

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

679



FROM: Transportation and Land Management Agency (TLMA)

SUBMITTAL DATE:
July 28, 2011

SUBJECT: Ordinance No. 659.10 Amending Ordinance No. 659, Establishing a Development Impact Fee Program to extend the Temporary Reduction of Development Impact Fees (DIF)

RECOMMENDED MOTION: That the Board of Supervisors:

1. Introduce and adopt, on successive weeks, Ordinance No. 659.10, an Ordinance of the County of Riverside Amending Ordinance No. 659; and
2. Find the adoption of Ordinance No. 659.10 is exempt from CEQA pursuant to CEQA Guidelines Section 15061 (b)(3) in that it can be seen with certainty there is no possibility the Ordinance may have a significant effect on the environment; and
3. Direct the Clerk of the Board to file a Notice of Exemption with the County Clerk for posting.

(Continued on attached page)

George A. Johnson
George A. Johnson

Director, Transportation and Land Management Agency

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	11/12

SOURCE OF FUNDS:	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE

BY: *Tina Grande*
Tina Grande

County Executive Office Signature

FORM APPROVED COUNTY COUNSEL
BY: *Synthia M. Gunzel 8-10-11*
SYNTHIA M. GUNZEL DATE

Departmental Concurrence

Policy Policy

Consent Consent

Department Recommendation:
Per Executive Office:

Prev. Agn. Ref.: 3.85-6/30/09;
3.80-7/14/09; 3.11 - 7/21/09; 3.85 -7/27/10;
3.64 - 8/10/10; 3.84 - 7/26/11

District: All **Agenda Number:**

3.84

The Honorable Board of Supervisors

RE: Ordinance No. 659.10 Amending Ordinance No. 659, Establishing a Development Impact Fee Program to extend the Temporary Reduction of Development Impact Fees (DIF)

DATE: July 28, 2011

PAGE 2 of 2

BACKGROUND:

The Building Industry Association (BIA) has requested an amendment that would extend the fifty percent (50%) reduction for an additional one year period to support home building efforts and preserve jobs. (Attachment A).

In response to Board direction to reduce the County's Development Impact Fees, staff originally recommended a 30% decrease in the DIF based on the decline in construction costs. Ultimately, the DIF was reduced by 50% in August 2009. Board action also included Resolution No. 2009-236. The goal of both fee reductions was to stimulate the local housing economy by improving housing affordability, encouraging commercial and industrial development, creating jobs, and increasing retail sales and property tax revenues (Item 3.85 7/30/09).

A definitive analysis of the impact of the DIF reduction is difficult due to the multitude of events all interacting on the local market at the same time. What is known is that prior to the adoption of the DIF the County was already seeing a sharp reduction in building permit activity as a result of declining economic conditions. The incorporations of Wildomar and Menifee further impacted the permit levels. In the first year following the DIF reduction, the number of single family building permits did increase 21% from 1202 to 1456, with month to month improvement over the prior year. In addition to the DIF reduction, other factors including the reduction in TUMF, and tax incentive packages offered by State and Federal governments to home buyers likely contributed to the increase. Attachment B shows building permit activity levels from July 2008 through June 2011. The graph shows that starting in August of 2010, single family permits and overall building permits began to decline again. The first extension in September 2010, did not yield an immediate increase in building permits levels; however the incorporation of the City of Eastvale in October and the full expiration of Federal and State tax credit incentives had a negative impact on permit activity levels. The Jurupa Valley incorporation effective July 1, 2011 will have a negative impact going forward.

To date, the temporary DIF reduction has resulted in a revenue loss of \$3,246,156 in FY10 and \$2,878,837 in FY11: totaling to \$6,124,993 (Attachment C). Based on the facts discussed above, extending the DIF reduction an additional year is estimated to cost \$1,591,590 for FY12.

The BIA believes that the continued reduction of DIF will preserve jobs. Consistent with prior Board actions to stimulate the local economy, retain jobs, and stabilize home building activity, it is recommended that the Board approve the motions put forth herein.

The adoption of Ordinance No. 659.10 is exempt from CEQA pursuant to CEQA Guidelines Section 15061 (b)(3) in that it can be seen with certainty there is no possibility the ordinance may have a significant effect on the environment. There is no specific development project connected with this ordinance amendment and it does not commit the County to any development. Accordingly, the County's approval of the amendment does not create a reasonably foreseeable physical change.

