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PLANNING AND BUILDING  
DEPARTMENT

**CITY OF SACRAMENTO**  
CALIFORNIA

1231 I STREET  
ROOM 300  
SACRAMENTO,  
CA  
95814-2998

Planning Division

PLANNING  
916-264-5381  
FAX 916-264-5328

November 7, 2002

Law and Legislation Committee  
Sacramento, California

Honorable Members in Session:

**SUBJECT:** Zoning Ordinance Amendment Adding Chapter 17.191 to Title 17 of the City Code to establish the Infill Fee Reduction Fund, relating to reductions in development and impact fees to promote infill development in Target Residential Infill Areas. (M02-049)

**LOCATION:** Citywide in designated Target Residential Neighborhoods

**COUNCIL DISTRICT:** All Districts

**RECOMMENDATION:** Planning Commission and staff recommend that the City Council adopt the attached ordinance related to the reduction of development and impact fees for qualified infill projects.

**CONTACT PERSONS:** Lucinda Willcox, Senior Planner, 264-5052  
Stacia Cosgrove, Associate Planner, 264-7110

**FOR COMMITTEE MEETING OF:** November 19, 2002

**SUMMARY:** The Zoning Ordinance Amendment establishes a new Infill Fee Reduction program to write-down development and impact fees for qualified small residential infill projects by up to \$5,000 per unit. Qualified projects must consist of four or fewer single family, duplex, or townhome units, and be located within one of the General Plan's designated Target Residential Neighborhoods (see Attachment A, Exhibit A). The City Council approved funding for this program in its FY 02-03 budget in the amount of \$150,000, which is estimated to assist

up to 30 units annually. The ordinance was identified as an implementation program in the City of Sacramento's recently adopted Infill Strategy.

COMMITTEE/COMMISSION ACTION: On October 24, 2002, the City Planning Commission unanimously recommended approval of the Infill Fee Reduction Fund Ordinance.

BACKGROUND INFORMATION:

On May 14, 2002, the City Council adopted the City of Sacramento Infill Strategy (Res. 2002-277), comprised of a revised and expanded set of General Plan policies, new strategic infill target areas, and a series of programmatic actions intended to promote infill development within the City.

The proposed Infill Fee Reduction Program is included in the Infill Strategy. This program was identified as a high priority in the Infill Strategy for two primary reasons:

- Analysis of vacant infill land in the City determined that of the 5,000 vacant parcels in the city, two-thirds of these are parcels smaller than 10,000 square feet. Not only do these parcels represent a substantial portion of the City's overall infill development potential, but these vacant lots are concentrated in some of the City's older and more challenged neighborhoods. Such vacant lots often cause blight and attract negative activities such as illegal dumping or other illegal activities.
- There are considerable financial challenges involved with constructing small residential infill projects in the City of Sacramento's older neighborhoods, due to potentially significant infrastructure costs, subdivision fees, irregular lot sizes, inability to benefit from economies of scale, and lower sales and rental prices than newer areas of the city.

The proposed ordinance establishes the Infill Fee Reduction program in order to reduce the per-unit fees for eligible residential projects. Eligible projects include projects of four units or less comprised of single family homes, duplexes, or townhomes that are located in the defined Target Residential Neighborhoods (see Attachment A, Exhibit A). These Target Residential Neighborhoods include older residential neighborhoods with significant numbers of individual and small vacant residential lots. These include redevelopment areas, Community Development Block Grant (CDBG) eligible areas, and other transitional neighborhoods. Within these areas, there are approximately 1,600 acres of vacant land representing more than 3,000 potential housing units.

This program is intended to assist small infill projects. Developments that are part of larger subdivisions are not eligible. The program is intended to reduce the total fees due at the time of building permit issuance. It does not address any planning entitlement, design review or subdivision fees, or direct infrastructure costs.

