

Market Octavia – Initial Fee Projections

FY25 – FY29

Revised with Fee Reduction and Fee Deferral Legislation

June Meeting

- Reported slowing revenue over the next two years with revenue catching up in years 3 and after
- Ramifications: funding was proposed to be pushed out for programmed projects; only one moderate size projects added for funding
- Provided heads-up to proposed fee reduction and deferral legislation

Development Impact Fee Deferral and Reduction Legislation

- Development projects not moving forward due to infeasibility
- For housing fees, Technical Working Group convened to discuss reduction of housing fees and other measures
- Mayor's Office and Board President Peskin proposed additional development fee reductions to encourage construction

Development Impact Fee Deferral and Reduction Legislation

- Ordinance approved by the Planning Commission on July 13, 2023
- Ordinance approved by Full Board on initial reading July 25, 2023

The Way It is Now

1. Impact fees are adjusted annually on January 1 by the Annual Infrastructure Construction Cost Increase Estimate (AICCE), with the exception of the Inclusionary Housing Fee that is subject to a different adjustment methodology.
2. Once assessed for a given project, impact fees increase annually on January 1 until a first construction
3. Impact fees are due upon issuance of a first construction document.
4. All non-residential development projects are required to pay impact fees in all Zoning Districts.

Development Impact Fee Deferral and Reduction Legislation

The Way It Will Be

1. Impact fees are adjusted annually on January 1 by the Annual Infrastructure Construction Cost Increase Estimate (AICCE), with the exception of the Inclusionary Housing Fee that is subject to a different adjustment methodology.
2. Impact fees other than the Inclusionary Housing Fee would be “locked-in” at the amounts assessed upon project approval rather than continuing to increase every January 1 until the issuance of a first construction document. All non-residential development projects are required to pay impact fees in all Zoning Districts.
3. Payment of impact fees other than the Inclusionary Housing Fee could be deferred until first certificate of occupancy. This would reactivate and modify a program that sunset in 2013.
4. New retail and industrial projects in the City’s PDR Zoning Districts, as well as projects with hotel, entertainment, bar, and open space uses in the City’s C-2 Districts, would be exempt from paying impact fees for the next three years.
5. Fees would be reduced by 33% through FY29.

Ramifications

- Revenue reduced

	FY24 and FY25	FY26 - FY29	Through FY29	Through FY34
Previous Projections (July 2023)	\$ 2,689,600	\$ 58,705,200	\$ 117,819,400	\$ 117,860,400
Revised Projections	\$ 356,690	\$ 32,488,470	\$ 89,241,760	\$ 97,345,760
Difference	\$ (2,332,910)	\$ (26,216,730)	\$ (28,577,640)	\$ (20,514,640)

Ramifications

- Previous version of draft Expenditure Plan adjusted proposed expenditures to enable balanced budget at the end of five-year budget cycle to the extent possible
- All funding categories now show deficits at end of five-year funding cycle -> some projects unlikely to be funded
- IPIC did not want to adjust expenditures at this time in case funding picture improves in the next couple of years