CITY OF YUBA CITY
STAFF REPORT

Date: December 2, 2019

To: Honorable Mayor & Members of the City Council

From: Public Works Department

Presentation by: Diana Langley, Public Works Director

Summary

Subject: Development Impact Fees

Recommendation: Receive and file informational report, and provide direction to staff as needed.

Fiscal Impact: Continued development within the City is crucial to the ongoing economic prosperity of the City. While there is no fiscal impact other than staff time associated with evaluating the fees, any implemented changes may stimulate residential and non-residential development.

Purpose:

Evaluate the City's Development Impact Fees in an effort to increase development within the City.

Background:

"Apples to Apples" Comparison of Impact Fees

On January 22, 2019, Victor Irzyk of Goodwin Consulting Group presented an overview (Attachment 1) of the City's Development Impact Fees to Council. At the workshop, Council requested that staff bring back an "apples to apples" comparison of development impact fees for agencies similar to Yuba City

Staff utilized Mike Whipple of Development & Financial Advisory (DFA) to prepare an analysis. (As a side note, Mr. Whipple is the financial consultant to the Harter Specific Plan owners.) Mr. Whipple pulled fee information from multiple agencies within the region including development impact fees, building permit fees, school fees, county fees, and other miscellaneous fees required to build a home to prepare the "apples to apples" comparison. Staff then pulled median home value information from Zillow for the various agencies. Table 1 provides a comparison of fees for Yuba City to surrounding agencies.

Table 1: Comparison of Fees for Yuba City to Surrounding Agencies

City	Development Fees
Chico	$41,519
Live Oak	$54,416
Yuba City	**$61,554**
North Natomas	$67,172
Plumas Lake (Unincorporated Yuba County)	$68,431
Woodland	$89,058
West Sacramento	$89,844

The development fees listed for the City of Live Oak do not reflect the Live Oak City Council's recent authorization to reduce developer mitigation fees on the next 200 permits on new single family homes. A spreadsheet showing a detailed breakdown of all development fees for 14 agencies, including Yuba City, is provided as Attachment 2. In addition, a graph showing a comparison of median home value to development fees for Yuba City and the six agencies noted above is included as Attachment 3.

The analysis shows that Yuba City's Development Fees are not significantly out of line with other agencies within the area. However, as much as the analysis is an "apples to apples" comparison, it does not take into account mitigation fees or improvements that the developers may have needed to construct as a condition of their developments. For instance, for the development example in Yuba City, the drainage fees are minimal and the water and sewer costs only include the water and sewer connection fees. The total does not reflect that the developer had to construct drainage improvements as a condition of their development at a significant cost, and construct the water and sewer lines to serve the subdivision. To summarize, this information can be used as a reference, but it does not necessarily cover all of the costs associated with the development.

Impact Fee History - 2007 to Present

The City has collected impact fees since 1990. For updates prepared in 2000 and 2004, office and industrial fees were kept below the full recovery rate as an incentive to create more jobs within the community. In April 2004, the City adopted a new General Plan that included the expansion of City land use in the Sphere of Influence. As a result, the City initiated a new update (AB 1600 Study) to the impact fee program. Below is a brief history of the impact fees since 2007.

<u>October 16, 2007</u> - City Council established and adopted impact fees to recover costs for future construction of public infrastructure and improvements to serve the Sphere of Influence identified in the 2004 General Plan. The fees were to be implemented as follows:

Residential

- Continuation of the existing fee structure for 12 months followed by a 3-year phase-in.

Non-Residential

- Continuation of the existing fee structure for 12 months. At the end of the 12-month period, Council shall determine whether to extend the utilization of the existing fees for another 12 months or initiate a 3-year phase in.

Infill

- Provide incentives to encourage development of infill projects in the Redevelopment Area east of SR 99, providing 50% fee reductions for:
    - Water/sewer (pipelines only)
    - Transportation
    - Parks

Payment of Impact Fees

- Impact fees shall be paid at the option of the developer either at the issuance of a Building Permit or at Certificate of Occupancy. The amount of the impact fees to be paid shall be those fees in effect at the time the fees are paid.

Impact Fees for Office and Industrial Uses

- The Ad Hoc Committee recommended that impact fees for office projects only increase to approximately 54% of the full recovery rate, and impact fees for industrial projects remain unchanged.

Effective Date

- The effective date was set as January 1, 2008.

November 18, 2008 - The City Council performed the 1-year review of the impact fees. The Community Development Director at the time recommended no increase the fees in an effort to "stimulate economic activity". However, Council directed staff to continue with the fee schedule implementation previously adopted in 2007.

June 2, 2009 – As a result of the unprecedented economic and real estate environment, Interwest Homes requested that the City reduce the impact fees "to those impact fees in effect when construction started in the abandoned Canterbury Estates Residential Subdivision in 2004." To provide a fair and equitable opportunity to other residential homebuilders, the City Council authorized a citywide fee reduction back to 2004 impact fee rates for single-family residential units. The program was only available to the first 24 units for Interwest Homes and first 24 units for other residential homebuilders, to be used for up to one year from Council's action.

May 4, 2010 – Interwest Homes requested a reduction of impact fees back to the 2004 rates for an additional 24 homes. City Council authorized the fee reduction for Interwest Homes and extended the fee reduction for up to an additional 24 units for other residential homebuilders, to be used up to one year from Council's action.

December 2012 – All of the fee-reduced permits authorized by the City Council had been utilized and the reduced fee program expired.

February 19, 2013 – City Council authorized a temporary citywide fee reduction for new residential units until December 31, 2013. Homebuilders were required to complete the construction of the units within one year from the date of permit issuance or the homebuilder would be required to pay the difference in development impact fees (2004 fees to current fees) prior to the issuance of a certificate of occupancy.

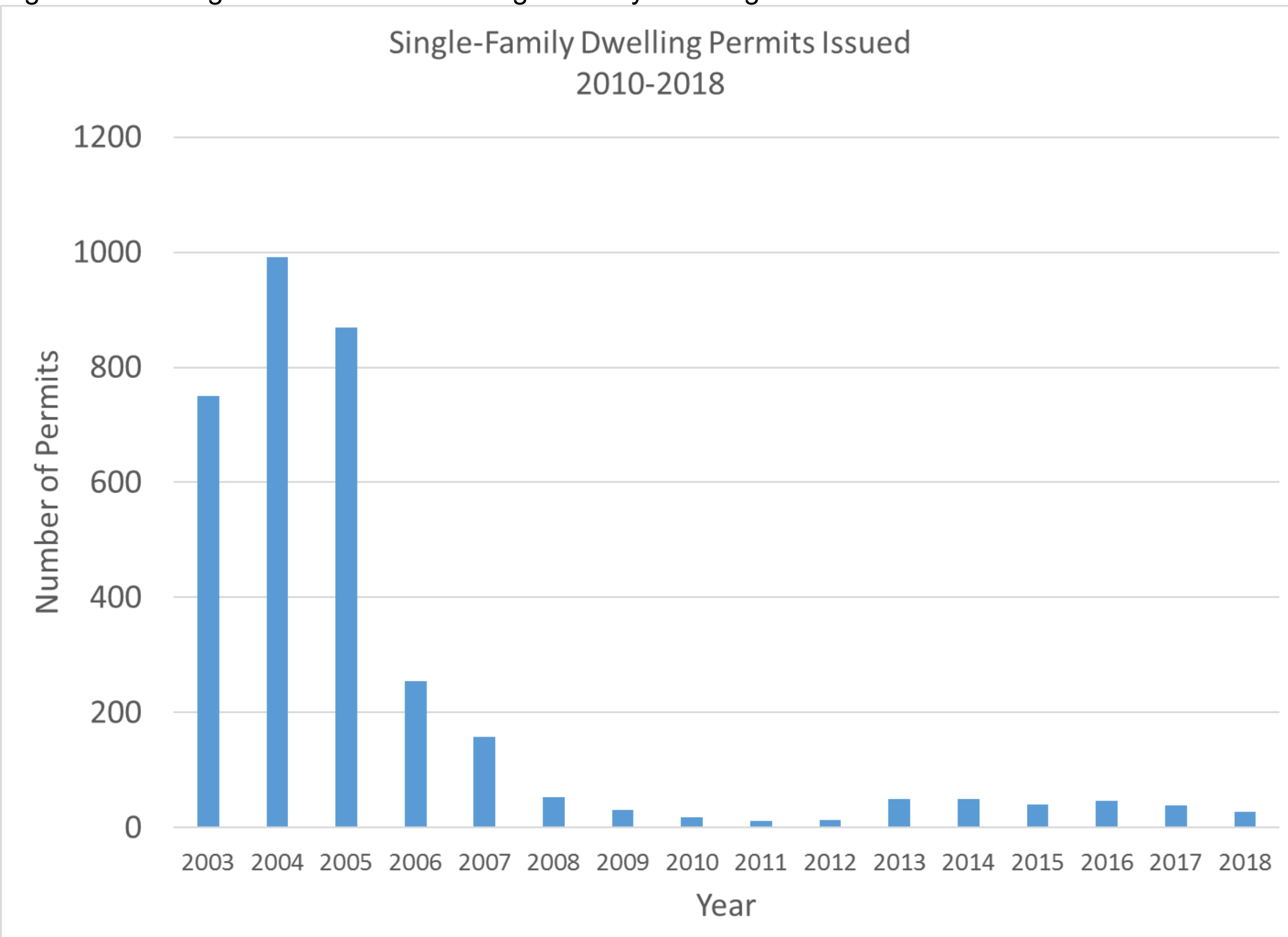
December 17, 2013 – City Council authorized a continued temporary citywide fee reduction for residential homebuilders for single-family residential units. The fee amount was the 2004 impact fee ($5,538) plus an increase of $5,297 for a total of $10,955 per unit. The temporary fee reduction was valid until December 31, 2014.

November 18, 2014 – City Council authorized a continued temporary citywide fee reduction for residential homebuilders for single-family residential units. The fee amount was the 2004 impact fee (5,538) plus an increase of $10,594 (representing 2/3 of the difference between 2004 impact fee rates and the ultimate impact fee rate), for a total of $16,252. In addition, impact fees for duplex, multi-family and mobile home residential permits were treated similarly. The temporary fee reduction was valid until December 31, 2015.

