

CITY OF YUBA CITY
STAFF REPORT

Date: November 26, 2019

To: Honorable Mayor & Members of the City Council
Honorable Chair & Members of the Planning Commission

From: Public Works Department

Presentation by: Diana Langley, Public Works Director

Summary

Subject: Harter Specific Plan

Recommendation: Receive and file informational report

Fiscal Impact: Development within the Harter Specific Plan area will result in increased revenues to the City.

Purpose:

To provide information related to the Harter Specific Plan to facilitate future discussions and decisions for development of the Plan.

Background:

The property within the Harter Specific Plan (HSP) is located between State Route 20 on the south, Butte House Road on the north, and Tharp Road on the east (Attachment 1 – Map). The site consisted of approximately 200 acres outside of the City limits. The property was utilized for the Harter Packing Company, which was a cannery, although most of the property was open space, utilized for surface irrigation of the cannery's wastewater. As the population was growing around the property, there were frequent local odor issues associated with the wastewater disposal.

In the late 1990's, the Harter Packing Company was about to close and the three principal property owners expressed an interest to the City in developing the property. Staff viewed this as an opportunity for both the City and the property owners, as this was a large property near the City limits that was served by great road access, and to which City services were nearby.

In September 1998, a request to annex the property into Yuba City was filed with the Local Agency Formation Commission (LAFCo), as well as detachment from the Walton Fire Protection District. In April 1999, the annexation was approved. Soon thereafter, a lawsuit to invalidate the annexation was filed by the Walton Fire Protection District. Due to a procedural deficiency, the court required a corrective action by LAFCo, and the annexation was completed in February 2000.

In October 2000, the City Council approved the Home Depot project located on the north side of State Route 20, west of Tharp Road. At that time, staff informed the property owners that any further development of the remaining property, 180+ acres, would require the preparation of a specific plan and accompanying environmental document. As such, the owners submitted a specific plan application in January 2001.

In June 2001, the City Council authorized staff to enter into a contract with Quad Knopf Inc. for the preparation of the Harter Specific Plan (HSP) and Environmental Impact Report (EIR), to be paid for by the property owners.

In November 2002, early in the drafting of the specific plan and EIR, Brown Development Company along with Harter Packing Company, LLC (Harter Packing), filed an application for a 360,000 square foot retail center on what was to become the primary commercial portion of the Harter property, abutting the new Home Depot development. The proposed Yuba City Marketplace, in combination with the Home Depot development, created the largest commercial project in Yuba City at over 535,000 square feet. The scope of the EIR was revised to also analyze the impacts of this new project.

Also during this time, staff was in ongoing discussions with Harter Packing over the size of all of the retail facilities and other appropriate land uses. An agreement was made that City staff would support the applicant's request for what is now the land use pattern in the HSP, provided that a 6-acre park site within the HSP be donated to the public, as no parks existed in the Tierra Buena area.

In April 2003, the HSP and EIR were scheduled for a hearing and recommendation for approval before the Planning Commission. Several days before the public hearing, it became public that a portion of the Yuba City Marketplace would be a Walmart Super Center. Out of an abundance of caution, the public hearing was delayed and the EIR was modified to provide significantly more detail about the project. Also during this timeframe, the City required preparation of a Financing Strategy and Phasing Plan (Financing Plan), and a Development Agreement with Brown Development Company and Harter Packing Company, LLC,.

On October 26, 2004, City Council approved the following:

- Harter Specific Plan (Attachment 2)
- Environmental Impact Report (available upon request)
- Financing Strategy and Phasing Plan (Attachment 3)

On November 2, 2004, City Council approved the following:

- Development Agreement (Attachment 4)
- Establishment of the Harter Specific Plan Infrastructure Improvement Fee

The Financing Strategy and Phasing Plan (Financing Plan) was prepared by Brion and Associates, and was developed as a mechanism to "assign costs fairly and proportionately to contributory impacts of land uses on infrastructure". The plan addressed timing, phasing, costs, and resulting cash flow issues. The Financing Plan analyzed and determined an infrastructure improvement fee, known as the Harter Specific Plan Infrastructure Improvement Fee (Harter Fee), necessary to finance the required infrastructure improvements. The Harter Fee is developer imposed, administered by the City as provided for in the Development Agreement, and reflects the cost of construction and the application of Developer Impact Fee Credits for the oversizing of sewer lines, water lines and roadways as required by the City's General Plan.

