



CITY OF FORT BRAGG

Incorporated August 5, 1889

416 N. Franklin Street, Fort Bragg, CA 95437
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JOINT SPECIAL MEETING

FINANCE/ADMINISTRATION & ECONOMIC DEVELOPMENT ACTION COMMITTEES

Tuesday, January 27, 2009, 9:00 a.m.
Meeting Place: Town Hall
363 North Main Street, Fort Bragg, CA

MEETING CALLED TO ORDER

ROLL CALL

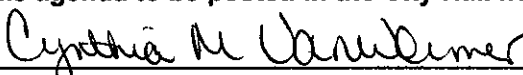
CONDUCT OF BUSINESS

1. Discuss Development Impact Fees and Make Recommendation to Council
2. Matters from Committee Members/Staff

ADJOURNMENT

STATE OF CALIFORNIA)
)ss.
COUNTY OF MENDOCINO)

I declare, under penalty of perjury, that I am employed by the City of Fort Bragg, and that I caused this agenda to be posted in the City Hall notice case January 23, 2009.


Cynthia M. VanWormer, CMC, City Clerk

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CITY OF FORT BRAGG

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COUNCIL COMMITTEE ITEM SUMMARY REPORT

MEETING DATE: January 27, 2009
TO: Finance and Administration Committee
Economic Development Action Committee
FROM: Marie Jones, Community Development Director
AGENDA ITEM TITLE: **Discuss Development Impact Fees and Make Recommendation to Council**

ISSUE & BACKGROUND

In December of 2008, City Council directed staff to discuss policy options regarding an increase to the City's development impact fees at a joint meeting of the Finance and Administration Committee and the Economic Development Action Committee.

On December 9, 2008, the EDAC met to discuss the Development Impact Fee Nexus Study and to obtain input from the community about the best approach to update the City's development impact fee. Approximately fifteen people from the community attended the meeting to provide input. The EDAC recommends the following key policy ideas for moving forward with the development impact fee:

1. Provide a mechanism to reduce fees if a project can reduce its impacts through design and on-site improvements. For example a project that infiltrates and treats stormwater on site could obtain a partial reduction in the drainage fee. Likewise a project that provides more open space than required by the Land Use and Development Code could pay a reduced parks fee.
2. The City should develop a checklist of preferred methods/techniques to reduce a project's impact on the City's infrastructure. The checklist should also indicate how much the fee would be reduced for implementing the preferred methods.
3. Consider eliminating/reducing development impact fees for parks, transportation, and public facilities for second units in order to encourage more affordable housing.
4. Consider raising the sales tax and/or the bed tax to fund a portion of the required capital improvements for parks, sewer, water, and transportation. Reduce the development impact fee by a relational amount (based on anticipated revenues from the increased sales and/or bed tax).
5. Provide a comparison of the relative cost of developing in Fort Bragg (Development Impact Fees) with the cost of developing equivalent systems in the County (septic, well, high-line drainage system, etc.)
6. Do not raise the parcel tax to fund these capital improvement projects.

7. Do not reduce development impact fee based on potential taxes generated due to fairness issues, and the issue of taking funds out of the General Fund.
8. Do not reduce development impact fees for parks.

Based on suggestion #5 above, staff prepared a brief outline of the costs to develop infrastructure for a single-family home in the county.

1. Cost to install a typical well = \$8,813

Drilling \$35/foot @ 150 feet = \$5,250, sanitary seal \$250, County Permit \$313, pump and pump house approximately \$3,000. \$8,813 total to develop a well (source: Fisch Drilling)

2. Cost to install a typical septic system and leach field on a site with soil that perks = \$4,000 - \$6,000

Installation of septic tank, field and leach lines \$4,000 to \$6,000 on a site that perks (source: Mendo Backhoe)

3. Cost to install a 100 foot rock driveway with gutters and culvert = \$15,000 to \$20,000

Install a 100 foot long drive way with gutters and culvert that encroaches onto a county road \$15,000 to \$20,000 (source Paulson Excavating)

Total cost to develop infrastructure for a home in the country would amount to \$29,813. Currently, the County does not charge development impact fees.

