



CITY COUNCIL AGENDA REPORT



DEPARTMENT: City Manager's Office / City Attorney's Office

MEETING DATE: March 7, 2017

PREPARED BY: Oliver Chi, City Manager
Craig Steele, City Attorney

AGENDA LOCATION: AR-1

TITLE: Amendment to Chapters 3.21 and 15.44 of the Monrovia Municipal Code Relating to Exemptions from Certain Impact Fees for Development Projects that Elect to Impose a Community Facilities District to Fund the Costs of City Services, Introduction and First Reading of Ordinance No. 2017-03, and Set for Public Hearing on March 21, 2017

OBJECTIVE: To introduce an ordinance that would allow for the creation of an alternate funding mechanism to cover the costs associated with providing services to new residential development projects through the elimination of the existing Art in Public Places fee and the Fire Services fee for those projects that agree to be part of a Mello-Roos Community Facilities District ("CFD")

BACKGROUND: During the past several months, the City has been engaged in discussions with multiple entities regarding proposed residential development projects. While there are certainly benefits to new residential construction – and while our existing fee structure institutes one-time development costs to offset the City's expenses associated with processing a project – large housing developments have the potential to create additional demands on City services (police, fire / EMS response, recreation services, etc.), which can cost more to provide than the base property tax revenues generated by the new development.

To address this situation, staff has been working to develop possible mitigation mechanisms that will simultaneously facilitate the development of proposed residential projects, while also allowing for the establishment of new ongoing revenue streams that would be borne by each proposed project to pay for enhanced City services. To that end, in analyzing the issues at hand, two relatively significant one-time development fees that the City currently charges are the Art in Public Places fee and the Fire Services fee. Although both fill important needs and reflect community priorities, the two fees are not associated with development processing costs, and furthermore, the fees generated from the two sources do not provide ongoing revenues for the City. Furthermore, the one-time monies that are collected from the two fees cannot be used for operational costs and are therefore restricted for use in very narrow ways.

After assessing the options available, staff proposes to amend the ordinances regulating both the Art in Public Places fee and the Fire Services fee to allow developers an exemption from paying those costs only if the developer forms and elects to be a part of a CFD to fund ongoing City services into the future. Furthermore, the services and amenities that the existing fees currently pay for can still be provided from the additional revenue CFDs generate over time.

ANALYSIS: CFDs were authorized through the establishment of the Mello-Roos Community Facilities Act of 1982. It is an enormously flexible tool that can be used by local government agencies to help finance and pay for needed community facilities and services through the levy of special taxes approved by property owners in an established CFD.

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It is important to note that CFDs are not land-use approval mechanisms, but rather, a financing tool that allows for the creation of districts that can be customized to overlay specific parcels of property. While there are a few different ways in which CFDs can be structured, in general, if two-thirds of the property owners located within a CFD consent to an additional property tax levy to pay for increased City services, then that new levy can be instituted.

In attempting to establish mechanisms to assist with the establishment of CFDs that would overlay new residential development projects, staff has developed for consideration an exemption that could be included in our existing Art in Public Places and Fire Services fee ordinances. The proposed exemption would eliminate the assessment of the Art in Public Places fee and Fire Services fee if the development project is located entirely within the boundaries of a CFD.

If approved, this new exemption would provide staff with the ability to negotiate the institution of CFDs to provide the City with ongoing revenues to pay for enhanced operating costs as an alternative to collecting one-time monies that could only be used for public art and capital equipment in the fire department.

FISCAL IMPACT: The City's current Art in Public Places fee is assessed on all residential projects that involve five or more dwelling units, and which have a project cost in excess of \$1 million. The fee is also assessed against any commercial, industrial, office, or non-residential development project that has a project cost in excess of \$1 million. The Art in Public Places fee amount charged is 1% of the total project construction cost.

The City's current Fire Safety impact fee charges a flat \$0.90 / square foot on all fee for every residential, commercial, and industrial project that includes fire sprinklers. In addition, the Fire Safety impact fee assessed on those projects without fire sprinklers is \$2.00 / square foot.

The proposed ordinance under consideration would allow new development projects that fund ongoing City services through the establishment of a CFD as adopted by the City and approved by the property owner to be exempted from paying the Art in Public Places and Fire Safety impact fee. Given that each proposed project would have a different impact on service demand levels, the CFD assessment amount would differ based on the context of each development project being developed. However, in the event that either the developer or the City does not approve the formation of a proposed CFD, then the existing Art in Public Places and Fire Safety fees would be assessed.

