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12/16/08

Building Industry Association
of Fresno/Madera Counties, Inc.

Presented to City Council
Date 12/16/08
Disposition Res. Res.
08-346, 347, 348
& 349 adopted

TO: FRESNO CITY COUNCIL

DATE: December 16, 2008

FROM: MICHAEL PRANDINI, CEO
Building Industry Association of Fresno/Madera (BIA)

SUBJECT: ECONOMIC STIMULUS PACKAGE FOR RESIDENTIAL DEVELOPMENT

RECOMMENDATION:
The BIA recommends the Fresno City Council endorse the "Economic Stimulus Package for Residential Development" and adopt the resolutions that will implement the following provisions: (i) the continuation of the long standing policy to exempt from the payment of the current Park and Fire Impact Fees those lots for which the fee obligation was paid prior to the expiration of the final map vesting rights, (ii) freeze all fees at their current level until January 1, 2011, (iii) payment of development impact fees to be deferred to the Certificate of Occupancy, and (iv). exempt from payment the Regional Street Fee for those lots which the street impact fees have been paid prior to the expiration of the vesting rights for final maps until December 31, 2010

DISCUSSION:
The Building Industry Association of Fresno/Madera Counties (BIA) represents many of the builders actively engaged in residential development. To help address the current market downturn, the BIA is requesting the Fresno City Council approve the package of changes to provide relief for new homebuyers and the home builder. The City relies on the residential development community to implement many of its key plans to create a vibrant, progressive community. As a result of the recession, new construction in all parts of the City has slowed significantly. It is anticipated homebuilders will construct less than 2,000 homes countywide in 2009 as compared to in excess of 7,000 homes in 2005. . In an attempt to make Fresno an even more desirable location for residential development the BIA has worked with it members to create an Economic Stimulus Package to promote the development and sale of new homes in Fresno. The Economic Stimulus Package would result in costs savings for home buyers and provide cash flow relief for home builders

(i) Exemption of Payment of new Park and Fire Impact Fees: For years the City had a policy of exempting from the payment of new Park and Fire Impact fees for those lots for which the fees had been paid. The City now wants to change this longstanding policy and collect the new Park and Fire Impact fees whenever a permit is pulled in a subdivision where the vesting rights have expired for the final map. This action discourages payment of fees in advance and creates an

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environment to build more phased projects and ultimately prolong the completion of supporting infrastructure. The BIA is recommending the sound and logical policy be reinstated.

(ii) Freeze All Impact Fees: In the current economic climate, impact fees create an impediment to affordable housing. The City's development impact fees do not respond to the market conditions. All other elements of the construction of new homes adjust downward as a result of lower demand. To date the impact fees have not been adjusted based on demand. In fact, the City is in the process of reviewing the Parks, Police and Fire Impact fees for possible increases. Although the review process should be completed, any increase of the those fees should not be implemented.

(iii) Deferral of Impact Fees: When building permits are issued for new residential development, the developer must pay a variety of impact fees. Some of the fees are paid when the final map is filed, some of the fees are paid when the building permit is pulled and yet some of the impact fees can be deferred until final inspection. In order to keep costs down for the homebuyer and to provide cash flow relief for the home builder in this difficult economy, the BIA is recommending that the collection of all impact fees be deferred until Certificate of Occupancy. This allows the builder to defer payment of these fees until the home is sold thereby reducing the cash outflow thus reducing the cost to carry which results in a lower cost for the homebuyer.

(iv) Exemption of Payment of Regional Street Fee: When the Major Street Fee Policy was adopted the City enacted a provision to collect the new Regional Street Fee on lots in subdivisions where the vesting rights for the final map have expired, even though the builder had paid all the street fees required by the subdivision agreement. In September 2008 the City Council amended the policy to extend the exemption until June 30, 2009. To assist those developments that have paid their street fees prior to the expiration of the vesting rights for the final map, the BIA is recommending that this exemption be extended to December 31, 2010. This will allow the builder to keep costs down and to keep prices down for the new homebuyer.

As the financial impact to the City will vary based on the number of residential permits issued, it is possible the implementation of the measures in the Stimulus Package the BIA believes that these actions will not result in any significant reduction in fee collection. The BIA believes the potential benefits of the stimulus package outweigh the possible effects of delaying collection and freezing the fees. These measures are intended to improve the viability of new home construction and speed recovery of the residential home market.

Attached are suggested Council resolutions implementing the elements of the BIA's Economic Stimulus Package.

RESOLUTION NO. _

A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO, CALIFORNIA, AMENDING THE IMPLEMENTING POLICIES FOR THE CITYWIDE REGIONAL STREET AND NEW GROWTH AREA MAJOR STREET IMPACT FEES AS PREVIOUSLY ADOPTED BY RESOLUTION NO. 2007-291 AND AS AMENDED BY RESOLUTION 2008- 278

WHEREAS, on August 28, 2007, Council adopted Resolution No. 2007-291, to adopt Implementing Policies for the Citywide Regional Street and New Growth Area Major Street Impact Fees ("Implementing Policies") pursuant to FMC Section 12-4.1006, having been drafted by City staff and the City Attorney's Office, working with the development community and other interested stakeholders, to implement the Major Street Fees pursuant to FMC Section 12-4.1006; and