Fees paid at the time of issuing a building permit by a typical infill single family home include fees associated with building permit review (e.g., plan check and inspection), a variety of taxes

and development impact fees (e.g., for parks, schools, water, sewer facilities), and other utility connections (e.g., water tap). These typically are about \$13,000-\$15,000 per unit (see Attachment B). The City has existing infill incentive programs that waive the water development fee (approximately \$2,000 per unit) and reduce the regional sewer facility impact fee (from \$2,300 to \$923) for qualified infill units.

Under this new program, in addition to these existing fee reduction programs, development and impact fees for qualified projects would be written-down by up to an additional \$5,000 per unit. The funds will be dispersed to eligible projects on a first-come, first-served basis in the order in which the Planning Director approves applications. It is anticipated that the currently budgeted amount can assist approximately 30 units per year in FY 02-03. This program will be evaluated annually regarding its effectiveness to determine annual funding and to consider any refinements or modifications to eligible areas.

FINANCIAL CONSIDERATIONS: The City Council approved funding for this program in its FY 02-03 budget in the amount of \$150,000, which is estimated to assist up to 30 units annually.

ENVIRONMENTAL CONSIDERATIONS: The Tiered Negative Declaration on the Housing Element and Addendum to the Tiered Negative Declaration prepared and approved in connection with adoption of the City's Infill Strategy includes consideration of this proposed Zoning Ordinance Amendment. As the Infill Fee Reduction program reduces fees for development consistent with the General Plan, Community Plan, zoning, and all other applicable planning and building regulations, no new potential environmental impacts have been identified. The Housing Element Negative Declaration and Addendum were reviewed by the Planning Commission in connection with its actions on the 2000 Housing Element and Citywide infill Strategy. These documents are available for review upon request at the Planning Division at 1231 I Street, Suite 300, or copies can be obtained upon request by contacting Planning staff.

POLICY CONSIDERATIONS: This proposed project implements an action item in the City's adopted Infill Strategy, and is in harmony with General Plan and Housing Element infill policies. Promoting infill development supports many City policies regarding efficient use of land, reinvestment in existing communities, and supporting development that can reduce automobile trips and support alternative modes of transportation, thereby resulting in air quality benefits.

ESBD CONSIDERATIONS: No goods or services are being purchased at this time.

Law and Legislation Committee  
Infill Fee Reduction Ordinance (M02-049)  
November 7, 2002

Respectfully Submitted,

  
GARY L. STONEHOUSE  
Planning Director

Recommendation Approved:

  
BETTY MASUOKA  
Assistant City Manager

Attachments

Attachment A: Zoning Ordinance Amendment Establishing the Infill Fee Reduction Fund  
Attachment B: Example Fee Report for Small Residential Infill

M02-049.L&L

**ORDINANCE NO. \_\_\_\_\_**

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON THE DATE OF \_\_\_\_\_

**AN ORDINANCE ADDING CHAPTER 17.191 TO TITLE 17 OF THE CITY CODE RELATING TO REDUCTIONS IN DEVELOPMENT AND IMPACT FEES TO PROMOTE INFILL DEVELOPMENT IN TARGET RESIDENTIAL INFILL AREAS (M02-049)**

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

SECTION 1. Findings

The City Council for the City of Sacramento finds as follows:

- A. There are financial challenges to the development of vacant and underutilized lots with small (1-4 units) residential infill development in areas identified as Target Residential Neighborhoods by the City of Sacramento General Plan, Section One.
- B. To cause or promote the development of small residential infill development, it is necessary and appropriate for the City to reduce a portion of the development and impact fees on new residential development in Target Residential Neighborhoods, for projects consisting of 1-4 units of single family, duplex, or townhome units.
- C. By enacting the provisions of Section 2 of this ordinance, thereby adding Chapter 17.191 to the City Code, it is the purpose and intent of the Council to reduce the burden of development and impact fees on small residential infill development in Target Residential Neighborhoods of the City through reduction of some such fees, with the hope and expectation that this will encourage and promote the development of vacant and underutilized residential lots in these established neighborhoods.
- D. To the extent development and impact fees are reduced for small residential infill development in Target Residential Neighborhoods, these fees shall not be passed on through

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DATE ADOPTED: \_\_\_\_\_

an increase in the fees paid by others subject to these fees, but shall instead be paid for out of City funds from one of more sources.