ENVIRONMENTAL IMPACT: None.

OPTIONS: The following options have been developed for City Council consideration:

- 1) Adopt the fee exemptions as set forth in the proposed Ordinance.
- 2) Do not adopt the fee exemptions as set forth in the proposed Ordinance.

RECOMMENDATION: Staff recommends Option 1, thereby introducing Ordinance No. 2017-03, and setting a public hearing for March 21, 2017.

COUNCIL ACTION REQUIRED: If the City Council concurs, the appropriate action would be a motion to introduce, read by title only, and waive further reading of Ordinance No. 2017-03 and to set a public hearing for March 21, 2017.

ORDINANCE NO. 2017-03

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MONROVIA, CALIFORNIA, AMENDING CHAPTERS 3.21 AND 15.44 OF THE MONROVIA MUNICIPAL CODE RELATING TO EXEMPTIONS FROM CERTAIN IMPACT FEES FOR DEVELOPMENT PROJECTS THAT ELECT TO IMPOSE A COMMUNITY FACILITIES DISTRICT TO FUND THE COSTS OF CITY SERVICES.

RECITALS

WHEREAS, the City of Monrovia imposes various fees and charges on development projects to help the community pay for the various services and facilities that are necessary to provide public safety and a high quality of life in the City; and

WHEREAS, new residential development in the City has the potential to create a significant increase in demand for public safety and other municipal services, and, to the extent feasible, the incremental increases in cost should be funded by the new developers and property owners; and

WHEREAS, the City Council conducted a duly-noticed public hearing on March 21, 2017, at which the City Council considered evidence, both written and oral; and

WHEREAS, given the need for various types of new housing in California, the City Council is willing to maintain a level of flexibility in fee and funding requirements.

NOW, THEREFORE, THE MONROVIA CITY COUNCIL DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. Section 3.21.050 of Chapter 3.21 of Title 3 of the Monrovia Municipal Code is hereby amended to read as follows (text to be added is underlined):

“§ 3.21.050 EXEMPTIONS.

The following new construction shall be exempt from the fees established by this chapter and service demand from such projects will be satisfied from other, available city resources:

- (A) City facilities projects.
- (B) Monrovia Unified School District facilities projects.
- (C) Demolition and re-build of buildings damaged by fire, earthquake and natural disasters. The area of the re-build must be the same size as the original building area or smaller.
- (D) New construction that is entirely within the boundaries of a Community Facilities District or similar mechanism to fund ongoing City services, established by the City and fully approved under applicable law by the property owner.”

Section 2. Section 15.44.050(B) of Chapter 15.44 of Title 15 of the Monrovia Municipal Code is hereby amended to read as follows (text to be added is underlined):

“§ 15.44.050 APPLICABILITY OF PUBLIC ARTWORK REQUIREMENT.

- (A) Except as provided in division (B) below, the public artwork requirement shall apply to the following development projects:
- (1) Residential development projects involving five or more dwelling units and having a project cost in excess of \$1 million.
 - (2) Commercial, industrial, office or other non-residential development projects having a project cost in excess of \$1 million.
- (B) The following development projects shall be exempt from the public artwork requirement:
- (1) Government agency development projects.
 - (2) Reconstruction of buildings that have been damaged by fire, flood, wind, earthquake or other calamity.
 - (3) Affordable housing developments that are either deed-restricted for occupancy by persons of moderate income or less for 25 years or more, or constructed pursuant to a disposition and development agreement with the Monrovia Redevelopment Agency.
 - (4) Tenant improvements to existing structures.
 - (5) A new development project that is entirely within the boundaries of a Community Facilities District or similar mechanism to fund ongoing City services, established by the City and fully approved under applicable law by the property owner.”

Section 3. The City Clerk shall certify to the adoption of this Ordinance and cause the same to be published as required by law, and this Ordinance shall become effective thirty (30) days following its adoption.

Section 4. The adoption of this Ordinance is categorically exempt from review under the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines Section 15305 and, independently, because it can be seen with certainty that the adoption of this Ordinance will not result in any new significant adverse impact on the environment.

INTRODUCED this 7th day of March, 2017.

PASSED, APPROVED, AND ADOPTED this 21st day of March, 2017.

Tom Adams, Mayor
City of Monrovia

ATTEST:

APPROVED AS TO FORM:

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

Craig A. Steele, City Attorney
City of Monrovia