



# ***Agenda Report***

## ***Fullerton City Council***

**MEETING DATE:** MAY 5, 2020

**TO:** CITY COUNCIL / SUCCESSOR AGENCY

**SUBMITTED BY:** KENNETH A. DOMER, CITY MANAGER

**PREPARED BY:** MATT FOULKES, COMMUNITY AND ECONOMIC DEVELOPMENT DIRECTOR

**SUBJECT:** TEMPORARY DEFERRAL OF COLLECTION SPECIFIED DEVELOPMENT IMPACT FEES FOR CERTAIN DEVELOPMENTS

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### **SUMMARY**

Consideration of an Ordinance to temporarily defer collection of specified Development Impact Fees from building permit issuance until issuance of Temporary Certificate of Occupancy or Final Certificate of Occupancy.

### **RECOMMENDATION**

Introduce Ordinance No. XXXX for first reading by title only and waive further reading of the Ordinance.

ORDINANCE NO. XXXX - AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FULLERTON, CALIFORNIA, TO ALLOW DEVELOPERS TO TEMPORARILY DEFER PAYMENT OF CERTAIN DEVELOPMENT IMPACT FEES FROM AT PERMIT ISSUANCE TO PRIOR TO CERTIFICATE OF OCCUPANCY

### **PRIORITY POLICY STATEMENT**

This item matches the following Priority Policy Statement:

- Fiscal and Organizational Stability.

### **FISCAL IMPACT**

There is no long term net fiscal impact associated with this action. Developers requesting to participate in this fee deferral must still pay the full value of the specified development impact fees.

## DISCUSSION

Development activity in Orange County is projected to experience substantial negative effects of the recent COVID-19 pandemic. Given the unprecedented nature of the events, it is difficult to predict how long and how severe these impacts will be, but initial projections are that it is anticipated to be a slow recovery.

Fullerton, like most cities, collects fees to offset impacts created by new development. These impact fees provide funding for both new infrastructure and for improvements to existing infrastructure, including street circulation and park development. Development impact fees can represent a sizable up-front cost and in some cases be the deciding factor in the financial feasibility of a project. Allowing these fees to be deferred until the project is nearly complete provides a valuable incentive to both the developer and lender by reducing the time between the investment of money into a project and realizing a return on that investment in the form of sales or leasing of the building and / or units. The impact fees proposed to be deferred under this ordinance include: Parks Acquisition and Development Fee, Traffic Impact Mitigation Fee, Sanitation Fee and General Plan Update Fee.

Allowing construction to commence with a deferment has the potential to benefit the City in a variety of ways including: (a) accelerating increases in property tax valuation due to assessment as improved land (b) collection of sales tax on building materials purchased locally (c) revenue from business license taxes from contractors and design professionals and (d) employment of construction personnel and their spending in the local area.

There are several sizable developments in various stages of review within the City that have not yet been issued permits which could benefit from this program if approved. Applicable projects include residential developments like Brandywine Homes, a 33-unit condominium development at 751 Bastanchury Road and three other sizable multi-family residential developments which are currently in preliminary review. There also several industrial projects including the Goodman Logistics Center at the former Kimberly-Clark site which may also be eligible.

A temporary fee deferral program is recommended as a stimulus for both residential and non-residential development. Fee deferral ordinances, similar to the one proposed, was a tool utilized by more than 75 jurisdictions statewide during the great recession in 2008-2011 as an economic incentive for development. To ensure that fees are paid prior to certificate of occupancy, provisions in the draft ordinance require a developer to execute a contract to pay the fees, with interest, prior to issuance of the certificate of occupancy. This contract will be recorded with the Orange County recorder and constitute a lien for the payment of the fees. Alternatively, the obligation could be secured by an irrevocable letter of credit from the developer. So as to avoid any fiscal impact to the City, the ordinance further provides that a developer will offset the City's costs to implement and administer the fee deferral program.

The ordinance will be in effect for one year from the effective date, unless extended for one additional year by further action of the City Council.

Attachments:

- Attachment 1 – PowerPoint Presentation
- Attachment 2 – Draft Ordinance No. XXXX