The ordinance has been approved as to form by County Counsel.

ATTACHMENT A

August 2, 2011

George Johnson, Director
Transportation and Land Management Agency
County of Riverside
County Administrative Center
4080 Lemon Street 14th Floor
Riverside, CA 92502-1629

Re: Development Impact Fee temporary reduction extension

Dear Mr. Johnson:

On August 16th the Board of Supervisors will consider introducing an ordinance to extend the current temporary 50% Development Impact Fee ("DIF") reduction for twelve months. The proposed reduction extension is very important to the homebuilding industry in Riverside County and therefore the County's economic health and vitality.

Against the continuing severe weakness in the County's economy, the temporary DIF reduction in place has unfortunately not been enough to create jobs, the original goal however; the temporary reduction has preserved jobs. Homebuilding projects have opened and been able to continue, in many cases, because County and other local fees were reduced. In this environment, where home prices have fallen 40%-60%, a relatively small cost savings can make the difference between investing in and starting that next additional house or not. The County's 50% reduction ranges from \$1,799 to \$3,460 per single family dwelling unit. This amount makes a difference in the current economic environment when builders and investors consider starting projects.

The current rate of construction minimizes negative impacts to the various infrastructure funds during the temporary fee reduction period. Over the last 25 years, unincorporated Riverside County has averaged approximately 4,789 single family permits a year; from January through June of this year, only 265 single family permits have been issued in the unincorporated County areas. This level of permits equates to the lowest level of single family permit issuance since these records have been kept. The fiscal impact of a continued reduction will be very small, likely, assuming current production rates for the next twelve months, less than \$1,400,000.

Two other factors support the reduction extension. The level of residential development has been so far below the growth projections underpinning the DIF nexus that the level and number of facilities currently being funded are likely significantly more than would be required based on the actual growth over the past five years and projected growth over the next five years. This situation creates a fee that may be relatively higher than might be established today based on the need created by current growth numbers. Additionally, the construction costs for improvements funded by the DIF are substantially less than the costs on which the fee is based. These reduced costs have been illustrated in actual construction contracts entered into for public improvements by the County and cities throughout the County over the past 2-3 years. These cost saving also reduce the actual fiscal impacts of a temporary reduction and practically, bring the charged fee more into line with actual current need.



Building Industry Association
of Southern California

3891 11th Street
Riverside, California 92501
(951) 781-7310
Fax (951) 781-0509

As you are aware, we are in the worst economic environment in over 70 years and forecasts do not project great improvement next year. Given the fragility of our economy and the building industry, a reversion to full DIF would be a setback to our economy.

Finally, recall Beacon Economic's Christopher Thornberg's May 16th recommendations to the Board of Supervisors, don't give up on fee reductions.

Riverside County has been the leader in adopting aggressive policies to meet the challenges and deal with the today's economic crisis. The DIF reduction extension request is consistent with the Board's previous position and is still much needed by the economy.

