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Agenda Item: 2 C
Date: 1/30/14

FRESNO CITY COUNCIL



Supplemental Information Packet

Agenda Related Items – 2 C

Supplemental Packet Date: January 27, 2014

Item(s)

RESOLUTION – Adopting a policy authorizing the City Manager the authority to reduce and/or eliminate selected Citywide impact fees for industrial development projects that create new jobs, increase assessed property valuation, and promote economic development - Council Districts 2, 5 and 7

Supplemental Information:

Any agenda related public documents received and distributed to a majority of the City Council after the Agenda Packet is printed are included in Supplemental Packets. Supplemental Packets are produced as needed. The Supplemental Packet is available for public inspection in the City Clerk's Office, 2600 Fresno Street, during normal business hours (main location pursuant to the Brown Act, G.C. 54957.5(2)). In addition, Supplemental Packets are available for public review at the City Council meeting in the City Council Chambers, 2600 Fresno Street. Supplemental Packets are also available on-line on the City Clerk's website.

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AGENDA ITEM NO. **2C**
COUNCIL MEETING January 30, 2014
APPROVED BY _____

January 30, 2014

DEPARTMENT DIRECTOR 

CITY MANAGER 

FROM: BRUCE RUDD, City Manager
LARRY WESTERLUND, Economic Development Director

SUBJECT: A Resolution of the Council of the City of Fresno, California, adopting a policy authorizing the City Manager to reduce and/or eliminate selected Citywide impact fees for industrial development projects that create new jobs, increase assessed property valuation, and promote economic development

RECOMMENDATION

The Administration, Council President Brandau and Councilmembers Olivier and Quintero recommend the City Council approve the attached resolution adopting a policy giving the City Manager the authority to reduce and/or eliminate selected Citywide development impact fees in order to incentivize industrial development projects that create jobs, increase property valuations, and promote economic development for a term not to exceed one year.

EXECUTIVE SUMMARY

Industrial projects can create well-paying permanent jobs and increase property valuations, resulting in greater property tax receipts for the City. Yet, there is difficulty attracting industrial development, due to the cost of Citywide impact fees. This is at a time in which other counties and cities are waiving fees, making it more difficult for Fresno to compete.

The attached resolution authorizes the City Manager to reduce and/or eliminate various Citywide impact fees for industrial development that help to create jobs and enhance property tax revenues. Staff will determine the level of fee reductions based upon an analysis of permanency of the business, level of job creation, location to infrastructure, zoning and overall increased revenue generation to the City. There may be times in which it may be necessary to offset the reductions through a combination of other available revenues (for example, Measure C, General Fund, or grants) or shifting other infrastructure projects to align expenses with the actual impact fees to be collected in future periods. This resolution will expire one year from the date of adoption. Staff recommends the Council adopt the resolution to promote industrial development and revitalization in the City of Fresno.

BACKGROUND

Industrial employment and its connection to valley agriculture is the foundation of the Fresno's economic system. The expansion of industrial development provides an opportunity to increase the number of living-wage jobs for citizens of Fresno, which in turn, afford our residents the ability to move up the economic ladder. Industrial developments include food processing plants, baking and cooking facilities, packaging factories, fabrication facilities, laboratories and flex space and warehouses, just to name a few.

It is the Administration's goal to stimulate expansion of current businesses and to attract additional industrial development with the attributes noted above.

Historically, the City has not reduced or eliminated impact fees simply because other jurisdictions have done so. However, other cities and counties have recently implemented changes to their impact fee programs in order to stimulate economic development. The following are some noted programs currently or recently adopted within Fresno County or counties nearby:

County of Fresno

- Two year moratorium on all development fees (mostly public buildings)

City of Clovis

- Reduce industrial development fees for the southern half of the city by 70%

City of Sanger

- 18-month suspension of sewer and water development fees for certain commercial and industrial projects

City of Hanford

- 18-month program, 30% reduction in development impact fees for new buildings

It should be noted that Fresno is competing regionally with other cities that are already reducing fees in order to improve economic development in their communities. Additionally, in many other areas of California, other public agencies have also elected to incorporate fee reductions into their development impact fee programs in order to advance specific policy goals that spur economic development and job creation.

Therefore, in an effort to provide an incentive to expand or attract industrial development within the city of Fresno, the Administration is recommending the City Council provide the City Manager the authority to reduce and/or eliminate various impact fees, with the exception of water connection and sewer connection charges, if the following conditions are met:

- a. The development is for an industrial project that leverages or creates expansion opportunities for Fresno's existing industrial base;
- b. The development is owner-occupied or subject to a long term lease;
- c. The expansion will create or retain jobs that are a good match for the available workforce in the four-county Fresno commute shed;
- d. The project site is located in an area of the city where public infrastructure to support the proposed industrial development already exists;
- e. The project site is currently zoned for industrial development;
- f. The project will result in an increase in assessed property valuation, with the possible increase in sales tax revenue or other revenue streams resulting from job creation and additional economic activity.

As impact fees are designed to pay for public infrastructure, the reduction in fees under this resolution shall not cause the payment of prevailing wage to be required for the portion of any industrial development that is not public infrastructure.

In addition to the annual report required under the Mitigation Fee Act, the City Manager shall prepare a report to the Council on a quarterly basis over the one year term. The report will detail the amount and type of development impact fees reduced by project, the amount of fees offset by other legally permissible funding sources, and/or capital improvement projects that may be reprioritized.