Figure 1 shows the number of permits issued for single-family dwellings from 2003 through 2018. Building permits for single-family dwellings peaked in 2004 and reached an all-time low in 2011.

Even though Council authorized impact fee reductions from June 2009 through December 2015, there was not a significant increase in the issuance of building permits for single-family dwellings.

Figure 1: Building Permits Issued for Single-Family Dwellings for 2003-2018



In addition, Table 2 provides historical information related to the number of single-family dwelling permits issued for Yuba City and surrounding agencies for 2010-2018. Surrounding agencies have seen significant increases in permit issuance, though Yuba City's continues to remain low.

Table 2: Single-Family Dwelling Permit Issuance History 2010-2018

Year	Yuba City	Unincorporated Yuba County	Chico	Woodland	West Sacramento	Live Oak
2010	18	56	60	9	83	58
2011	14	56	95	66	58	0
2012	14	75	123	64	111	0
2013	50	98	228	98	137	0
2014	50	112	202	128	61	1
2015	45	175	257	153	60	2
2016	47	190	282	271	102	2
2017	38	223	275	130	81	2
2018	33	395	340	208	80	52

In November 2018, staff presented a "Yuba City Five-Year Residential Building Guide" to Council (Attachment 4). The staff report noted, "There are many factors thought to be contributing to the limited amount of residential development. Those factors include:

- Lack of improved parcels that were entitled and improved before the recession. These pre-recession lots provide homebuilders with discounted lots.
- Development, when it does occur, will occur in the western portion of the Sphere of Influence where utilities are not currently readily available and the roadway network is not developed. This results in large upfront costs for development with no guarantee for reimbursement in a timely manner.
- There are few large acreage landowners in the developable area. This requires coordination with many smaller acreage landowners, which adds complexity to the process.
- There is not a large enough gap between Yuba City development costs and development costs for the Sacramento region to make it cost-effective to move to Yuba City and commute to the Sacramento region."

Yuba City has many Tentative Subdivision Maps that have been approved but not developed and approved Master Plans/Specific Plans that have not developed. There are very few remaining finished lots within the City. In staff's opinion, it is nearing a point where residential development will slow down more, or even come to a standstill.

At the January Impact Fee workshop and the September Economic Development workshop, Council heard from developers that they would like to see impact fees reduced and/or have the City contribute towards the construction of the infrastructure required to serve the development.
Staff reached out to local builders and developers to obtain their perspective as to why more residential development is not occurring within the City. Their responses are summarized as follows:

- The cost to extend infrastructure to serve new development is prohibitive.
- There is a demand for new homes in Yuba City, but many buyers cannot afford the cost. The median income is not enough to support the purchase of a new home.
- Right-of-way dedication requirements for General Plan roads can reduce the amount of area for buildable lots, thereby reducing the number of lots that the development costs can be allocated to with no corresponding impact fee credit for the right-of-way dedication.
- Yearly building code changes and new building code requirements, such as the requirement that solar panels be installed on new homes as of 2020, continue to increase the builder's costs.
- The costs of construction in Yuba City are the same throughout the region, but the home values are lower.
- The cost to underground existing overhead utilities has increased dramatically over the years. A subdivision with existing overhead utilities is at a disadvantage to a subdivision that does not have existing overhead utilities.
- When evaluating development costs, all of the contributory factors need to be considered. Land values are a huge part of the development cost, and landowners in Yuba City are requesting higher prices than neighboring communities. For instance, agricultural land in the Plumas Lake area of Yuba County can be purchased for significantly less than agricultural land in Yuba City.

Infill Areas

When the City Council approved the AB 1600 Impact Fee Update in October 2007, they also approved a provision for reduced impact fees for projects that were considered “infill” projects. “Infill” projects would be provided incentives to encourage development of projects in the former Redevelopment Agency area east of State Route 99. Those incentives included 50% fee reductions for water/sewer connection fees (pipeline portion only), roads, and parks.

On November 18, 2014, Council recommended a minor modification to the infill provision, keeping the existing boundary definition, but adding a provision that other locations may be considered as infill projects on a case-by-case basis. As part of that additional review process, staff would require that any project located outside of the former Redevelopment Agency boundary would have to be surrounded by existing development projects on at least 75% of its borders in order to be considered infill.

On July 21, 2015, the City Council adopted an expanded Infill Map and Fee Definition (Attachment 5) to include all impact fees excluding the flood control fee and including a reduction in the pipeline portion of the water and sewer connection fees. In order for a property to qualify, it has to meet the following requirements:

- Property must be located within the Infill Boundary Map
- Land that was bypassed by suburban development remains vacant or underutilized and
    - The property has readily available access to City utilities
    - Seventy-five percent of its adjacent properties are developed
    - The property is not within a specific plan (except the Central City Specific Plan) or master plan or is not anticipated to be within a specific plan or master plan per City Council Resolution 05-049
    - All development and/or reimbursement agreements are properly executed and funded
    - The property is located within the boundaries of the adopted infill map

On October 20, 2015, Council provided additional clarification as to which development categories were eligible for the infill fee reduction. As noted previously, when the impact fees were adopted in 2007, Council did not increase industrial impact fees and they reduced the road portion of the office category by almost 50%. As a result of industrial impact fees already being reduced citywide, they determined that no additional fee reduction was required with the exception of the pipeline portion of the water and wastewater connection fees. For the office category, since the road portion was already reduced, then only a reduction in the general facilities and pipeline portion of the water and wastewater connection fees would apply. Table 3 illustrates the matrix that was established:

Table 3: Impact Fee Reduction Matrix

	Roads Fee	Parks Fee	Utilities Pipeline Fee	General Facilities Fee	Flood Control Fee	General County Fee
Residential	Yes	Yes	Yes	Yes	No	No
Multi-Family	Yes	Yes	Yes	Yes	No	No
Duplex	Yes	Yes	Yes	Yes	No	No
Commercial	Yes	N/A	Yes	Yes	No	No
Office (1)	No	N/A	Yes	Yes	No	No
Industrial (2)	No	N/A	Yes	No	No	No

Yes = Qualifies for Infill Fee Reduction Program
No = Does not qualify for Infill Fee Reduction Program

1. *Office roads fee is reduced as part of the City's AB 1600 fee program; as a result, it does not qualify for additional reductions*
2. *Industrial Impact Fees are reduced as part of the City's AB 1600 fee program below the City's Infill Fee Program and do not qualify for additional fee reductions, aside from the utilities pipeline reduction*

To summarize key points:

- Yuba City's development fees are not significantly out of line with other agencies within the area. The "apples to apples" information provided can be used as a reference, but does not necessarily cover all of the costs associated with development. In addition, there are many factors that contribute toward the price of development including the cost of the land, the cost of construction, etc. All of these factors need to be taken into consideration.
- The City Council previously authorized a temporary impact fee reduction from June 2009 through December 2015. Even with the impact fee reduction, the number of building permits issued for single-family development did not significantly increase.
- City Council identified an infill area where projects could benefit from reduced impact fees. A few residential projects have benefited or could benefit from the reduced infill impact fees, but again, it has not been a great stimulus for residential development.

Analysis:

Of greatest importance right now is that there are very few remaining improved residential lots within the City. For residential development to continue, approved Tentative Subdivision Maps are going to need to proceed to the Final Map stage and actual subdivisions constructed.

It is not likely that one specific measure is going to be the stimulus needed for development. It could require a variety of measures such as:

- Expand the Infill Area
- Modify the Infill Area requirements
- Provide greater incentives for Infill Area projects
- Reduce impact fees
- Contribute funds toward the construction of infrastructure required to serve new development
- Provide greater incentives for projects located adjacent to existing infrastructure
- Evaluate the City's 12 Growth Policies and determine if there should still be a requirement for Master Plans/Specific Plans
- Evaluate the requirement for the undergrounding of existing overhead utilities
- Include right-of-way dedication costs for major arterials/parkways in the Road Impact Fee so that developers can receive credit for the land dedication
- Evaluate options to finance the infrastructure costs

Staff recommends further analysis of the measures noted above. For instance, if Council decided to reduce impact fees, staff would recommend that there be stipulations associated with the reduction that require homes to be constructed within a specific timeframe in order to be eligible for the reduction. Concerning the concept of the City contributing funds toward the construction of infrastructure, the City currently has $2,167,000 in unallocated Water Reserve funds and

$5,092,823.58 in unallocated Wastewater Reserve funds. There are a lot of competing needs for these funds, so a priority would need to be established.

In regard to non-residential development, the Greater Sacramento Economic Council released a report in September 2019 titled, “Development Impact Fees: Role in Public Finance and Strategic Considerations.” Their noted recommendations for consideration are as follows:

- Identify community’s strategic position within the region
  - Identify development goals among key industry targets
- Identify target areas for economic development efforts and evaluate cost burden constraints
  - Evaluate specific locations having potential to accommodate related growth
- Set standards to measure effectiveness of economic development efforts
  - Define desired outcomes and use these to measure whether consideration should be given to reduce impact fees
- Attempt to reduce upfront costs of development
  - As warranted, invest public funds to reduce up front development costs in targeted development areas

The impact fee topic is very complex. The City Council can consider several options for next steps:

1. Continue with the current impact fees.
2. Immediately freeze the current impact fees while further analysis is conducted on the potential for a fee reduction. Impact fees are scheduled for an inflationary increase on January 1.
3. Reduce the current impact fees while further analysis is conducted.
4. Form an ad hoc committee of two Councilmembers and representatives from the builders/developers to identify strategies to increase development within the City.
5. Direct staff to meet with builders/developers to identify strategies to increase development within the City.
6. Meet with individual project applicants to prepare Development Agreements specific to their projects and evaluate development on a case-by-case basis.

Fiscal Impact:

Continued development within the City is crucial to the ongoing economic prosperity of the City. The residential building permit numbers, as compared to surrounding communities, clearly illustrate that total development costs (impact fees, land costs, etc.) in Yuba City are impairing development. In addition, even though the City has had modest non-residential growth, there has not been significant growth in certain industry targets.

Alternatives:

None.

Recommendation:

Receive and file informational report, and provide direction to staff as needed.

