongoing		Upon Certificate of Occupancy	
	City of Encinitas	Deferral Approved (exception: drainage fees still collected at Final Map).				Upon Certificate of Occupancy	
	City of Vista	Approved (Traffic Impact Fees Only--project by project).					
	Escondido Union School District	Board reduced fees by 27% from \$3.02/square					

		foot to \$2.19/square foot.						
	Santa Cruz County							
*	Scotts Valley Unified School District	Developer fees reduced from \$6.31 per square foot to \$3.27 per square foot (nearly in half)	May 12, 2010	The fee is set annually				
	Kings County							
	City of Lenmoore	Development Impact Fees deferred	February 2009	Ongoing				
	City of Hanford	Development Impact Fees deferred	April 2009	Ongoing				
	Santa Barbara							
*	City of Santa Maria	<p>Development Impact Fees reduced from \$23,741 per 1,800-square foot home to \$21,498</p> <p>Total reduction: \$2,243</p> <p>Detached single-family home --</p> <p>Police, Fire, Recreation and Parks, City hall, and Corporation Yard Projects: from \$5.07 per square foot to \$4.70 per square foot</p> <p>Traffic Improvements: from \$4.72 per square foot to \$4.37</p> <p>*Charged at a flat rate, water and wastewater fees would rise from \$1,457 to \$1,533 and from \$3,674 to \$3,791, respectively</p>	August 3, 2009	Revised every other year			Upon Certificate of Occupancy	

* Indicates jurisdictions where fees have been reduced.

**MAKING THE CASE FOR
DEVELOPMENT IMPACT FEE DEFERRALS**
Moving Economic Recovery Forward



AUGUST 2009

“Construction is at its heart a manufacturing industry that employs a highly diversified and skilled workforce. Construction is the physical infrastructure for economic prosperity. It is the backbone of a strong economy. Local government as a direct benefactor should foster and embrace a healthy construction industry.”

The construction industry is in need of a jumpstart to regain its role as a primary economic engine of the region. The recovery of the construction industry requires a proactive and effective approach by local government to stimulate construction activity. Simple, easily implemented and uniformly applied economic stimulus measures are required to get construction activity going again.

These measures include permit and entitlement extensions, permit process reform, and development impact fee deferrals. These specific measures have no adverse fiscal impact on local government. Instead, they will stimulate permit and construction activity, stimulate job growth in the construction industry, and reinvigorate fee revenue streams to local government.

This document focuses on a simple, effective, and essential stimulus measure that local government can implement: the deferral of payment of development impact fees. The payment deferral of development impact fees to the end of the construction process but still prior to the impact occurring, will save tens of thousands of dollars in financing costs for a typical project, giving new projects that are otherwise stalled financial viability once again.

Fee Deferrals are a Key Economic Stimulus Measure

The deferred collection of impact fees means a simple change in the timing of when development impact fees, such as traffic fees, park fees, school fees, water and sewer capacity fees, et cetera, are collected. Typically, development impact fees are collected at the Final Map or building permit application process. The total bill of development impact fees for a typical project can reach hundreds of thousands to millions of dollars depending on the type and size of the project. A typical 50-unit housing project would pay on average between \$2.5 and \$3 million in impact fees.

The deferral of development impact fees is simply moving the collection of the fees to a later point in the process, such as the Certificate of Occupancy, Final Inspection, or Close of Escrow. *The collection of the impact fees at this later stage in no way relieves the builder from paying the full fees that are due.* It simply allows the builder to construct the project prior to financing the impact fees, thereby eliminating six months to a year or more of financing costs for impact fees. A 100-unit project with \$5 million in impact fees and a construction loan at 10% would incur \$500,000 in interest charges to finance that fee burden for a year. Deferring the payment of those fees to the end of the construction process becomes a substantial savings that can mean the difference in whether a project moves forward or not.

To date more than 80 jurisdictions around the state have implemented development impact fee deferrals and other key economic stimulus measures to stimulate construction activity, including several local San Diego jurisdictions:

- County of San Diego
- City of Encinitas
- City of Chula Vista
- City of Vista
- City of San Diego
- City of Oceanside (Pending)

Chula Vista is an example of how fee deferrals can create immediate stimulus. The City adopted a fee deferral policy in March of 2009. The previous two months saw no housing start activity. *Within days of enactment of the new fee deferral policy, three major builders submitted building permit applications for a total of 84 new homes.* According to our most recent fee study, these 84 homes will now generate more than \$3 million in impact fees to the City of Chula Vista.

