



CITY COUNCIL AGENDA REPORT



DEPARTMENT: City Manager's Office

MEETING DATE: July 21, 2020

PREPARED BY: Dylan Feik, City Manager

AGENDA LOCATION: AR-1

TITLE: Authorizing the City Manager to Enter Into Written Fee Deferral Agreements for Large Construction Projects Exceeding \$500,000.00 in City Fees, Resolution No. 2020-66

OBJECTIVE: To grant city manager authorization to negotiate fee deferral agreements for large construction projects exceeding \$500,000 in City fees where necessary to mitigate the economic uncertainties brought about by COVID-19. These agreements would relate to the timing of payment only, and not result in the reduction or elimination of any fee.

BACKGROUND: In the months immediately preceding COVID-19, the Monrovia City Council approved several large, multi-family projects and associated entitlements (Arroyo, Fifield, Alexan). The Avalon Bay project was also approved and is under construction. The Richman Project is also entitled but has yet to pay project-associated fees.

COVID-19 has negatively affected capital markets for these large, multi-family housing projects which are estimated to range in value between \$50,000,000 and \$120,000,000. As staff has been working closely with developers to encourage construction commencement as approved by the City Council, it has become clear that economic impacts and uncertainty are significant.

As a consideration to help ensure project financial lending occurs without significant and further delay, one developer has requested that the City defer the payment of permit fees (building permit and all impact fees) until the time a Certificate of Occupancy is issued. According to Monrovia Municipal Code 3.22.040 and 3.21.040, Traffic and Fire Impact fees are collected at the time a Certificate of Occupancy is issued so there is no change. However, building permit fees are collected at the time a building permit is issued. If the building permit fee payment is deferred until the Certificate of Occupancy is issued, the payment deferral would assist developers struggling to finance construction in current economic market conditions by reducing cash needs at the start of construction. Staff would note that if Council approves this Resolution, actual third party costs associated with plan check would not be deferred so the City will not "front" the City's out-of-pocket costs of development for the developer.

ANALYSIS: This approach has been used in the past during times of necessity. It should be noted that all development will be required to pay 100% of applicable permit fees, impact fees and development fees before a certificate of occupancy is issued. The City Manager would be authorized to negotiate fee deferrals, but not reductions, for large projects suffering from capital difficulties related to COVID-19 or current economic conditions.

FISCAL IMPACT: The proposal would change the time at which fees for large projects would be paid, not the amount of fees to be paid. So the net impact of the fee deferral is \$0.

ENVIRONMENTAL IMPACT: There are no environmental impacts associated with this report.

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OPTIONS: The following options are presented for City Council consideration:

- 1) Adopt the resolution granting the City Manager authorization to negotiate fee deferral agreements for large construction projects exceeding \$500,000 in City fees in response to COVID-19.
- 2) Seek clarification or further detail on specific items, and refer them to staff for additional analysis or research.
- 3) Reject the proposed resolution.

RECOMMENDATION: Staff recommends that the City Council adopt option 1. COVID-19 is not only a public health crisis but a financial crisis, making capital markets for large construction projects much more difficult to access. To assist and ensure the approved Station Square Development projects materialize, this solution provides needed financial relief upon demonstration of need.

COUNCIL ACTION REQUIRED: If the City Council concurs, the appropriate action would be a motion to adopt Resolution No. 2020-66.

RESOLUTION NO. 2020-66

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MONROVIA, CALIFORNIA, AUTHORIZING THE CITY MANAGER TO ENTER INTO AGREEMENTS TO DEFER THE PAYMENT DATE OF CERTAIN CITY-IMPOSED FEES FOR LARGE DEVELOPMENT PROJECTS

THE CITY COUNCIL OF THE CITY OF MONROVIA DOES HEREBY RESOLVE AND ORDER AS FOLLOWS:

WHEREAS, the COVID-19 emergency is not only a public health crisis, it is becoming an economic crisis as well; and

WHEREAS, the economic uncertainties caused by this unprecedented situation are inhibiting lending and access to project capital; and

WHEREAS, the City Council has previously approved certain large-scale housing development projects which are critical to the economic revitalization of the area of the City surrounding the Monrovia Gold Line Station; and

WHEREAS, it is in the best interests of the City and the region that such projects get built and opened, because they will provide much needed housing stock and improve the values of property in the area, along with increasing property tax revenue available to the City; and

WHEREAS, the City can facilitate the beneficial development of these approved projects in a revenue-neutral way by making satisfactory arrangements to defer the time at which some City-imposed fees are due to be paid.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The City Manager is authorized to enter into written agreements to defer the payment deadline of City-imposed development and building fees for development projects in the City where the total amount of fees due exceed \$500,000.

2. All fees due from any project shall be paid no later than the issuance of a Certificate of Occupancy for the phase of the project for which the fees are charged. A Certificate of Occupancy, whether temporary or permanent, shall not be issued before fees due are fully paid.

3. No fees shall be reduced or eliminated.

4. Only City-imposed fees may be deferred. No fees imposed by any other entity are to be deferred pursuant to this Resolution.

5. The City shall not agree to defer any payment that reimburses the City's direct cost for services provided by a third party, such as fees for outside plan checkers or engineers to be reimbursed by the developer.

6. The written fee deferral agreements shall be public documents, and shall be provided to the City Council promptly after execution by both parties.

PASSED, APPROVED, AND ADOPTED this 21st day of July, 2020.

Tom Adams, Mayor
City of Monrovia

ATTEST:

APPROVED AS TO FORM:

Alice D. Atkins, MMC, City Clerk
City of Monrovia

Craig A. Steele, City Attorney
City of Monrovia