In addition, the City of Willits has just updated their development impact fee to \$12,000 per unit for residential construction.

RECOMMENDATION:

Receive report and make recommendation to Council regarding financing mechanism for capital improvement projects and the preferred amount of the development impact fee.



AGENCY:	City Council Improvement District Redevelopment Agency
MEETING DATE:	December 2, 2008
DEPARTMENT:	Community Development
PREPARED BY:	Marie Jones
DEPT. DIR. APPROVAL:	_____
CITY MGR. APPROVAL:	_____

AGENDA ITEM SUMMARY

TITLE: CONDUCT WORKSHOP REGARDING DEVELOPMENT IMPACT FEES AND PROVIDE DIRECTION TO STAFF

ISSUE:

In late 2007, City Council directed staff to complete a Development Impact Fee Nexus Study to identify and quantify appropriate fees to ensure that new development projects pay their fair share of capital costs. The City contracted with Economic & Planning Systems, Inc. (EPS) for preparation of the initial spreadsheet analysis for the Development Impact Fee Nexus Study. Staff modified these initial spreadsheets, completed the analysis, and prepared the attached Draft Development Impact Fee Nexus Study.

In February 2008, the Finance & Administration Committee reviewed an initial analysis of capital improvement expenditures that are needed at least in part because of anticipated new development projects. The analysis provided a description of how these costs might best be apportioned to various development types given the potential for new development in the next 30 years. The Committee directed staff to revise the residential fees from a per unit basis to a per square foot basis. Subsequently, the following additional changes to the analysis were made: 1) the sewer and water Development Impact Fees were adjusted based on the water use and sewer strength of a particular development; 2) capital projects funded through the utility rate increase were removed from the analysis; and 3) costs for engineering, design and permitting were rolled into capital improvements costs.

In July and August 2008, the Finance & Administration Committee reviewed and discussed a revised report. Walter Kieser of EPS and the City Attorney both reviewed the draft Nexus Study. The Draft Development Impact Fee Nexus Study is attached. Following the workshop, it will be further revised based on direction received from the Council. In addition, the Appendix with the Nexus Findings will be completed.

RECOMMENDED ACTION:

Conduct Workshop Regarding Development Impact Fees And Provide Direction to Staff

ALTERNATIVE ACTION(S):

None.

ANALYSIS:

As new development occurs in the City of Fort Bragg, the City will be required to upgrade existing infrastructure to maintain adequate levels of service and to construct new infrastructure to serve new development. One means of collecting funds for necessary capital facilities is to

establish (and periodically update) Development Impact Fees. Generally speaking, Development Impact Fees allow cities to collect funds from new development projects for impacts on City infrastructure and facilities. In order to impose Development Impact Fees, a reasonable connection or "nexus" must exist between the impacts caused by new development and the improvements for which the fees are assessed. The projected improvements financed by impact fees must benefit the developments that are required to pay fees, and the fees must be roughly proportional to the amount of benefit received.

The attached Development Impact Fee Nexus Study provides the legal and informational basis for the City to update its Development Impact Fees, to ensure that new development pays its fair share for capital improvement projects that are necessitated in whole or in part by the development. The Study lays the groundwork for policy makers to collect fees to fund new categories of capital improvements. Currently, the City collects three types of Development Impact Fees for water, wastewater, and drainage. The analysis provided the factual basis for establishing new development impact fees for parks, transportation, and public facilities.

It should be noted that the City of Fort Bragg charges other fees (connection fees, planning permit fees, parking in-lieu fees, and building permit fees) in addition to Development Impact Fees which add additional costs to new development. Connection fees are project specific and cover the cost of installing water meters, water lines, and sewer lines that connect into the City system. Connection fees are not addressed by this study.

Once established, Development Impact Fees are collected by category (water, sewer, drainage, transportation, parks) and the fees must be spent only for projects within that category. In other words, funds from the water fee cannot be used to pay for sewer capacity increases.

