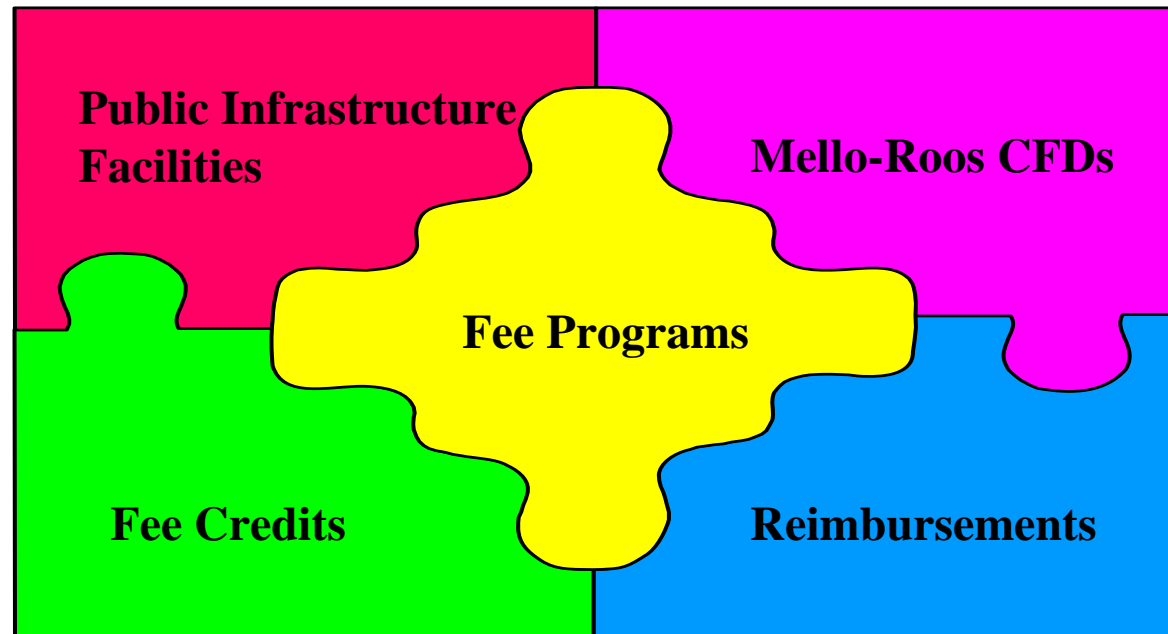


Current Trends in Development Impact Fee Programs



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Development Impact Fee Programs

- Government Code Section 66000
- Cost Allocation Mechanism
- Equalizing Mechanism -
“Proportional” Allocation
- Fees Typically paid at Building
Permit Issuance



Purpose of Fee Program

- Fund Construction of Improvements built by Public Agency
- Provide a “proportional share” funding mechanism so all new development contributes on a “Fair Share” basis.
- Reimburse public agencies or developers who provide Advance Funding to construct projects early.



Alternative Fee Methodologies

- Equity Buy-In Approach
- Cost Allocation by Equivalent Dwelling Unit (EDU) Approach



Development Impact Fees and Funding Actual Construction

- Capital Improvement Program Cash Flow Planning
 - ◆ Identify Cash Flow Shortfalls.
- Implement Alternative Funding Sources
 - ◆ Debt Financing (CFDs, ADs, COPs)
 - ◆ Advance Funding and Reimbursement Agreements
 - ◆ Fee Credits/Reimbursements



Alternative Funding Sources

- Development Based Funds
 - ◆ Developer Cash Advances
 - ◆ Mello-Roos CFD
 - ◆ Assessment District
- Public Agency Funds –
 - ◆ Inter-fund Transfers
 - ◆ Certificates of Participation



Agreements to Implement Financing Programs

- Advance Funding and Reimbursement Agreement for:
 - ◆ Planning entitlements
 - ◆ Environmental studies
 - ◆ Infrastructure planning



Agreements (cont.)

- Development Agreement – land use entitlements and related obligations
- Acquisition Agreement for facilities acquired from bond proceeds
- Fee Credit and Reimbursement Agreement for fee-funded facilities



Fee Credits/Reimbursements

- Required when Developer is Constructing or Advance Funding “Fee Funded” Public Facilities.
- Issued via Agreement with Public Agency

Fee Credit/Reimbursement Examples

Item	"Fair Share" Cost	Creditable Construction Cost	Remaining Fees Due	Reimbursements	
				Fee Credits < "Fair Share"	Reimbursement > "Fair Share"
Credits and Fees	\$2.0m	\$1.0m	\$1.0m	\$1.0m	\$0.0m
100% Credits	\$2.0m	\$2.0m	\$0.0m	\$2.0m	\$0.0m
Credits and Reimbursement	\$2.0m	\$3.0m	\$0.0m	\$2.0m	\$1.0m



Fee Program Do's and Don'ts

- Engage Stakeholders early in the process
 - ☞ Justify Capital Program
 - ☞ Expect Peer Review
 - ☞ Make Sure Elected Officials Support “Policy Positions”
 - CIP, Credits/Reimbursements
- Allow Adequate Time to Implement Major Fee Changes
 - “No surprises”

Fee Program Do's and Don'ts

- Provide Clear Documentation
 - ◆ Project Descriptions for Capital Projects
 - ◆ Cost Estimates for Capital Projects
 - ◆ Maps showing location of Projects
 - ◆ Land Use Assumptions
 - ◆ Basis of Cost Allocation Factors



Fee Program Do's and Don'ts

- Provide Adequate Contingencies in Cost Estimates
 - ☞ Construction Cost
 - ☞ Land Use – Don't use General Plan Buildout of Non-Residential
- Include Financing Costs for Items that are Debt Financed
- Include Administrative Costs of Fee Program

Fee Program Do's and Don'ts

- Plan the Update Process
 - ◆ Annual Inflator - select the proper index
 - ◆ Periodic Updates – every 2 or 3 years
 - ◆ Updates cost more than establishing the Fee Program
 - ◆ Include Cost of Updates in the Fee



Fee Programs Do's and Don'ts

- ◆ Consider impact on the Feasibility of All Land Uses
 - ☞ Look at the Overall Infrastructure Cost Burden - All Facilities, All Agencies

- ◆ Consider Special Land Uses Policies
 - ☞ Infill Development
 - ☞ Affordable Housing
 - ☞ Revitalization of Commercial Corridors

Fee Program Do's and Don'ts

◆ Develop Clear and Flexible Reimbursement Policies

☞ Payment for Construction Costs

- Actual Cost or Schedule
- Handling of Overs and Unders for Multiple Projects

☞ Timing for Recognition of Credits

- Completion/Acceptance of Facility
- Or Adequate Security Provided



Fee Program Do's and Don'ts

◆ Develop Clear, but Flexible Reimbursement Policies (Continued)

☞ Reimbursement Priority

- First In, First Out
- Pro Rata to all parties

☞ Set Aside for Facilities to be Built by Public Agency