



Rod K. Oshita
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June 12, 2018

Susan M. Dorman
City Clerk
City of Lake Elsinore
130 S. Main Street
Lake Elsinore, Ca 92530

Re: Proposed user fees and cost allocation plan

Dear Susan,

This letter is in response to the proposed Resolution of the City Council of the City of Lake Elsinore, California, adopting the user fees and cost allocation plan. While the City staff has met with Building Industry Association (BIA) representatives, those comments brought forth by the BIA were exclusively focused on the methodology and cost of building permits for single family homes. While some of our comments may overlap, I would like to add the following comments pertaining to commercial development and costs for those fees and permits and those costs affect.

I assure you I understand that costs have increased and there may be a need for some fee increase. The proposed increase in fees and permits is staggering and if passed will have a severe effect on commercial development going forward. There needs to be a balance as well as a partnership between the development community and the City of Lake Elsinore. The extent of the proposed increases indicates there is not.

1. The foundation of the Willdan's study is that current fees are not aligned with current full costs incurred by the City yet there has been no basis provided, other than Willdan's "interviews of City officials." As I only received this information June 8th there was no opportunity to request the supporting documents via the Public Records Act (PRA)

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2. Willdan's and staffs report refer to user fees' as to "those costs of specific services benefitting users." Per Willdan the general standard of user fee subsidization is that individuals (or groups) whom receive a wholly private benefit should pay 100% of the full cost of the services. I would suggest there are multiple stakeholders/beneficiaries in commercial development. I would further suggest that the City of Lake Elsinore could be considered as one of the primary beneficiaries as the facilities will remain in the City of Lake Elsinore for years beyond those present, and continue to generate economic benefit in various forms including tax dollars and jobs for the duration. Yet the reports suggest that the Developer pays full cost of the service.
3. The reports inaccurately present some of the fees and undersell many other changes as being N/A. As example, Table 2 of the Staff report illustrate the MPE fee for a 2,805 sf commercial building, small by commercial standards thereby generating what would seem to be a palatable number. Further the proposed fee of \$5,892.53 does not compute at the \$.40 sq. ft. described in the verbiage. Throughout "Staff Proposed Fees Table" numerous line items are inaccurately represented as % change of N/A underselling the impact of the increase. As example Planning Fees for Design Review of Commercial and Industrial Projects. While the % change is represented as N/A, the actual change to \$8,879 is an increase to any project less than 18 acres from current fees. Environmental Review – Other/Mitigation/ 3rd Party all has increased fees yet are described as % increase of N/A. Further rough & precise Grading/Drainage inspection fees actual proposed increase calculates as 21% not N/A. Subdivision /Commercial Parcel Map 84% increase, Subdivision Final Tract 73% increase, both shown as N/A. These are only a couple of examples. Truly disingenuous and extremely concerning if this was shown this way as not to attract attention to the actual increase.
4. The reports solely focus on the costs incurred by the City to support the various activities for which the City charges user fees. It fails to take into consideration the benefits to the City including those economic benefits (income to the City) from property development. Based on this methodology, with its costs covered, the economic benefit would be considered as pure profit to the City.
5. The costs of reviewing and processing are under the full control of the City. The developer is at the mercy of the City in this process. Rather than considering charging additional costs I would suggest considering improving/reducing the process. Currently there is no written or defined process. The process of permitting commercial projects in the City of Lake Elsinore is extremely arduous and often times redundant extending the time period to get approvals. With a defined clear path the City and Developer would benefit with the efficiencies.
6. Not that it would be included in these reports I would hope the City would consider the savings the City receives in the developer provided infrastructure as often times conditioned on the developer providing the City relief of such expenses.

7. If the City is to move forward with the proposed increases, the proposed effective date of 30 days from adoption is unreasonable for those projects currently in the plan check process. Certain financial assumptions were initially made and changes to those could have an impact on the development of those projects. I would ask you to consider “grandfathering” those projects currently in the permitting process.

Based on calculations of our current project awaiting final approvals for permitting, the impact of these proposed increases would be in excess of \$225,000 and this would jeopardize its moving forward. The cost of commercial development continues to escalate and the burdens put on the developer are surmounting. Construction materials and labor have increased over 15% in the past six months alone and are projected to continue increasing. Fees & Permits represent the third highest cost of the projects accounting for 10% to 15% of the total cost. Continued increases will continue to doubt stress the feasibility of future commercial development. We’re approaching the end of this cycle and the added expenses will accelerate it.

Before agreeing to the fee increase I would strongly urge that the City consider the potential impact based on Willdan’s definition of “Impact on Demand (Elasticity) – Economic principles of Elasticity suggest that increased costs for services (higher fees) will eventually curtail the demand for the services; whereas lower fees may spark an incentive to utilize the services and encourage certain actions.”

I hearten the City to consider sparking an incentive!!

Sincerely,

A handwritten signature in blue ink that reads "Rod K. Oshita". The signature is fluid and cursive, with the first name "Rod" being the most prominent.

Rod K. Oshita
President
Fairway Commercial Partners Inc.