



City Council Report

915 I Street, 1st Floor

Sacramento, CA 95814

www.cityofsacramento.org

File ID: 2018-01639

December 11, 2018

Consent Item 20

Title: Update of the Fee Deferral Ordinance (Noticed 11/30/2018; Passed for Publication 12/04/2018; Published 12/07/2018)

Location: Citywide

Recommendation: 1) Pass a Motion approving an exemption under the California Environmental Quality Act (CEQA) (Guidelines section 15378(b)(4) government funding mechanisms or other government fiscal activities that do not involve commitment to any specific project); and 2) adopt an Ordinance amending sections 18.52.010 and 18.52.040 of the Sacramento City Code, relating to deferring payment of city fees on projects.

Contact: Greg Sandlund, Principal Planner (916) 808-8931, Community Development Department

Presenter: None

Attachments:

- 1-Description/Analysis
- 2-Ordinance – Redline
- 3-Ordinance – Clean

Description/Analysis

Issue Detail: On February 14, 2017, Council Adopted the Fee Deferral Ordinance (Chapter 18.52 of City Code) to provide an option to delay the cost of development impact fees until final inspection of the building or facility. The Fee Deferral Ordinance included a February 1, 2019 expiration date. Staff is proposing to extend the Fee Deferral Ordinance for an additional two years and is also expanding the scope of the program to apply to commercial projects with a project valuation of \$1 million or more. The current ordinance restricts the fee deferral program to commercial projects of 100,000 square feet or more.

Since the end of the recession, an inadequate housing inventory statewide has increased housing prices and rents. High construction costs have delayed new construction and kept the housing inventory low. Developers typically finance these fees prior to the construction period, often at high interest rates. These expenditures increase overall development costs. Providing the option to delay the cost of impact fees until the final inspection of the building or facility (and any resulting impacts) would reduce the upfront construction costs.

Policy Considerations: The Fee Deferral Ordinance is supported by the following policy as established in the 2035 General Plan:

Housing 2.2.3 Offsetting Development Costs for Affordable Housing. The City shall defer fees to Certificate of Occupancy (COO) to help offset development costs for affordable housing and will offer other financial incentives including, but not limited to, water development fee waivers and sewer credits.

Economic Impacts: By providing an option for lowering initial start-up construction costs of new development, the Ordinance helps to stimulate the construction of new housing and businesses, which will create jobs and stimulate overall economic development.

Environmental Considerations: The proposed ordinance is exempt from the provisions of the California Environmental Quality Act (CEQA), consistent with section 15378(b)(4) of the CEQA Guidelines, which provides that the creation of government funding mechanisms or other government fiscal activities that do not involve commitment to any specific project are not subject to environmental review.

Sustainability: The updated Fee Deferral Ordinance supports new residential and non-residential development needed to meet the sustainable growth outlined in the 2035 General Plan.

Commission/Committee Action: On November 27, 2018 the Law and Legislation Committee forwarded Staff's recommendation to the City Council.

Rationale for Recommendation: The updated Fee Deferral Ordinance will continue to encourage new housing and commercial development in the City by reducing upfront construction costs.

Financial Considerations: The Fee Deferral Ordinance provides an option for developers to delay payment of impact fees from the time of building permit issuance until prior to scheduling the final inspection. The Fee Deferral Program includes a fee to reimburse staff for administrative costs and does not impact the General Fund revenues.

Local Business Enterprise (LBE): No goods or services are being purchased in association with this report.

Background:

Fee Deferral Ordinance

Since the Great Recession, an inadequate level of new housing construction has resulted in a very low housing inventory. The low housing inventory in turn, has caused an increase in housing prices and rents, making Sacramento less affordable for families with low and moderate incomes. The 2013-2021 Housing Element of the City's General Plan addresses this problem by including an implementation program to establish a fee deferral program for affordable housing developers to defer fees to certificate of occupancy. In addition to allowing the deferral of fees for affordable housing, the Ordinance allows residential subdivisions, multi-unit dwellings and larger commercial developments to defer impact fees. By providing an option for lowering initial start-up construction costs of new development, the Ordinance helps to stimulate the construction of new housing and businesses, which will create jobs and stimulate overall economic development.

The Fee Deferral Ordinance provides an option to delay impact fees from the time of building permit issuance until prior to scheduling the final inspection. Under the current ordinance, eligible projects include:

- Multi-unit dwelling development projects of 5 dwelling units or more in which at least 50% of the building's gross square footage is devoted to residential uses;
- New or existing residential subdivisions of five or more lots; and
- Commercial or industrial uses with a building area of 100,000 square feet or more.

Eligible impact fees include transportation impact fees; sewer, water system, and storm drainage impact fees; capital facilities fees; park impact fees; the mixed income housing fee, and any development-impact fee adopted by the City Council under chapter 18.56. Participation in the program is be voluntary.

Staff is proposing to extend the Fee Deferral Ordinance for an additional two years and is also expanding the scope of the program to apply to commercial projects with a project valuation of \$1 million or more. Additionally, staff is recommending another sunset date in two years in order to be able to evaluate the expansion of the scope of program for commercial projects as well as potential changes in the economy that might impact payment of deferred fees.