The reason underlying the change in behavior is basic economics. When the fee payment is deferred for six to eight months (the average period between permit issuance and the completion of construction) the builder does not require allocation of scarce capital to pay impact fees and does not incur the financing cost of capital for that period of time. This financial respite has proven to move projects forward resulting in new capital expenditures and a restoration of permit activity and ultimately fee revenues for local government.

Construction Benefits Local Communities

The single largest benefactor of construction activity is local public infrastructure. In a post-Proposition 13 fiscal environment, cities, water districts and school districts rely on development impact fees as a major financing mechanism for capital infrastructure projects.

In addition to offsite infrastructure improvements, the typical residential project contributes between \$40,000 and \$60,000 in development impact fees per home. With normal levels of residential construction in San Diego County being around 15,000 homes per year, that equates to \$600 to \$900 million a year in infrastructure funding from residential construction alone. When impact fee revenue from other forms of construction is added, the total is well over a \$1 billion a year in new infrastructure funding. ¹ It is important to recognize that these impact fee revenues typically include a 1 to 2% administrative component, or roughly \$10 to 20 million annually for San Diego County in revenue which helps to fund public works and other government departments which administer Capital Improvement Programs.

CONSTRUCTION INDUSTRY ANNUAL CONTRIBUTION TO SAN DIEGO COUNTY	
➤	\$ 12.4 billion in GDP
➤	Over \$1 billion in infrastructure funding
➤	\$45 million in new tax revenue from housing construction alone
➤	\$10-20 million in govt. administrative funding

In addition to infrastructure funding, construction also generates substantial tax revenues, directly and indirectly, for local government. In fact, in the first year alone each newly constructed home generates around \$16,000 in new tax revenue for the state and \$3,000 in new tax revenue for the city where it is built. This equates to around \$45 million annually in new tax revenue for San Diego County just from new housing construction. ²

Construction accounts directly for between 4 and 5% of annual Gross Domestic Product (GDP). In 2007, the California's GDP was approximately \$1.8 trillion with the state's construction industry accounting directly for approximately \$70 billion in GDP. ³ In 2007, San Diego's Gross Regional Product (GRP) was approximately \$163 billion with the region's construction industry accounting directly for approximately \$6.5 billion in annual GRP. ⁴

When accounting for the economic output of related industries resulting from construction, industries like real estate, finance, manufacturing, transportation, trade, government, etc., it is estimated that an additional 90 cents of economic activity is generated for every dollar spent on construction. ⁵ *By that account, the construction industry's direct, indirect and induced economic contribution to GDP is approximately \$133 billion statewide and \$12.4 billion in GRP for the San Diego region.*

Construction is at its heart a manufacturing industry that employs a highly diversified and skilled workforce. Construction is the physical infrastructure for economic prosperity. It is the backbone of a strong economy. Local government as a direct benefactor should foster and embrace a healthy construction industry.

Construction Standstill Leads to Job Loss and More Foreclosures

In the current economic climate, construction activity is at a near standstill. Building permit totals for the San Diego Region tracked by the Construction Industry Research Board show that new home construction is at an all-time low. The drop off in construction activity has come at a heavy price: spiraling unemployment, an economic recession and declining tax base.

In San Diego County, beginning in the summer of 2006 and through February 2009, the construction industry lost 27,200 jobs. The finance, insurance and real estate industries have lost an additional 10,500 jobs and the total job loss for the region is a daunting 121,200 jobs. Most of these job losses can be attributed to the economic recession caused by the collapse of the housing industry with nearly 40,000 jobs lost (1/3rd of the total) in the construction, finance and real estate industries. ⁶

SAN DIEGO COUNTY JOB LOSS	
(Summer '06 - Feb. '09)	
>	121,200 jobs lost
>	38,700 jobs lost in construction, real estate and finance (approx. 1/3 total job loss)

In a region of more than 3 million people covering more than 4,000 square miles, around 3,000 homes will be built this year, an unsustainable number for an industry already reeling. Without a course change, the region will see more unemployed, more foreclosures, and more government agencies struggling to provide basic services under dwindling tax revenues. The lack of construction will also have long-term impacts on the region's economy as a lack of new housing supply will push local businesses out of the San Diego region, stifling job growth and harming the region's economy.