Attachments:

1. Development Impact Fee Workshop Presentation – January 22, 2019
2. Development Fee Comparison Spreadsheet
3. Development Fees vs Median Home Value Graph
4. November 2018 Staff Report – Yuba City Five-Year Residential Building Guide
5. July 21, 2015 Staff Report – Infill Fee Program
6. Greater Sacramento Economic Council Report – "Development Impact Fees: Role in Public Finance and Strategic Considerations"

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Reviewed by:

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ATTACHMENT 1

Development Impact Fee Workshop Presentation

January 22, 2019

YUBA CITY

DEVELOPMENT IMPACT FEE WORKSHOP

JANUARY 22, 2019

VICTOR IRZYK

GOODWIN CONSULTING GROUP

OVERVIEW

- Mitigation Fee Act (AB 1600)
- History of Yuba City Fee Program
- Fee Calculation Methodology
- Yuba City Fee Program Facilities & Fees
- Fee Comparison to Other Cities
- Fee Implementation Process

MITIGATION FEE ACT (AB 1600)

- Adopted by State in 1987 through Assembly Bill 1600
- Requires that all fees are “reasonably related” to a development’s impact on public facilities
- Fees must be “roughly proportional” to the impact that development project is creating
- Fees cannot fund existing deficiencies in facilities
- Accounting of fee program must be done annually and every five years

IMPACT FEES

- Fees fund capital facilities
- Cannot fund operations and maintenance costs
- Mitigate impacts from new development
- Fee program last fully updated in 2007
- Fees have been updated for inflation since 2007
- The fee program is applied citywide; future annexations to Yuba City would be subject to fees
- Fees typically paid at building permit issuance

HISTORY OF FEE PROGRAM HISTORY

- 1990 - City first levies fees
- 1997 - City update fees
- 2001 - Fee update - phased in over 3 years
- 2007- Full update of fee program - 3 yr phase in
- 2007- Infill Fees adopted @ 50% of full fees
- 2014 - City adopts new animal shelter fee
- 2015 – Infill fee program expanded for fees and scope of infill developments

WHY UPDATE FEE PROGRAMS?

- **Allows reassessment of capital facilities that are included in the Fee Program**
- **Add, remove, or change facilities in fee program**
- **Update the cost of facilities and land**
- **Allows changes to fee program boundary due to annexations to City**
- **Update or add new impact fees**

FEE CALCULATION METHODOLOGY

1) Determine the future development in City
2) Identify the capital facilities needed to serve dev't
3) Determine allocation factors to spread facility costs
4) Include only costs of those facilities that benefit new development (no existing deficiencies)
5) Subtract funding from other sources: Fed, State
6) Allocate net facilities costs to new development based on cost allocation factors
7) Calculate fees per residential unit or per building sq. ft. for nonresidential development

YUBA CITY FEE PROGRAM CATEGORIES

1. Road Fee
2. Parks and Recreation Fee
3. Police Fee
4. Fire Fee
5. Civic Center Fee
6. Corporation Yard Fee
7. Library Fee
8. Flood Control Fee
9. Animal Control Fee

ROAD FEE – SINGLE FAMILY UNIT

	2007	2019	% Increase
Roads	$9,094	$11,294	24%

Road Facilities

- ✓ **Roadway improvements totaling $350 Million**

PARKS & REC. FEE – SINGLE FAMILY UNIT

	2007	2019	% Increase
Parks/Rec	$6,160	$7,650	24%

Parks and Recreation Facilities

- ✓ **Park Improvements and land (3.0 ac per 1,000 res.)**
- ✓ **Open space improvements and land (2.0 ac per 1,000 res.)**
- ✓ **Community centers (2)**
- ✓ **Aquatic centers (2)**
- ✓ **Vehicles**

POLICE FEE – SINGLE FAMILY UNIT

	2007	2019	% Increase
Police	$1,196	$1,485	24%

Police Facilities

- ✓ **New police station – 69,000 sf**
- ✓ **Land**
- ✓ **Patrol vehicles**
- ✓ **Police equipment**

FIRE FEE – SINGLE FAMILY UNIT

	2007	2019	% Increase
Fire	$1,361	$1,690	24%

Fire Facilities

- ✓ **Fire station #1 expansion**
- ✓ **Fire station #2 expansion**
- ✓ **Fire station #7 expansion**
- ✓ **Fire station #4 relocation**
- ✓ **New fire station in Southwest SOI**
- ✓ **Training facility**
- ✓ **Fire trucks and vehicles**
- ✓ **Equipment**

CIVIC CENTER FEE – SINGLE FAMILY UNIT

	2007	2019	% Increase
Civic Center	$516	$641	24%

Civic Center Facilities

- ✓ Civic Center building
- ✓ Vehicles
- ✓ IT infrastructure

CORP YARD FEE – SINGLE FAMILY UNIT

	2007	2019	% Increase
Corp Yard	$814	$1,011	24%

Corporation Yard Facilities

- ✓ Corporation yard building
- ✓ Storage facilities
- ✓ Land
- ✓ Vehicles
- ✓ Equipment

LIBRARY FEE – SINGLE FAMILY UNIT

	2007	2019	% Increase
Library	$912	$1,133	24%

Library Facilities

- ✓ **Library building (31,940 sf)**
- ✓ **Land**
- ✓ **Books**

FLOOD CONTROL FEE – SINGLE FAMILY UNIT

	2007	2019	% Increase
Flood Control	$2,874	$3,887	35%

Flood Control Facilities

- ✓ **Levee improvements**

ANIMAL CONTROL FEE – SINGLE FAMILY UNIT

	2014	2019	% Increase
Animal Control	$105	$121	16%

Animal Control Facilities

- ✓ **Animal Control Building**

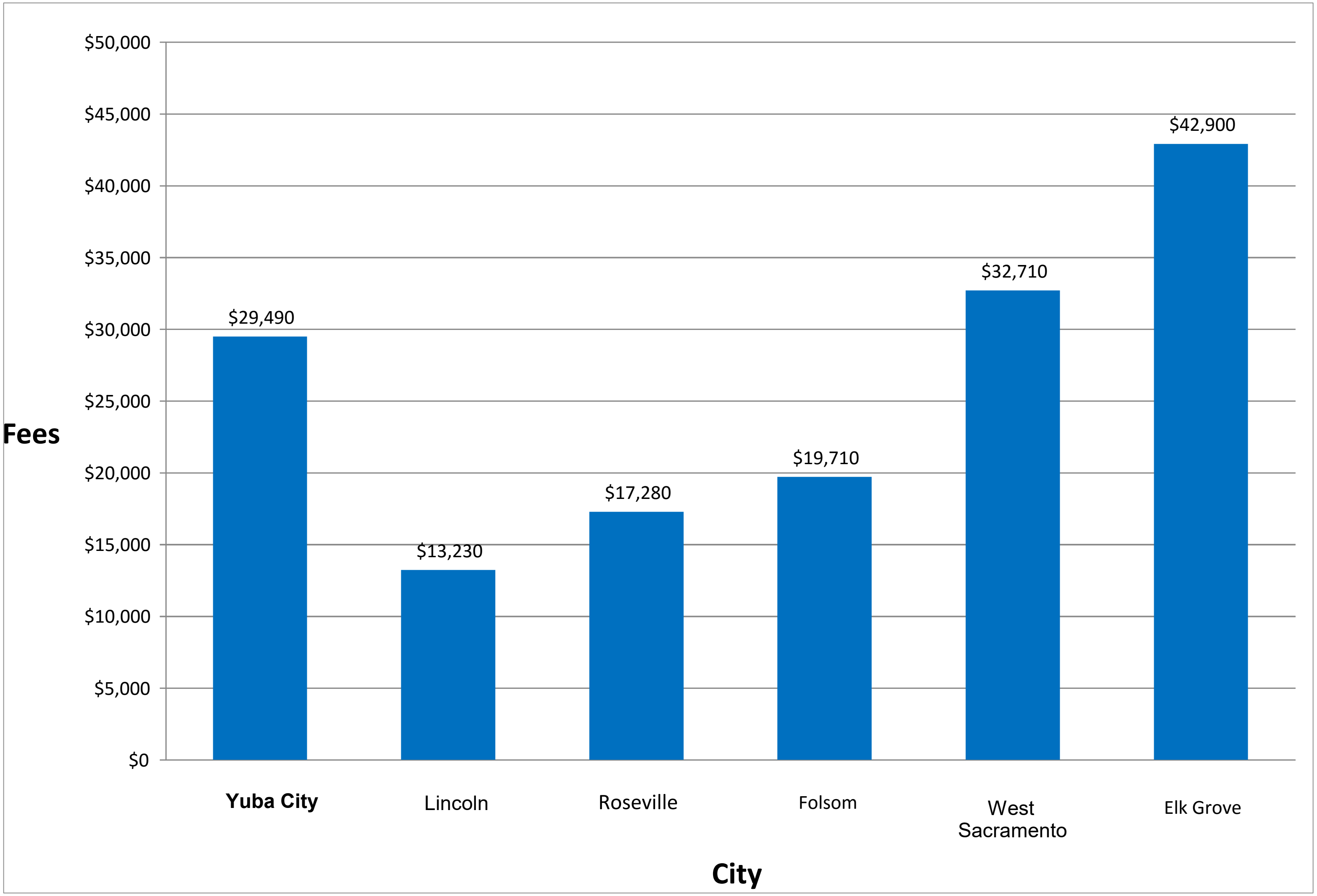
FEE COMPARISON - SINGLE FAMILY UNIT

Fee	2007	2019	Percent Increase
Roads	$9,094	$11,294	24%
Parks & Rec	$6,160	$7,650	24%
Police	$1,196	$1,485	24%
Fire	$1,361	$1,690	24%
Civic Center	$516	$641	24%
Corp Yard	$814	$1,011	24%
Library	$912	$1,133	24%
Flood Control	$2,874	$3,887	35%
Animal Control	-	121.47	16%
Admin Fee @2.0%	$459	$578	26%
Total	**$23,386**	**$29,490**	**26%**

FEE COMPARISON TO OTHER CITIES – SFR UNIT

City:	Yuba City	Lincoln	Roseville	Folsom	West Sacramento	Elk Grove
	per Unit					
Transportation	$11,294	$3,636	$3,774	$8,463	$10,231	$9,465
Drainage/Flood Protect.	$3,887	$1,428	$322	$987	$1,520	$2,585
Fire	$1,690	$557	$2,250	$1,033	$1,255	$2,043
Police	$1,485	$1,097	--	$572	$1,232	--
Parks & Recreation	$7,650	$4,182	$6,736	$6,786	$16,200	$18,517
General Govt. Facilities	$2,906	$1,773	$3,497	$1,864	$2,272	$4,256
Admin Fees	$578	$556	$698	$0	$0	$6,037
Total	**$29,490**	**$13,230**	**$17,278**	**$19,710**	**$32,710**	**$42,900**
Difference from Yuba City Fees		**($16,260)**	**($12,213)**	**($9,780)**	**$3,219**	**$13,410**

FEE COMPARISON TO OTHER CITIES – SFR UNIT



FEE IMPLEMENTATION PROCESS

- Update 2007 Fee Study
- Conduct outreach with developers and the BIA
- City Council holds public hearing on the fees
- City Council – 1st reading of fee ordinance (can be held right after the public hearing)
- City Council - adopt fee ordinance at next regularly scheduled meeting
- Fees take effect 60 days after fee ordinance is adopted
- Adjust fees annually by inflation index

QUESTIONS?