- E. The overall amount of funding to support the reduction of development and impact fees pursuant to Chapter 17.191 of the City Code, as added by Section 2 of this Ordinance, shall be determined on an annual basis. It is anticipated that, subject to funding availability and other budgetary constraints, the amount of funding provided to support small infill projects pursuant to Chapter 17.191 shall not be less than \$150,000.00 annually; and further, that any funds not expended in a given fiscal year shall be carried over to the next fiscal year.
- F. The amount of funding to be provided pursuant to Chapter 17.191 to promote small residential infill development in Target Residential Neighborhoods is contingent upon the annual City budget process, and nothing in this ordinance is intended to, nor could it, bind future City Councils on budgetary decisions, including the decision on whether to carry over funds dedicated to promote small residential infill development but not spent in the prior year(s).
- G. The provisions of Chapter 17.191 enacted pursuant to Section 2 of this Ordinance are consistent with, and enacted pursuant to, the policies contained in Section One of the General Plan and the Infill Strategy, as amended or adopted in 2002 pursuant to Resolution No. 2002-276 and 2002-277, respectively.

SECTION 2.

Chapter 17.191 is hereby added to Title 17 of the City Code, to read as follows:

**17.191.010 Purpose.**

The Council of the City of Sacramento desires to provide incentives for infill development within the City of Sacramento. It is the intent of the Council in enacting the provisions of this Chapter, to reduce the burden of development and impact fees on small residential infill development (1-4 units) in Target Residential Neighborhoods, through the reduction of some such fees, with the expectation that this will encourage and promote the development of vacant and underutilized residential lots in these established neighborhoods of the City.

**17.191.020 Definitions.**

The following definitions shall apply for the purposes of this Chapter.

Development and impact fees: "Development and impact fees" shall mean the fees required by City Code, ordinance, resolution or other city law to be paid as a condition of, or prerequisite to, issuance of a building permit for the development of residential uses, as those fees may be amended from time to time.

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**Infill development:** "Infill development" shall be as defined in Section One of the General Plan of the City of Sacramento.

**Infill Fee Reduction Fund:** "Infill Fee Reduction Fund" shall mean the fund established pursuant to 17.191.050 of this Chapter to assist in the development of small residential infill development in Target Residential Neighborhoods.

**Small residential infill development:** "Small residential infill development" shall mean infill development constructing not more than four (4) housing units in total, consisting of single family, duplex, or townhome units.

**Target Residential Neighborhoods:** "Target Residential Neighborhoods" shall mean those areas designated as "Target Residential Neighborhoods" in Exhibit A of this ordinance.

### **17.191.030 Fee Reduction Program**

- A. Small residential infill development shall be eligible for a reduction of a portion of the development and impact fees that would otherwise be imposed on the development project, as specified herein, provided they meet all of the following requirements:
1. Project is located within a Target Residential Neighborhood.
  2. Entire project consists of four or fewer single family, duplex, or townhome units.
  3. Project is not part of five or more contiguous vacant lots in a subdivision.
  4. Project's residential density is in accordance with applicable General Plan, Community Plan, and zoning specifications, and is at a density not less than four (4) units per net acre.
  5. Project does not exceed 2,500 square feet in any residential unit, excluding space allocated to carports, garages, and other accessory structures.
- B. Subject to the availability of funds and compliance with the other requirements of this Chapter, the development and impact fees otherwise applicable to small residential infill development shall be reduced as follows:
1. The development and impact fees otherwise applicable to eligible small residential infill development meeting the criteria in Subsection 17.191.030(A) shall be reduced by the amount of Five Thousand (\$5,000.00) per unit, less the amount received from fee credits attributable to previous development on the site.
- C. The Planning Director shall be responsible for determining allocation of funds. In making this determination, the Planning Director may consider locational factors to promote fair and equitable dispersal of funds to numerous areas within the Target Residential Areas.