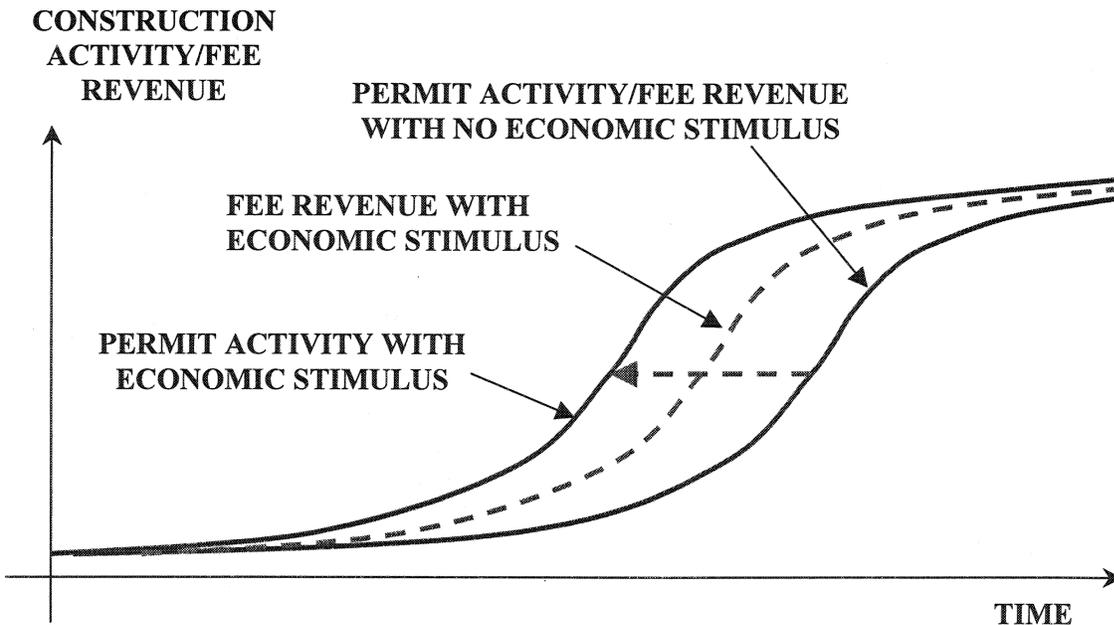
Fee Deferrals Save Financing Costs

The acute problem the industry faces is two-fold. In many markets, the market value of a home leaves projects teetering on infeasibility as construction costs match or exceed resale values set by the marketplace for both built and proposed projects. The industry also faces unprecedented challenges in acquiring construction financing, its lifeblood working capital. The financing that is available comes at a very high interest rate as a direct consequence of the very tight credit markets.

Fee deferrals overcome this financial hurdle by allowing impact fees to be paid at the end of the construction process, avoiding the financing costs for millions in fees for the typical project that would otherwise need to be financed upfront in combination with the material and labor costs of construction. *This simple stimulus measure means the difference between projects sitting idle and projects moving forward; the difference between more unemployment and job growth.*

Moving Recovery Forward in Time with Economic Stimulus

Moving economic recovery forward in time means impact fee cash flow recovers sooner, jobs are created and tax revenues rise. In an effort to jumpstart construction activity and help restore revenue streams to local government, 80+ jurisdictions, including cities, counties and school districts, have implemented local economic stimulus measures for the construction industry, including impact fee deferrals, map and entitlement extensions, and impact fee reductions. The chart below shows how moving economic recovery forward aids the recovery of revenues of local government.



Common Misconceptions About Fee Deferrals

“State law does not allow us to defer development impact fees.”

