

STAFF REPORT

City of Lancaster

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MVB

Date: November 9, 2010

To: Mayor Parris and City Council Members

From: Robert C. Neal, Director of Public Works

Subject: **Extension of the Building Incentive Stimulus Program**

Recommendation:

Adopt **Resolution No. 10-70**, approving the extension of the Building Incentive Stimulus Program waiving 20-30 percent of the development impact fees from January 1, 2011, through June 30, 2011, in order to help stimulate the local job market and encourage developers to continue to build in the City of Lancaster.

Fiscal Impact:

Should developers take advantage of this program, the projected revenue for building fees is anticipated to increase between \$750,000.00-\$1,000,000.00, while the value of new construction could exceed \$50 million and over 200 local construction jobs would be created. The potential loss in revenue to the City's Capital Program is estimated at \$600,000.00 to \$800,000.00 based on the recommended fee waiver.

Background:

In February 2010, City Council approved the Building Stimulus Program which has successfully generated approximately \$3,300,000.00 in new construction revenue for the City over the past nine months. This is nearly a \$1,500,000.00 increase from last year's figure for the same time period. A recent Antelope Valley Press article dated September 28, 2010, stated that Lancaster's permit issuances are up 38.4% from last year while Palmdale's number is down 36.3% for 2010. The increase in revenue and the increase in the number of permits issued is a direct result of this innovative incentive program.

Furthermore, the job market has not fully recovered from the recession. The extension of this incentive program would continue to encourage local development and thereby help to continue to stimulate the local economy. Since February 2010, there have been 242 homes built, translating into \$51,000,000.00 in construction. With 40% of this figure attributed to labor costs, it is estimated that 225 local construction jobs were created from this incentive program.

As of January 1, 2011, the development impact fees will be approximately \$11,413.00. This program would allow developers to continue to receive a 30% (approximately \$3,424.00) development impact fee incentive per dwelling structure for development occurring within the Lancaster Boulevard Downtown (LBD) District and receive a 20% (approximately \$2,283.00) impact fee incentive per dwelling structure for development occurring outside the LBD District.

Reducing the development impact fees represents the most direct and substantial way the City has at its disposal to immediately improve the feasibility of current development activity.

AK:ddd

Attachment:

Resolution No. 10-70