Since the ordinance took effect in April 2017, 18 residential fee deferral agreements have been completed involving approximately 649 housing units. Additionally, four commercial fee deferral agreements have been completed for a total of 798,153 square feet.

ORDINANCE NO.

Adopted by the Sacramento City Council
Date Adopted

AN ORDINANCE AMENDING SECTIONS 18.52.010 AND 18.52.040 OF THE SACRAMENTO CITY CODE, RELATING TO DEFERRING PAYMENT OF CITY FEES ON PROJECTS

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

SECTION 1.

Section 18.52.010 of the Sacramento City Code is amended to read as follows:

18.52.010 Definitions.

The following definitions apply in this chapter:

- A. "City attorney" means the city attorney or designee.
- B. "City fee" means any of the following fees:
 - ~~1.~~ ~~Downtown transportation fee (section 18.36.040.A.1);~~
 - ~~21.~~ Railyards transportation fee (section 18.36.040.A.1);
 - ~~32.~~ Richards Boulevard transportation fee (section 18.36.040.A.1);
 - ~~43.~~ Railyards public facilities fee (section 18.36.040.A.2);
 - ~~54.~~ Richards Boulevard public facilities fee (section 18.36.040.A.3);
 - ~~65.~~ Jacinto Creek facilities fee (sections 18.28.050.A.1 and 18.28.110.B);
 - ~~76.~~ North Natomas public facilities fee (section 18.24.050.A.1);
 - ~~87.~~ North Natomas transit fee (section 18.24.050.A.2);
 - ~~98.~~ North Natomas public land acquisition fee (section 18.24.280.A);
 - ~~109.~~ North Natomas Regional Park land acquisition fee (section 18.24.280.B);
 - ~~1110.~~ Park development impact fee (section 18.44.030.A);

- ~~12~~11. Building excise tax (section 3.36.010)~~;~~
 - ~~13~~12. Willowcreek fee (section 18.32.050.A.1)~~;~~
 - ~~14~~13. Sewer development fee (section 13.08.480)~~;~~
 - ~~15~~14. Combined sewer development fee (section 13.08.490)~~;~~
 - ~~16~~15. Water system development fee (section 13.04.820)~~;~~
 - ~~17~~16. Mixed income housing fee (chapter 17.712)~~;~~
 - ~~18~~17. Transportation development impact fee for citywide benefit district (chapter 18.48)~~;~~~~and~~
 - ~~19~~18. Any fee adopted by the city council pursuant to chapter 18.56.
- C. “City manager” means the city manager or designee.
 - D. “City treasurer” means the city treasurer or designee.
 - E. “Deferral agreement” means an agreement that meets the criteria set forth in section 18.52.030.
 - F. “Developer” means a person undertaking a project.
 - G. “Program” means the program established by this chapter to defer payment of city fees.
 - H. “Project” means any of the following:
 1. A dwelling with five or more dwelling units and at least 50% of the building’s square footage devoted to residential uses~~;~~
 2. A commercial or industrial use with a project value totaling \$1,000,000 or more, as determined by the chief building official in accordance with section 15.08.110~~a building area of 100,000 square feet or more; or~~
 3. A new or existing residential subdivision of five or more lots.

SECTION 2.

Section 18.52.040 of the Sacramento City Code is amended to read as follows:

18.52.040 Expiration of the program.

The program expires on February 1, ~~2019~~2021, and no new deferrals of city fees may be approved after that date. Any deferrals approved on or before that date will remain in effect in accordance with the terms of this chapter and the related deferral agreements.

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Date Adopted

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The following definitions apply in this chapter:

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- B. "City fee" means any of the following fees:
 - 1. Railyards transportation fee (section 18.36.040.A.1).
 - 2. Richards Boulevard transportation fee (section 18.36.040.A.1).
 - 3. Railyards public facilities fee (section 18.36.040.A.2).
 - 4. Richards Boulevard public facilities fee (section 18.36.040.A.3).
 - 5. Jacinto Creek facilities fee (sections 18.28.050.A.1 and
18.28.110.B).
 - 6. North Natomas public facilities fee (section 18.24.050.A.1).
 - 7. North Natomas transit fee (section 18.24.050.A.2).
 - 8. North Natomas public land acquisition fee (section 18.24.280.A).
 - 9. North Natomas Regional Park land acquisition fee (section
18.24.280.B).
 - 10. Park development impact fee (section 18.44.030.A).

11. Building excise tax (section 3.36.010).
 12. Willowcreek fee (section 18.32.050.A.1).
 13. Sewer development fee (section 13.08.480).
 14. Combined sewer development fee (section 13.08.490).
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 2. A commercial or industrial use with a project value totaling \$1,000,000 or more, as determined by the chief building official in accordance with section 15.08.110.
 3. A new or existing residential subdivision of five or more lots.

SECTION 2.

Section 18.52.040 of the Sacramento City Code is amended to read as follows:

18.52.040 Expiration of the program.

The program expires on February 1, 2021, and no new deferrals of city fees may be approved after that date. Any deferrals approved on or before that date will remain in effect in accordance with the terms of this chapter and the related deferral agreements.