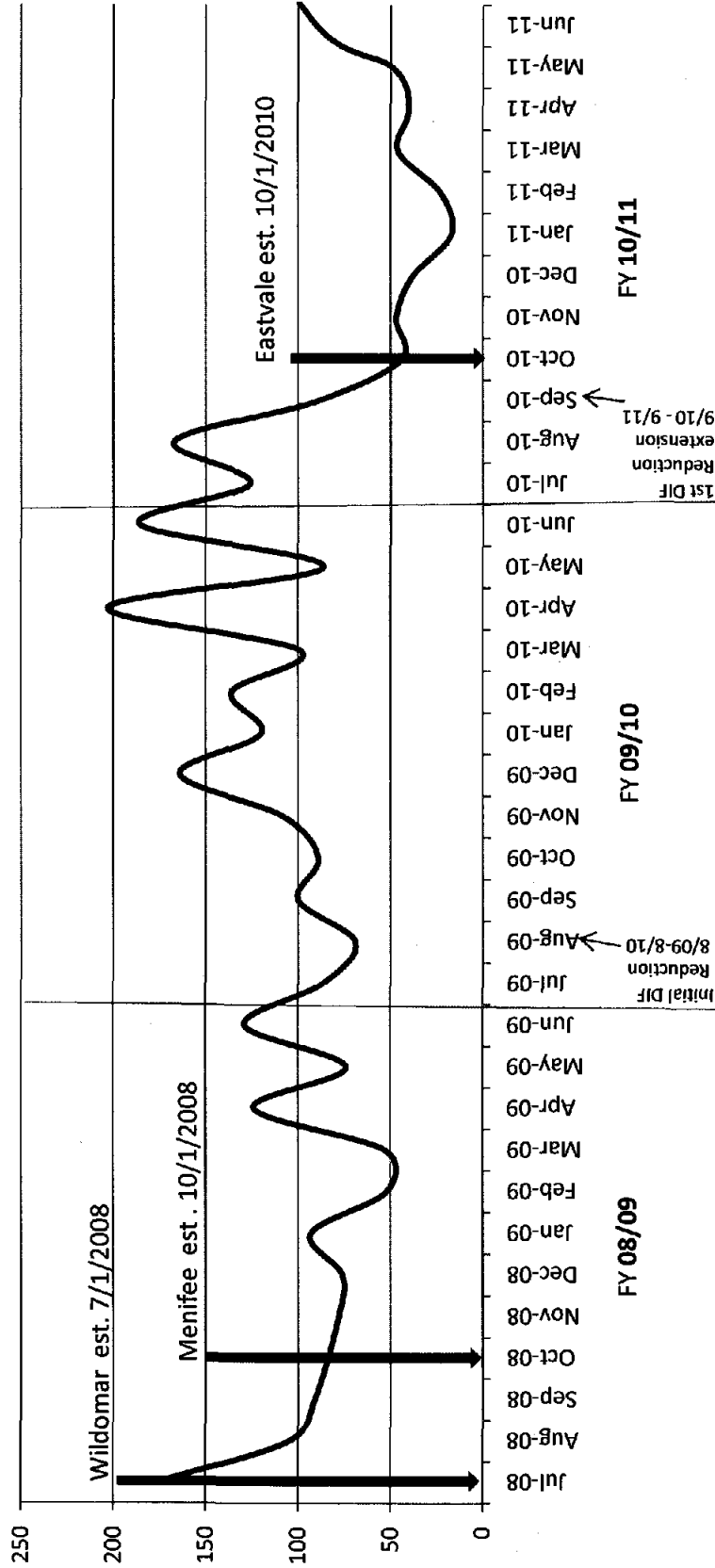
Building Industry Association of Southern California
Riverside County Chapter

A handwritten signature in black ink, appearing to read "Mark Knorringa". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mark Knorringa
Chief Executive Officer

