

STAFF REPORT
City of Lancaster

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07/26/11
MVB

Date: July 26, 2011

To: Mayor Parris and City Council Members

From: Robert C. Neal, Director of Public Works

Subject: **Building Incentive Stimulus Program for 2011-2012**

Recommendation:

Adopt **Resolution No. 11-61**, approving the implementation of the Building Incentive Stimulus Program for Existing Tracts and new commercial development. For existing tracts, 25 percent of the development impact fees will be waived, and landscaping will not be required in the back yards. For new commercial and industrial development, development impact fees will be deferred from building permit issuance to the certificate of occupancy. This program will be in effect from July 27, 2011, through June 30, 2012, in order to help stimulate the local job market, eliminate blight and attractive nuisances, increase property values, and encourage developers to continue to build in the City of Lancaster.

Fiscal Impact:

Should developers take advantage of this program to the same extent as the original program, projected revenue for building fees collected during the program is anticipated to increase to nearly \$4 million. At the same time, the value of new construction could exceed \$70 million and over 200 local construction jobs would be created. There is no fiscal impact for the deferral of commercial and industrial impact fees other than the time of collection.

Background:

Since fall 2008, continuing foreclosures, bank failures, job losses, and a falling stock market have accelerated a nationwide recession. Residential developers, in particular, have been hit hardest. Most have stopped production, abandoned their tracts, and gone out of business. As a result there are currently 45 approved tracts in Lancaster that have not been completed, representing almost 2,400 vacant lots. In addition, there are 145 open building permits within these tracts that have not been completed. While some of these permits are active, most represent vacant construction, which becomes an attractive nuisance, attracts crime, causes blight and reduces the property value of surrounding completed homes. At the same time, commercial and industrial development has almost stopped as bank financing has stopped.

In February 2010, City Council approved the Building Stimulus Program which was largely successful; resulting in an increase of the rate of home construction by over 100 homes per year.

We believe that it is in the best interest of the City to continue to offer incentives to residential developers to encourage the completion of existing tracts. Doing this eliminates blight, reduces crime, increases property values and creates safer, stronger, healthier neighborhoods.

The deferral of development impact fees for commercial and industrial development will encourage developers with private financing to start construction by reducing the amount of capital required “up front.”

As of January 1, 2011, the development impact fees will be approximately \$11,413.00. This program would allow residential tract developers to receive a 25% (approximately \$2,853.00) development impact fee incentive per dwelling. In addition, we will continue to waive the requirement for landscaping to be installed in rear and side yards. This could result in an additional savings of up to \$10,000.00 per dwelling. There will be no change in the amount of fees received from commercial development.

Reducing the development impact fees for existing tracts and deferring them for commercial and industrial developments represents the most direct and substantial way the City has at its disposal to immediately improve the feasibility of current development activity.

CE:lcs

Attachment:

Resolution No. 11-61