ATTACHMENT 2

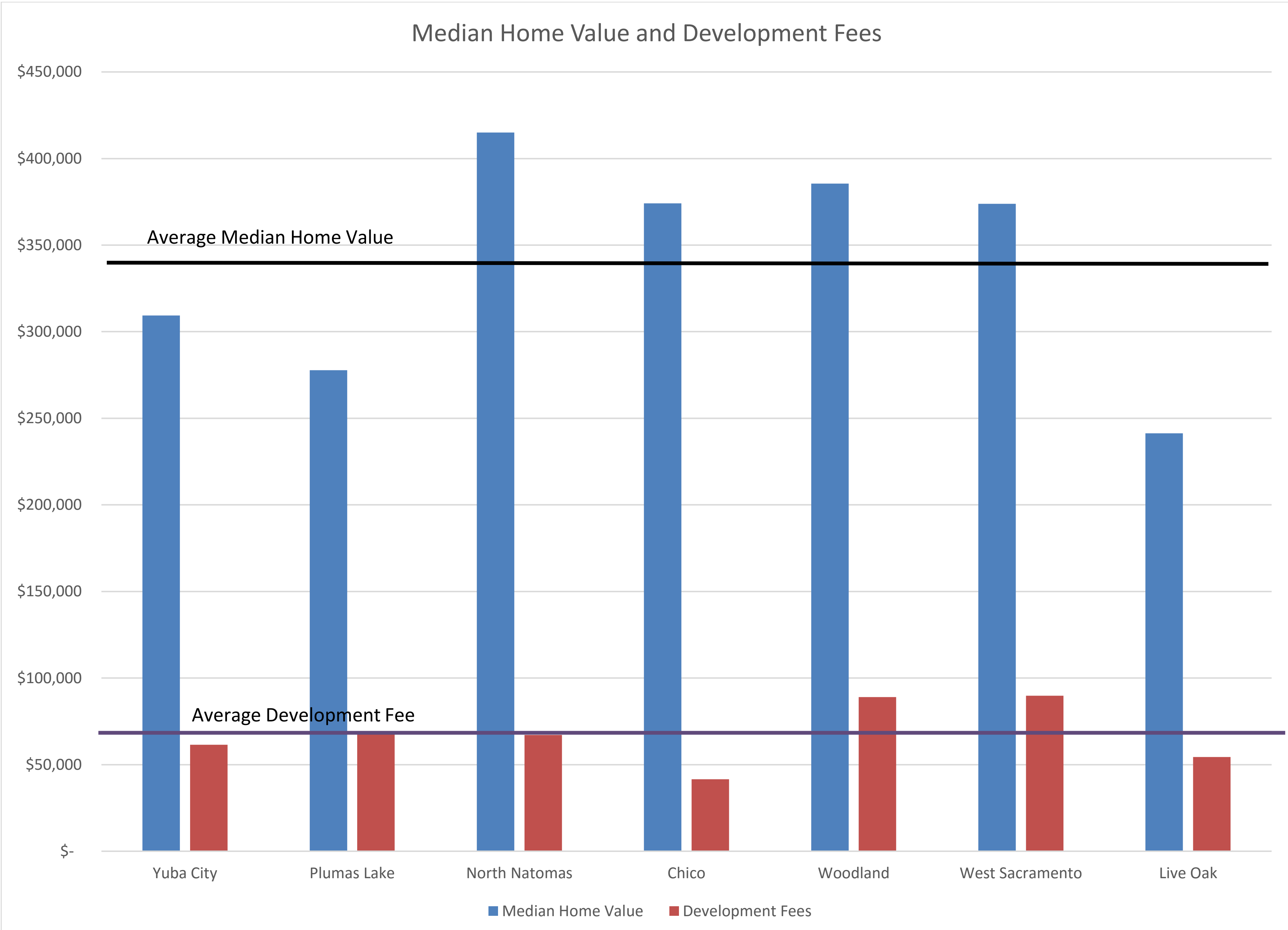
Development Fee Comparison Worksheet

DEVELOPMENT FEE COMPARISON

Plan Area	Butte Vista	NPLSP	North Natomas	Butte-General	Springlake	Southport		Village One	Whitney Ranch	Villa Fiore	Cannery	North Area	Westpark	Valley Glen
City	Yuba City	Plumas Lake	Sacramento	Chico	Woodland	West Sacramento	Live Oak	Lincoln	Rocklin	Lodi	Davis	Turlock	Roseville	Dixon
County	Sutter	Yuba	Sacramento	Butte	Yolo	Yolo	Sutter	Placer	Placer	San Joaquin	Yolo	Stanislaus	Placer	Solano
Median Home Value	$ 309,300	$ 277,800	$388,000 - $443,000	$ 374,100	$ 385,500	$ 373,900	$ 241,300	$ 476,300	$ 502,900	$ 359,000	$ 662,400	$ 329,600	$ 468,000	$ 439,200
Infrastructure:														
Transportation	11,294	5,649	7,631	13,869	23,528	15,886	3,092	26,098	7,442	4,023	13,115	11,813	6,807	564
Drainage	634	3,619	4,120	2,826	13,704	5,377	3,949	3,727	311	567	305	4,008	475	6,071
Parks	7,650	6,875	12,481	4,254	12,297	16,691	3,351	6,223	5,833	3,890	5,014	3,524	7,293	10,772
Subtotal	**$ 19,578**	**$ 16,143**	**$ 24,232**	**$ 20,949**	**$ 49,529**	**$ 37,954**	**$ 10,392**	**$ 36,047**	**$ 13,586**	**$ 8,480**	**$ 18,434**	**$ 19,344**	**$ 14,575**	**$ 17,407**
School	5,260	7,580	9,100	7,580	7,580	6,960	9,980	6,960	6,960	6,960	5,940	9,780	25,017	6,400
Water	9,147	4,182	5,047	2,000	6,196	9,795	7,635	24,836	17,748	6,254	9,546	4,268	9,959	5,875
Sewer	7,279	7,669	9,363	3,354	10,407	12,847	9,053	7,487	12,045	8,237	6,455	7,677	8,627	12,033
Other	20,291	32,856	19,430	7,636	15,346	22,288	17,356	9,899	14,054	17,971	17,304	24,204	15,917	24,136
Total	**$ 61,554**	**$ 68,431**	**$ 67,172**	**$ 41,519**	**$ 89,058**	**$ 89,844**	**$ 54,416**	**$ 85,229**	**$ 64,393**	**$ 47,901**	**$ 57,679**	**$ 65,273**	**$ 74,095**	**$ 65,852**
Other Fees														
Building Fees	4,290	4,331	6,239	2,931	3,069	13,687	7,150	3,500	7,038	16,753	9,853	5,050	2,996	3,827
Yolo County Impact Fee											4,290			
Electric Direct Installation Fee													2,825	
Electric Backbone													714	
Habitat Mitigation			4,368											
County Fees - Various												3,614		
Capital Facility Development Fee - City					921				2,829			14,574		
County Capital Facilities		7,960						2,215					2,215	
Corporate Yard - City	1,011					968	653							
Animal Control	121													
Civic Center	641													
General Buildings							1,143							
Recreation Facilities							231							
Community Center Buildings							881							
Public Facilities									4,187				3,176	
Cemetery								206						
Engineering												90		
GIS												294		
Landscape												75		
Refuse Container								85						
Affordable Housing			5,700											
Building and Equipment				809										
Air Quality	15													
Fire	1,690	2,260			1,420	1,293	1,733			385			1,000	1,427
Police	1,485				1,215	1,269	626			753				620
All Taxes												125		
Public Safety Tax											176			
Library	1,133				56									
Art in Public Place										80				
Childcare Impact Fee						664								
Administration	590				1,877			245				383		909
Community Services								3,426						
City														
Open Space											863			
General Facilities											2,122			
Levee	3,887	18,306												
Master Plan Area Cost Recovery								221						
Special District Impact Fee - Butte Neighborhood	1,832													
DA Fees					3,670								2,991	8,152
Public Facilities - Other			3,123											239
County Fees - Various	3,596			3,896	3,118	4,407	4,939							8,962
Total Other Fees	**20,291**	**32,856**	**19,430**	**7,636**	**15,346**	**22,288**	**17,356**	**9,899**	**14,054**	**17,971**	**17,304**	**24,204**	**15,917**	**24,136**

ATTACHMENT 3

Development Fees vs Median Home Value Graph


Median Home Value and Development Fees
$450,000
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
$-
Average Median Home Value
Average Development Fee
Yuba City
Plumas Lake
North Natomas
Chico
Woodland
West Sacramento
Live Oak
Median Home Value
Development Fees

ATTACHMENT 4

November 2018 Staff Report

Yuba City Five-Year Residential Building Guide

CITY OF YUBA CITY
STAFF REPORT

Date: November 20, 2018

To: Honorable Mayor & Members of the City Council

From: Administration

Presentation by: Darin Gale, Deputy City Manager – Economic Growth & Public Affairs

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Summary

Subject: Yuba City Five-Year Residential Building Guide

Recommendation: Adopt Future Foundations A Residential Building Guide and Action Plan to Encourage a Variety of New Residential Development

Fiscal Impact: None at this time. However, the purpose of the housing strategy is to stimulate residential development within the City, which would result in positive long-term fiscal impacts.

