



City of Rialto

Legislation Text

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For Economic Development Meeting [October 23, 2019]

TO: Honorable Economic Development Committee Members

APPROVAL: Rod Foster, City Administrator

FROM: Thomas J. Crowley, P.E., Utilities Manager

Consideration of the Addition of Chapter 17.50 to the Rialto Municipal Code to Establish a Procedure for the Application and Approval of Reimbursement Agreements.

BACKGROUND:

There are situations in which a developer decides to construct an improvement that will be dedicated to the City for public use. These improvements will often benefit other properties that have not been developed and whose property owners are not participating in the cost of the improvement. This results in the developer bearing the full burden of costs of constructing a public improvement that unfairly benefits other properties and property owners.

To ease the burden of the developer in constructing the public improvements, Government Code Section 66485 *et seq.* authorizes a city to adopt an ordinance establishing a legal mechanism for the developer to be reimbursed for constructing such public improvements by other property owners who will benefit from the public improvements. The proposed ordinance will allow the City to establish procedures for reimbursement agreements between the burdened developer who is constructing the public improvements and the benefited property owner(s) who will eventually pay their fair share in the costs of constructing the public improvements.

It should be noted that the public improvements contemplated under this proposed Ordinance section would be for improvements that are not already provided for through Development Impact Fees as discussed in Chapter 3.33 of the Rialto Municipal Code.

ANALYSIS/DISCUSSION:

Government Code Section 66485, *et seq.* allows a local agency to enact an ordinance authorizing the use of reimbursement agreements for the construction of public improvements by a developer and requiring the owners of properties which benefit from the public improvement to pay for their pro rata share of the improvement constructed. The public improvements authorized under Government Code Section 66485 *et seq.* and the proposed Ordinance will be those improvements that are not covered under the City's development impact fees in Chapter 3.33. of the Rialto Municipal Code, such as sewer connection lines from the development to an existing City main sewer line.

Under the proposed Ordinance, when a development project requiring the construction of certain public improvements that will serve properties other than the developer's is approved, the City and the developer will enter into a reimbursement agreement. This agreement will allow the developer to

be reimbursed for the portion of the construction costs in excess of the costs attributable to the development. The excess costs will then be borne by surrounding property owners for their pro-rata share of the improvement costs. The agreement will also describe the method of calculating the costs attributable to each benefited property and the rate of interest or appreciation, if any, to be added to the initial charges.

Pursuant to the Government Code and the proposed Ordinance, prior to the execution of the reimbursement agreement, notice of the pro-rata share of the excess improvement costs will be provided to the surrounding property owners. The City will provide an opportunity to be heard on the pro-rata share of the excess costs. Once the City affirms the costs of the improvements at a hearing, the pro-rata share of the improvement costs shall become a lien on each benefited property and shall be paid upon the development of the benefited property in the future. Payment of the pro-rata share of the improvement costs will go directly to the developer that constructed the improvements. Under the Ordinance, the reimbursement agreement is valid for fifteen (15) years. A draft of the proposed Ordinance is included as **Attachment 1**.

FINANCIAL IMPACT

Operating Budget Impact

No fiscal impacts are associated with the proposed Ordinance.

RECOMMENDATION

Staff requests the Economic Development Committee consider this item and provide guidance on whether to set a Public Hearing to consider the addition of Chapter 17.50 to the Rialto Municipal Code and adopt an Ordinance establishing a procedure for the application and approval of such reimbursement agreements.