

STAFF REPORT
City of Lancaster

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02/25/14
MVB

Date: February 25, 2014

To: Mayor Parris and City Council Members

From: Robert C. Neal, Director of Public Works

Subject: **Building Incentive Stimulus Program for Fiscal Year 2014-2015**

Recommendation:

Adopt **Resolution No. 14-10**, 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.

Fiscal Impact:

Should developers take advantage of this program, up to 225 new homes are anticipated to be built. This would result in up to \$2.46 million in building fees collected during the program. At the same time, the value of new construction could exceed \$52 million and over 175 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 2007-2008 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. By 2009 the number of new home permits had dropped to just 188, less than seven (7) percent of the record 2,799 permits issued in 2005. 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 the first two months. The fiscal year saw an increase of 81 new home permits compared to the Fiscal Year 2008-2009. 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 2010-2011. For Fiscal Year 2011-2012, the program was modified to provide a twenty-five (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. This program was continued for Fiscal Year 2012-2013. The current Fiscal Year 2013-2014 program limits discounts to tracts where construction has begun prior to the end of 2013. These programs have managed to maintain a steady rate of new home construction in a market that has continued to decline in other communities. 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 June 30, 2015.

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 twenty-five (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.

For existing tracts, twenty-five (25) percent of the development impact fees will be waived and landscaping will not be required in the rear or side yards when not visible from the street. The discount will apply to all new homes permitted for construction within tracts recorded prior to December 31, 2013. For new commercial and industrial development, development impact fees will be deferred from building permit issuance to any certificate of completion or occupancy. This program will be in effect from March 1, 2014 through June 30, 2015, in order to help stimulate the local job market, eliminate blight, increase property values, and encourage developers to continue to build in the City of Lancaster.

CE:lcs

Attachment:

Resolution No. 14-10