Purpose:

Stimulate residential development within the City with the goal to have profitable private enterprise balanced with quality development.

Background:

The City experienced a fast pace of growth in the early 2000s, with single-family dwelling permits peaking in 2004 at 991. Starting in 2006, with the downturn of the economy, the City saw a significant decline in new development. Even with the rebound of the economy, residential development has not returned in any great measure and issuance of single-family dwelling permits has held steady at approximately 50 per year for the past few years.

There are many factors thought to be contributing to the limited amount of residential development. Those factors include:

- Lack of improved parcels that were entitled and improved before the recession. These pre-recession lots provide home builders with discounted lots (this is the source of a significant amount of the current residential development in the Sacramento region).
- Development, when it does occur, will occur in the western portion of the Sphere of Influence where utilities are not currently readily available and the roadway network is not developed. This results in large upfront costs for development with no guarantee for reimbursement in a timely manner.
- There are few large acreage landowners in the developable area. This requires coordination with many smaller acreage landowners, which adds complexity to the process.
- National and regional homebuilders are not familiar with what Yuba City has to offer.

- There is not a large enough gap between Yuba City development costs and development costs for the Sacramento region to make it cost-effective to move to Yuba City and commute to the Sacramento region.

With all of these obstacles, staff recognizes the need to take steps to encourage development.

Analysis:

On September 18th the Council directed staff to establish a plan to encourage all types of residential development. Since that time staff held a meeting on October 1st, 2019 with our region's builders, developers and engineers to receive comments on the City's draft housing strategy and action plan. Additionally, staff presented to the Yuba Sutter Government Affairs committee on November 6th and spoke to a variety of active home builders throughout the Sacramento region. The culmination of these discussions is included in the attached Future Foundations: Residential Building Guide and Action Plan.

The purpose of the housing strategy is to provide potential developers and property owners with a broad overview of what Yuba City has to offer, and what the City plans to do to encourage residential development. The housing strategy is meant to be dynamic so that it can grow as staff finds programs or ideas that are working successfully for other agencies.

The housing strategy provides the regional and local setting for Yuba City, residential land availability, a brief overview of the City's development impact fees, a development financing tool box, and a five-year action plan. The action plan includes specific actions the City is currently taking and additional actions to be considered in the near feature. Below is a partial list of actions noted in the action plan:

- Continue Strengthening Streamlined CEQA and Development Processes
- Yuba City "Road Show" to Promote Yuba City Development Opportunities
- Encourage and Allow Phased Development Projects
- Identify Infill Development Opportunities
- Not Indexing AB 1600 Impact Fees for 2019
- Conduct Quarterly Meetings with Development Industries
- Consider Revisions to Development Standards (set back requirements, etc.)

Fiscal Impact:

None at this time. However, the purpose of the housing strategy is to stimulate residential development within the City, which would result in positive long-term fiscal impacts.

Alternatives:

1. Direct staff to modify the draft Residential Building Guide
2. Do not proceed with the implementation of the housing strategy.

Recommendation:

Adopt Future Foundations A Residential Building Guide and Action Plan to Encourage a Variety of New Residential Development

Attachment:

1. Future Foundations – Residential Building Guide & Action Plan

2. Residential Development Action Plan

Prepared by:	Submitted by:
/s/ Darin Gale Darin Gale Deputy City Manager	*/s/ Steven C. Kroeger* Steven C. Kroeger City Manager

Reviewed by:

Finance	RB
City Attorney	TH via email

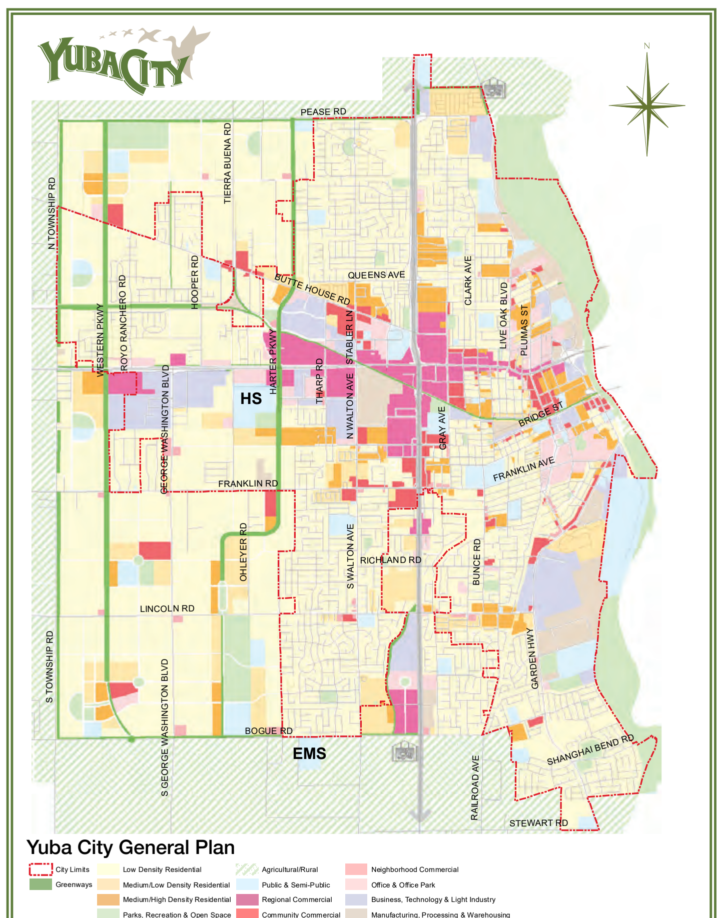
ATTACHMENT 1

YUBA CITY

Future Foundations

RESIDENTIAL BUILDING GUIDE

Partnering With Yuba City:
What To Know About Residential Development



I. INTRODUCTION

WELCOME TO YUBA CITY. We are open for business for new housing. This Residential Building Guide provides relevant information needed to develop a full range of housing types in Yuba City, including affordable housing, single-family residential, tiny homes, multi-family residential, etc. As the City is interested in continued growth and prosperity, this booklet is designed to provide both builders and developers with accurate data about the City's residential growth potential.

II. REGIONAL SETTING

Yuba City is a growing, prospering city of approximately 67,000 residents located in the lower Sacramento Valley. Located near the Sutter Buttes, Yuba City serves the northern portion of the Sacramento Region. As the largest city between Sacramento and Chico, it serves as the sub-regional hub for retail, medical services, and employment for nearly 200,000 residents in much of Sutter, Yuba, and Colusa Counties, and southern Butte County.

State Route 99 bisects the City connecting between Stockton, Sacramento, Chico, and Redding. While State Route 99 is the principle north/south route, State Route 20, which also traverses the City, serves as the key east/west route between coastal Highway 101, passing through Mendocino and Lake Counties, Yuba City, Marysville, Beale Air Force Base, Grass Valley, and Nevada City, and connecting with Interstate 80 near the Sierra summit.

With minimal local peak hour congestion, it is a relatively easy commute to and from Sacramento and Roseville.

Distance (in miles) to:

Sacramento	**42**
Roseville	**43**
Chico	**46**
San Francisco	**119**
Lake Tahoe	**142**
Napa	**91**

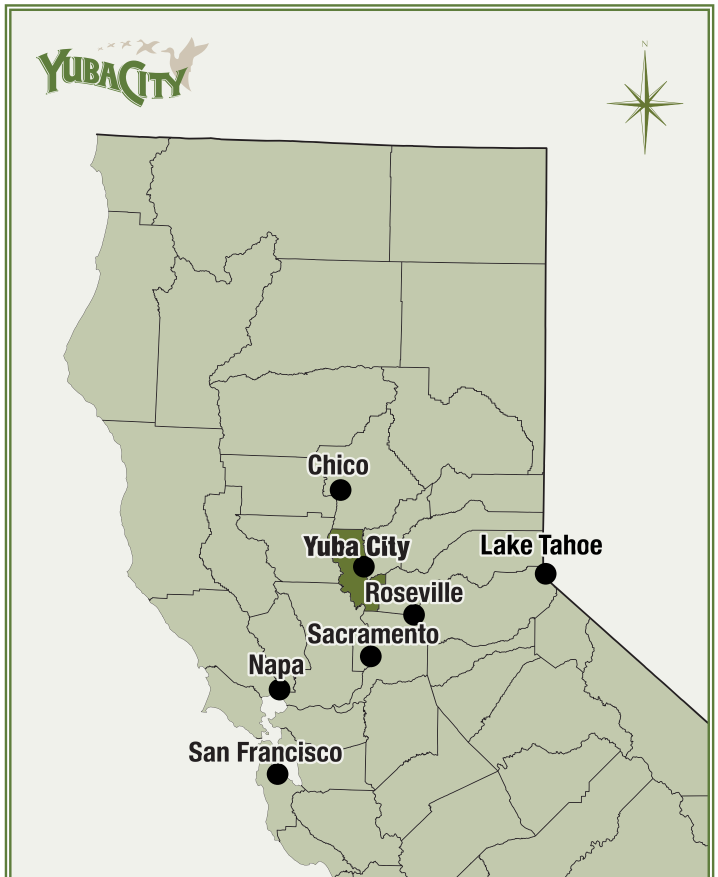


FIGURE 1: Regional Map

III. LOCAL SETTING

Yuba City retains a small town atmosphere within a comfortable drive to Sacramento. It is a full service city providing exceptional police, fire, water, wastewater, storm-water drainage, parks, and recreational programs.

Rich agricultural lands consisting primarily of walnut, almond, peach, and prune orchards, as well as other annual crops surround the City on three sides. The picturesque Feather River borders the fourth side. While the agricultural industry is predominant, there are also a significant number of employment opportunities in the medical, educational, retail, and service industries.

Led by a pro-growth City Council and abundant space for expansion, Yuba City provides plenty of opportunities for development. The 15-square mile City has a 24 square mile sphere of influence (the area the City can grow into), which provides excellent growth opportunities. The City's only natural boundary is the Feather River along its east side, for which the City has about seven miles of beautiful river frontage (e.g. Feather River Parkway).

The U.S. Census establishes the Yuba City Metropolitan Statistical Area (MSA) consisting of both Sutter and Yuba Counties as its own region, abutting the Sacramento MSA. The Census MSA and the State provide an abundance of statistical data for the City and the bi-county area.