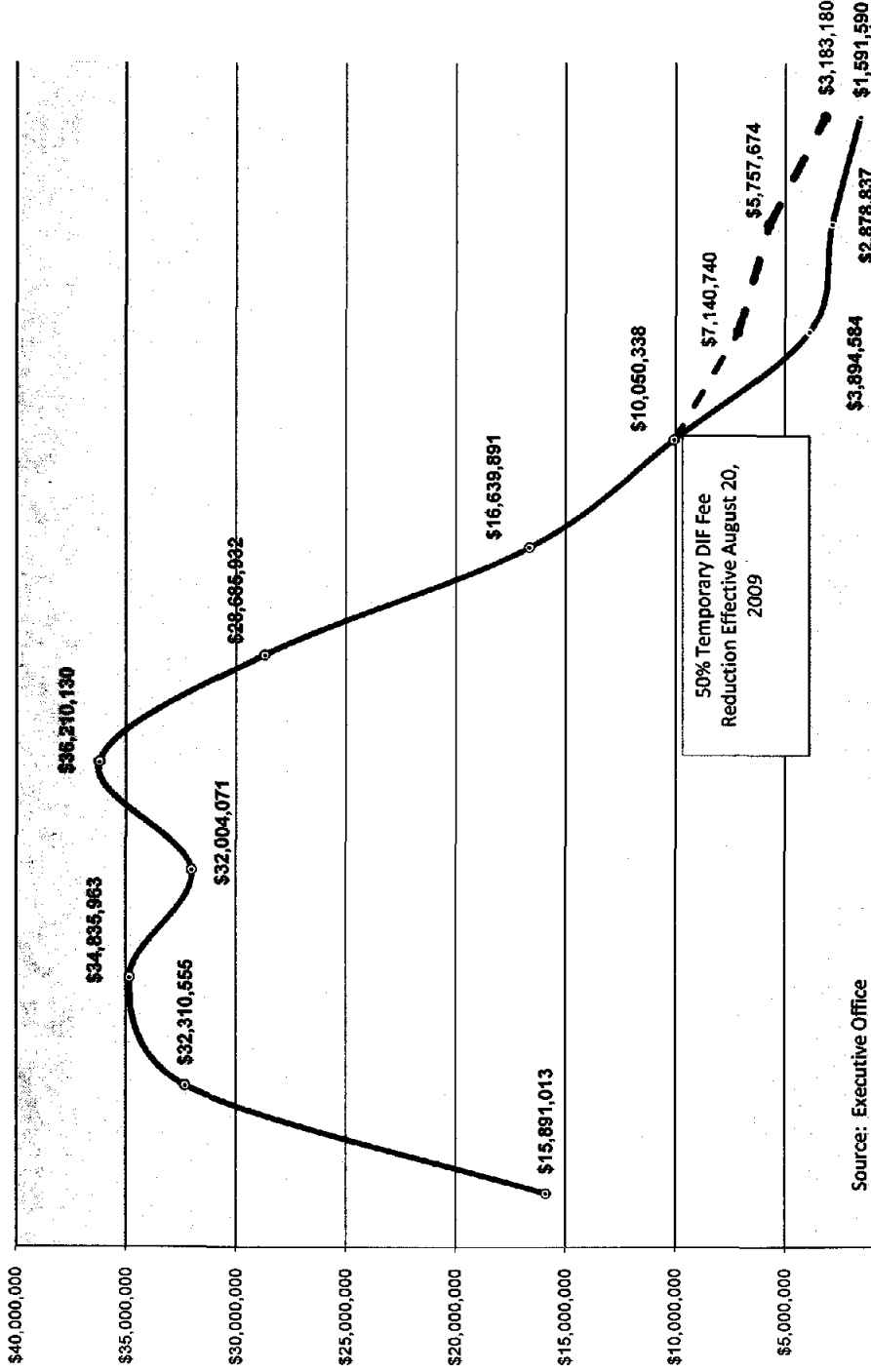
Attachment B

Single Family Dwelling Permit Trends FY 08/09 to FY 10/11



	Jul-08	Aug-08	Sep-08	Oct-11	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09
FY 08/09	176	105	91	147	78	76	93	52	53	124	74	129
FY 09/10	87	69	100	89	108	164	120	136	99	203	86	186
FY 10/11	126	167	89	44	47	38	17	23	46	40	49	90

DIF Revenues from New Development



Source: Executive Office

FY 11-12 Estimated Loss of DIF Program Revenue

	FY 01-02	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12
DIF Revenues (100% DIF Fee)	\$15,891,013	\$32,310,555	\$34,835,963	\$32,004,071	\$36,210,130	\$28,685,932	\$16,639,891	\$10,050,338	\$7,140,740	\$5,757,674	\$3,183,180
Actual DIF Revenues	\$15,891,013	\$32,310,555	\$34,835,963	\$32,004,071	\$36,210,130	\$28,685,932	\$16,639,891	\$10,050,338	\$3,894,584	\$2,878,837	\$1,591,590

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ORDINANCE NO. 659.10

AN ORDINANCE OF THE COUNTY OF RIVERSIDE
AMENDING ORDINANCE NO. 659
ESTABLISHING A DEVELOPMENT IMPACT FEE PROGRAM

The Board of Supervisors of the County of Riverside ordains as follows:

Section 1. Section 15. of Ordinance No. 659 is amended to read as follows:

“Section 15. TEMPORARY REDUCTION OF FEES. Pursuant to the fee adjustment authority set forth in Section 14. of this ordinance and notwithstanding Section 7. or any other provision of this ordinance, the DIF amounts in effect on the effective date of Ordinance No. 659.10 shall be temporarily reduced by fifty percent (50%) for the period commencing on September 13, 2011 and ending on October 13, 2012.

a. Application. The temporary fee reduction described in this section shall not apply to or affect fees owed under any development agreement or other contractual arrangement in effect on or before the effective date of Ordinance No. 659.10. If reduced fees are paid at the time application is made for a building permit and either the application or the building permit issued on the application expires, subsequent building permit applications on the same parcel shall be subject to the full DIF amount, unless the temporary fee reduction is still in effect at the time of the subsequent application.

b. Effect. No provision of this section shall entitle any person who has already paid Development Impact Fees to receive a refund, credit or reimbursement of such payment. This ordinance does not create any new Development Impact Fees or increase the amount of any existing Development Impact Fees. This ordinance only effects a temporary change in the County’s existing Development Impact Fees.

