

STAFF REPORT
City of Lancaster

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06/26/12
MVB

Date: June 26, 2012

To: Mayor Parris and City Council Members

From: Robert C. Neal, Director of Public Works

Subject: **Building Incentive Stimulus Program for 2012-2013**

Recommendation:

Adopt **Resolution No. 12-39**, a resolution of the City Council of the City of Lancaster, California, approving the continuation 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 01, 2012, through December 31, 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 \$1.5 million. At the same time, the value of new construction could exceed \$30 million and over 100 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:

Fiscal Year 07-08 saw the current recession hitting the building industry in the Antelope Valley hard with just a third the number of new building permits issued compared to the previous year. The decline continued through Fiscal Year 08-09, with new home permits dropping to nearly one-half of those issued the previous year. By now, most developers had left the Antelope Valley, leaving partially completed homes and tracts behind.

In an effort to encourage new construction and alleviate the blight of abandoned tracts, the City Council approved a Building Stimulus Program in February, 2010. This program was largely successful, with 114 new home permits issued in first two months. The fiscal year saw an increase of 81 new home permits compared to the Fiscal Year 08-09. New commercial construction, however, saw no improvement as the lack of available financing negated the effect of the fee discounts offered.

The original program was extended through the end of Fiscal Year 10-11. For Fiscal Year 11-12, the program was modified to provide a 25 percent discount of development impact fees within tracts only, and to defer the payment of non-discounted impact fees for commercial

construction to the issuance of the Certificate of Occupancy. In October 2011, the stimulus plan was amended to include an incentive for new home construction within a Community Facilities District. While the current program has failed to increase the rate of new home construction, it has maintained the previous year's rate without further decline in a market that has seen home values continue to decline. It is for this reason staff believes it is still in the best interest of the City to support the building industry by continuing the existing program through December 31, 2012.

Currently, the development impact fees for a new single family dwelling are approximately \$11,413.00. This program would allow residential tract developers to receive a 25 percent (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, resulting in possible 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. 12-39