

SPECIAL CITY COUNCIL MEETING
 CARNEGIE FORUM
 FRIDAY, JUNE 21, 1991
 7:00 A.M.

The meeting was called to order by Mayor Hinchman at 7:00 a.m.

Roll was recorded by the City Clerk as follows:

Present: Council Members - Pennino, Pinkerton, Sieglock,
 Snider and Hinchman (Mayor)

Absent: Council Members - None

Also Present: City Manager Peterson, City Attorney McNatt,
 Public Works Director Ronsko, Finance
 Director Holm, Fire Chief Hughes, Parks and
 Recreation Director Williamson, and City
 Clerk Reimche

DEVELOPMENT IMPACT

CC-46
 CC-56

City Manager Peterson introduced the agenda subject
 "Development Impact Fees". Public Works Director presented
 the following responses to questions that were raised at
 the May 28, 1991 Development Impact Fee public hearing.

1. What is the "Value" of existing Parks and Recreation
 Department in \$/Acre for the existing City compared to the
 new fees (Terry Piazza)?

Since the "existing standard" as defined is the same as
 that used for calculating the fee, the "value" would be the
 same if replacement value of existing facilities was used.
 The estimate for future park facilities took into account
 the existing inventory shown in Table 9-2 on Page 80 of the
 study. Thus, the new park facilities are comparable to
 existing facilities. Explicitly answering the question
 would require a more detailed inventory and additional
 estimates; both requiring significant staff time and
 consultant expense.

2. Sewer RAE schedule appears inconsistent with Design
 Standards and Water RAE (Steve Pechin).

The Design Standards while based on the various Master
 Plans, were written to cover the design of facilities
within a development project. The impact fee study
relied on city-wide flow data taken directly from the
 engineering consultants who worked on the General Plan.
 The unit flow factors are not necessarily the same and are
 more conservative in the Design Standards; thus, comparing

the RAE schedule to the Design Standards will not provide consistent results.

However, in reviewing this issue, the consultant found discrepancies in both the Water and Sewer RAE schedules. The schedules have been recalculated as follows:

Category	Water RAE	Sewer RAE
<u>Residential</u>		
Low Density	1.00	1.00
Medium Density	1.96*	1.96*
High Density	3.49*	3.49*
East Side	1.00	1.00
PR-LD	1.00	1.00
PR-MD	1.96*	1.96*
PR-HD	3.49*	3.49*
<u>Commercial</u>		
Neighborhood	0.64	0.94 (was 1.25)
General	0.64	0.94 (was 1.25)
Downtown	0.64	0.94 (was 1.25)
Office	0.64	0.94 (was 1.25)
<u>Industrial</u>		
Light	0.26 (was 0.92)	0.42 (was 0.33)
Heavy	0.26 (was 0.92)	0.42 (was 0.33)

*Original figure was rounded to nearest 0.1; used nearest 0.01 to be consistent with other categories

3. Storm Drain RAE schedule appears inconsistent with Design Standards and Water and Sewer RAE's (Steve Pechin).

The storm drain relative factors are the same as those presently in effect. They were determined by the City in 1988 as part of the update of the Master Storm Drain System Master Plan and Fee Program. An analysis was done on the total cost of providing trunk lines, basins and pumping facilities for residential versus commercial development. The Design Standards only address runoff calculations. While it could be argued that a more refined breakdown is possible (for example, commercial versus industrial), the cost difference would be less the difference implied by the Design Standards which is only 13%.

Incidentally, the storm drain fees need to be recalculated due to land use changes in the adopted General Plan and the omission of two existing storm drain reimbursement agreements that are to be paid out of the impact fee fund.

4. How does additional water system revenue from metering affect the fee program (Steve Pechin)?

Presumably, water rates will be set to cover maintenance, replacements and contributions to general fund and no new capital facilities. Of course, actual water rates are set by the City Council. To the extent water conservation from metering reduces the need for additional wells, future updates of the General Plan and the Water Master Plan would reduce the number of new wells needed. Then the fee could go down.

5. What is the effect of removing Lodi Lake from the calculation on existing park standard (Steve Pechin)?

The lake itself accounts for 35 acres of the 101 acres of Lodi Lake Park included in the existing standard. Eliminating acreage from the existing standard and reducing the new park acreage to match the existing standard will reduce the fee. The exact reduction amount will depend on the results of the cash flow analysis. Based on the average cost of new parks, Table 1 (see Exhibit A attached) presents the approximate effect of reducing the acreages as shown.

6. Question using \$100,000 per acre as value for land acquisition (Steve Pechin, Dennis Bennett, Jeff Kirst, Council).

Based on comments from other developers, staff feels the \$100,000 figure is reasonable considering the City will have to have appraisals done and pay prevailing market rates at the time of purchase. This action will occur nearer to development time, thus land will be more expensive than land purchased years ago on speculation.