Parties to the Development Agreement include the City, Harter Packing, and Brown Yuba City, LLC, the developers of the Yuba City Marketplace. The Development Agreement outlines specific developer obligations such as participation in a Lighting & Landscape Maintenance District, timing of dedication of right-of-way, timing for the construction of the park and public plaza, etc.

The Development Agreement was amended in 2008 (Attachment 5) to address the timing of the park construction, provide a development impact fee implementation schedule, and outline how fee credits would be addressed.

With so many years passing between adoption of the HSP and major development within the HSP, there has been a large turnover in City Council, Planning Commissioners, and staff. A chronological history of the HSP since Council approval in 2004 (Attachment 6) provides a brief snapshot of the activity related to the HSP. Over the years, staff has had numerous meetings and discussions with Harter Packing and their consultants regarding the HSP, proposed changes to the HSP, and obstacles to development of the HSP. The dates noted in the chronological history do not accurately capture the hours and investment put into the HSP by Harter Packing and the City.

In regard to development within the HSP, Figure 1 shows the areas that have developed noted in red, the two proposed residential subdivisions noted in blue, and the areas remaining to develop.

Figure 1: Harter Specific Plan Land Use Diagram

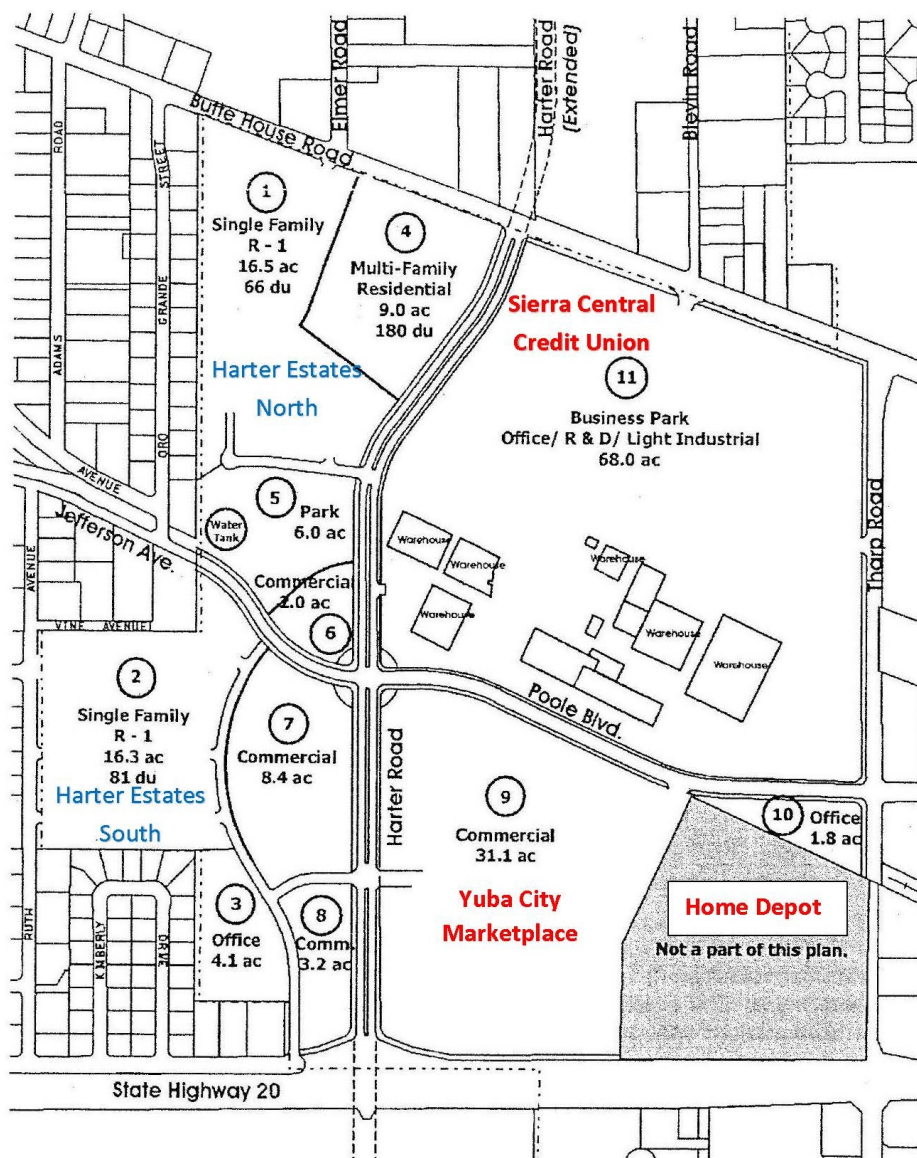


Table 1 provides a status of development for the parcels noted in Figure 1. As stated previously, the development of the Yuba City Marketplace in combination with the Home Depot development created the largest commercial project in Yuba City.