FIGURE 2: Yuba City and Environs

IV. RESIDENTIAL LAND AVAILABILITY

Within the City's sphere of influence there is capacity for an estimated 22,000 new homes. Within the City limits there is adequate land designated for an estimated 4,800 new homes.

There are several Specific Plans and Master Plans that have potential for significant residential growth. This includes the Harter Specific Plan, Lincoln East Specific Plan, and the Bogue-Stewart Master Plan (anticipated adoption in 2019).

ACTIVE SINGLE-FAMILY RESIDENTIAL PROJECTS

There are numerous subdivisions ranging from in-process applications to finished lots. **Table 1** provides an overview of active subdivision maps while **Figure 3** provides their location.

MULTIPLE-FAMILY RESIDENTIAL PROJECTS

There are several approved, yet to be constructed multiple-family developments, with an abundance of additional land designated for multiple-family development. **Table 2** provides a summary of said projects, while **Figure 3** identifies their location.

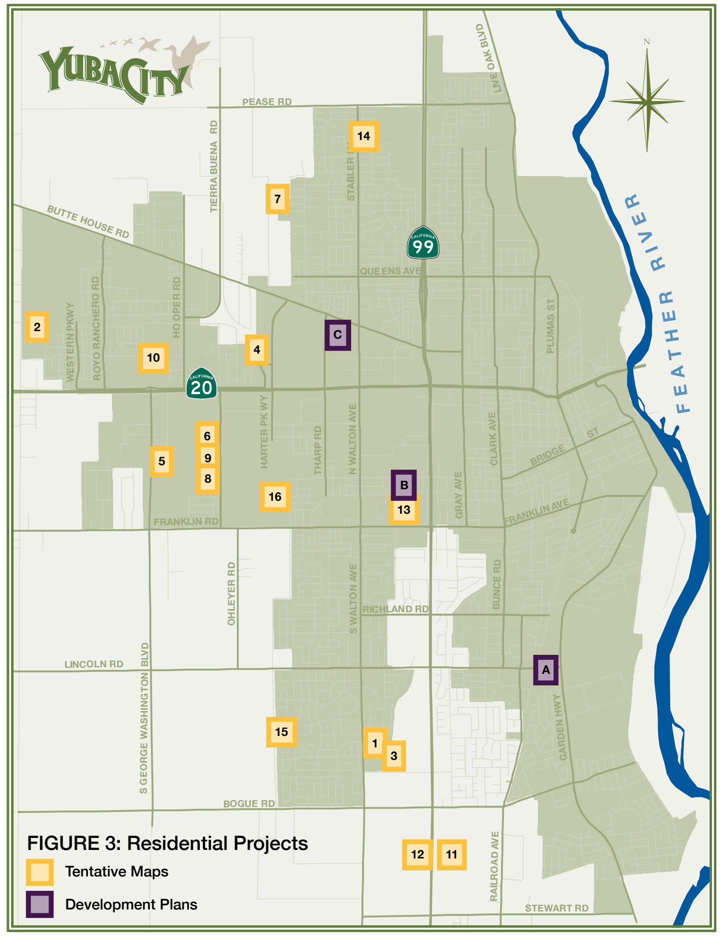


FIGURE 3: Residential Projects

Table 1: Active Subdivision Maps

Fig. 3 Map Ref.	Subdivision	Name (status)	No. of Lots
1	TSM 05-05	Sutter Heritage (approved)	162
2	TSM 05-06	Walnut Park West (approved)	277
3	TSM 08-01	Sutter Heritage (approved)	24
4	TSM 06-04	Harter Estates South (approved)	75
5	TSM 13-01	Chohan (tentative)	141
6	TSM 13-02	Haynes (tentative)	46
7	TSM 14-01	Valencia Estates (finaled)	39
8	TSM 14-02	Ahler (tentative)	92
9	TSM 14-04	Struckmeyer (tentative)	42
10	TSM 14-05	Faith Christian (approved)	10
11	TSM 14-07	Newkom Ranch (tentative)	427
12	TSM 15-03	Kells East Ranch (tentative)	147
13	TSM 16-04	Yuba Crossings (approved)	53
14	TPM 17-02	Stabler Parcel Map (approved)	4
15	TPM 17-04	Sanborn Parcel map (approved)	3
16	TSM 18-01	Perkins Ranch Estates (tentative)	221
		Total	**1,763**

Table 2: Approved Multiple-Family Residential Projects

Fig. 3 Map Ref.	Project Number/Name	No. of Units
A	GPA 15-01 Rivers Edge Apts.	168
B	GPA 16-07 Yuba Crossings	26
C	DP 17-02 Tharp Apts.	38

V. RESIDENTIAL DEVELOPMENT IMPACT FEES

Our local public agencies strive to efficiently provide quality services to our citizens and businesses. Growth requires that local agencies expand these services. Development impact fees pay directly for the expansion of those services commensurate with the City's growth. The affected agencies that provide those services include Yuba City, Sutter County, Sutter Butte Flood Control Agency (levee), and our local schools.

To minimize upfront costs to the developer/builder the City allows the deferment of impact fee payment until a certificate of occupancy is issued.

Table 3: New Single-Family Residence Fees

Infrastructure Type	Fee[1]
Water Connection (includes meter)	$9,100
Wastewater Connection	$7,115
Impact Fees:	$32,309
-Yuba City	$24,930
-Sutter County	$3,596
-Levee	$3,783
Total	$48,524
School District ($2.63 sq. ft.)[2]	$5,260
Building Permit[2]	$1,195
Drainage	Varies depending on location

1 Effective July 1, 2018.
2 Assumes a 2,000 square foot single-family residence.
3 Assumes a 950 square foot apartment in a 100-unit complex with a 3-inch water line.
4 Per unit.

Table 4: New Multiple-Family Residence Fees

Infrastructure Type	Fee[1]
Water Connection[3, 4]	$1,336
Wastewater Connection[4]	$6,403
Impact Fees[3, 4]	$21,639
-Yuba City	$16,351
-Sutter County	$2,577
-Levee	$2,712
Total	$29,378
School District ($2.63 Sq. ft.)[3]	$2,500
Building Permit[3]	$1,266
Drainage	Varies depending on location

VI. REDUCED FEES WITHIN INFILL AREAS

In the traditional areas of Yuba City **(Figure 4)**, the infrastructure was constructed years ago. However, there are remaining vacant or underutilized properties that can be developed. Due to the lower infrastructure cost and to encourage infill development (thereby saving agricultural land), Yuba City offers an approximately 48 percent discount on its development impact fees within the designated areas. More precisely, this translates to a savings of approximately $12,178 for a new single-family residence and $7,985 per multiple-family residence.

VII. FINANCING TOOL BOX

In order to encourage development, the City will consider a broad range of financing options, including but not limited to:

LAND SECURED FINANCING

Land secured financing for public facilities generally involve either Assessment Districts (AD) or Community Facility Districts (CFD). Given the flexibility needed to meet the unique needs within a project, a CFD would likely be the selected form of land secured financing, although AD's remain an alternative mechanism.

The Mello Roos Community Facilities District Act of 1982 establishes a means to finance certain public facilities and services through the sale of CFD bonds. A Mello Roos CFD

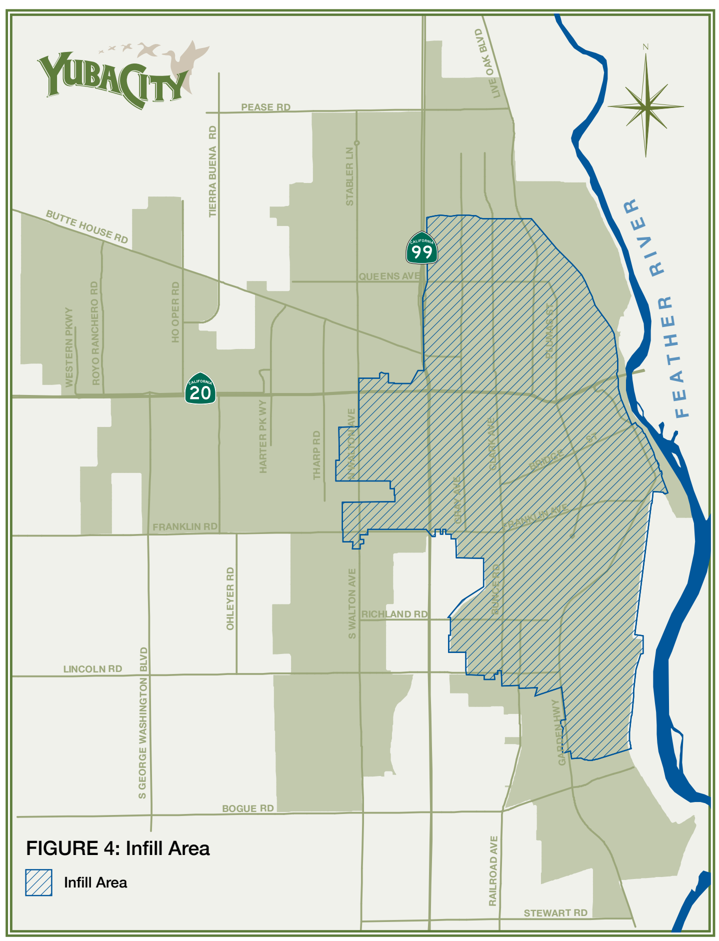


FIGURE 4: Infill Area

can be used to finance the purchase, construction, expansion, improvement or, rehabilitation of real property with a useful life of five years or more.

Similar programs include the Statewide Community Infrastructure Program (SCIP) or the Bond Opportunities for Land Development (BOLD) Program.

The maximum tax burden guideline is 2.0% of the estimated assessed value of the home, although a rate exceeding 1.7% is not recommended.

PRIVATE FINANCING

Cash, funds from private investors, lines of credit, conventional lending sources and other sources, of private financing may be utilized to construct public improvements and facilities.

PRIVATE COST SHARING/REIMBURSEMENT AGREEMENT

Public improvements that directly benefit other properties within a project or outside of a project (regional share) may be financed through a share of costs allocated among properties based on an equitable cost allocation factor. In the case where one property develops and constructs the necessary public improvements that also benefit other properties before the other benefitting properties are developed, the provider of the shared public improvement is entitled to reimbursement of costs.

