

DEPARTMENT
OF UTILITIES

ENGINEERING
SERVICES DIVISION

CITY OF SACRAMENTO
CALIFORNIA

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November 19, 2001

City Council
Sacramento, California

Honorable Members in Session:

**SUBJECT: PROPOSED SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT
TWO-TIERED IMPACT FEES**

LOCATION AND COUNCIL DISTRICT:

Citywide

RECOMMENDATION:

Staff recommends that the City Council request the Sacramento Regional County Sanitation District (District) Board support the proposed Alternative 1B for two-tiered impact fees. It is also recommended that City Council request the District Board consider additional criteria to include basic infrastructure and minimum age of development to the requirements for qualifying an area as infill.

CONTACT PERSON: Gary A. Reents, Engineering Services Manager, 264-1433
Lucinda Wilcox, Senior Planner, 264-5052
Kristan Otto, Economic Development Manager, 264-7948

FOR COUNCIL MEETING OF: December 11, 2001

SUMMARY:

At the request of the City, the Sacramento Regional County Sanitation District Board directed its staff to develop alternatives for tiered impact fees to remove disincentives to infill development in consideration of recent proposed fee increases. District staff convened a



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DEPARTMENT
OF UTILITIES

Making a Difference in Your Neighborhood

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Proposed Sacramento Regional County Sanitation District Two Tiered Impact Fees

working group consisting of representatives from the District, Sacramento County, the building industry, local environmental and neighborhood groups, and the cities of Sacramento, Folsom, Elk Grove, Citrus Heights, and West Sacramento. One of the alternatives the working group developed defines infill as areas in which at least 70% of the lots are developed. Under this alternative, all of the City except for North Natomas and portions of Robla would qualify as infill. The estimated fees would be approximately \$6250 for new development and \$2350 for infill development. In addition to the 70% development criteria, City staff propose that infill areas also be required to have basic infrastructure (roads, sewer, water, etc.) in place, and the median age of buildings be at least 20 years. City staff recommend Council request the District Board support proposed Alternative 1B, and evaluate criteria for basic infrastructure and minimum age.

COMMITTEE/COMMISSION ACTION:

None.

BACKGROUND INFORMATION:

In 2000, the Sacramento Regional County Sanitation District (District) developed new interceptor and treatment plant master plans. The master plans contemplate approximately \$1.3 billion of capital improvements, \$400 million for new plant capacity and \$900 million for new interceptors. These improvements will provide wastewater collection and treatment capacity through 2020.

To pay for these improvements, the District proposed increases to connection, or impact fees. The previous impact fees were approximately \$2400 per equivalent single-family dwelling (ESD). The proposed impact fees will ultimately rise to \$5255 per ESD. Currently, the District has implemented one increase and the fee is \$3500 per ESD.

Given the substantial proposed increase in impact fees, the City of Sacramento raised concerns regarding impacts on infill development. SRCS D sewer facility impact fees are typically the highest single fee paid by infill development, representing about 25% of the total governmental fee burden on residential infill development. New development in infill areas frequently sells or leases for less than in newer outlying areas, so fees are a greater proportion of total development costs and infill development is more vulnerable to fee increases, since the market typically can't accommodate passing such increases on to buyers or renters.

Given the financial constraints to infill development which already exist, the City believes that substantial increases to District impact fees will only exacerbate the problem. As a result, the

City Council
November 19, 2001

Proposed Sacramento Regional County Sanitation District Two Tiered Impact Fees

City proposed, and the District Board agreed, to investigate a two-tiered system of impact fees: one fee for new development, and another fee for infill development.

To this end, District staff convened a working group consisting of representatives from neighborhood organizations, environmental groups, the building industry, Sacramento County, and the cities of Sacramento, Folsom, Citrus Heights, Elk Grove, and West Sacramento. The working group explored various criteria to define infill areas, and methods for determining fees. The discussions eventually resulted in two proposed alternatives.

The two alternatives are similar in approach. Each defines infill based on the level of development within community planning areas defined by the respective land-use authorities. The first alternative uses a threshold level of 50% development, and the second uses a threshold of 70%. For both alternatives, all of the planning areas in the City except for North Natomas would qualify as infill. However, the resultant fees from the 50% alternative would be approximately \$6300 for new development and \$3100 for infill development, while the fees for the 70% alternative would be approximately \$6250 and \$2350 respectively.

