



11/21/11

City of Gilroy
PUBLIC WORKS DEPARTMENT
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www.cityofgilroy.org

AGENDA DATE: November 21, 2011
TO: Thomas J. Haglund, City Administrator
FROM: Rick Smelser, Public Works Director/City Engineer
SUBJECT: Reduction in the Public Facilities Impact Fees

A handwritten signature in black ink, appearing to be "RS", located to the right of the "FROM" field.

Recommendation

It is recommended that City Council approve the attached resolution modifying the Public Facilities Impact Fee as identified in the 2011 Adjustment Report.

Background

Pursuant to Section 21.163 (b) of the Gilroy Municipal Code, the City prepared a 2011 Adjustment Report for the public facilities impact fee (PFIF) which included a detailed review of the cost assumptions associated with the PFIF master plan and a re-costing of the projects consistent with the current pricing experienced in this area resulting from the recession's effect on items such as materials, property values and labor rates are consistent with current industry indicators and the City's own experiences bidding out various projects over the past two years. The cost adjustment was based on new cost data only, and did not affect the statutory findings made by the City Council at adoption of the PFIF in 2004. No changes were proposed that would change the original analysis of the reasonable relationship between new development, the PFIF, and facilities to be funded. The changes were made in accordance with Section 21.163 (b) of the Gilroy Municipal Code and provided the basis for a significant decrease in the public facilities impact fees.

The projects below were identified for completion by developers as part of individual development agreements negotiated subsequent to the 2004 Study and were proposed to be separated from the PFIF master plan with the understanding that in doing so the only means by which they will be completed is through strict adherence to the provisions of the individually negotiated development agreements.

Projects to be removed that are covered by Development Agreements	
Project Name	Project Cost
Hecker Pass Park Land	\$828,000
Glen Loma Ranch Parks Land	1,656,000
Fourth Fire Station -- Land	276,000
Fourth Station -- Construction	3,600,079
Hecker Pass Park -- Construction	793,800
Glen Loma Ranch Parks Construction	1,587,600
Total	\$8,741,479

The combined effect of the project cost adjustments and the removal of development agreement related projects from the PFIF results in an approximate 25% reduction in the single and multi family residential impact fees as follows:

Land Use Fee Category	Current Pub. Fac. Fee	Revised Pub. Fac. Fee	Cumulative Reduction	Cum. % Reduction
Single Family Residential	\$21,586	\$16,200	(\$5,386)	25%
Multifamily Residential	\$18,286	\$13,630	(\$4,656)	25%
Commercial	\$3,139	\$2,440	(\$699)	22%
Industrial	\$1,394	\$1,080	(\$314)	23%

*Adjustment Relies on Anticipated Fee Escalation for positive fund balance at the end of 40 years:
 FY 2014 - 2021 (8 years) - fee increases at 4% per year to keep pace with existing debt service costs
 FY 2022 - Anticipated single family fee is approximately \$22,171 with no further increases modeled within the 40 year financial plan*

Discussion

Council reviewed the 2011 Adjustment Report for the public facilities impact fee in September 2011 and directed that a resolution be prepared providing for the lowering of the PFIF fees as shown above and that:

- A. The PFIF include a 4% debt service fee increase for 8 years, starting in FY14 in order to ensure sustainable funding necessary for debt financing over time to pay for the projects included in the plan.
- B. The PFIF be reviewed periodically to appropriately account for cost increases, other than 4% debt service increases, to provide the City with the opportunity to make fee adjustments within the public facilities impact fee structure over time to ensure the fees are reacting to existing economic conditions and provide for a sustainable financing plan for public infrastructure.
- C. The projects shown above identified for completion by developers as part of individual development agreements negotiated subsequent to the 2004 Study be separated from the PFIF master plan with the understanding that in doing so the only means by which they will be completed is through strict adherence to the provisions of the individually negotiated development agreements.

Human Resources Impact

There are no Human Resource impacts with this action.

Financial Impact

There are no financial impacts with this fee reduction.