AREA OF BENEFIT/ZONE OF BENEFIT (“AOB/ZOB”)

The purpose of an AOB/ZOB is to make a provision for assessing property as a condition of approval of a subdivision, condition of development approval, or as a condition of issuing a building permit. An AOB/ZOB may be established so long as the construction of public improvements provided for by the AOB/ZOB is required by subsequent developments, and that the assessments are fairly apportioned within the area on either:

(i) The basis of benefits conferred on property proposed for development; or

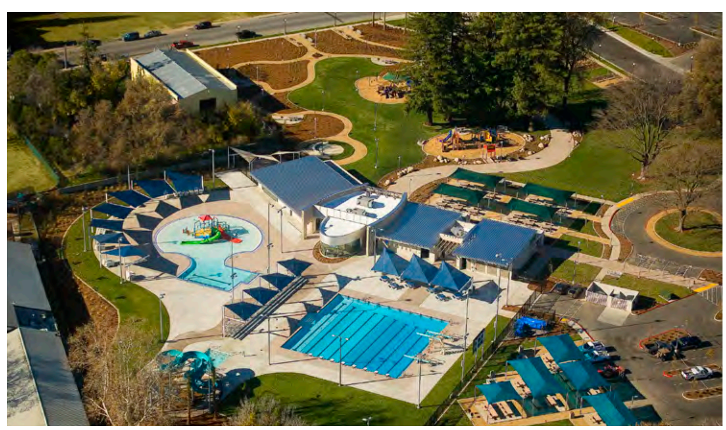
(ii) The need for such Public Improvements created by the proposed development and development of other property within the area.

HOMEOWNERS ASSOCIATIONS

While not a source of financing, some developers may prefer a gated community to privatize their streets and potentially other improvements that are typically publically owned. In addition to the perceived benefits of greater security and privacy, it may also be financially beneficial for the developer.

OTHER

The City will consider other financing mechanisms such as Enhanced Infrastructure Finance Districts (EIFD) if the programs are financially feasible for all parties involved.



VIII. CITY UTILITIES

Yuba City is dedicated to providing a reliable and efficient infrastructure system that supports the City's growth.

WATER SYSTEM

The City provides a state of the art water treatment facility with an available supply of high quality Feather River water. Two hundred and sixty-five miles of transmission and distribution lines, ranging in size from 3 inches to 36 inches, serve the area.

The City provides water to a service population of approximately 71,070 people through 18,697 connections. The City has water rights to 29,600 acre-feet from the Feather River, plus a well that can produce an additional 2,200 acre-feet annually. With an abundance of ground water, should the need arise, the City has three additional wells, with a fourth well in the planning stages.

Over the last five years the average annual consumption has been 16,361 acre-feet. The maximum daily demand ranges from 24.87 million gallons per day (mgd) in 2011 to 14.6 mgd in 2016 (drought year conservation). The current maximum daily capacity is 30 mgd.

The City is also finalizing an update to the Water Master Plan (to be completed by the end of 2018). The water treatment plant is designed to be expanded to serve the entire sphere of influence.

WASTEWATER COLLECTION & TREATMENT

The City wastewater collection and treatment system serves 14,595 connections, with an average dry weather influent flow of 6.5 mgd.

The plant has capacity of 10.5 mgd through advanced secondary processing.

The wastewater treatment plant is designed to be expanded to serve the City's entire Sphere of Influence. The next update of the Wastewater Master Plan is 2019.

IX. FLOOD PROTECTION

The City is not in a flood zone; flood insurance is not required. The City has 200-year flood protection due to its recently reconstructed levee system along the Feather River.

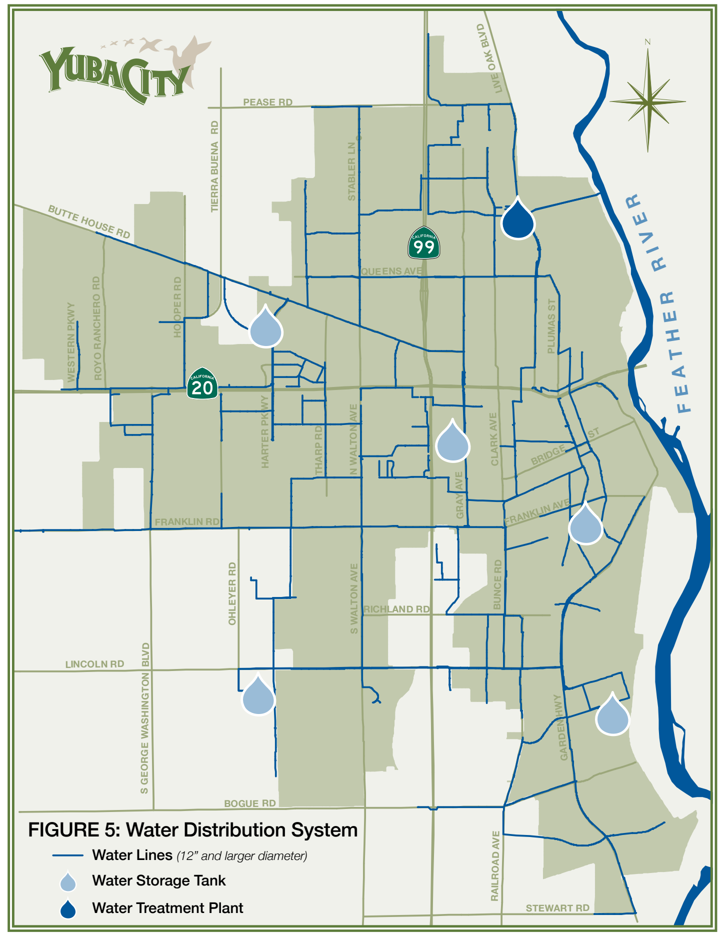


FIGURE 5: Water Distribution System

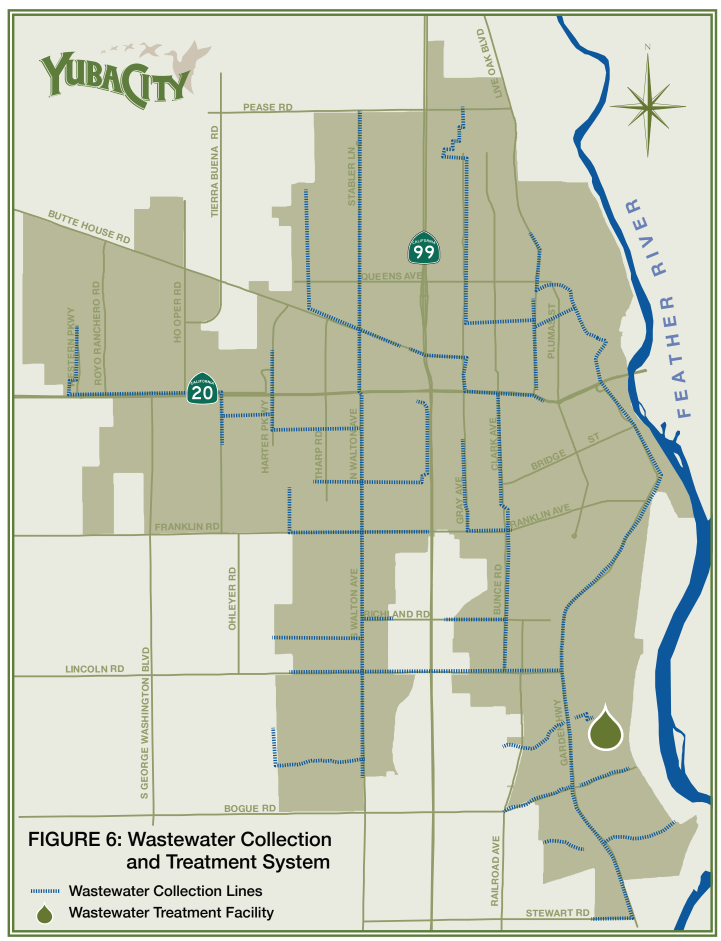


FIGURE 6: Wastewater Collection and Treatment System

X. RECENT COMMERCIAL ACTIVITY

Yuba City is a retail hub for much of Sutter, Yuba, Colusa and southern Butte Counties. In recent years the City has seen an abundance of commercial development, as depicted in **Figure 7**.