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**17.191.040 Application Process and Approval**

- A. Applications for fee reductions shall be submitted to the Planning Director at or before the time of building permit approval. Applications for fee reductions shall not be submitted until after approval of all discretionary planning entitlements, except that applications for fee reductions can be submitted concurrently with applications for design review.
- B. The Planning Director shall approve an application for reservation of funds from the annual allocation established for the fee reduction program, as specified in Section 17.191.050, upon a determination of fee reduction based on the criteria in Subsection 17.191.030(A) and available funds in the annual allocation.
- C. The Planning Director shall establish and maintain a list of approved projects, the date of approval, and the amount of fee reductions approved for the project. The projects shall be prioritized based upon the date of the approval.
- D. Building permits must be obtained within one year of Planning Director approval of the infill fee reduction. If building permits are not obtained within one year of Planning Director approval, the reservation of funds shall be released back into the annual allocation and become available for reallocation. The Planning Director may grant a time extension of up to one year for the reservation of funds. Written requests justifying the need for a time extension must be submitted to the Planning Director prior to expiration of the reservation.

**17.191.050 Infill Fee Reduction Fund**

- A. There is hereby established an Infill Fee Reduction Fund, which the Council shall fund on an annual basis in such amount(s) as the Council determines are reasonable, appropriate and necessary to fund, or assist in funding, small residential infill development in Target Residential Neighborhoods, as defined by the City's General Plan. The amount of fee waivers or reductions to be approved in any given fiscal (or calendar) year shall be limited to the amount allocated to the Infill Fee Reduction Fund established pursuant to this section.
- B. Subject to the annual appropriations and funding process, any funds allocated for a particular fiscal year and not allocated or spent pursuant to the provisions of this Chapter shall be carried over and included in the funds included in the Infill Fee Reduction Fund established pursuant to this Section.

**DATE PASSED FOR PUBLICATION:**

**DATE ENACTED:**

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ORDINANCE NO.: \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_

DATE EFFECTIVE:

\_\_\_\_\_

MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

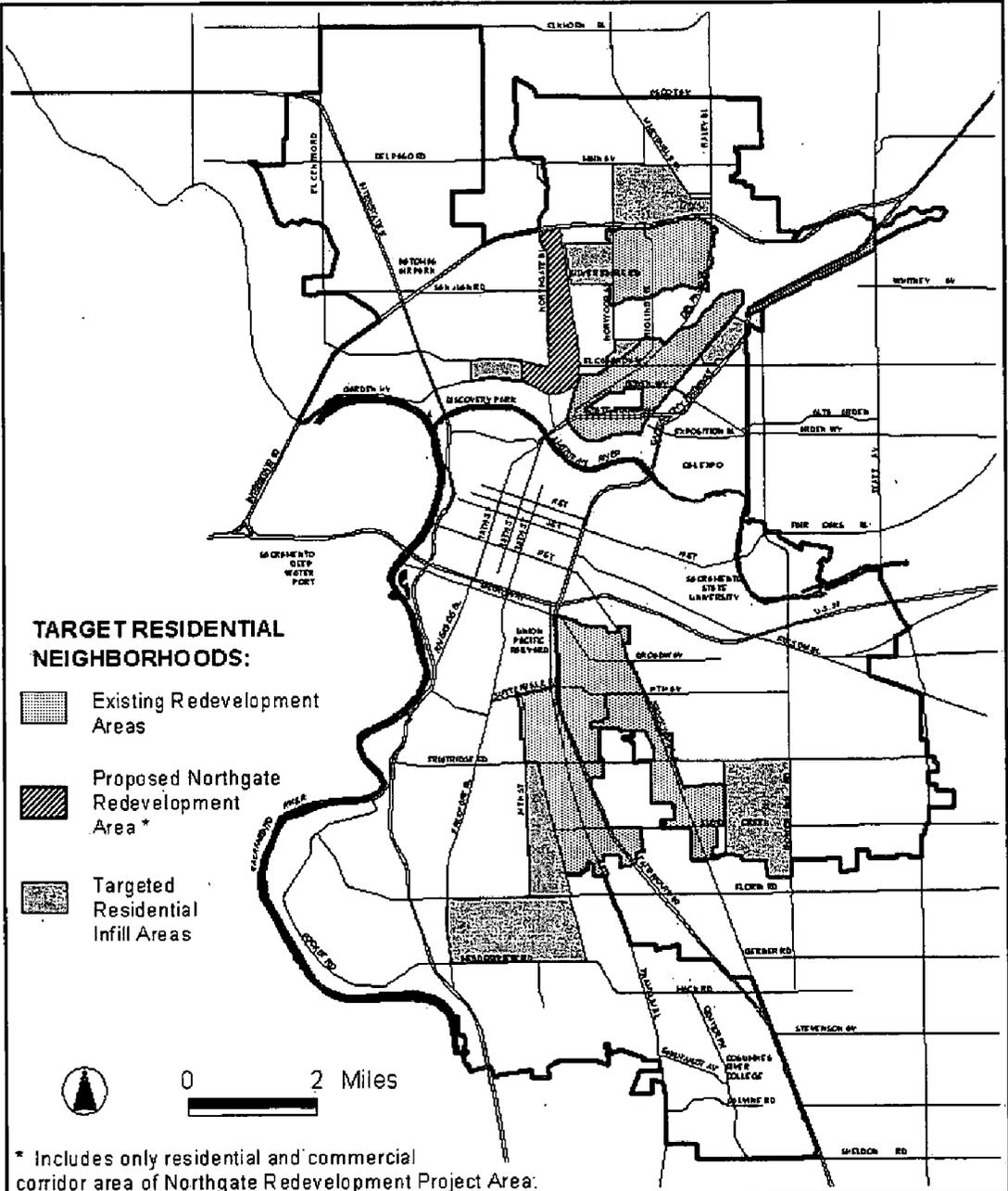
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EXHIBIT A