RESOLUTION NO. 2011-45

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF GILROY DECREASING THE PUBLIC FACILITIES
IMPACT FEE**

WHEREAS, the City has committed itself to a sustainable budgeting structure to ensure the financial viability of the organization for residents reliant on city services and infrastructure. Each future policy decision of the council is to continue this commitment to sustainable financial decisions; and

WHEREAS, without impact fees the City would be left without a major financing mechanism through which the community could afford to build necessary public infrastructure in a sustainable manner to accommodate new growth; and

WHEREAS, master plans set forth community infrastructure standards and are adopted as policy documents by the City Council and are consistent with the City's General Plan, the City's ultimate council adopted development policy document; and

WHEREAS, pursuant to Section 21.163 (b) of the Gilroy Municipal Code, the City prepared a 2011 Adjustment Report for the public facilities impact fee (PFIF) which included a detailed review of the cost assumptions associated with the PFIF master plan and a re-costing of the projects consistent with the current pricing experienced in this area resulting from the recession's effect on items such as materials, property values and labor rates are consistent with current industry indicators and the City's own experiences bidding out various projects over the past two years, providing the basis for a significant decrease in the PFIF; and

WHEREAS, this cost adjustment is based on new cost data only, and does not affect the statutory findings made by the City Council at adoption of the PFIF in 2004. No changes are proposed that would change the original analysis of the reasonable relationship between new

development, the PFIF, and facilities to be funded and is in accordance with Section 21.163 (b) of the Gilroy Municipal Code; and

WHEREAS, the resulting financial model, based on the original 2004 PFIF Study horizon, only produces a sustainable and balanced result with annual debt service increases of 4% for 8 years, 2014 through 2021 and that these anticipated fee increases are separate from fee increases related to the CCI and must be applied regardless of the CCI to ensure fees keep pace with anticipated changes in short term interest rates for debt service payments on financed projects and to ensure the PFIF impact fund does not slide into a deficit position in future years; and

WHEREAS, certain projects in the PFIF master plan have been identified for completion by developers as part of individual development agreements negotiated subsequent to the 2004 PFIF Study. The projects should be separated from the PFIF with the recognition that in doing so the only means by which these projects will be completed is through strict adherence to the provisions of the individually negotiated development agreements within which the requirement to complete these projects for the benefit of the residents of Gilroy has been previously negotiated and identified as valuable consideration in exchange for the private development approvals provided within the individual development agreements; and

WHEREAS, the City Council by resolution may adjust the amount of the PFIF from time to time based on new data and now wishes to adjust the PFIF in accordance with the results of the 2011 Adjustment Report.

NOW, THEREFORE, BE IT RESOLVED THAT:

- A. The Public Facilities Impact Fees are hereby decreased as described in the attached Exhibit A.

- B. The Public Facilities Impact Fees shall include a 4% debt service fee increase for 8 years, effective July 1, 2013 (FY 14) in order to ensure sustainable funding necessary for debt financing over time to pay for the projects included in the plan.
- C. The Public Facilities Impact Fees shall be reviewed periodically to appropriately account for cost increases, in addition to 4% debt service increases, to provide the City with the opportunity to make fee adjustments within the public facilities impact fee structure over time to ensure the fees are reacting to existing economic conditions and provide for a sustainable financing plan for public infrastructure.
- D. The below projects have been identified for completion by developers as part of individual development agreements negotiated subsequent to the 2004 Study and shall be separated from the PFIF master plan with the recognition that in doing so the only means by which they will be completed is through strict adherence to the provisions of the individually negotiated development agreements within which the requirement to complete these projects for the benefit of the residents of Gilroy has been previously negotiated and identified as valuable consideration in exchange for the private development approvals provided within the individual development agreements.

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E. The decrease to the Public Facilities Impact Fees approved by this Resolution shall be effective sixty (60) days after the date of approval.


PASSED AND ADOPTED this 21st day of November, 2011 by the following vote:

AYES: COUNCILMEMBERS: ARELLANO, BRACCO, LEROE-MUÑOZ,
TUCKER, WOODWARD and PINHEIRO

NOES: COUNCILMEMBERS: NONE

ABSENT: COUNCILMEMBERS: NONE

APPROVED:


Albert Pinheiro, Mayor

ATTEST:


Shayna Freels, City Clerk

EXHIBIT A

The following Public Facilities Impact Fee schedule is established for the City of Gilroy:


FUND 440: PUBLIC FACILITIES IMPACT FEE

Residential – Low Density	\$/unit	\$16,200
Residential – High Density	\$/unit	\$13,630
Commercial	\$/ksf	\$2,440
Industrial	\$/ksf	\$1,080

(Note: ksf represents per 1,000 square feet)

I, SHAWNA FREELS, City Clerk of the City of Gilroy, do hereby certify that the attached Resolution No. 2011-45 is an original resolution, or true and correct copy of a city resolution, duly adopted by the Council of the City of Gilroy at a special meeting of said Council held on the 21st day of November, 2011, at which meeting a quorum was present.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of the City of Gilroy this 22nd day of November, 2011.



Shawna Freels, CMC
City Clerk of the City of Gilroy

(Seal)