7. In computing the area of existing community buildings, were leased facilities included and how does it effect the program; is there a list of the existing facilities (Steve Pechin, Jeff Kirst)?

The facilities used in determining the existing standard are:

Hutchins Street Square Cafeteria	6,400	SF
Camp Hutchins Room	6,000	SF
Hutchins Street Square North Complex	19,600	SF
Hutchins Street Square Pool Area	5,400	SF
Hutchins Street Square Fine Arts Building	8,700	SF
Recreation Annex, North Stockton Street	3,500	SF*
Kofu Park Building	1,800	SF
Lee Jones Building (@ Legion Park)	900	SF
Grape Festival Pavilion**	32,000	SF*
Grape Festival Chablis Hall	9,600	SF*
Recreation Office Meeting Room	900	SF
TOTAL	94,800	SF

(use of indoor school facilities not included)

*Leased

**Pavilion only available 5-1/2 months/year

This square footage was used in determining the amount and cost of new community buildings (44,100 SF @ \$100/SF = \$4,410,000). Reducing this square footage has a similar effect on the fee as reducing park acreage, although the amounts are smaller. See Table 1 (Exhibit A attached) for some approximate alternatives.

8. Were revenues from renting/leasing community buildings included in the program (Steve Pechin)?

No, City policy in setting rental rates is to attempt to recover operating expenses only.

9. Police RAE's the land use is not as important a factor as the area of town (Steve Pechin).

Possibly, but this is not accounted for in the methodology and it would probably not be legal to do so.

10. Residential impact fee comparison - Tracy is going down, Galt's figure is only for certain parts of town and include Mello-Roos figures, also the comparisons are distorted, misleading and inaccurate (Dennis Bennett).

Tracy's storm drain fee has been reduced from \$5,204 to \$4,564; however, many of the other categories have gone up. The total of \$23,116 shown in the comparison is now \$23,661. We have also been informed that a suit is being filed over Tracy's fees.

Based on correspondence from Bennett and Compton, the City's comparison is accurate except in two categories:

Water - Depending on the area being developed, the fee is \$950 instead of \$1,800.

NE Area - These fees were established to reduce the Mello-Roos bond payments. They are used for capital facilities including the types of facilities in Lodi's proposed program, and in our mind fit the definition of an impact fee.

Their letter provided the following fee examples:

1,331 SF home in NE area: \$12,623.64
1,250 SF home not in NE area: \$ 8,763.20

The City comparison showed \$12,677 for a 2,000 SF home. Given the wide variation in fee programs and situations, we

feel the comparison is sufficiently accurate for the purpose intended.

The fee comparisons were not intended to be precise. Doing so would require a specific project design in a specific area for each city. The proposed City of Lodi fees are based on providing the facilities listed for the General Plan service area. The City Council may, as a matter of policy, reduce the fees in order to be "competitive". However, this will transfer the burden to the General Fund and/or Utility Funds. As discussed at the public hearing, arbitrarily adjusting the fees opens the City to legal challenge. Reducing the fees can be done by:

1. Lowering the service standard and eliminating projects - This would uniformly reduce the fee in each land use category for the reduced standard fee category (i.e., Police, Fire, etc.).
 2. Reduce the fee per RAE in any or all of the fee categories - This would require subsidies from other City funds in order to maintain the service standard or would mean deferring or eliminating projects, in effect reducing the level of service.
 3. Directly subsidize land use categories (such as low income housing) by paying all or a portion of the fee out of the General Fund or other City funds.
11. Fee collection at Final Map versus Building Permit stage (Dennis Bennett).

Later collection will increase fees and create much more administrative burden, i.e., billing and tracking every parcel versus one map. Changing to collecting all fees at building permit would mean recalculating to a square footage basis for commercial/industrial and presumably per dwelling unit for residential. We could split with some categories at map and others at building permit. We already collect storm drain fees at map stage.

12. Parks standard distorted especially considering Lodi Lake and School acreage, need more analysis (Dennis Bennett).

The standard is a policy decision; the data is there for Council to decide. The first Parks project is a new Parks Master Plan which will more precisely define the nature of the new parks, improvements to be included, etc. Staff suggests that is the time to do more analysis and fine-tune the fee program.

School acreage was not included in the existing standard nor included in future additions since the City has no control over either situation.

13. Need more analysis on General City Facilities Fees (Dennis Bennett).

Again, this is a policy decision on the Council's part as to what projects should be paid out of fees versus the general fund or simply deleted. All the City Facilities included are needed to accommodate growth.

