



Anti-sprawl Development Fees

Lancaster, CA

By Neha Bhatt and Michael Ryan

New development frequently requires higher maintenance and operational funds for surrounding public infrastructure or even new capital costs for extension of public services. Expanded roads, new traffic signals, extended sewer lines, new drainage facilities and parks are all examples of public upgrades necessitated by new private development. These cost burdens are typically borne by taxpayers and can become fiscally draining especially as development stretches further from the core community.

In 1993, Lancaster, CA sought to counterbalance this phenomenon with a set of development impact fees specifically designed to defray the public costs that occur due to new residential, commercial and industrial projects, especially when those projects are located far from existing infrastructure.

“It’s more cost-effective now for developers to build on land near the urban core. We want to accommodate growth and development, but we don’t want the cost of that growth transferred to people already living here.”

David Ledbetter
Urban Structure, Program coordinator

SOURCE: International Council for Local
Environmental Initiatives, 2000

Lancaster’s Urban Structure Program calculates a basic development impact fee for all new projects based on annual service costs corresponding to a 20-year horizon for things like road construction and maintenance, signals, flood control, park services, administration, etc. For projects located outside the designated core of the City, a surcharge is added based on increasing distance. The larger the development is and the further it is from the center, the higher the fees. A computerized model determines the surcharge. Revenues from the fees go toward the improvement of streets, drainage/flood control, water and sewage services, park acquisition and development, as well as, some county and state services. Fee schedules are updated annually and must be paid before the building permit is issued. Penalty for late payment is 25% of the assessed fees plus 8.3% interest for every delinquent month.

Before this policy was instituted, developers were more likely to build far from Lancaster’s central core because of cheaper land prices. Now, except for special, large scale, mixed-use developments, almost all projects are assessed under this program and the distance-based criterion creates an incentive to build in or close to the center of the community. Studies have shown the distance-based pricing differential has prompted new development to be located closer to the center. From 1995 to 2000, the Lancaster’s population grew by 16%, yet little growth occurred outside the urban core.¹ A 2014 study titled Smart Growth Savings by the Victoria Transport Policy Institute also found the fee structure helps promote infill development, reporting

an estimated \$5,500 impact fee for a typical new home built within the core and \$10,800 for one that is a mile outside the core.²

Provisions within the policy allow reductions, deferments or even waivers of fees related to street improvement, drainage, flood control, and traffic signalization, which may be obtained if the city manager determines the project will create a substantial number of new jobs or generate significant sales tax revenues. Developers may also opt to build the infrastructure improvements themselves in lieu of paying the fees. And, there is an appeal process if a developer feels the fees do not accurately reflect the fiscal impacts of their project.

In 2010, Lancaster passed the Building Incentive Stimulus Program in order to stimulate post-recession construction. It drops the development impact fees by 25% and allows payments to be delayed until construction is complete for commercial and industrial projects. The adjustment in fees helped bring back Lancaster's building market, which had slumped after the 2008 economic downturn, according to the California League of Cities.³

Lancaster's development impact fees law:

http://library.municode.com/HTML/16042/level2/TIT15BUCO_CH15.64DEIMFE.html

(Municipal code: Chapter 15.64 Development Impact Fees)

Lancaster's 2013 fee schedule:

<http://www.cityoflanasterca.org/Modules/ShowDocument.aspx?documentid=21272>

¹ Best Practices for Climate Protection: A Local Government Guide. International Council for Local Environmental Initiatives. 2000. Page 24.

https://www.broward.org/NaturalResources/ClimateChange/Documents/Best_PracticesLocalGov.pdf

² Littman, T. Smart Growth Savings: What we know about public infrastructure and service cost savings, and how they are misrepresented by critics. Victoria Transport Policy Institute. April 2014. Page 7. http://www.vtpi.org/sg_save.pdf.

³ Lancaster's "Building Incentive Stimulus Program." Retrieved November 3, 2014. <http://www.cacities.org/Member-Engagement/Helen-Putnam-Awards/California-City-Solutions/2013/Lancaster%E2%80%99s-Building-Incentive-Stimulus-Program>

RESOLUTION NO. 6954

A RESOLUTION ESTABLISHING A POLICY OF THE CITY OF LAWRENCE, KANSAS RELATING TO NEIGHBORHOOD REVITALIZATION AREAS.

