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Title: Community Development Services, Planning and Building Department, recommending the Board approve the proposed 2018 Ten-Year Residential Permit Forecast for development of the 2018 Capital Improvement Program. (Est. Time: 15 Min.)

FUNDING: N/A

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Attachments: 1. A - Board Memo 11-14-17, 2. B - Update Cycles 11-14-17, 3. C - Permit Breakdown by Zone 11-14-17, 4. D - Permit Revenue 11-14-17, 5. E- Permit Forecast Presentation 11-14-17

Date	Ver.	Action By	Action	Result
11/14/2017	1	Board of Supervisors	Approved	Pass

Community Development Services, Planning and Building Department, recommending the Board approve the proposed 2018 Ten-Year Residential Permit Forecast for development of the 2018 Capital Improvement Program. (Est. Time: 15 Min.)

FUNDING: N/A

DEPARTMENT RECOMMENDATION

Community Development Services (CDS), Planning and Building Department (Planning), Long Range Planning, recommending the Board approve the 2018 Ten-Year Residential Permit Forecast (2018 Forecast). This Forecast will be used in the development of the 2018 Capital Improvement Program (CIP). A memo to the Board is attached which provides information regarding the proposed 2018 Forecast (Attachment A).

DISCUSSION / BACKGROUND

General Plan Policy TC-Xb and Implementation Measures TC-A and TC-B require the annual update of the CIP, specifying expenditures for roadway improvements over the next ten years. The Residential Permit Forecast initiates the CDS annual updating cycle for both the CIP and the Traffic Impact Mitigation (TIM) Fee Program (Attachment B).

One of the major funding sources for the CIP is revenue from the TIM Fee Program. The majority of the TIM Fee Program’s revenue comes from residential building permits. Staff uses the residential permit forecast to estimate TIM Fee revenues programmed in the ten-year CIP. General Plan policies require that the forecast is evaluated each year for the annual update of the CIP program.

There are consequences of forecasting too high or too low. If the projected estimate is too high, the revenue forecast assumes the capacity to finance additional roadway projects in the ten-year CIP. Including additional CIP projects could cause a lack of sufficient revenue to repay existing

reimbursement agreements. Conversely, if the estimate is too low, the County could potentially miss the opportunity to include CIP projects needed within the County.

On August 23, 2010 (Item 1), the Board approved the “Long Slow Climb” permit forecast scenario. On December 3, 2013 (Item 31), the Board approved a continuation of the approved “Long Slow Climb” forecast.

The County received a total of 753 residential building permits during Fiscal Year (FY) 2016/17, which exceeded the 228 permits forecasted in the “Long Slow Climb” scenario. Between July 1 and September 30, 2017, i.e., one quarter of the way through the current fiscal year, the County has received 152 permit applications of the 297 permits forecasted in the “Long Slow Climb” scenario. This is equivalent to 51 percent (%) of the forecast for FY 2017/18. Lower TIM Fees may have contributed to the higher than expected permit activity for FY 2017/18. However, the winter season is beginning, which historically has resulted in fewer permit applications, and the economy is not yet out of the woods.

The permit activity the County saw last year, and is currently seeing, exceeds the Ten-Year Residential Permit Forecast approved on December 3, 2013. Three options are provided below to enable the Board to determine which growth trend the County will use in the 2018 Annual CIP and TIM Fee Updates.

“Board Approved” Forecast

A growth forecast is an assumption about how and where the County will grow in the future. Identifying an appropriate growth forecast entails reviewing both past and projected future trends, as well as considering the County’s goals for how and where it wants to grow. Forecasting growth is an iterative and ongoing process - forecasts are reviewed and adjusted annually (as part of the annual CIP and TIM Fee updates) as well as every five years (as part of the Major Five-Year CIP and TIM Fee Program updates). Routinely verifying and updating growth forecasts allows the County to account for new information and adjust its assumptions and plans accordingly.

Choosing a growth forecast does not approve or deny any new development. The cycle the County uses in updating the Capital Improvement and TIM Fee Programs on an annual and five-year basis is included in Attachment B.

On July 30, 2013 (Item 29), staff presented a growth forecast based on the BAE Urban Economics, Inc. (BAE) report dated March 12, 2013, which included an updated set of housing and employment growth projections through 2035.

Subsequent Board workshops were held on February 24 (Item 1) and April 8, 2014 (Item 12), to discuss the growth forecast and distribution to be used for the Major CIP and TIM Fee Update. On April 8, the Board identified the 1.03% residential average annual growth rate, with 75% of that growth anticipated to occur within the Community Regions and 25% of the growth anticipated to occur outside the Community Regions, as the starting point for the Major CIP and TIM Fee Program Update. The “Board Approved” forecast is based on the BAE report mentioned above.