14. Effect on house price of borrowing money to pay fees at Final Map stage (Dennis Bennett).

The impact fees for a single-family subdivision at 5 lots per acre total \$7,634 per lot. At 15% interest for 18 months, the additional cost to be passed on the home buyer is approximately \$1,700 plus whatever the developer and builder mark up their costs. These numbers are comparable to a realtor's fee on a \$150,000 sale (\$9,000 @ 6%).

This is over-estimated however, since it includes the time spent building the house. In collecting at building permit stage, there is still 6 months' or so interest while the house is being built. In collecting at that later stage, the fee will have to be approximately 4% higher to account for the loss of interest revenue in the fee program. These two factors would reduce the additional amount approximately \$800 plus markup. We also would assume that with the growth management program, we will not see excessive numbers of lots mapped so there should be a shorter time between map filing and home construction.

15. Lodi's proposed Park standard is 3.4 acres per 1,000 persons served. What is the parks standard for other agencies (Council)?

Stockton - 3 acres per 1,000 residents (considering commercial/industrial impact)

Davis - standard is area/distance based

Tracy - 3.5 acres per 1,000 residents

Manteca - 5 acres per 1,000 residents

Woodland (draft) - 3.2 acres per 1,000 persons served plus additional standards for facilities and regional parks

16. Relationship/methodology between Commercial land use and Police, Fire and General City Facilities and sales tax revenue (William Mitchell).

No credit was offered for potential sales tax revenue. These sources don't even pay for Police, Fire, and Parks and Recreation operations, let alone new capital facilities.

17. Difference/relationship between commercial fees (especially streets) based on per acre basis versus per 1,000 SF of building area (William Mitchell).

The basic decision to use General Plan land use categories to keep the fee program simple and to collect at map stage means that acreage must be used since specific project plans are not available then. This also evens out small differences in land use and is much simpler to administer (fewer arguments over trip rates for specific types of land use nor worrying about minor changes in land use). Given this, there will always be at least 50% of the projects who feel they are below the average and should get a fee reduction. That could be done, but only if we charge the other 50% a higher fee.

18. Why have parallel water mains on certain streets (Council)?

This is done on major streets and provides better service to what are usually large parcels needing many fire services. It reduces the need to cross the major street repeatedly which is expensive since such crossings are usually bored rather than open cut.

19. Police "existing persons served" is 80,207 per Table 7-1. This seems high (Council).

The number includes an accounting of residents and employees based on the various General Plan documents. It is consistently used in the existing land use and project land use, although it is recalculated separately for each fee category.

20. The additional number of firefighters appears to be more than that needed for the new station. Is it "top heavy" (Council)?

The projects/equipment shown on Table 8-1 are per the Fire Long Range Plan which includes:

- A 4-person "quint" (combined truck/engine) at the new Station 4, which includes 1 captain (mid-management)
- Adding a firefighter to the east side truck company
- Adding 2 fire inspectors
- Adding 1 public education specialist
- Adding 1 hazardous materials specialist

All are firefighting personnel. This is a total of 23 positions for which equipment costs only are included.

- 21. We are collecting fees for a fire station that will not be built for a few years (Council).

The collection of fees for future projects is in compliance with State law given that we have a long-range Capital Improvements Program.

- 22. Parks and Recreation, Page 78, Paragraph 2 says 770 SF is the existing building standard (Council).

That is a typographical error; the correct figure is 1,800 SF.

- 23. If a service club or private donation builds a park improvements, what happens to the fee (Council)?

When a project included in the fee program is funded from another source, the cost estimate would be changed at the next fee program update along with any other changes and/or cost increases; thus the total fee would be adjusted accordingly.

- 24. Why don't we reimburse the City for the cost of land already purchased (Council)?

That could be done. However, then the land could not be counted as part of the existing standard. For example, the semi-developed portion of Pixley Park (C-Basin) was counted in the existing standard. It could be removed from the standard and included in new parks. In some specific cases (such as the rest of C-Basin), the undeveloped land was purchased with impact fee (Master Storm Drain) funds so it would not be appropriate to "buy" it again. In other cases, such as the 13-acre Lodi Lake Park expansion, the land was acquired many years ago (more than 10) and it would be difficult to determine the purchase terms and conditions. In the case of streets where we included recent widening projects, the cost of land (Right-of-Way acquisition) was included. We would include some allowance for park land already owned if Council so desires and City provides specific direction. This would of course increase the fee. An example is shown in Table 1.

- 25. Why is the level of service standard for City Hall being increased per Page 91, Table 10-1 (Council)?

The analysis for City Hall reflects that fact that the existing building is overcrowded, thus the total cost of the project cannot be placed on new development. The term "level of service standard" in this case is misleading since it is a statement of existing conditions, not a

desired level of space allocation. The future total is based on the present plans for the expansion of the building and matches the projections of City Hall personnel increases throughout the life of the General Plan.