WHEREAS, the City of Lawrence, Kansas (the "City") is committed to the high quality and balanced growth and development of the community while preserving the City's unique character and broadening and diversifying the tax base; and

WHEREAS, the economic development goals of the City include the expansion of existing businesses, development of new businesses, economic development activities which are environmentally sound, diversification of the economy, quality in-fill development, historic preservation, and the creation of quality jobs; and

WHEREAS, neighborhood revitalization areas are an economic development tool established by K.S.A. 12-17,114 et seq. (the "Neighborhood Revitalization Act") which can assist with spurring reinvestment and revitalization of properties which can benefit a neighborhood and the general public; and

WHEREAS, the City finds it in the best interest of the public to establish certain policies and guidelines for the consideration of requests to utilize the Neighborhood Revitalization Act ("NRA") within the City of Lawrence.

NOW, THEREFORE, THE GOVERNING BODY OF THE CITY OF LAWRENCE, KANSAS DOES HEREBY RESOLVE;

SECTION ONE: This policy shall be entitled the Neighborhood Revitalization Act Policy of the City of Lawrence.

SECTION TWO: POLICY STATEMENT: It is the policy of the City to consider the establishment of Neighborhood Revitalization areas in order to promote reinvestment and revitalization of properties which in turn have a positive economic effect upon a neighborhood and the City in general. An applicant may request the City consider the establishment of a Neighborhood Revitalization area under the NRA either for a specific property, group of properties or neighborhood area. In considering the establishment of an NRA, the Governing Body shall consider the criteria outlined in Section Three. In determining the amount of a rebate, the Governing Body may balance the desirability of the project versus the amount and duration of the rebate and the requirements set forth in Section Four. It is the policy of the City to only consider the establishment of Neighborhood Revitalization areas which yield a benefit/cost ratio of at least 1.25.

SECTION THREE: CRITERIA:

1. ELIGIBLE AREAS: Eligible areas may include a defined geographic area which encompasses more than one property, or it may be a single property/lot.

2. STATUTORY FINDINGS AND OTHER CRITERIA:

A. STATUTORY CRITERIA. It shall be the policy of the City to create a Neighborhood Revitalization area, if, in the opinion of the Governing Body, the rehabilitation, conservation or redevelopment of the area is necessary to protect the public health, safety or welfare of the residents of the City of Lawrence, it is in the best interest of the City to do so, and if, in the opinion of the Governing Body, one of the following findings, set forth in K.S.A. 12-17,115 can be made:

1. An area in which there is a predominance of buildings or improvements which by reason of dilapidation, deterioration, obsolescence, inadequate provision of ventilation, light, air or open spaces, high density of population and overcrowding, the existence of conditions which endanger life or property by fire and other causes or a combination of such factors, is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency or crime and which is detrimental to the public health, safety or welfare;
2. an area which by reason of the presence of a substantial number of deteriorated or deteriorating structures, defective or inadequate streets, incompatible land use relationships, faulty lot layout in relation to size, adequacy, accessibility or usefulness, unsanitary or unsafe conditions, deterioration of site or other improvements, diversity of ownership, tax or special assessment delinquency exceeding the actual value of the land, defective or unusual conditions of title, or the existence of conditions which endanger life or property by fire and other causes, or a combination of such factors, substantially impairs or arrests the sound growth of a municipality, retards the provision of housing accommodations or constitutes an economic or social liability and is detrimental to the public health, safety or welfare in its present condition and use; or
3. an area in which there is a predominance of buildings or improvements which by reason of age, history, architecture or significance should be preserved or restored to productive use.

B. OTHER CRITERIA. Additionally, the Governing Body will consider whether a project meets the Policy Statement outlined in Section Two, and the project meets a majority of the following criteria when considering the establishment of a Neighborhood Revitalization area:

1. the opportunity to promote redevelopment activities which enhance Downtown Lawrence;
2. the opportunity to promote redevelopment activities for properties which have been vacant or significantly underutilized;
3. the opportunity to attract unique retail and/or mixed use development which will enhance the economic climate of the City and diversify the economic base;
4. the opportunity to enhance the vitality of a neighborhood within the City as supported by the City's Comprehensive Plan and/or other sector planning documents;
5. the opportunity to enhance the community's sustainability by supporting projects which embrace energy efficiency, multi-modal transportation options, or other elements of sustainable design.