Local governments charge Developer Impact Fees (“DIF”) under Government Code Section 66000 et seq. Section 66007(a) states that, notwithstanding any other provision of the law, a local agency “shall not require the payment of those fees or charges until the date of the final inspection or the date the certificate of occupancy is issued, whichever occurs first.” Contrary to common practice and with few exceptions, state law actually requires the collection of development impact fees at Certificate of Occupancy or Final Inspection. Additionally, State Assembly Bill 2604, signed and made effective August 1, 2008, authorizes the deferral of impact fees to the close of escrow.

“By deferring development impact fees, we are losing the interest collected on fees held in advance of their expenditure.”

It is important to recognize that the interest rate that local government may be receiving on any fees collected is around a marginal 1 to 2% annually. Presently, impact fee revenues have dropped so precipitously that interest collected on new fee revenue is insignificant. The benefit of implementing fee deferrals at the bottom of the market is that it helps the construction industry, and likewise, fee revenues, recover sooner (see chart above). Once fee revenues are restored to normal levels, cash reserve levels stabilize. With the implementation of fee deferrals bringing about an earlier recovery, the total interest earned on cash reserves would actually be greater over time as cash reserves stabilize sooner. Instead of losing interest, a jurisdiction is likely to earn more interest.

“By deferring impact fees to Certificate of Occupancy (COO) or Close of Escrow, how do we ensure that the fees are paid?”

There are several ways to ensure that the fees are paid. The city should use a simple checklist of the various fees that must be paid (the same checklist currently used for building permit issuance), including school fees, sewer and water fees, et cetera, before a COO or Final Inspection will be issued. If the fees are not paid, the city’s project tracking system will show a hold on final inspection or issuance of COO. The hold cannot be released until the fees are paid. The city can require written verification from the other agencies (e.g., water and school districts) as proof that fees collected by outside agencies have been paid. Please see Attachment A for a sample fee deferral ordinance.

As it relates to the Close of Escrow, a lien is placed on the property and the fees are paid automatically out of escrow. Close of Escrow works best for for-sale residential whereas COO or Final Inspection works best for non-residential. Attachment B contains a full and current list of jurisdictions in California that implemented fee deferrals.

“We (the City) do not want to be a position of telling a homebuyer they can’t move into their home because the impact fees have not been paid.”

It is standard practice in the lending industry to require proof of Final Inspection and Certificate of Occupancy for new construction as part of the appraisal package. Now more than ever banks are ensuring that all documentation is complete prior to completing the loan approval process. If the builder has not paid the necessary impact fees, the appraisal process cannot be completed. The lender will provide documentation to the buyer(s) of the necessary conditions that must be fulfilled prior to the appraisal being approved, showing clearly that the builder must obtain Final Inspection and COO. However, even following the provision of these documents and a complete appraisal, the lender still has not approved the loan. This step may take another week or more, especially in the current climate. *Thus, it is highly unlikely that a homebuyer would be allowed to move in prior to the payment of impact fees with these checks and balances in place.*

BIA SAN DIEGO – “MAKING THE CASE FOR DEVELOPMENT IMPACT FEE DEFERRALS”

Footnotes:

- 1 Building Industry Association of San Diego County 2007-2008 Annual Fee Survey.
- 2 California Building Industry Association, “Housing Builds Jobs: Economic Recovery Starts with Housing,” 2009.
- 3 U.S. Department of Commerce, Bureau of Economic Analysis, California Gross Domestic Product, January 2009.
- 4 San Diego Regional EDC, “San Diego County Economic Overview,” September 2008.
- 5 Sacramento Regional Research Institute, “The Economic Benefits of Housing in California,” August 2008.
- 6 Center for Policy Initiatives, “San Diego County Hits Highest Unemployment on Record,” March 20, 2009.

ATTACHMENT A

**MODEL DEVELOPMENT IMPACT FEE DEFERRAL
ORDINANCE**

**AN ORDINANCE OF THE COUNCIL OF THE CITY OF _____
AMENDING THE CITY’S DEVELOPMENT IMPACT FEE (DIF) PROVISIONS.**

§100.00 Purpose

- (a) The purpose of this ordinance is to implement development impact fee deferrals for new construction.