Additional Discussion

Although there were no specific questions, the issue of "affordable housing" was discussed. This issue involves much more than just impact fees and includes land prices, construction costs, interest charges, profit margins and "the Market". However, the following discussion just addresses impact fees.

Certainly anything that increases expenses to developers and builders has the potential of increasing the final sale price. The issue of "who ultimately pays" is not clear and depends on many local factors. According to the latest information staff received at a recent seminar on impact fees, there have been very few rigorous studies that attempt to answer this question. These few indicate that while there is an increase, it is "trivial" when compared against increases due to other factors.

This seminar included some discussion on the "impact" of impact fees. Ten suggestions on offsetting their impact are attached as Exhibit A. Given the City's 2% Growth Management Plan, some of these suggestions are not possible. Note that No. 7 suggests fees be charged as early as possible in the approval process. Numbers 9 and 10 and similar alternatives would require a much more active role by the City in the area of housing programs. Such programs could be handled by other public agencies on a contract basis, by a consultant, or by new City staff.

Recommendation/Action

At this point, staff needs Council direction on how to proceed with the Development Impact Fee Program in order to complete the enabling ordinance and implementing resolution. The draft fees as presented need to be recalculated anyway because of the changes. Also, the calculations started with revenue and expenses in fiscal year 1990/91. Obviously, the program will not start then. We do wish to proceed as quickly as possible; the City cannot collect any of its county-wide 1/2¢ sales tax (Measure K) allocations until we have a traffic fee in place.

Council decisions are needed on the following issues that have been raised which will also affect the fee calculation:

1. RAE Schedules - In addition to the water and sewer changes, if the Council has

questions/concerns on other schedules (such as Parks and Recreation and commercial/industrial land use), these should be resolved.

2. Projects/Standards - A decision should be made on the project list and standards used, especially in Parks and Recreation where the most questions were raised; also the land value figure should be agreed upon.
3. Fee Collection - The issue of collecting at Final Map versus Building Permit is critical. In changing to building permit, staff would recommend changing the residential acre equivalent factors (RAE's) to a dwelling unit and 1,000 SF commercial/industrial basis.

Also presented for Council review was the following Revised Draft (June 20, 1991) of the proposed 1991 Fee and Service Charge Schedule.

Following a lengthy discussion, with questions being posed by members of the Lodi City Council and members of the audience, the City Council took the following actions:

a) On motion of Council Member Snider, Sieglock second, the City Council determined that the Parks Standards as described in the Fee Study, including the acreage standard of 3.4 acres per 1,000 persons served, be adopted. The motion carried by the following vote:

Ayes: Council Members - Pennino, Sieglock, Snider and Hinchman (Mayor)

Noes: Council Members - Pinkerton

Absent: Council Members - None

b) On motion of Council Member Sieglock, Hinchman second, the City Council unanimously voted that the parks residential acre equivalent factors described in the Fee Study be approved and that a Parks and Recreation Master Plan study be done.

c) On motion of Mayor Hinchman, Sieglock second, the City Council unanimously voted that all of the projects shown in the Fee Study be included in the Fee Program.

d) On motion of Council Member Snider, Sieglock second, the City Council unanimously voted that the Fee Program provide for fees to be collected at Final Subdivision Map or, when not applicable, at Building Permit.

ADJOURNMENT

The meeting was adjourned at 9:10 a.m.

Attest:

Alice M. Reimche
Alice M. Reimche
City Clerk

AMR/jmp

Table 1
APPROXIMATE PARKS AND RECREATION IMPACT FEE REVISIONS

	"Existing" Standard	Future Additions	Cost of Future Additions	Fee per RAE	Diff.
<u>Parks</u>					
With Lodi Lake	177.8 Ac	83.0 Ac	\$12,991,000*	\$11,810	--
Deduct Lake 35 Acres	142.8 Ac	66.7 Ac	\$10,440,000 (approx.)	\$10,210	-\$1,600
Deduct 50% of Lake 35 Acres	160.3 Ac	74.8 Ac	\$11,710,000 (approx.)	\$11,000	-\$ 810
<u>Community Buildings</u>					
With All Facilities	94,800 SF	44,100 SF	\$ 4,410,000	\$11,810	--
Deduct All Leased Facilities	49,700 SF	23,120 SF	\$ 2,312,000 (approx.)	\$10,490	-\$1,320
Prorate Pavilion SF	77,470 SF	36,040 SF	\$ 3,604,000 (approx.)	\$11,310	-\$ 500
<u>Land Reimbursement</u>					
Lodi Lake 13 Acre Expansion	--	--	\$ 1,300,000 (approx.)	\$12,630	+\$ 820

*Master Plan, Community Buildings, and miscellaneous projects subtotal \$5,749,000 for \$18,740,000 total program