Table 1: Status of Development

Figure 1 Parcel Designation	Land Use	Status of Development
1	Single-Family Residential - Harter Estates North	
2	Single-Family Residential – Harter Estates South	Tentative Map submitted September 2019
3	Office Commercial	
4	Multi-Family Residential – Harter Estates North	
5	Park	Park to be constructed by City
6	Commercial	
7	Commercial	
8	Commercial	
9	Yuba City Marketplace - Commercial	Walmart Super Center completed in 2006
10	Office	
11	Business Park	Sierra Central Credit Union Headquarters completed in 2015
Home Depot Development	Commercial	Home Depot completed in 2001

Analysis:

Development within the HSP area can be very costly as development is subject to City Development Impact Fees as well as the Harter Fee. Over the years, Harter Packing has approached the City to evaluate modifying the land uses, modifying the infrastructure requirements, and discuss ways to make projects within the HSP more financially viable. Harter Packing has invested a significant amount of time and funds into evaluating different options, particularly for the area located at the northwest corner of State Route 20 and Harter Parkway.

From staff’s perspective, obstacles to development have included the downturn in the economy, staff disagreement with proposed land uses, cost of development within the Plan area, infrastructure requirements, land costs, traffic impacts, etc. Recent commercial development within the City has occurred at locations that generally have existing infrastructure in place. Examples of this include the recent developments of Yuba City Toyota, John L. Sullivan, Surf-Thru Car Wash, Farm Credit West, and Dutch Bros..

Tom Tucker, the representative for Harter Packing, notes in a letter dated November 13, 2019 (Attachment 7), that obstacles to development from their perspective include:

- Many developers have opted to bypass the HSP area and its higher cost to develop and have instead opted to build in areas where there was existing infrastructure to support the development.

- Yuba City's high impact fees combined with the required infrastructure improvements and the market pricing for new homes does not leave the builder nor the land owners a profit margin worth the risk.
- City Council previously approved a 50% reduction of impact fees for the designated infill area of the City. The HSP was and still is at a disadvantage due to this action.

Mr. Tucker's final comment in his letter states, "Buildout of HSP is critical to the City's goals of orderly and systematic development and avoiding leapfrogging or other unsustainable growth patterns. A failure to ensure the competitiveness of building in the HSP will effectively abandon a critical corridor connecting multiple areas of western Yuba City."

In September 2019, Harter Packing resubmitted a tentative map for Harter Estates South along with a request for a Development Agreement Amendment. Through the Development Agreement Amendment, Harter Packing will be requesting that the City Council consider the following:

- Extend the term of the Development Agreement until November 1, 2029 - The current Development Agreement term is fifteen (15) years, which technically expired on November 2, 2019.
- Reduction of Impact Fees – Harter Packing submitted a fee reduction proposal (Attachment 8) to reduce impact fees for residential and non-residential development.
- Development of a Credit and Reimbursement Agreement
- Provide a credit of \$1,024,561 against City impact fees for roadway, sewer and water for improvements completed as part of the Yuba City Marketplace project – The credit would be addressed through the development of a Reimbursement Agreement.

Staff has been working with the City Attorney and Harter Packing's attorney to prepare the Development Agreement Amendment, Reimbursement Agreement, and Credit/Reimbursement Agreement. The intent is to bring the items to the City Council for consideration on December 19th.

To provide City Council with more background information related to the City's Development Impact Fees, a special workshop is scheduled for December 2 to discuss Development Impact Fees and the City's Twelve Growth Policies.

Fiscal Impact:

Development within the HSP area will result in higher property taxes and sales taxes to the City. The development that has already occurred within the HSP (Home Depot, Yuba City Marketplace, and Sierra Central Credit Union) has provided a significant amount of economic benefit to the City.