§100.10 Payment of Development Impact Fees

- (a) The payment of Development Impact Fees (as defined in paragraph (b) of California Government Code Section 66000) shall be required upon the issuance of Certificate of Occupancy. The Development Impact Fees due shall be the amount in effect upon the issuance of Building Permit or, where applicable, as those fees established in a Development Agreement.
- (b) Notwithstanding the above, the City Manager is authorized to defer the collection of Development Impact Fees for a maximum period of two years or until request for Certificate of Occupancy, whichever is shorter. The Certificate of Occupancy shall not be issued until the applicable Development Impact Fees are paid.
- (c) In the case of projects that do not receive Certificate of Occupancies, the City Manager is authorized to defer the collection of Development Impact Fees for a maximum period of two years or until request for Final Inspection, whichever is shorter. The Final Inspection shall not be approved until the applicable Development Impact Fees are paid.
- (d) Notwithstanding paragraphs (a), (b), and (c) above, a waiver, adjustment, or reduction of the Development Impact Fees due may be requested and decided based on the findings contained in paragraph (e) below. An application for a waiver, adjustment, or reduction shall be filed in accordance with Section _____ and shall include financial and other information the City Manager determines necessary to perform an independent evaluation of the applicant’s rationale for the waiver, adjustment, or reduction.
- (e) No waiver, adjustment, or reduction of the Development Impact Fees due shall be issued unless the City Council finds there is no reasonable relationship or nexus between the impact of the development and the amount of the Development Impact Fee.

APPLICATION PROCESS (continued)

A checklist of information includes:

- Description of land use and acreage
- List of assessor parcel numbers
- Evidence of Ownership (grant deed or title report)
- Last Property Tax Bill
- Development plan
- Status of entitlements
- Purchase price and date of land
- List of fees to be financed
- CEQA certification
- Option agreement (if applicable)
- Development experience
- Construction financing (if obtained)

The applicant will be notified within two weeks on whether the project meets SCIP underwriting requirements, which fees can be financed, and will be provided a pro forma funding analysis. A copy of the Application and the Landowner Information Form can be obtained from the Local Agency, or any member of the SCIP financing team. It is also available and can be filled out by going online to SCIP <http://www.cacommunities.com/>. Please be advised that SCIP may be available only for specific land uses and fees within a Local Agencies jurisdiction. The applicant should check with the Local Agency or contact the SCIP underwriter regarding eligible fees, prior to submitting the application. If after review of the Application it is determined that an appraisal will be required, an additional deposit will be required, which may be reimbursed from bond proceeds contingent upon a successful sale.

PROJECT CREDIT REQUIREMENTS

The major requirement for SCIP funding is a tentative map, or in the case of commercial or industrial development, the equivalent of a tentative map, which may be a conditional use permit or some other classification of development entitlement. The developer must also provide evidence of its experience and financial wherewithal to complete the project, and may not have previously filed a prior bankruptcy. SCIP requires a 3/1 value to lien ratio, which can be based on the current assessed value or an appraisal. Upon receipt of the Land Owner Information Form, the SCIP underwriter will determine if an appraisal is required. If so, there will be an additional deposit required to cover the cost, which may be reimbursed upon a successful sale of bonds.

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SCIP
CALIFORNIA
COMMUNITIES

Statewide Community Infrastructure Program

STATEWIDE COMMUNITY INFRASTRUCTURE PROGRAM

An approach to financing
Developer Impact Fees
through property assessments

WHAT IS SCIP?

SCIP is a development impact fee-financing program, utilizing 1913/15 Act bonds. Developers are required to pay impact fees to obtain a building permit. Developers can be reimbursed for fees paid after the building permit has been issued, or the fees can be funded directly prior to obtaining a building permit. The two SCIP programs are called the "Reimbursement Program" and the "Pre Funding Program". The programs are not mutually exclusive. They can be mixed and matched, or done individually, and the SCIP financing team is available to discuss how best to use either of the programs. Through SCIP, impact fees for roads, water, sewer, storm drainage, parks, etc. can be funded by tax-exempt bonds. However, development impact fees vary by jurisdiction, and local agencies ultimately determine which fees are eligible for SCIP funding. The SCIP underwriter will also have a list of eligible fees for each Local Agency. Developers can check with the local jurisdiction on which fees are eligible, or call SCIP.

