

Memo

To: El Dorado County Board of Supervisors
From: John R. Knight, Supervisor District I
Date: 1/6/2011
Re: Development Impact Fee Reductions- Sub-group meeting

Supervisor Knight was directed by the Board on December 7, 2010 to meet with interested parties to discuss ideas and a process for implementing short term and/or permanent development fee reductions or other cost saving measures to help encourage economic development in El Dorado County. The meeting was held on December 22, 2010.

Attendees at the meeting were:
District 1 Supervisor John Knight
Placerville Vice Mayor David Machado
Tim Youmans, Principal, Economic and Planning Systems (EPS)
Kim Beal, El Dorado County Business Alliance
Kirk Bone, Serrano Associates
Scott Whyte, Sacramento Builders Exchange

At the December 7th, 2010 Board meeting, Mr. Youmans distributed Table A-1 from the October 7, 2010 El Dorado County Development Feasibility Study prepared for the El Dorado Business Alliance. This report served as the technical basis for the discussion at the December 7th meeting.

Table A-1 (attached) from the report showed a breakdown by agency of development fees that single family and multi-family developments would be required to pay for a series of sample development projects in a number of areas of the County. It was clear from Table A-1 that all public agencies would need to

be involved in considering reductions in development costs to assist in fostering economic development in the County.

Recommendations from the attendees at the December 22nd meeting included:

1. The County should form a working group of public agencies to address the development feasibility issues.

The Board should take the lead in coordinating a set of meetings with all public agencies which charge significant development impact fees. The initial meetings should include a presentation of the feasibility issues based the report by EPS. The follow-up meetings should focus on a program to reduce development costs in the County. Each agency would discuss their ideas to assist in restoring economic feasibility and their issues with modifying their fee programs and other development regulations.

2. El Dorado County should consider taking the first step by immediately reducing its Traffic Impact Fee on a short term basis to reflect current construction costs.

The building industry representatives noted that the costs of construction based on recent bids have been significant less than engineer's estimates over the past couple of years. Building Industry represents said they could get recent bids to provide current information on actual construction costs.

The Board could direct Department of Transportation (DOT) staff to consider immediate short terms reductions in the cost of the roadway portion of its Capital Improvement Program. Reductions could be implemented with periodic reviews to decide whether the reductions should be retained.

DOT staff should also be directed to review recent bid information in the County and other neighboring jurisdictions. If these costs reductions are proven, then the County has basis for immediately reducing its impact fees across the board. Local civil engineering companies could provide a peer review of DOT's cost estimates.

DOT staff should also be directed to closely monitor construction costs over the time frame that the reductions are in place so that if costs begin to rise significantly, the Board can readjust the TIM Fee under its present Nexus Study justification.

3. El Dorado County should consider updating its Transportation Impact Fee with an updated Nexus Study.

This action will take a longer time frame to implement, but would create a revised Capital Improvement Program based on updated costs, revised development projections based on the new economic realities resulting from the recent recession, updated projections of State and Federal Funding due to the stimulus funds received by the County and updates to the State Transportation Improvement Program (STIP), and any other relevant factors.

As part of this update, DOT could consider changes to its fee calculation methodology. For example, DOT could establish a fee per building square for residential units based on persons per household from the 2010 Census. The present fee calculation of one fee per single family unit and one fee per multi-family unit significantly impacts the feasibility of smaller units. Other factors, such as proximity to transit or active adult developments could also be factored into an updated fee.

4. El Dorado County should direct DOT to modify the way it interprets the calculation of the fee from projects in mid or high density zoning categories.

DOT presently interprets the definition of single family units solely by whether the unit is a detached unit or an attached unit. Smart growth principals and the market are causing the demand for high density single family detached units. These units can presently be constructed under the County's medium density zoning category. However, they are charged the single family TIM fee of \$32,420 to \$41,700 per unit. If they were classified as multi-family units due to the density and zoning classification, these units would be charged \$21,200 to \$27,180. This savings would make a substantial difference in the feasibility of these units.