1 c. Expiration. As of October 13, 2012, this section is repealed
2 without further action by the Board of Supervisors, unless the
3 Board of Supervisors repeals or modifies this section prior to
4 that date. The repeal of this section shall not affect the validity
5 of actions taken or Development Impact Fees paid under the
6 authority of this section.”

7 Section 2. This ordinance shall take effect thirty (30) days after its adoption.

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9 BOARD OF SUPERVISORS OF THE COUNTY
10 OF RIVERSIDE, STATE OF CALIFORNIA

11
12 By: _____
13 Chairman

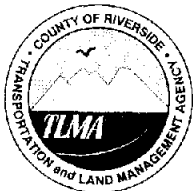
14 ATTEST:
15 KECIA HARPER-IHEM
16 CLERK OF THE BOARD:

17 By: _____
18 Deputy

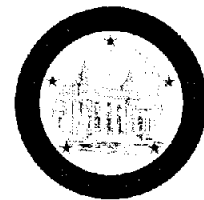
19 (SEAL)
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22 APPROVED AS TO FORM:
23 August 10, 2011

24 By: Synthia M. Gunzel
25 Synthia M. Gunzel
26 Deputy County Counsel
27
28



COUNTY OF RIVERSIDE TRANSPORTATION AND LAND MANAGEMENT AGENCY



George A. Johnson
Agency Director

Carolyn Syms Luna
Director
Planning Department

Juan C. Perez
Director
Transportation Department

Mike Lara
Director
Building & Safety Department

Glenn Baude
Director
Code Enforcement Department

NOTICE OF EXEMPTION

TO: County of Riverside County Clerk FROM: Administrative Service Department, TLMA
 4080 Lemon Street, 14th Floor
P. O. Box 1605
Riverside, CA 92501-1605

Project Title/Case No.: Ordinance No. 659.10 – amending Ordinance No. 659 the Development Impact Fee Program

Project Location: In the unincorporated area of Riverside County, all Districts.

Project Description: Ordinance No. 659.10 amends Ordinance No. 659 to extend the fifty percent (50%) reduction in the mitigation fee for an additional year. The Development Impact Fee would be reduced by fifty percent (50%) for all Area Plans as listed in Ordinance 659, through October 2012.

Name of Public Agency Approving Project: County of Riverside, Board of Supervisors

Project Sponsor: Transportation and Land Management Agency, Administrative Services

Exempt Status: (Check one)

- | | |
|---|--|
| <input type="checkbox"/> Ministerial (Sec. 21080(b)(1); 15268) | <input type="checkbox"/> Categorical Exemption (____) |
| <input type="checkbox"/> Declared Emergency (Sec. 21080(b)(3); 15269(a)) | <input type="checkbox"/> Statutory Exemption (____) |
| <input type="checkbox"/> Emergency Project (Sec. 21080(b)(4); 15269 (b)(c)) | <input checked="" type="checkbox"/> Other: Section 15061 (b) 3 |

Reasons why project is exempt: Ordinance No. 659.10 is exempt from CEQA pursuant to CEQA Guidelines Section 15061 (b)(3) in that it can be seen with certainty there is no possibility the ordinance may have a significant effect on the environment. There is no specific development project connected with this ordinance amendment and it does not commit the County to any development. Accordingly, the County's approval of the amendment does not create a reasonably foreseeable physical change.

Dianna Ross 951-955-6574

County Contact Person: Dianna Ross Signature Regional Office Manager Title Phone Number: 951-955-6574 Date: 8/10/11

Date Received for Filing and Posting at OPR: _____

Revised: 3/15/10: Y:\Planning Master Forms\Templates\CEQA Forms\NOE Form.docx

No fee, 6103 Government Code, Benefit of Riverside County

FOR COUNTY CLERK'S USE ONLY