



CITY COUNCIL AGENDA REPORT

MEETING DATE: JULY 6, 2010

ITEM NUMBER:

SUBJECT: CITY COUNCIL POLICY 500-15 FOR A DEVELOPMENT IMPACT FEE DEFERRAL PROGRAM

DATE: JUNE 25, 2010

FROM: DEVELOPMENT SERVICES DEPARTMENT

**PRESENTATION BY: MEL LEE, SENIOR PLANNER
KIMBERLY BRANDT, DIRECTOR**

**FOR FURTHER INFORMATION CONTACT: MEL LEE
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RECOMMENDATION

Recommend to the City Council adoption of City Council Policy 500-15 for a development impact fee deferral program.

BACKGROUND

Pursuant to Council direction, staff has prepared City Council Policy 500-15 to establish a development impact fee deferral program. This program would be instituted for a trial one-year period, and may be renewed on an annual basis by City Council.

Definitions

A “**user fee**” is a charge for a specific service which is paid by the customer prior to the service being rendered. This includes building permit fees, plan check fees, building inspections, electrical/plumbing inspections, planning application fees, etc. The user fee recoups the cost for providing these specified services.

A “**development impact fee**” is a one-time charge applied to new development to raise revenue for the construction or expansion of capital facilities or services that would benefit the development. These fees include traffic impact fees, drainage fees, and park fees.

Meeting Summary

At the December 14, 2009 Planning Commission meeting, the Commission considered various alternatives for a possible development user fee waiver and/or development impact fee deferral program. Of the alternatives presented in the report, the Commission recommended a one-year program similar to ones adopted by other Orange County Cities.

Planning Commission also considered waiver of user fees for residential projects to stimulate new development. However, given the financial implications of the loss of revenue for fee waivers, Commission was not interested in developing a fee waiver program at this time.

On January 19, 2010, City Council authorized staff to prepare a one-year Development Impact Fee Deferral Program.

ANALYSIS

The intent of an impact fee deferral program is to provide financial flexibility to defer the collection of impact fees and therefore encourage new development within the community during the economic downturn. Currently, impact fees are collected prior to issuance of building permits. In other words, these expenditures are collected before development occurs.

This program allows the Development Services Director (or the Building Official as her designee) to defer development impact fees (i.e., traffic impact fees, parkland impact fees, etc.), from payment at time of issuance of building permits (before construction of the project begins) to either one of the following:

1. The end of the project construction (usually prior to issuance of a certificate of occupancy for the building) or;
2. One year from the date of issuance of building permits, whichever occurs sooner.

While impact fees will still be collected, the intent is to change the timing of the collection to provide more flexibility for construction financing. A copy of the draft Council Policy 500-15 is attached to this report for reference.

Current Fee Waiver/Deferral Programs in Other Cities

A summary of existing impact fee deferral programs in other cities, based on a survey conducted by the Building Industry Association/Orange County Chapter (BIA/OC), is summarized in the Table A.

Table A
Summary of Impact Fee Deferral Programs

Summary of Development Impact Fee Deferral Programs in Other Orange County Jurisdictions					
Jurisdiction	Program	Deferral Amount Per Unit (Maximum)	Approval Date	Expiration Date	Extension Date
Orange (City)	Permanent Deferral	\$13,000.00	April 2008	None	N/A
Orange (County)	1 Year Deferral	\$40,000.00	May 2008	May 2009	May 2010
Irvine	1 Year Deferral	\$33,000.00	July 2008	July 2009	18 Months
Anaheim	2 Year Deferral	\$10,000.00	July 2008	July 2010	N/A
Mission Viejo	Permanent Deferral	\$20,000.00	July 2008	None	N/A
OC San. Dist.	1 Year Deferral	\$5,000.00	July 2008	July 2009	July 2010
Santa Ana	1 Year Deferral	\$15,852.00	August 2008	October 2009	Pending
Tustin	1 Year Deferral	Based on Density	October 2008	N/A	Pending
Huntington Beach	1 Year Deferral	\$30,000.00	December 2008	December 2009	Pending
Anaheim Union High School Dist.	1 Year Deferral	Based on Sq. Ft. and Unit Count	December 2008	N/A	Pending

N/A – Not Applicable

Source: BIA/OC Survey, November 2009

Annual Renewal Required

If adopted, Council Policy 500-15 shall be effective for a one-year trial period. Staff will return to Council the following year(s) to request authorization to renew the program for another 12-month period, otherwise this policy will be deleted.

ALTERNATIVES:

City Council may consider the following alternatives:

1. Adopt policy for Fee Deferral Program which requires renewal on an annual basis by City Council; or
2. Receive and file report.

FISCAL REVIEW:

The Impact Fee Deferral Program will not have any impacts to the City's fiscal budget, given that the fees are not collected in any interest-bearing accounts.

LEGAL REVIEW:

No legal review is required on this item.

ENVIRONMENTAL REVIEW:

No environmental review is required on this item.

CONCLUSION:

The purpose of this report is to implement Council's direction from the January 2010 meeting to prepare a one-year Development Impact Fee Program. Staff has drafted Council Policy 500-15 to provide the framework for this program. Council action is required to renew this program on an annual basis.



 MEL LEE, AICP
 Senior Planner



 KIMBERLY BRANDT, AICP
 Development Svs. Director

Attachment: 1. Draft City Council Policy 500-15 for a development impact fee deferral program

- cc: City Manager
 Asst. City Manager
 City Attorney
 Acting Asst. Dev. Svs. Director
 Public Services Director
 City Clerk (2)
 Staff (4)
 Planning Staff (8)
 File (2)

City of Costa Mesa

COUNCIL POLICY

SUBJECT: Development Impact Fee Deferral Program	POLICY NUMBER 500-15	EFFECTIVE DATE: _____	Page ____
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PURPOSE:

The purpose of this policy is to establish municipal policy and procedures for Development Impact Fee Deferral Program.

POLICY:

To encourage new development within the community, development impact fees may be deferred, at the discretion of the Development Services Director (or the Building Official as the designee). Development impact fees are collected prior to issuance of a building permit. This program allows the collection of these impact fees to occur at a late date, as specified as follows:

1. The end of the project construction (usually prior to issuance of a certificate of occupancy for the project) or;
2. One year from the date of issuance of building permits, whichever occurs sooner.

The development impact fees subject to deferral is strictly limited to the following:

- Park and recreation fees, as described and defined in Costa Mesa Municipal Code Title 13, Chapter XI, Article 5; and
- Traffic impact fees, as described and defined in Costa Mesa Municipal Code Title 13, Chapter XII, Article 3.

This policy shall be effective for a one-year trial period from July 6, 2010 to July 6, 2011. Planning staff shall report to Council for the following year(s) to request authorization to renew the program for another 12-month period, otherwise this policy will be deleted.

PROCEDURE:

1. The applicant shall submit a written request for fee deferral to the Development Services Director. The request shall be specific as to which of the two options noted above (i.e., deferral of fees prior to project occupancy or one year from building permit issuance).
2. The Development Services Director shall review the fee deferral request with the Building Safety Division and the Transportation Safety Division.
3. The Development Services Director shall issue a written notice of the decision to defer fees within 10 working days of receipt of the request.