

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: ALAN ALTON, CHIEF FINANCIAL OFFICER
FINANCE DEPARTMENT
SUBJECT: IMPACT OF DEVELOPMENT IMPACT FEE WAIVERS

AGENDA ACTION: NO ACTION REQUIRED

RECOMMENDATION

It is recommended by the Finance Department that the Council hold a Study Session intended to provide Council the opportunity to receive information and ask questions relative to the impact of Development Impact Fee waivers on City operations. This item is provided for Council's information and no action is required.

EXECUTIVE SUMMARY

Community groups have proposed that the City waive all impact fees on affordable housing projects to help ease the financial burden for those projects. Specifically, one advocacy group has asked the City to "enact an emergency ordinance eliminating impact fees for a three-to-five-year period for all multi-family housing service residents 120% AMI and below." The purpose of this study session is to highlight what fees are charged and why, the types of Capital Improvement Program projects they fund, and the impacts to those projects should these fees be waived.

BACKGROUND

The City charges Impact Fees on development projects which generate the revenue needed to construct public infrastructure and services which are needed to serve the development. These fees include:

- Capital Facilities Fees (CFF)
- Water Fees
- Wastewater Fees
- Park Fees
- Public Art in Private Development
- School Fees
- Housing Impact Fees
- Commercial Linkage Fees

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The fees that generate the most revenue per project are CFF, Park fees, Water fees, and Wastewater fees. Affordable Housing projects with a recorded Affordability Restriction, do not pay the Housing Impact fees. Water and Wastewater fees have Proposition 218 restrictions on backfilling the lost revenue. For the purposes of this study session, we are focusing on CFF and Park fees, as they would presumably result in the largest fees paid by project developers.

City CIP projects funded with CFF fees include Roads and Intersection projects; Bike and Pedestrian projects; Storm Drain projects; and Public Safety/Fire projects. These projects have multiple funding sources and often take years to collect enough revenue to fully construct the project.

Park fees are used to acquire and develop park land, and it generally takes years to generate the amount of revenue necessary to develop a park, especially a large community park.

PRIOR CITY COUNCIL REVIEW

None.

ANALYSIS

The City largely relies on fees, grants, special taxes, and in some cases bond proceeds, to pay for CIP projects. For most projects, it takes several years to build up sufficient resources to design and construct a project. Revenue from CFF is typically a supplemental funding source for CIP projects. Currently, the fee funds approximately \$17.2 million for 51 different projects throughout the City. Some examples of these projects include Fire-related street repairs, Highway 101 Bike and Pedestrian Overcrossing, Fire Training Center Improvements, and Stormwater Drainage Improvements.

Park Fees currently funds approximately \$25 million for 14 projects throughout the City. Examples of these projects include Lower Colgan Creek Park, Fremont Park, Finley Aquatic Center Water Feature, and Southeast Community Park.

Finance staff calculates the fee revenue received at the end of each fiscal year, which is then programmed into CIP projects during budget development in January. There is rarely sufficient revenue at the outset of project development to complete the project. Depending on the total project cost and available resources, it may take numerous budget cycles to accumulate the necessary revenue to complete these projects. This results in an increase of development fee reserves as reflected in the City's fiscal year-end reserve calculations.

Development fee reserves do not represent the City's capacity to waive fees. These reserves essentially represent a backlog of projects which the Council approved funding. Waiving fees would cut off a vital funding source necessary for project completion. The only way the reserves could provide capacity for fee waivers would be if the Council cancelled certain projects and redistributed their funding to the remaining

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projects. Doing so, however, would severely impede the City's ability to provide critical public infrastructure to support the developments from which the fees would be generated.

The City already provides several incentives, fee waivers, and fee deferrals for affordable housing and housing development in the downtown. Developers may enter into Fee Deferral Agreements for Affordable Housing projects. Under these agreements, Impact Fees are deferred for up to two years from the date they would have normally been paid.

It is worth noting that while we look to other jurisdictions for programs we could mirror in Santa Rosa, each jurisdiction is unique. Some, like the City of Petaluma, may have established revenue streams that allow for fee reduction, or fee waiver programs, whereas Santa Rosa does not.

FISCAL IMPACT

There is no action taken at a study session, so this item does not create a fiscal impact for the organization. However, a policy to waive fees that are used to pay for public infrastructure projects would have a negative impact on the City's ability to fund those projects. The revenue generated by Development Impact Fees are one-time sources of revenue, so eliminating that revenue, even for a short three-to-five-year period, would create a loss of revenue that the City could not get back.

ENVIRONMENTAL IMPACT

This action is exempt from the provisions of the California Environmental Quality Act (CEQA) under CEQA Guidelines Section 15061 and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment, and no further environmental review is required.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 – Correspondence

PRESENTERS

Alan Alton, Chief Financial Officer