The Nexus Study addresses the following key topics:

- Current and Comparable Development Impact Fees
- Existing and Future Development Trends
- Capital Improvement Projects by Type and Cost
- Capital Fee Program Costs by Fund
- Potential Total New fees Funded by Land Use
- Development Impact Fees By Use and Location
- Commercial Sewer & Water Development Impact Fees Based on Use Type
- Comparison of Current and Recommended Development Impact Fees
- Securing Supplemental Funding
- Development Impact Fee Revenue Projection
- Annual Review and Fee Indexing
- Nexus Findings

As shown in Table C-3 below, the Development Impact Fee Nexus Study identifies the upper limit that may be charged for the following specific Development Impact Fees:

- \$19,079/per unit of residential development
- \$6.11/SF for commercial development (exclusive of water and sewer fees)
- \$2.65/SF for industrial development (exclusive of water and sewer fees)
- \$2,834/room for lodging (exclusive of water and sewer fees)

The increase in water and sewer fees are based on water use and sewer strength and they are based on specific use types as identified in the Nexus Study in Table C-4.1 and C-4.1.

Table C-3
New Fees
Fort Bragg Development Impact Fee Study

Allocation Fund	Total Fee Program Costs	Residential Fees (per Unit)	Commercial (per Sq. Ft.) (1)	Industrial Fees (per Sq. Ft.)	Lodging Fees (per Room)	Entertainment/ Performing Arts Fees (per Sq. Ft.)	Marine Research Facility Fees (per Sq. Ft.)
<u>New Development (non-GP)</u>							
Parks	\$1,176,203	\$1,251	\$0.76	\$0.33	\$352	na	na
Transportation Infrastructure	\$5,646,127	\$6,004	\$3.64	\$1.58	\$1,691	na	na
Public Facilities	\$1,511,878	\$1,608	\$0.98	\$0.42	\$453	na	na
Drainage	\$1,128,725	\$1,200	\$0.73	\$0.32	\$338	na	na
Water	\$5,076,192	\$5,398	See Table C-4.2	See Table C-4.2	See Table C-4.2	na	na
<u>Sewer and Waste Water</u>	<u>\$3,402,804</u>	<u>\$3,618</u>	See Table C-4.1	See Table C-4.1	See Table C-4.1	na	na
Total	\$17,941,928	\$19,079	\$6.11	\$2.65	\$2,834.74	na	na
<u>New Development (GP)</u>							
Parks	\$2,533,877	\$2,522	\$1.53	\$0.66	\$710	\$0.00	\$0.00
Transportation Infrastructure	\$5,876,675	\$5,849	\$3.55	\$1.54	\$1,648	\$1.15	\$2.88
Public Facilities	\$1,606,704	\$1,599	\$0.97	\$0.42	\$450	\$0.32	\$0.79
Drainage	\$3,574,976	\$3,558	\$2.16	\$0.94	\$1,002	\$0.70	\$1.75
Water	\$5,394,575	\$5,369	See Table C-4.2	See Table C-4.2	See Table C-4.2	See Table C-4.2	See Table C-4.2
<u>Sewer and Waste Water</u>	<u>\$3,616,230</u>	<u>\$3,599</u>	See Table C-4.1	See Table C-4.1	See Table C-4.1	See Table C-4.1	See Table C-4.1
Total	\$22,603,038	\$22,496	\$8.21	\$3.56	\$3,810.90	\$2.17	\$5.43
<u>Total New Development</u>							
Parks	\$3,710,080	\$1,907	\$1.16	\$0.50	\$537	na	na
Transportation Infrastructure	\$11,522,802	\$5,924	\$3.59	\$1.56	\$1,669	na	na
Public Facilities	\$3,118,582	\$1,603	\$0.97	\$0.42	\$452	na	na
Drainage	\$4,703,701	\$2,418	\$1.47	\$0.64	\$681	na	na
Water	\$10,470,768	\$5,383	See Table C-4.2	See Table C-4.2	See Table C-4.2	na	na
<u>Sewer and Waste Water</u>	<u>\$7,019,034</u>	<u>\$3,608</u>	See Table C-4.1	See Table C-4.1	See Table C-4.1	na	na
Total	\$40,544,967	\$20,844	\$7.19	\$3.12	\$3,338.97	na	na