SCIP is sponsored by the California League of Cities (the League) and the California State Association of Counties ("CSAC") through the California Statewide Community Development Authority ("CSCDA"). Members of the SCIP team are available to meet with the Local Agency and Developer to tailor SCIP to provide optimal funding for the project.

SCIP Advantages:

- Suitable for residential, commercial, and industrial projects.
- Economies of scale due to nature of a pooled program.
- Provides smaller projects the advantages of tax-exempt financing.
- Alternative to fee deferral programs by local agencies.
- Simple application process.
- Size and diversity lower costs and achieve better interest rates.
- CSCDA is the issuer and conducts the proceedings and handles all administration.
- There is no cost for a Local Agency to join SCIP.

WHAT PROJECTS ARE BEST FOR SCIP?

SCIP can be used for commercial, industrial, retail and multi and single-family residential projects. SCIP is ideal as an economic development tool for commercial and industrial projects, as developers must pay substantial fees to obtain permits. From an economic standpoint, SCIP works well for smaller residential projects (under 300 units), which do not require significant amounts of off site infrastructure, and where it would be too expensive to form a stand-alone district. SCIP can be used as a substitute for large scale Mello Roos or Assessment Districts that require major infrastructure, if at least a portion of the financing is to fund fees, and the Local Agency agrees to administer acquisition payments for improvements to developers. SCIP also works well for larger scale developments when the local agency needs to expand city or countywide improvements such as water, sewer or major roads. In these cases, SCIP can be used as an alternative to acquisition type financing, to pre fund impact fees. Pre funding fees provides up front financing to cure a bottleneck in the local infrastructure that is impeding development and hampering timely project approvals due to inadequate infrastructure.

The table below shows examples of the estimated liens that would be assessed to finance impact fees of varying amounts. In each case, the table shows the estimated assessment that the owner of the property would pay as part of the property tax bill.

FEE ASSESSMENT GUIDELINE		
FEE AMOUNT	ESTIMATED LIEN*	ESTIMATED ANNUAL TAXES**
\$25,000	\$28,000	\$2,085
100,000	140,000	8,130
500,000	570,000	40,375
1,000,000	1,140,000	80,685
3,000,000	3,420,000	161,370

Preliminary and Subject to Change

* Includes a 7.5% Cash Reserve Fund and 5.5% for Costs of Issuance

** Assumes 30 years at 5.75%

ECONOMIC DEVELOPMENT AND FEE DEFERRAL PROGRAMS.

In order to promote economic development, many local agencies have fee deferral programs. Rather than paying fees at the time of building permit, developers can pay a portion and defer the balance. Typically payment terms for installment agreements extend over 5 to 10 years, and require 10% of the fees be paid up front. SCIP can work as an alternative to fee deferral programs, while sparing the local agency from having to act as the bank. It can provide 100% financing for SCIP eligible fees, at tax-exempt rates for 30 years. SCIP can also refinance existing installment agreements, often at more favorable terms than existing agreements, with the local agency receiving the fees up front.

HOW DOES A LOCAL AGENCY JOIN SCIP?

To make SCIP available, a local agency must be a member of CSCDA. All the counties and nearly all the cities in California are already members. A local agency can join CSCDA by passing a Resolution, and there is no cost. Once a member of CSCDA, the local agency can then approve the SCIP Resolution. The SCIP Resolution authorizes CSCDA to act as the issuer and administrator for the program. The SCIP Resolution can be approved at a single meeting, and there is no cost to the local agency to join. A copy of the Resolution and a Staff Report are available from any member of the SCIP team, and by going online to SCIP at <http://www.sacommunities.com/>.

APPLICATION PROCESS

The SCIP application form is one page, and requires a name of the project, name of the developer, developer contact information, and must be signed by a designated representative of the local agency. Each SCIP applicant must also fill out a more extensive Landowner Information Form. The Landowner Information Form requires a detailed description of the project, and will ultimately be used in drafting part of the disclosure document for the SCIP bond issue. A \$1,500 non-refundable application fee is due at the time the Application is submitted with the Landowner Information Form to cover the cost of reviewing the application and preparing the preliminary credit analysis. The application fee may be reimbursed from bond proceeds contingent upon a successful sale.

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