



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Provide Direction to Amend Fee Payment Agreement for 1341 East Kettleman Lane (Holiday Inn Express)
MEETING DATE: April 7, 2010
PREPARED BY: City Manager

RECOMMENDED ACTION: Direct the City Manager to prepare a revised Fee Payment Agreement for 1341 East Kettleman Lane (Holiday Inn Express).

BACKGROUND INFORMATION: For economic development, businesses purposes and fairness, the City Council has approved agreements to allow the payment of impact fees to be spread over time. Typically, the Council has approved these fee payment agreements for hardship cases or to make select businesses that provide jobs or tax benefits financially feasible. On March 19, 2008, the City Council approved a fee payment agreement for a new Holiday Inn Express motel at 1341 East Kettleman Lane developed by KFP GALT, LLC. The Fee Payment Agreement allowed \$420,496.00 in impact fees to be paid in 20 equal semi-annual installments (\$28,004.57) over a 10-year period. Interest was calculated on the then Local Agency Investment Fund (LAIF) rate of return plus one percent, which totaled **5.801** percent.

In the two years since the Holiday Inn opened, the economy entered the longest recession in eight decades (source: Dr. John Mitchell, BofC speech). The principal owners of the Holiday Inn Express have approached the city manager to request relief from the terms of the payment agreement. They are presently current with their payments but have stated that they are experiencing a severe financial hardship. According to financial information provided by the owners, the business is expected to experience a loss of approximately \$120,000 for the eight months ending February 2010.

Staff is requesting that the Council direct the manager to revise the Fee Payment Agreement. It is proposed that the same interest rate methodology be used (LAIF rate plus 1 percent). The current LAIF rate is approximately 0.6 percent which would yield a rate of 1.6 percent for this agreement. Additionally, it is requested that the payments be suspended until January 1, 2011, with the remaining payments made in 20 semi-annual installments over a 10-year period (see attached schedule). The restructured payment schedule will not materially affect the impact fee program.

This is not a request to waive fees, but a request to restructure payments.

If the Council chooses not to direct the manager to amend the agreement, the business may fail and the General Fund could experience a loss of approximately \$80,000 to \$100,000 in annual Transient Occupancy Tax revenue, the loss of 30 jobs, and the consequences of dealing with a vacant hotel, including difficulty in collecting the impact fees from a subsequent operator or bank.

APPROVED: 
Blair King, City Manager

Attached is the original Development Impact Mitigation Fee Summary Sheet, a new proposed fee payment amortization schedule and a draft revised Fee Payment Agreement.

FISCAL IMPACT: \$381,684 in impact fees remain unpaid and are subject to the fee payment schedule. \$48,813.09 in principal and \$35,200.62 in interest has been paid. The interest rate charged for the outstanding balance, if Council **so** directs, would be reduced from 5.801 percent to 1.60 percent. Revising the payment schedule will increase the chance that the Holiday Inn Express will be a success in this market and continue to provide approximately \$80,000 to \$100,000 in Transient Occupancy Tax revenue to the General Fund and increase the likelihood of collection **of** the impact fees. The changes proposed in the timing of the fees is immaterial to the impact fee program.


Blair King
City Manager

Attachments

cc: Daniel and Beth Kim, Holiday Inn Express



CITY OF LODI

PUBLIC WORKS DEPARTMENT

Development Impact Mitigation Fee Summary Sheet

Subdivision: _____

Name	Tract#	File #
Parcel: 1341 E. Kettleman Lane		
Address		Permit#
AP #		

Developer/Owner: **KFP Management Inc.**

Name _____

Address _____

Project Description: **Tuscany Comfort Suites**

Fee Category	Account #	P	RAE	Adj.	F	A	T
1) Water Facilities	1821.6122	\$ 5,046.00	0.64		\$ 3,230.00	2.00	\$ 6,460.00
2) Sewer Facilities- See Below					\$ 0.00	2.00	\$ 0.00
3) Storm Drainage Facilities	3261.6122	\$ 18,454.00	1.33		\$ 24,540.00	2.00	\$ 49,080.00
4) Street Improvements	3321.6122	\$ 14,355.00	2.08		\$ 29,860.00	2.00	\$ 59,720.00
5) Police Protection Facilities	12151.6122	\$ 1,983.00	4.12		\$ 8,170.00	2.00	\$ 16,340.00
6) Fire Protection Facilities	12161.6122	\$ 1,938.00	2.69		\$ 5,210.00	2.00	\$ 10,420.00
7) Parks & Recreation Facilities	12171.6122	\$ 27,868.00	0.32		\$ 8,920.00	2.00	\$ 17,840.00
8) General City Fac. & Prog. Admin.	12181.6122	\$ 8,012.00	0.89		\$ 7,130.00	2.00	\$ 14,260.00