INFILL TARGET RESIDENTIAL NEIGHBORHOODS:  
 REDEVELOPMENT/NEIGHBORHOOD  
 REVITALIZATION AREAS  
 2002

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DATE ADOPTED:

<b>TYPICAL PER UNIT DEVELOPMENT AND IMPACT FEES FOR NEW SINGLE FAMILY RESIDENTIAL INFILL<sup>1</sup></b>		
<b>Fees and Charges</b>	<b>Infill</b>	
	<b>Citywide Average</b>	<b>%</b>
<b>Plan Review and Permit Fees</b>		
Building Permit Fee	\$1,100	8%
Plan Review Fee	\$300	2%
Technology Surcharge	\$53	0%
<b>Sub-Total</b>	<b>\$1,453</b>	<b>10%</b>
<b>Impact Fees and Taxes</b>		
Construction Excise Tax	\$850	6%
Residential Construction Tax	\$385	3%
Water Development <sup>2</sup>	\$2,000	14%
Sewer Development	\$124	1%
Regional Sanitation <sup>3</sup>	\$2,300	17%
School Impact Fees <sup>4</sup>	\$2,968	21%
Park Impact Fee	\$1,900	14%
<b>Sub-Total</b>	<b>\$10,527</b>	<b>76%</b>
<b>Other Charges</b>		
Tap Fees	\$1,900	14%
Strong Motion Instrumentation Fee	\$11	0%
Business Operations Tax	\$43	0%
<b>Sub-Total</b>	<b>\$1,954</b>	<b>14%</b>
<b>TOTAL FEES</b>	<b>\$13,934</b>	<b>100%</b>
Direct Infrastructure Improvements	<i>\$5000-\$20,000 per unit</i>	

\* Fees can vary depending upon location and size of home.

<sup>1</sup> This list of fees does not include the cost of any necessary planning entitlements, subdivision map fees, assessment fees, or SAFCA fees.

<sup>2</sup> The Water Development Fee may be waived for qualified infill projects.

<sup>3</sup> The Regional Sanitation Fee may be reduced to \$923.00 for qualified infill projects.