



Office of the City Manager

CONSENT CALENDAR  
July 16, 2013

To: Honorable Mayor and Members of the City Council

From:  Christine Daniel, City Manager

Submitted by: Michael Caplan, Economic Development Manager

Subject: Deferral of Development Fees for Priority Economic Development Projects

RECOMMENDATION

Adopt a Resolution reinstating the City Manager's authority to defer building permit fees for priority economic development projects until June 28, 2014.

FISCAL IMPACTS OF RECOMMENDATION

Fee waivers will be structured to be revenue neutral and be of negligible fiscal impact to the City. The interest rate for the deferred fees will be set based on the amount the City is receiving on its cash reserves at the time of the deferral. Although there is always a chance that projects would be abandoned and fees not repaid, in such case a new owner would be responsible for repayment.

CURRENT SITUATION AND ITS EFFECTS

On June 28, 2011, the Council approved Resolution No. 65,341-N.S. renewing the City Manager's authority to defer building permit fees for priority economic development projects until June 28, 2014. The resolution was inadvertently rescinded on May 15, 2012 (Resolution No. 65,721-N.S.) when the Planning and Development Department fees were adopted. The proposed action requests the reinstatement of the inadvertently rescinded resolution.

BACKGROUND

On March 24, 2005, the City Council approved Resolution No. 64,077-N.S. granting the City Manager authority to defer up to \$200,000 in building, plumbing, electrical and mechanical permit fees for new development projects and substantial remodels on a case-by-case basis after determining that the project would provide substantial economic benefit to the City through tax base development, job creation/retention or by some other valid measures. On March 29, 2009, the Council continued the program (Resolution No. 64,386-N.S.) with a sunset date of March 24, 2011. As indicated above, the program was reestablished on June 28, 2011, with a sunset date of June 28, 2014.

Two deferrals were previously approved; however, only one project went forward. The deferred fees have been repaid.

RATIONALE FOR RECOMMENDATION

As described in the 2009 and 2011 Council reports<sup>1</sup>, the City Manager's authority to defer building permit fees provide staff with an important tool to encourage developers and lenders to proceed with development projects that are desirable for local economic development. While the economy has improved since that time, there are still occasionally important projects that are challenged in the construction phase due to financing constraints.

ALTERNATIVE ACTIONS CONSIDERED

No other actions were considered.

CONTACT PERSON

Michael Caplan, Economic Development Manager, 981-2490

Attachment:

1: Resolution

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<sup>1</sup> [http://www.ci.berkeley.ca.us/uploadedFiles/Clerk/Level\\_3\\_-\\_City\\_Council/2009/03Mar/2009-03-24\\_Item\\_29\\_City\\_Manager\\_Authority\\_to\\_Defer\\_Development\\_Fees\\_for\\_Priority\\_Economic\\_Development\\_Projects.pdf](http://www.ci.berkeley.ca.us/uploadedFiles/Clerk/Level_3_-_City_Council/2009/03Mar/2009-03-24_Item_29_City_Manager_Authority_to_Defer_Development_Fees_for_Priority_Economic_Development_Projects.pdf)  
[http://www.ci.berkeley.ca.us/uploadedFiles/Clerk/Level\\_3\\_-\\_City\\_Council/2011/06Jun/2011-06-28\\_Item\\_14\\_Renewal\\_of\\_City\\_Manager\\_Authority\\_to\\_Defer\\_Development\\_Fees.pdf](http://www.ci.berkeley.ca.us/uploadedFiles/Clerk/Level_3_-_City_Council/2011/06Jun/2011-06-28_Item_14_Renewal_of_City_Manager_Authority_to_Defer_Development_Fees.pdf)

RESOLUTION NO. ##,###-N.S.

REINSTATING CITY MANAGER AUTHORITY TO GRANT FEE DEFERRAL FOR  
ECONOMIC DEVELOPMENT PROJECTS

WHEREAS, the Council approved Resolution No. 65,341-N.S. on June 28, 2011, renewing the City Manager's authority to defer building permit fees for priority economic development projects until June 28, 2014; and

WHEREAS, the resolution was inadvertently rescinded on May 15, 2012 (Resolution No. 65,721-N.S.) when the Planning and Development Department fees were adopted; and

WHEREAS, the current recession continues to have a strong impact on Berkeley and the Regional economy; and

WHEREAS, the deferral of building permit fees for priority economic development projects assist their financial feasibility and encourage developers and their lenders to proceed with permitting and construction; and

WHEREAS, such fee deferrals have been and will continue to be structured for revenue neutrality; and

WHEREAS, deferred fees will be collected with interest prior to issuance of a certificate of occupancy so the City's interests would be well secured.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley to grant the City Manager authority to defer Building Permit fees for new development projects on a case-by-case basis after staff analysis determines that such deferral is a necessary incentive and that the project will provide substantial economic benefit to the City through tax base development, job creation/retention or other valid measure.

BE IT FURTHER RESOLVED that this Resolution shall be of no further force and affect as of June 28, 2014.