P = Program Fee per Residential Acre Equivalent (RAE) per Resolution 2001-242 and 2004-238 as adjusted in conformance with LMC 15.64.050.
 RAE = Residential Acre Equivalent per LMC §15.64.070, unless adjusted.
 Adj. = Checked if RAE is adjusted, see Notes below.
 F = Fee per acre (rounded to nearest \$10.00) = P x RAE.
 A = Gross acreage per LMC §15.64.020A & 15.64.060 (rounded to nearest 0.01 acre).
 T = Total Fee for service category = A x F.

Notes:

1. Wastewater Capacity Impact Fee is based on a 138-bed hotel and 3 bedskewer service unit (SSU) and represents 46 SSU. Each SSU is \$5,356.00.
2. The fees are based on the January 2008 Development Impact Mitigation Fee Schedule.

By: _____ Approved: _____

Record#: _____

Date Billed: _____

Date Paid: _____ (Fee category 1 thru 8)

03/31/2010 Impact Fees

FEE PAYMENT AMORTIZATION SCHEDULE

Holiday Inn Express
1341 E. Kettleman Lane
(Portion of APN #049-250-87)

Total Fees: \$420,496.00

Interest Rate: 5.801% (4.801% LAIF rate plus 1%) 1.60% (0.60% LAIF rate plus 1%)

Term: 10 years

Check Totals

Payment No.	Unpaid Balance	semi-annual Payment	Principal	Interest	
1	\$420,496.00	\$28,004.57	\$15,808.08	\$12,196.49	\$28,004.57
2	\$404,687.92	\$28,004.57	\$16,266.60	\$11,737.97	\$28,004.57
3	\$388,421.33	\$28,004.57	\$16,738.41	\$11,266.16	\$28,004.57
Terms Re-negotiated February 2010; Interest rate re-set and next payment deferred until January 2011					
1	\$371,682.92	\$26,131.51 *	\$17,211.12	\$8,920.39 *	\$26,131.51
2	\$354,471.79	\$20,184.59	\$17,348.81	\$2,835.77	\$20,184.59
3	\$337,122.98	\$20,184.59	\$17,487.60	\$2,696.98	\$20,184.59
4	\$319,635.38	\$20,184.59	\$17,627.50	\$2,557.08	\$20,184.59
5	\$302,007.87	\$20,184.59	\$17,768.52	\$2,416.06	\$20,184.59
6	\$284,239.35	\$20,184.59	\$17,910.67	\$2,273.91	\$20,184.59
7	\$266,328.68	\$20,184.59	\$18,053.96	\$2,130.63	\$20,184.59
8	\$248,274.72	\$20,184.59	\$18,198.39	\$1,986.20	\$20,184.59
9	\$230,076.33	\$20,184.59	\$18,343.98	\$1,840.61	\$20,184.59
10	\$211,732.35	\$20,184.59	\$18,490.73	\$1,693.86	\$20,184.59
11	\$193,241.62	\$20,184.59	\$18,638.65	\$1,545.93	\$20,184.59
12	\$174,602.97	\$20,184.59	\$18,787.76	\$1,396.82	\$20,184.59
13	\$155,815.21	\$20,184.59	\$18,938.07	\$1,246.52	\$20,184.59
14	\$136,877.14	\$20,184.59	\$19,089.57	\$1,095.02	\$20,184.59
15	\$117,787.57	\$20,184.59	\$19,242.29	\$942.30	\$20,184.59
16	\$98,545.29	\$20,184.59	\$19,396.22	\$788.36	\$20,184.59
17	\$79,149.06	\$20,184.59	\$19,551.39	\$633.19	\$20,184.59
18	\$59,597.67	\$20,184.59	\$19,707.81	\$476.78	\$20,184.59
19	\$39,889.86	\$20,184.59	\$19,865.47	\$319.12	\$20,184.59
20	\$20,024.39	\$20,184.59	\$20,024.39	\$160.20	\$20,184.59
			\$420,496.00	\$72,200.28	\$492,696.28

* includes interest for 2010

WHEN RECORDED, RETURN TO:
City Clerk
City of Lodi
221 West Pine Street
Lodi, CA 95240

REVISED FEE PAYMENT AGREEMENT
1341 E. Kettleman Lane

THIS AGREEMENT is made and entered into by and between the CITY OF LODI, hereinafter referred to as "City" and KFP GALT LLC, hereinafter referred to as "Owner".

