



City of Colusa California

STAFF REPORT

DATE: October 15, 2024
TO: Mayor Vaca and Members of the City Council
FROM: Mark Tomey, City Planner

AGENDA ITEM:

City Council to hold a public hearing and discuss and act on a request for a temporary reduction of City of Colusa Development Impact Fees applied towards qualifying properties within the City's R-1, R-2, and R-3 Zoning Districts.

Recommendation: City staff recommends that the City Council hold a public hearing and consider and adopt the Resolution of the City Council of the City of Colusa approving an interim and standardized reduction of development impact fees applicable towards qualifying residential lots.

BACKGROUND:

Chapter 7B of the Colusa Municipal Code imposes "Development Impact Fees" ("Fees") on new developments projects for the purpose of defraying all or a portion of the cost of public facilities related to the development project (Government Code Section 66000 et seq.). A fee does not include payments related to park or recreational purposes, or for processing applications for governmental regulatory actions or approvals. The fees are established by a nexus between the impact and a reasonable cost in providing associated services and infrastructure. Such fees are routinely reviewed by the City with the most recent Comprehensive Fee Schedule update occurring in June of 2024.

On September 24, 2024, local contractor and home builder Sandeep Dhama submitted a letter (**See Sandeep Dhama letter - Attached 2**) to the City Planner requesting a reduction of fees. The City Planner considered the request and relayed Mr. Dhama's request to the City Council for consideration

Historically, the City of Colusa has adopted similar Resolutions to spur development, including in 2020 and 2016, resulting in the creation of at least 9 residential units in the desired boundaries of the City.

DISCUSSION AND ANALYSIS:

City staff is aware of the nuances and lack of residential development upon the dozens of undeveloped “finished” lots (existing street, curb gutter, sidewalk, and City utility improvements) throughout core areas of Colusa. There are several residential lots, particularly within the City’s R-1, R-2, and R-3 base Zoning Districts, having remained undeveloped for several years and despite having been graded and improved. These lots remain in part due to the high cost of new-home construction, governmental/impact fees and other economic conditions such as interest rates, labor, goods and material cost.

Periodically, the members of the development community have appealed the amount of, and the City Council has approved reductions in fees associated with new construction on a case-by-case basis. Staff considers that –in the similar cases of residential development on finished lots– there is a need for a more standardized, efficient, and equitable method for processing and permitting a request for Fee reductions.

Undeveloped residential Finished Lots represent undesirable conditions in the City due to the unsightly storage of vehicles and junk, the proliferation of weeds (and corresponding fire hazards and demands for abatement), and due to impacts to neighborhood safety and appearance.

Staff believes that a standardized 50% reduction of fees would stimulate new development on underutilized and undesirable finished lots, increase property-tax revenues to the City, and provide for a more equitable imposition of fees amongst the development community. Exhibit A of the attached City Council Resolution illustrates “Sample Development Impact Fees” associated with the potentially reduced Fees for qualifying residential properties, which meet the following criteria:

- The property is within the R-1, R-2, or R-3 base Zoning District and is not the subject of a Tentative Subdivision Map submitted during the “Term” of this Resolution as defined below.
- The property frontage is, or by deferred agreement, improved with streets, curbs, gutters, and City utilities as a Finished Lot;
- The property is undergoing development of a completely new dwelling or dwellings (and not only an addition or expansion);

General Plan A reduction in development impact fees would aid developers and builders who are intensifying the urban core and redeveloping infill lots that may be vacant, blighted and underdeveloped. The intensification of existing urban lots presents a different economic difficulty compared to larger parcels, in that such projects do not reap the benefits of economic scales, such as purchasing goods, materials and services in bulk or utilization of mass grading and larger forms of construction equipment.

The following General Plan Goals, Policies and Actions are applicable to the request:

Policy HSG 1.3: The City shall ensure that adequate infrastructure and public services are available prior to approval of developments projects within the City.

Policy HSG 1.4: The City shall provide for future (long-term) regional housing needs by maintaining an adequate supply of developable land for all housing types and affordability levels.

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Policy HSG 1.5: The City shall encourage the production of for-sale and rental housing units that will provide a variety of housing types, tenure and density—at all levels of affordability.

Policy HSG 1.6: The City shall promote more intensive residential development of vacant and underutilized land contiguous to existing development, particularly within walking distance of downtown Colusa, in order to reduce the cost of off-site improvements and create a compact City form.

Policy HSG 2.1: The City shall promote the removal and replacement of substandard units, which cannot be rehabilitated.

Policy HSG 7.5: The City shall annually review development impact fees as part of the overall review of the City's budget. Revisions may be made to the Development Impact Fees every three years to reduce the constraints to the production of affordable housing.

Policy LU-6.1: Growth shall provide a strong diversified economic base and a reasonable balance between employment and housing for all income groups.

BUDGET IMPACT:

Staff does not anticipate any significant impacts to the general fund, or any significant increases to the sales tax base as a result of potential approval of this request. During the term of collection of reduced Development Impact Fees, the associated fee funds would not increase to their full theoretical potential.

However, staff believes that through reduced fees, development will be incentivized and provide development impact fees that might not be collected by the City otherwise. Additionally, incentivized construction upon these currently undeveloped, finished residential lots will increase City tax revenues as a result of increased property values following construction.

PUBLIC CONTACT AND ENVIRONMENTAL REVIEW

A 10-day public hearing notice was published in the Pioneer Review on October 4, 2024 and a notice was also placed at the planning counter. The project has been determined to be statutory exempt pursuant to the California Environmental Quality Act Section 15273 (Rates, Tolls, Fees and Charges.) Consistent with this exemption, the project is the modification of existing development impact fees in relationship related to the operating expenses necessary to maintain services within the City of Colusa.

STAFF RECOMMENDATION:

Staff recommends the City Council adopt Resolution No.24- ____: A Resolution of the City Council of the City of Colusa approving a temporary and standardized reduction of development impact fees applicable towards qualifying residential lots.

ATTACHMENTS:

- 1: Resolution of the City Council Resolution No.24-____
Exhibit A: Example Impact Fee Comparison
- 2: Sandeep Dhami letter dated September 09, 2024