In addition to level of development (50%, 70%, etc.), City staff recommend two additional criteria to qualify an area as infill: installation of basic infrastructure, and a minimum average age of development. The basic infrastructure criteria would require that street, sewer, water, and drainage infrastructure be already installed in areas greater than 20 acres. This criteria will insure that infill areas do not include "green field" development. The minimum age criteria would require that the median age of buildings in a given planning area be at least 20 years. This criteria will insure that lower fees will apply to older areas with a need for financial incentives, and not to new areas which experience rapid growth. The resultant fees should be somewhat less than the \$6250 and \$2350 for the 70% alternative.

In conclusion, staff recommends Council support the proposed 70% alternative, with the addition of criteria for basic infrastructure and minimum age.

FINANCIAL CONSIDERATIONS:

If the District Board adopts proposed tiered impact fee structure Alternative 1B, sewer impact fees in infill areas will return to levels close to those in 2000, while impact fees for new development areas will be increased beyond the future level proposed by SRCSD of \$5255 per ESD.

City Council
November 19, 2001
Proposed Sacramento Regional County Sanitation District Two Tiered Impact Fees

ENVIRONMENTAL CONSIDERATIONS:

Compliance with any CEQA requirements regarding tiered impact fees will be the responsibility of the Sacramento Regional County Sanitation District.

ESBD

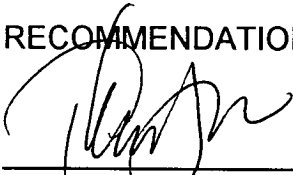
ESBD considerations do not apply since no goods or services are being purchased.

Respectfully submitted,



Gary A. Reents
Engineering Services Manager

RECOMMENDATION APPROVED:



ROBERT P. THOMAS
City Manager

APPROVED:



JAMES G. SEQUEIRA
Director of Utilities

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION RECOMMENDING SACRAMENTO REGIONAL COUNTY SANITATION DISTRICT ADOPT A TWO-TIERED SEWER IMPACT FEE STRUCTURE

THE SACRAMENTO CITY COUNCIL HEREBY FINDS:

1. Promoting infill development within the region can provide for revitalization of existing areas and for efficient use of land, thereby reducing the need for regional expansion, extensions of major infrastructure, and loss of open space;
2. In general, infill development is more sensitive to development fees than development in newer areas as infill projects typically sell or rent at lower rates than in newer development areas, and development fees are a larger proportion of development costs;
3. Sewer facility fees are among the highest individual fees charged for infill development and therefore play an important role in infill development feasibility;
4. Older neighborhoods and commercial areas built over 20 years ago are those that typically face the greatest challenges to disinvestment, have existing major infrastructure, and are most appropriately deemed to be infill development.

NOW, THEREFORE, BE IT RESOLVED, that the City of Sacramento:

5. Requests the Sacramento Regional County Sanitation District Board of Directors support a two-tiered impact fee to keep sewer impact fees for infill development as low as feasible to limit disincentives to infill development.
6. Requests the Sacramento Regional County Sanitation District to evaluate the effects on the fee structure alternatives of including additional criteria requiring basic infrastructure be in place for an area to qualify as infill.

FOR CITY CLERK USE ONLY

RESOLUTION NO. _____

DATE ADOPTED: _____

7. Requests the Sacramento Regional County Sanitation District to evaluate the effects on the fee structure alternatives of including additional criteria requiring the median age of development be at least 20 years old for an area to qualify as infill.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO. _____

DATE ADOPTED: _____

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MAYOR

ATTEST:

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~~CC 2007-824~~

7.1

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7. Requests the Sacramento Regional County Sanitation District to evaluate the effects on the fee structure alternatives of including additional criteria requiring the median age of development be at least 20 years old for an area to qualify as infill.
8. Requests the Sacramento Regional County Sanitation District Board of Directors to support Option 1B for a two-tiered fee structure using the 70% developed definition.
9. Requests the Sacramento Regional County Sanitation District staff to report back to the City Council on final fee structure recommendations and implications of adopting the other recommended criteria prior to the Board of Director's scheduled action on January 23, 2002.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO. _____

DATE ADOPTED: _____

AMENDED
RESOLUTION NO. 2001-827

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF DEC 11 2001

**RESOLUTION RECOMMENDING SACRAMENTO REGIONAL
COUNTY SANITATION DISTRICT ADOPT A TWO-TIERED SEWER
IMPACT FEE STRUCTURE**

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FOR CITY CLERK USE ONLY

RESOLUTION NO. 2001-827
DATE ADOPTED: DEC 11 2001

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HEATHER FARGO

MAYOR

ATTEST:

VALERIE BURROWES

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO. 2001-827
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