“Permit Actuals” Forecast

This option estimates a more optimistic forecast for the next 10 years. The “Permit Actuals” option was developed by calculating the growth percent per year beginning in FY 1997/98 through FY 2016/17. It estimates a consistent growth rate, starting from the actual number of permits received

during Fiscal Year 2016/17, and assuming 1.07% growth through Fiscal Year 2026/27. This historical trend projection is more consistent with the actual number of permits received to date. However, housing production in the County had rapidly increased during the housing bubble of 2000 to 2006, and then bottomed out in the recession. Some of the increases in Fiscal Years 2011/12 through 2016/17 might be attributed to pent-up demand due to the recession in prior fiscal years. Therefore, this forecast may be too aggressive.

In the "Permit Actuals" forecast scenario, the County will have received 30% of the anticipated 500 permits for FY 2017/18 during the first quarter of the fiscal year, representing approximately 150 permits.

"Developer Trend" Forecast

The CDS Departments of Planning and Transportation have discussed estimates of permit projections as they relate to the approved Tentative Maps in the development community. The majority of these Tentative Maps are in Zone 8 (El Dorado Hills) and Zone 2 (Cameron Park), and include Serrano, Saratoga Estates, Hawk View, Carson Creek, and Silver Springs. Projects on the horizon include Bass Lake Hills, Eastridge, and Shinn Ranch. Approval or implementation of any General Plan amendment projects may require updates during the next permit forecast cycle.

However, several factors that discourage growth in the area must be considered. Whereas population and job growth rates are trending up after the recession, new housing growth lags. The National Homebuilders Association showed a decline in production due to construction labor shortages. Many construction trade workers left the area during the recent recession. In addition, developers have focused more of their recent efforts in the City of Folsom, Sacramento County, and Placer County. El Dorado County is competing with these areas for the same construction labor resources, which may also be compounded by the reconstruction needed for homes lost in recent wildfires. There are also restrictions on development in the County due to environmental issues relating to rare plant species.

Staff anticipates that the County may see an average of approximately 467 permits per year for a 2-3 year period starting in FY 2017/18. After the 2-3 year period, the permit activity may decline. At this point, staff is assuming a flat revenue forecast of 467 permits per year for the "Developer Trend" forecast.

RECOMMENDATION

Staff recommends the "Board Approved" forecast for the 10-year update based on the following factors:

- The Board approved the 1.03% growth trend on April 8, 2014;
- Housing production in the County has increased, but has not yet returned to pre-bubble levels; and
- The "Board Approved" forecast pattern of 1.03%, as presented within the 10-year Residential Permit Forecast table in Attachment A, is in the middle range of the three forecasts presented.

Given the uncertainty in the economy and the housing market, staff recommends a conservative forecast for now. A breakdown of projected permits by zone is included in Attachment C, and actual permit revenue from FY 2015/16 through the first quarter of FY 2017/18 is included in Attachment D. Staff will prepare the 2018 CIP using the approved permit forecast as a component of the overall revenue forecast to program capital improvement projects.

NEXT STEPS

Based on Board direction, staff will prepare for a preliminary 2018 CIP workshop, tentatively scheduled for February 2018. Staff will present the next permit forecast workshop to the Board during the next 5-Year Major CIP and TIM Fee Program Update. Annual permit forecasts will be developed, but only presented to the Board if major changes are expected in permit activity.

ALTERNATIVES

The Board could choose to:

- 1) Approve the "Permit Actuals" forecast;
- 2) Approve the "Developer Trend" forecast; or
- 3) Approve a forecast different than the three options described in this agenda report.

OTHER DEPARTMENT / AGENCY INVOLVEMENT

Community Development Services

- Department of Transportation
- Planning and Building Department
- Administration & Finance Division

CAO RECOMMENDATION

It is recommended that the Board approve this item.

FINANCIAL IMPACT

There is no change to Net County Cost associated with this agenda item. The permit forecast impacts the TIM Fee Program's short term revenue forecast, which is a component of the CIP.

CLERK OF THE BOARD FOLLOW UP ACTIONS

N/A

STRATEGIC PLAN COMPONENT

The permit forecast is the starting point for the 2018 annual CIP update. The CIP is a vital part of the Infrastructure component of the County Strategic Plan. Adequate infrastructure is necessary for the Economic Development component and a requirement of the County General Plan, and safe roads are a crucial factor in the Public Safety component of the Strategic Plan.

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