Sources: City of Fort Bragg Community Development Department, 2008; EPS, 2008

Notes: (1) Development Impact Fees for sewer and water for heavy users are determined based on type of use. These fees are calculated based on the impact of the project on a per EDU of impact basis, please see Table C-4 for details by use type
(2) Development fee based on Living space, excludes garage and accessory structures

The Development Impact Fee Nexus Study provides an upper limit on the amount of a Development Impact Fee by category. The City can establish fees that are below this upper limit, in which case the capital improvement projects identified in this analysis would need to be funded through alternative funding sources such as redevelopment funds, general funds, and/or grant funding.

If Council chooses to set fees lower than the maximum established by the Nexus Study, staff offers the following ideas for discussion and consideration:

1. The City Council could retain authority to reduce fees on a case-by-case basis for projects that achieve important public policy objectives for Council, such as: (a) Projects

that produce significant tax revenues for the City of Fort Bragg, such as sales tax, transient occupancy tax, and/or redevelopment tax increment, or (b) Projects that achieve important policy goals such as: affordable housing, development of quality jobs, and/or sustainable projects. A process would need to be established for Council action on fee reduction requests and staff recommends that specific findings be required to support approval of a fee reduction request. Such findings might include one or more of the following:

- a. Projected sales and transient occupancy taxes generated by the project would amount to the equivalent of the reduced Development Impact Fees within a specified time frame (e.g. three years).
- b. The affordable housing and/or sustainable development project would not be financially feasible if required to pay the Development Impact Fees.
- c. The project would create a substantial number of new jobs and such jobs will pay, on average, more than 120 percent of area median income.
- d. The "sustainable project" would reduce impacts on the City's infrastructure through project design sufficient to justify the Development Impact Fee reduction. For example infiltration of storm water on site might allow the City to reduce the drainage impact fee.

Providing a fee reduction opportunity is likely to result in frequent requests and a considerable amount of staff analysis. It would be very important for Council to ensure that fee reductions were granted in a fair and equitable manner.

2. Rather than providing for fee reductions across-the-board, Council could prohibit fee reduction requests for Development Impact Fees for facilities such as water and sewer that are critical to the ongoing functioning of the City. Staff recommends that the Development Impact Fee for water projects not be reduced under any circumstances as these projects are costly, primarily benefit new development, and are difficult to fund through grants.
3. If Council is interested in reducing fees for all types of development, staff suggests that consideration be given to reducing the fee for park facilities, as grant funding is often available for these improvements.

FISCAL IMPACT:

Implementation of the Development Impact Fees will have a significant positive fiscal impact on the City of Fort Bragg. While development is currently slow due to economic conditions, once the economy recovers, new development and the associated development fees will provide important fair-share funding for a wide variety of important capital improvement projects. Once implemented, the fees could generate upwards of \$40+ million for wastewater, water, drainage, transportation, parks and public facilities projects. This amounts to approximately 40% of the total costs of \$100 million identified in the Development Impact Fee Nexus Study. The remaining 60% would need to be covered by existing users and through other funding sources.

IMPLEMENTATION/TIMEFRAMES:

Depending on the direction provided by the Council, the draft Development Impact Fee Nexus Study will be revised and brought back for further review and direction. Once Council has agreed upon a fee structure, staff will prepare an ordinance for implementation of the fees. The legal framework for adoption of the Development Impact Fees will be established by ordinance. The fees structure would be set by resolution. This fee adoption process typically takes approximately two months.

ATTACHMENTS:

- 1. City Of Fort Bragg Draft Development Impact Fee Nexus Study

NOTIFICATION:

- 1. EDAC Members
- 2. Paul Clark
- 3. Any Wynn
- 4. Development Impact Fees Interested Parties email group

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Agency Action Approved Denied Approved as Amended

Resolution No.: _____ Ordinance No.: _____

Moved by: _____ Seconded by: _____

Vote: _____

Deferred/Continued to meeting of: _____

Referred to: _____