



CITY OF ORLAND STAFF REPORT

MEETING DATE: October 8, 2024

TO: Members of the Economic Development Commission

FROM: Pete Carr, City Manager

SUBJECT: Hotel Development Investment Update

BACKGROUND:

Based on a recommendation from the August 13th EDC meeting, City Council on September 3rd considered the concept of creating and offering an economic incentive for development of a hotel. The Council majority was receptive to the concept generally, and directed Staff to go back to the EDC to refine an incentive program to propose to the Council.

At the September 8th EDC meeting, the Commission considered demand for a hotel, explored options for economic incentives, and sought input as to how other cities handle this. The City Manager said he would check in with regional city managers about it and report back.

ANALYSIS:

Carr met with managers of cities in the CalCities Northern Sacramento Valley Region, facilitating a roundtable discussion about economic incentives for targeted development.

- No cities are offering economic incentives for targeted commercial development, nor have any plans to do so.
 - An exception exists where a few cities have offered incentives to induce development of affordable housing. In these cases, General Fund must pay the DIF (Development Impact Fee) Fund the value of the fee waiver/reduction, so that other developers are not subsidizing the project. To do otherwise risks the nexus for DIF.
- All cities try to work with developers who need economic accommodations after they demonstrate interest.
- Fee waivers and reductions are fraught due to case law and recent legislation limiting the amount of the waiver.
 - Exceeding the limit subjects the private project to prevailing wage obligations.
- Fee deferrals are the preferred inducement as they provide a real benefit to the developer while avoiding the General Fund/DIF impact of waiving or reducing fees.
- Pre-2009, cities offered many incentives thru their RDA (Redevelopment Agencies) but these tools have become unlawful.

RECOMMENDATION:

None at this time; be ready to advise on incentives after development proposals are identified.

FISCAL IMPACT OF RECOMMENDATION: N/A