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City Manager's Report

August 12, 2025, City Council Meeting

Prepared by: <Carole Kendrick, Director of Development Services

Item #: 12.3

Subject: Authorization for City Manager to Execute a Fee Deferral Agreement for the Middletown Apartment Complex at 180 Middletown Road

Recommendation: Adopt a resolution authorizing the City Manager to execute a fee deferral agreement for designated impact fees associated with the Middletown Apartment Complex (see Attachment A), a multi-family affordable housing project at 180 Middletown Road, pursuant to Senate Bill 937 (see Attachment C) and applicable local ordinances.

Purpose: To obtain City Council approval for a fee deferral agreement that supports the development of the Middletown Apartment Complex by deferring specific impact fees until the issuance of the certificate of occupancy, facilitating affordable housing production in alignment with state law and local housing goals.

Strategic Plan Strategy: Fiscal Stability/Sustainability Strategy 1) Identify Financial Risks and Opportunities.

Discussion: The Middletown Apartment Complex, located at 180 Middletown Road (Building Permit No. 22583, Application Receipt No. 18892), is a multi-family affordable housing project with a valuation of \$12,826,962.17. The project addresses Placerville's critical need for affordable housing, supporting the City's Regional Housing Needs Allocation (RHNA) goals.

The Development Services Department has issued a building permit invoice (see Attachment B) detailing fees for the project, including the following impact fees proposed for deferral:

- Fire Development Fee: \$91,646.34 (\$1.49/SF)
- Park Development Fee: \$108,240 (\$1,320/U)
- Traffic Development Fee: \$1,241,316 (\$15,038/U)
- Sewer Capital Improvement Charge (CIC): \$452,066 (\$5,513/U)

These fees, totaling \$1,893,268.34, are eligible for deferral under Senate Bill 937 (SB 937), signed into law in 2024. SB 937 permits local governments to defer impact fees for multi-family affordable housing projects until the certificate of occupancy is issued, without charging interest, to enhance project feasibility during economic challenges. This deferral aligns with the California Housing Consortium's policy to promote affordable housing while ensuring jurisdictions collect funds for infrastructure.

The proposed fee deferral agreement will:

1. Defer the listed impact fees until the certificate of occupancy is issued.
2. Ensure compliance with SB 937 and Placerville's municipal code.
3. Include safeguards, such as a lien or financial security, if deemed necessary by the City Manager.
4. Require full payment of deferred fees upon project completion, with no interest charged.

Deferring these fees supports the project's financial viability, potentially saving up to 1% of development costs, as estimated by the Turner Center for Housing Innovation. The City will collect the full \$1,893,268.34 upon issuance of the certificate of occupancy. Since these funds are only to be used for development related impacts, no loss of revenue for infrastructure will occur. This action aligns with state housing mandates, including Senate Bill 423, which streamlines affordable housing projects in jurisdictions not meeting RHNA goals.

Options:

1. Authorize the City Manager to negotiate the agreement as outlined.
2. Deny authorization for the City Manager to execute a deferral agreement to allow the City Council to execute the deferral agreement.
2. Modify the terms to add financial securities such as a performance bond or letter of credit, which could increase developer costs.

Environmental: The deferral agreement itself is not subject to CEQA review because it is an administrative action involving financial arrangements, not a physical project or activity that could impact the environment. CEQA applies to projects with potential environmental effects, as defined in CEQA Guidelines Section 15378. The deferral agreement is a contractual mechanism to delay payment of impact fees for the Middletown Apartment Complex until the certificate of occupancy is issued, per Senate Bill 937 (2024). It does not involve land use changes, construction, or other activities that could trigger CEQA.

Cost: The cost to prepare this staff report is approximately \$250.00

Budget Impact: The deferral delays collection of \$1,893,268.34 in impact fees until the certificate of occupancy is issued, with no interest charged per SB 937. There is no direct impact on the general fund, as these fees are designated for specific infrastructure and service improvements.



M. Cleve Morris, City Manager



Carole Kendrick, Director of Development Services

Attachments:

Attachment A: Draft Resolution Authorizing the City Manager to Execute the Fee Deferral Agreement

Attachment B: Building Permit Invoice for 180 Middletown Road

Attachment C: Senate Bill 937