WHEREAS, the City Council approved Resolution 2008 – 278 to amend the Implementing Policies to provide additional credits related to subdivision maps; and

WHEREAS, the Fresno Major Street Impact Fee Program Nexus Study, dated March 15, 2007, assumed that active vesting tentative tract maps that had vesting rights under the Urban Growth Management ("UGM") program would develop prior to expiration of vesting rights, therefore not contributing any Major Street Fees to the anticipated fee revenue for construction of the necessary infrastructure; and

WHEREAS, an unanticipated amount of final subdivision maps are expiring without commencement of home construction on all of the approved lots due to the current economic downturn in the housing market; and

WHEREAS, the City Council approved an exemption until June 30, 2009; and

WHEREAS, the City Council believes that the current economic recession requires that the exemption be extended until December 31, 2010; and

WHEREAS, the proposed amendment to the Implementing Policies to provide this extension will not affect the assumptions of the nexus study.

NOW THEREFORE BE IT RESOLVED by the Council of the City of Fresno, to adopt the amendment to the Implementing Policies to extend the exemption as provided in Section 4 (h) of the Policy until December 31, 2010.

CLERK'S CERTIFICATION

STATE OF CALIFORNIA)
COUNTY OF FRESNO)
CITY OF FRESNO)

I, REBECCA E. KLISCH, City Clerk of the City of Fresno, certify that the foregoing resolution was adopted by the Council of the City of Fresno, California, at a regular meeting thereof, held on the 16th day of December, 2008.

AYES:
NOES:
ABSENT:
ABSTAIN:

Mayor Approved: _____, 2008
Mayor Approved/No Return: _____, 2008
Mayor Veto: _____, 2008
Council Override Veto: _____, 2008

REBECCA E. KLISCH
City Clerk

By _____

APPROVED AS TO FORM:

JAMES C. SANCHEZ
City Attorney

By _____

Date: _____

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO ADOPTING A POLICY TO FREEZE ALL DEVELOPMENT IMPACT FEES AT THE LEVEL IN EFFECT ON DECEMBER 16, 2008

WHEREAS, the City of Fresno has numerous development impact fees that are paid on development projects; and

WHEREAS, the City periodically reviews the fees to keep the fees current; and

WHEREAS, the current economic conditions have caused a serious decline in new home construction; and

WHEREAS, any increase in the cost of construction, which includes increases to impact fees, would be detrimental to residential construction, and

WHEREAS, the City Council desires to assist in restraining cost increases to new home buyers; and

WHEREAS, freezing all impact fees at the current level would contribute to stabilizing home prices.

NOW, THEREFORE BE IT RESOLVED by the Council of the City of Fresno, that all impact fees be frozen at the level in effect as of December 16, 2008, and to hold that level until January 1, 2011.

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REBECCA E. KLISCH
City Clerk

By _____

APPROVED AS TO FORM:

JAMES C. SANCHEZ
City Attorney

By _____

Date: _____

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO ADOPTING A POLICY TO DEFER PAYMENT OF ALL IMPACT FEES TO CERTIFICATE OF OCCUPANCY

WHEREAS, the City of Fresno has implemented various development impact fees to pay for the construction of infrastructure to serve the residents of the City of Fresno; and

WHEREAS, the various impact fees are payable at various stages of the development process, including recording of the final map, issuance of a building permit and certificate of occupancy; and

WHEREAS, the current economic recession and the resulting slowdown in new home sales has created serious cash flow issues for the residential home building industry, which results in increased cost to the homebuyer; and

WHEREAS, in a effort to contribute to a healthy residential home building environment, the City Council desires to allow the deferment of payment of all development impact fees to a date closer to the actual sale of the new home; and

WHEREAS, the City Council has determined that in the current recession that a reasonable point in the construction process to collect the City's impact fees would be at the issuance of the Certificate of Occupancy.

NOW, THEREFORE BE IT RESOLVED by the Council of the City of Fresno, to approve a Policy to allow for the deferment of the collection of all development impact fees to the issuance of the Certificate of Occupancy for residential construction.

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REBECCA E. KLISCH
City Clerk

By _____

APPROVED AS TO FORM:

JAMES C. SANCHEZ
City Attorney

By _____

Date: _____

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO ADOPTING A POLICY TO RESTORE THE EXEMPTION FROM PAYMENT OF CERTAIN IMPACT FEES WHEN SAID FEES HAVE BEEN PAID PRIOR TO THE EXIRATION OF PROTECTION FOR THE FINAL MAP

WHEREAS, the City of Fresno Planning and Development Department has had a long standing policy to exempt from the payment of new or increased Parks and Fire Impact fees for those lots in subdivisions that have paid these two fees prior to the expiration of the vesting rights of the final map; and

WHEREAS, the building industry has relied on this policy in planning the financial structure of the subdivision and pricing of the homes; and

WHEREAS, recently it was determined that the Planning and Development Department lacked the authority to provide such an exemption; and

WHEREAS, the City Council desires to reinstate the long standing policy.

NOW, THEREFORE BE IT RESOLVED by the Council of the City of Fresno, to approve the exemption for payment of new or increased Parks and Fire Impact fees for subdivisions that have paid the fees in accordance with the subdivision agreement prior to the expiration of the vesting rights of the final map.

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