



STAFF REPORT

Date: June 13, 2017
To: Bryan H. Montgomery, City Manager
From: Dwayne Dalman, Economic Development Manager

Approved and Forwarded to City Council:


Bryan H. Montgomery, City Manager

SUBJECT: Resolution continuing the City's Development Fee Incentive Program for an additional year

Summary

Staff is requesting to continue for an additional year the commercial portion of the Development Fee Incentive Program, which is set to expire on June 30, 2017.

Background Information and Analysis

The economic downturn that began in 2007-2008 had a particularly significant impact on the financial viability of real estate development projects. The City's Development Fee Incentive Program that began in 2011 was extended in 2013 and most recently in 2015 for a period of two years. The program included residential and commercial incentives. The Council recently allowed the incentives for residential development to return to prior levels. However, the commercial markets have yet to recover as quickly.

The commercial fee incentive includes a continuation of the 40% abatement of Traffic Impact Fees, a 100% abatement of Park and Fire Facility Impact Fees, as well as 100% of the General Plan and South Oakley Infrastructure Fees. The program is set to expire on June 30, 2017.

Fiscal Impact

With adoption of the Resolution, the incentives for commercial development will be extended for an additional year. It is difficult to provide an overall fiscal impact analysis of extending the program, as impact fees on commercial projects are determined per 1,000 square feet of development, and vary significantly in size. However, for a commercial or light industrial project, the incentive amounts to approximately \$3.50/square foot. For a 10,000 square foot building, the incentive would equal approximately \$35,000.

Recommendation and Alternatives

Staff recommends that the City Council adopt the attached resolution, extending the City's current Development Fee Incentive Program for commercial developments for an additional year. The previous two extensions have been for two-year periods. However, there are signs of a recovery coming in the commercial marketplace for Oakley. With that in mind, staff recommends a shorter extension of one year. Staff will evaluate the program and the marketplace three months prior to the 2018 fee sunset to recommend whether the program needs to be extended in full for an additional time period, extended in part, or allowed to sunset completely when the market recovers sufficiently to support the collection of increased amounts.

As with the Council's prior actions, the proposed continuing incentives would be temporary and would sunset. The incentives are not modifications to the impact fee programs or studies, but are temporary abatements as a local economic incentive.

Attachments

1. Resolution

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OAKLEY
CONTINUING THE CITY'S "DEVELOPMENT FEE
INCENTIVE PROGRAM"**

WHEREAS, the economic downturn dramatically affected the viability of both residential and commercial development; and

WHEREAS, the City of Oakley instituted a Development Fee Incentive Program in June 2011; and

WHEREAS, the City extended the program in 2013 and 2015; and

WHEREAS, since that time, the residential market has recovered significantly from recession lows, though the commercial market has not completely; and

WHEREAS, without action to continue or modify the program, the current program will expire on June 30, 2017; and

WHEREAS, the City Council deems it is in the best interests of the City to continue the Development Fee Incentive Program, as described below, for an additional year.

NOW, THEREFORE, BE IT RESOLVED that the City Council hereby continues the Development Fee Reduction and Incentive Program that includes the following terms and conditions:

For Commercial Development:

1. One-year, temporary abatement of 100% of the Fire Facilities Impact Fee, Park Impact Fee, General Plan Fee, the South Oakley Infrastructure Fee; and 40% of the Oakley Traffic Impact Fee.
2. If a building permit is pulled during the term of the program, but expires, an extension would require not only the regular permit extension fee, but also payment of any development fees previously reduced.
3. The program extension will sunset on June 30, 2018.

PASSED AND ADOPTED by the City Council of the City of Oakley at a meeting held on the 13th of June, 2017 by the following vote:

AYES:
NOES:
ABSENT:
ABSTENTIONS:

APPROVED:

Sue Higgins, Mayor

ATTEST:

Libby Vreonis, City Clerk

Date