RECITALS:

Owner is the owner of that certain real property situated in the City of Lodi, County of San Joaquin, and described as follows:

Parcel 2, as shown on that certain parcel map filed for record March 14, 2008 in Book 24 of Parcel Maps, Page 176, San Joaquin County Records.

Owner is desirous of complying with existing City ordinances and policies regarding payment of the Wastewater Capacity Impact Fee and Development Impact Mitigation Fees as set forth in Title 13, Chapter 13.12 and Title 15, Chapter 15.64, respectively, of the Lodi Municipal Code. Owner had previously entered into a Fee Payment Agreement with the City on March 19, 2008 to cover these costs. However, Owner has requested that this Agreement be revised to reflect the current Local Agency Investment Fund (LAIF) interest rate.

Council of the City will approve the payment of the remaining fees in twenty (20) semi-annual installments on condition that the owner first enter into and execute this agreement with the City.

NOW THEREFORE, in order to insure satisfactory performance by Owner of Owner's obligations under said City Code, the parties agree as follows:

1. Owner has provided the City with three payments of TWENTY EIGHT THOUSAND FOUR AND 57/100 DOLLARS (\$28,004.57). The remaining balance due for the Development Impact Mitigation Fees and Wastewater Capacity Fees is now THREE HUNDRED SEVENTY ONE THOUSAND SIX HUNDRED EIGHTY TWO AND 92/100 DOLLARS (\$371,682.92).
2. Owner agrees to pay the balance of the Development Impact Mitigation Fees and Wastewater Capacity Impact Fee in twenty (20) semi-annual payments at an interest rate of 1.600 percent as shown on the attached Development Impact Mitigation Fee Payment Amortization Schedule Sheet (Exhibit A).
3. The first payment shall be due no later than January 1, 2011. All subsequent payments are due no later than January 1 and July 1 of each year.
3. Each payment shall be credited first on interest due and the remainder on principal.
4. Upon sale, transfer or any other conveyance of the property, all fees payable under this agreement shall become immediately due and payable. This agreement shall have no right of assignment.

5. If Owner fails to meet any specified payment as set forth in Item #2 and Item #3 above within fifteen (15) days following the due date, the City Manager or the City Council may serve written notice upon Owner for breach of this agreement and the default of Owner.
6. In the event of any such notice of breach, Owner shall have the duty to pay, in full, the balance of the required fees. If the Owner, within five days after the serving of notice, does not give the City written notice of its intention to pay in full the balance of the unpaid development impact mitigation fees and wastewater capacity impact fee, and does not make such payment within five days after its notice to City, this agreement shall be considered void. City shall institute legal proceedings to recover the balance of the unpaid fees and for any excess cost or damage occasioned City thereby.
7. A copy of the Agreement shall be recorded in the office of the San Joaquin County Records, P. O. Box 1968, Stockton, California 95201-1968.
8. All notices herein required shall be *in* writing, and delivered in person or sent by registered mail, postage prepaid.

Notices required to be given to City shall be addressed as follows:

F. Wally Sandelin
Public Works Director
City of Lodi
P. O. Box 3006
Lodi, CA 95240-1910

Notices required to be given to Owner shall be addressed as follows:

KFP Galt, LLC
2552 Cottonwood Dr.
Lodi, CA 95242

IN WITNESS WHEREOF, the parties hereto have set their hands the day, month and year appearing opposite their names.

CITY OF LODI, a Municipal Corporation

Dated _____ 2008

**By: _____
Blair King, City Manager**

**Attest: _____
Randi Johl, City Clerk**

KFP GALT LLC

Dated _____ 2008

Approved as to form: _____

**D. Stephen Schwabauer
City Attorney**



Dated: _____ 2008