Alternatives:

None – informational item only.

Recommendation:

Receive and file informational report.

Attachments:

1. Map – Harter Specific Plan
2. Harter Specific Plan
3. Financing Strategy and Phasing Plan

4. Development Agreement
5. First Amendment to Development Agreement
6. Chronological history of the HSP since Council approval in 2004
7. Letter from Tom Tucker, representative of Harter Packing, dated November 13, 2019 regarding their perceived obstacles to development
8. Impact fee reduction proposal

Prepared by:

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Submitted by:

/s/ Michael Rock

Michael Rock
City Manager

Reviewed by:

Finance

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SLC by email

ATTACHMENT 1
Harter Specific Plan Map

ATTACHMENT 2
Harter Specific Plan

ATTACHMENT 3
Financing Strategy and Phasing Plan

ATTACHMENT 4
Development Agreement

ATTACHMENT 5

First Amendment to the Development Agreement

ATTACHMENT 6

Chronological History of HSP since Council Approval in 2004

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November 2004 - A lawsuit was filed against the project's approval generally based on the grounds that the EIR was inadequate and that the project would cause significant environmental impacts. In August 2005, the Sutter County Superior Court found the EIR and planning process to be adequate.

September 2005 - The land that was previously agreed upon to be donated to the City for the park was dedicated to the City along with another 1.2 acres for water storage tanks, for a total dedication of approximately 7.3 acres.

2006 - Prior to the great recession, there were several projects submitted for consideration. Of significance are the following:

- June - Harter Estates South Subdivision – The tentative map included 75 single-family residential lots and 15 commercial lots. The Planning Commission approved the tentative map in 2006, though a Final Map is yet to be recorded. The approved tentative map remains active due to the approval of several extension requests.
- June - Harter Estates North Subdivision – The tentative map included 78 single-family residential lots as well as 3 multi-family residential lots. The tentative map has never been approved for the subdivision.
- August - Sierra Central Credit Union (SCCU) – SCCU submitted an application to construct its corporate headquarters at the southeast corner of Harter Parkway and Butte House Road. The request was for a phased construction of a three building campus consisting of 132,600 square feet of buildings, and was approved in November 2008. The first building was completed in 2015 and now serves as SCCU's corporate headquarters.

October 2007, the City Council approved an update to the City's Development Impact Fees and identified several "pipeline" projects that were to be revisited in light of the new development fees and policy changes. The HSP was considered one of those projects. Staff met with Harter representatives to amend the Development Agreement and the Financing Plan. The First Amendment to the Development Agreement (Attachment 5) revised the requirements for construction of the park and provided an implementation schedule for the newly adopted impact fees. The Financing Plan was updated to reflect changes in the construction cost index and credits based on the oversizing of infrastructure installed with the Yuba City Marketplace project.

June 2014 - In an effort to reduce some of the capital costs associated with the plan, a request was submitted by Harter Packing Company, LLC, to amend the HSP to remove Poole Boulevard from the HSP and replace it with George Drive. No action has been taken on this request.

May 2015 - A tentative subdivision map similar to the previous Harter Estates North subdivision was submitted for a 73 single-family residential lot and three multi-family lot subdivision. The tentative map was scheduled to go before the Planning Commission in August 2017 for consideration, but then was pulled at the owner's request.

April 2016 - A request was submitted for various amendments to the HSP text including revisions to the financing plan, replacement of Poole Boulevard with George Drive, and various technical revisions. Staff utilized the proposal to prepare a minor update to the HSP. The proposal was then put on hold per the owner's request.

January 2019- Harter Packing approached the City with an application to amend the Development Agreement. The request was later simplified with the September 2019 application.

March 2019 - An application was submitted for a Specific Plan Amendment, General Plan Amendment, Rezone, and Development Agreement Amendment. Staff met with the applicant on March 29 and provided comments related to the project. It was noted that a reimbursement agreement for staff time would need to be executed. Development Services drafted a letter to the applicant noting that the application was incomplete.

September 2019 – An Application was submitted for a tentative map for Harter Estates South. The application included a request of a Development Agreement Amendment. The application is still in process.

ATTACHMENT 7

Letter From Tom Tucker Regarding Obstacles to
Development Within the HSP Area

ATTACHMENT 8
Impact Fee Reduction Proposal