FISCAL IMPACT

Adoption of the resolution by the City Council will allow for an economic development incentive through fee reductions. It is anticipated a portion of these reductions will be offset by the increase in property tax, sales tax and other economic stimulus. The level of short-term fiscal impact will depend upon the level of success this program has in expanding or attracting new industrial development projects. The implementation of the reductions should result in a long term net gain of total revenues to the City, both directly and indirectly. The quantity and quality of jobs is also expected to increase which also creates its own contribution to the local economy and the number of employment opportunities that are available to our residents.

Attachment: Resolution

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RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO, CALIFORNIA, ADOPTING A POLICY AUTHORIZING THE CITY MANAGER THE AUTHORITY TO REDUCE AND/OR ELIMINATE SELECTED CITYWIDE IMPACT FEES FOR INDUSTRIAL DEVELOPMENT PROJECTS THAT CREATE NEW JOBS, INCREASE ASSESSED PROPERTY VALUATION, AND PROMOTES ECONOMIC DEVELOPMENT

WHEREAS, the City desires to provide incentives to facilitate industrial development and revitalization in the City of Fresno; and

WHEREAS, certain industrial development creates permanent jobs, increases property taxes, and promotes additional business attraction, retention and expansion, which are the foundation of the financial well-being of the City; and

WHEREAS, the economic recession and the resulting slowdown has made it more difficult to finance industrial development projects; and

WHEREAS, the City has adopted various development impact fees to mitigate the impacts of new development and to fund infrastructure to serve new development, including parks, trails, fire stations, police substations, street improvements, and traffic signals pursuant to the Mitigation Fee Act (Gov. Code 66000 et seq.); and

WHEREAS, in certain areas of the City, public infrastructure to support industrial uses currently exists, so the need for additional development impact fees to pay for development impacts in those areas are reduced or eliminated; and

WHEREAS, the City recognizes that elimination of selected impact fees will reduce the amount of funds available for use on public facilities for each fee that is eliminated; and

WHEREAS, certain public facilities that were planned at the time of the adoption of the current impact fees may need to be reduced or eliminated as unnecessary, nonessential, or delayed; and

WHEREAS, the City recognizes a fee cannot be increased on future developments or other developments to make up for fees eliminated for certain development projects; and

WHEREAS, the City recognizes a portion of the eliminated fees may need to be offset by either reducing the public infrastructure investments that are the basis for the current fee schedule and/or identifying other legally available funding sources; and

WHEREAS, the City desires to provide the incentive to new industrial development at the earliest possible opportunity to stimulate job creation.

NOW, THEREFORE, BE IT RESOLVED, by the Council of the City of Fresno as follows:

1. The City Manager shall be authorized to reduce and/or eliminate the amount due for citywide Impact Fees of every type, except for water connection charges and sewer connection charges, if the following criteria are met:

a. Type of development project: The development is for an industrial project and the business associated with the project supports, leverages, or creates expansion opportunities for Fresno's existing industrial base;

b. Permanency of the business: The development project is owner-occupied or subject to a long term lease;

c. Job Creation: The development project will create or retain jobs that are a good match for the available workforce in the four-county Fresno commute shed;

d. Location: The development project site is located in an area of the City where public infrastructure to support the proposed industrial development currently exists;

e. Zoning: The site is currently zoned for industrial development; and

f. Overall revenue generation for the City: The development will create an increase in assessed valuation, and therefore property tax receipts due to the City, which combined with potential sales tax revenue and other revenue streams resulting from the job creation and economic activity of the development, help offset the reduced fees.

2. As impact fees are designed to pay for public infrastructure, the reduction in fees under this resolution shall not cause the payment of prevailing wage to be required for the portion of any industrial development that is not public infrastructure.

3. In addition to the annual report required under the Mitigation Fee Act, the City Manager shall prepare and present a report to the Council by the end of the one year term, detailing the amount and type of development impact fees reduced for each development project, along with the running total of reduced fees that may need to be offset by other legally permissible City funding sources, and/or capital improvement projects planned at the time of adoption of the impact fees that will be reduced or eliminated.

4. The City Manager's ability to reduce and/or eliminate selected impact fees shall apply to all new qualifying industrial development projects upon which building permits are issued after the effective date of this resolution.

5. This resolution shall expire one year from the date of its adoption after which all impact fees will revert back to the full rate at that time without further action by the City

* * * * *

STATE OF CALIFORNIA)
COUNTY OF FRESNO) ss.
CITY OF FRESNO)

I, YVONNE SPENCE, City Clerk of the City of Fresno, certify that the foregoing resolution was adopted by the Council of the City of Fresno, at a regular meeting held on the ___ day of _____, 2014.

AYES :
NOES :
ABSENT :
ABSTAIN :

Mayor Approval: _____, 2014
Mayor Approval/No Return: _____, 2014
Mayor Veto: _____, 2014
Council Override Vote: _____, 2014

YVONNE SPENCE, CMC
City Clerk

BY: _____
Deputy

APPROVED AS TO FORM

DOUGLAS T. SLOAN
CITY ATTORNEY

BY: *Douglas T. Sloan* for 1/24/14
Date
City Attorney