SECTION FOUR: AMOUNT OF REBATE:

As a standard practice, the City will not provide a rebate amount in excess of 50% of the incremental property taxes and will not establish an NRA for a period of time longer than 10 years. The City may consider a greater rebate and/or a longer duration if sufficiently justified in the "but for" analysis required by Section Five. The determination of the rebate amount and duration of the NRA is the sole discretion of the Governing Body.

SECTION FIVE: PROCESS:

1. An applicant wishing to request that the City to create a Neighborhood Revitalization Area in the City of Lawrence shall submit a request to the City. The request shall include information that would be required for a revitalization plan. Such requirements are set forth in K.S.A. 12-17,117. The applicant shall also submit a "but for" analysis to the City demonstrating the need for the NRA and the purpose for which the NRA revenue will be used. The analysis should support that "but for" the NRA, the project will be unable to proceed. The applicant shall provide City Staff with pro forma cash flow analysis and sources and uses of funds in sufficient detail to demonstrate that reasonably available conventional debt and equity financing sources will not fund the entire cost of the project and still provide the applicant a reasonable market rate of return on investment.

The applicant shall furnish such additional information as requested by the City in order to clarify the request or to assist staff or the Governing Body with the evaluation of the request.

2. The Governing Body shall receive the request and determine whether to consider the request or deny the request. If the Governing Body wishes to consider the request, the request shall be referred to the City's Public Incentive Review Committee for review and a recommendation. Staff will perform a benefit/cost analysis on the project. The Governing Body may also set a date for a public hearing to consider the establishment of a revitalization area and a revitalization plan.

3. Douglas County and USD 497 are also important parties related to a NRA request. When an NRA is considered, the City and the applicant will work with Douglas County and USD 497 to seek concurrence from these entities regarding the establishment of an NRA.

4. The Governing Body will determine whether one of the findings set forth in Section Three can be made regarding the request. Additionally, the Governing Body shall consider the other criteria outlined in Section Three.

5. The Governing Body shall hold a public hearing, after the required statutory notice is provided, and consider adoption of the revitalization plan to establish the revitalization area.

6. The City will require a performance agreement with the property owner to require adherence to the adopted Neighborhood Revitalization Plan.

7. The merits of the proposal under this policy shall guide the decision on the application without regard to the applicant.

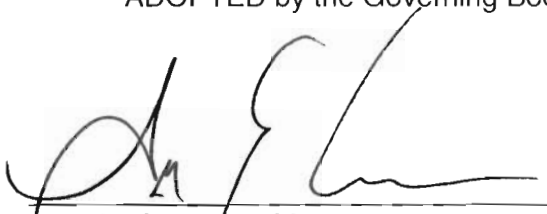
SECTION SIX: PUBLIC INCENTIVES REVIEW COMMITTEE AND GOVERNING BODY ANNUAL REVIEW OF THIS POLICY: Annually, the Public Incentives Review Committee and the Governing Body shall review this policy.

SECTION SEVEN: AUTHORITY OF GOVERNING BODY: The Governing Body reserves the right to deviate from any policy, but not any procedure set forth in state law, when it considers such action to be of exceptional benefit to the City or extraordinary circumstances prevail that are in the best interests of the City. Additionally, the Governing Body, by its inherent authority, reserves the right to reject any proposal or petition for creation of a NRA at any time in the review process when it considers such action to be in the best interests of the City.

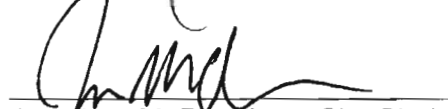
SECTION EIGHT: REPEAL OF RESOLUTION 6921. Resolution 6921 is hereby repealed.

SECTION NINE: EFFECTIVE DATE: This Resolution shall take effect immediately.

ADOPTED by the Governing Body this 25th day of October, 2011.


Aron E. Cromwell, Mayor

ATTEST:


Jonathan M. Douglass, City Clerk