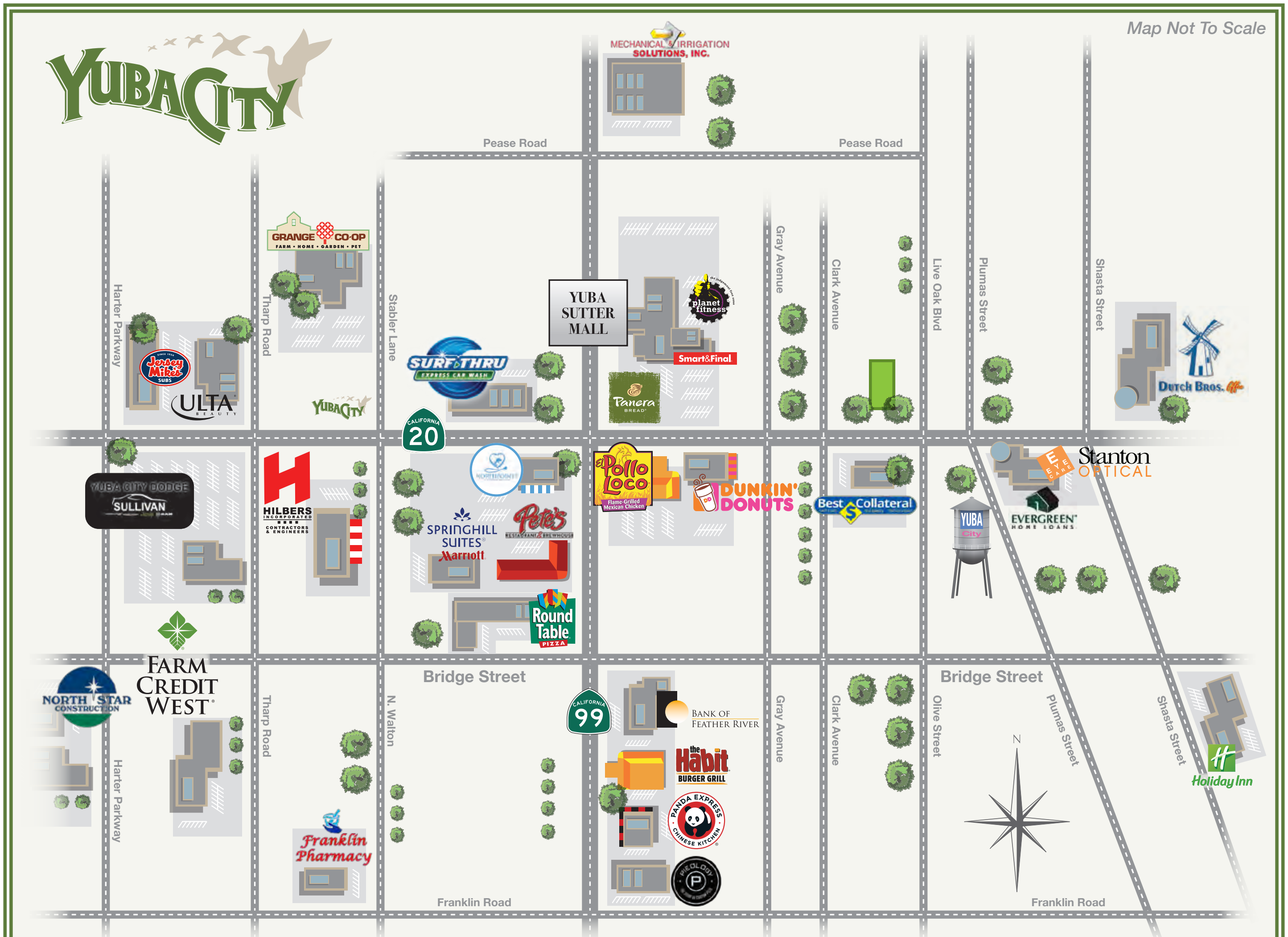


FIGURE 7: Commercial Development

XI. CONTACT US

For further information and/or questions please contact:

Darin Gale
Deputy City Manager
Economic Growth &
Public Affairs
(530) 822-4762
dgale@yubacity.net

YUBA CITY

Future Foundations

RESIDENTIAL BUILDING GUIDE

For further information, contact Darin Gale, Deputy City Manager - Economic Growth & Public Affairs, at (530) 822-4762 or dgale@yubacity.net.

ATTACHMENT 2

Residential Development Action Plan

SHORT-TERM ACTION ITEMS *(WITHIN 1 YEAR)*

- » Identify builders active in the Sacramento region
- » Conduct “Road Shows” to promote Yuba City
- » Conduct quarterly meetings with the development industry
- » Draft building plans for infill projects and accessory dwellings
- » Promote development of accessory dwelling units
- » Consider not indexing AB1600 impact fees for 2019
- » Continue to strengthen streamlining efforts for City permitting to reduce building permit timelines
- » Encourage housing development on vacant land including publicly-owned land
- » Advocate for State legislative changes that can create more housing opportunities, such as:
    - Exempt broader categories of housing from CEQA
    - Develop additional permanent housing financing options
    - Promote reestablishment of “redevelopment-type” mechanism
    - Refine grant programs to ensure that Yuba City is considered a rural or “small” economically disadvantaged community

LONG-TERM ACTION ITEMS

- » Identify under-developed or undeveloped infill lots
- » Create Community Facilities Districts for financing of infrastructure
- » Encourage development adjacent to areas with available underground utilities to reduce the upfront utility construction required
- » Analyze suggested changes to setback requirements (zero lot line projects)
- » Identify options for improvements to be phased in over time
- » Establish a process for construction of alternative housing types such as tiny homes
- » Evaluate the potential to create higher residential densities Citywide to allow smaller, more affordable units
- » Proactively identify infrastructure needs and costs to fund infrastructure ahead of development

ATTACHMENT 5

July 21, 2015 Staff Report

Infill Fee Program

CITY OF YUBA CITY
STAFF REPORT

Date:	July 21, 2015
To:	Honorable Mayor & Members of the City Council
From:	Administration
Presentation By:	Darin E. Gale, Economic Growth & Public Affairs

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Summary

Subject:	Expanded Infill development impact fee program
Recommendation:	Adopt a resolution expanding the Infill Map, update the City's Infill Impact Fee Definition and expand the 50% impact fee reduction program for Infill Development to include all City AB 1600 Impact Fees excluding the Flood Control Fee
Fiscal Impact:	On a multi-family residential project of 10 units the approximate Impact Fee would be $188,390.50, which is a reduction of $13,705 from the current Infill Fee program

---

Purpose:

To review and amend the City's Infill Impact Fee definition

Background:

At the November 18, 2014 City Council meeting, the Council authorized a temporary reduced impact fees for all residential impact fee categories through the end of 2015, expanded the area that qualified for Infill Impact Fees and included multi-family residential projects in the infill definition. Staff has since determined that adjustments to the definition of infill Projects would be appropriate. As a result on June 2, 2015 Council held a workshop and directed staff to draft an updated infill impact fee for consideration

Analysis

Infill impact fees were originally adopted by the City Council in 2007 and provide a 50% reduction in fees for: water/sewer (pipeline only); transportation; and parks. A number of cities provide a reduction for infill development for a number of reasons including many of those listed below.

- Better utilization of existing infrastructure
- Reduces the need and expenses to expand infrastructure
- Minimizes the loss of agricultural land
- Eliminates unsightly vacant fields that attract illegal dumping and vagrancy
- Offers economic revitalization of older neighborhoods
- Land assemblage can be difficult and expensive
- Neighborhood concerns require costly mitigation due to perceived incompatible uses

In 2007 Infill projects were identified as projects located within the City's former Redevelopment boundaries. The purpose for using a location map versus a formal definition for Infill was that there are a variety of factors that contribute to a project being considered Infill that may not always be met. By utilizing the former Redevelopment boundary, it was assumed that projects within that boundary qualified as Infill projects since there was already city infrastructure and services in those locations. The challenge with this approach is that the former Redevelopment boundary does not capture all areas within the community that could be considered Infill.

To accommodate this type of occurrence, staff is recommending a modification to the Infill provision for impact fees. Staff recommends expanding the Infill Map as proposed in Attachment B which was formed based upon reviewing current development and land uses and including the following Infill Property Definition.

Infill Property Definitions
(Proposed)

1. Land that was bypassed by suburban development and remains vacant or under-utilized

and

A. The property has readily available access to City utilities
B. Seventy-Five percent of its adjacent properties are developed
C. The properties is not within a specific plan (except the Central City Specific Plan) or master plan or is not anticipated to be within a specific plan or master plan per City Council Resolution 05-049
D. All development and/or reimbursement agreements are properly executed and funded
E. The property is located within the boundaries of the adopted infill map

Currently Infill Development receives a 50% reduction for Roads, Parks and the line portion of Sewer and Water Fees. As part of this review the City reviewed all City AB 1600 Impact Fees and staff proposes the City reduce all AB 1600 Impact Fees 50% except the City's Flood Control fee. This proposal includes a reduction in all of the following AB 1600 fee categories: Roads, Parks, Police, Fire, Civic Center, Corporation Yard and Library. The City met with the Sutter Butte Flood Control Agency (Agency) and they requested the City not reduce the Flood Control fee. The Agency is currently still pursuing funding to complete the West Feather River Levee Improvement project and a reduction could put into jeopardy grant funding.

<u>Fiscal Impact:</u>

On a multi-family residential project of 10 units the approximate Impact Fee would be $188,390.50, which is a reduction of $13,705 from the current Infill Fee program

<u>Recommendation:</u>

Adopt a resolution expanding the Infill Map, update the City's Infill Impact Fee Definition and expand the 50% reduction fee impact program for Infill Development to include all City AB 1600 Impact Fees excluding the Flood Control Fee

<u>Alternative Recommendations:</u>

1. Expand Infill Map and Infill Impact Fee Definition but do not include the additional AB 1600 Impact Fees

2. Expand the Infill Map to include all properties within the current City limit, update the City's Infill Impact Fee Definition and expand the program to include all City AB 1600 Impact Fees excluding the Flood Control Fee

Attachments

A. Resolution
B. Expanded Infill Boundary Map
C. Multi-Family Infill Impact Fee Calculation

Prepared By:

/s/ Darin Gale
Darin Gale
Economic Growth and Public Affairs

Submitted By:

/s/ Steven C. Kroeger
Steven C. Kroeger
City Manager

Reviewed By:

Finance _/s/RB____

City Attorney _/s/TH__(e-mailed)

RESOLUTION NO. __

A RESOLUTION AUTHORIZING AN EXPANDED INFILL IMPACT FEE DEFINITION FOR RESIDENTIAL MULTI-FAMILY RESIDENTIAL UNITS

WHEREAS, the City Council approved an Infill Impact Fee Definition on October 16, 2007; and,

WHEREAS, the City Council approved an expanded Infill definition on November 18, 2014 to include both single family and multi-family projects and expanded the boundaries of Infill Map to include properties outside the City's former Redevelopment Agency; and,

WHEREAS, Infill development better utilizes existing infrastructure and reduces the need and expense of expanding infrastructure; and

WHEREAS, Infill development minimizes the loss of agricultural land and eliminates unsightly vacant and blighted properties; and

WHEREAS, the Council desires to refine the Infill definition and expand the Infill Map to encourage infill development; and

WHEREAS, the City of Yuba City expects this new definition will result in job retention and new secondary commerce throughout the community as a result of boundaries of the new infill development and construction activity stimulated by the fee reduction.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Yuba City as follows:

SECTION 1.

A. The expanded Infill Map as described in the attached Attachment B is herby adopted.

B. And such projects must meet the following criteria:
    a. The property has readily available access to City utilities
    b. Seventy-Five percent of its adjacent properties are developed
    c. The properties is not within a specific plan (except the Central City Specific Plan) or master plan or is not anticipated to be within a specific plan or master plan per City Council Resolution 05-049
    d. All development and/or reimbursement agreements are properly executed and funded
    e. The property is located within the boundaries of the adopted Infill Map

The foregoing Resolution was duly and regularly introduced, passed and adopted by the City Council of the City of Yuba City at a regular meeting thereof held on the 21st day of July, 2015:

AYES:

NOES:

ABSENT:

____

John Dukes, Mayor

ATTEST

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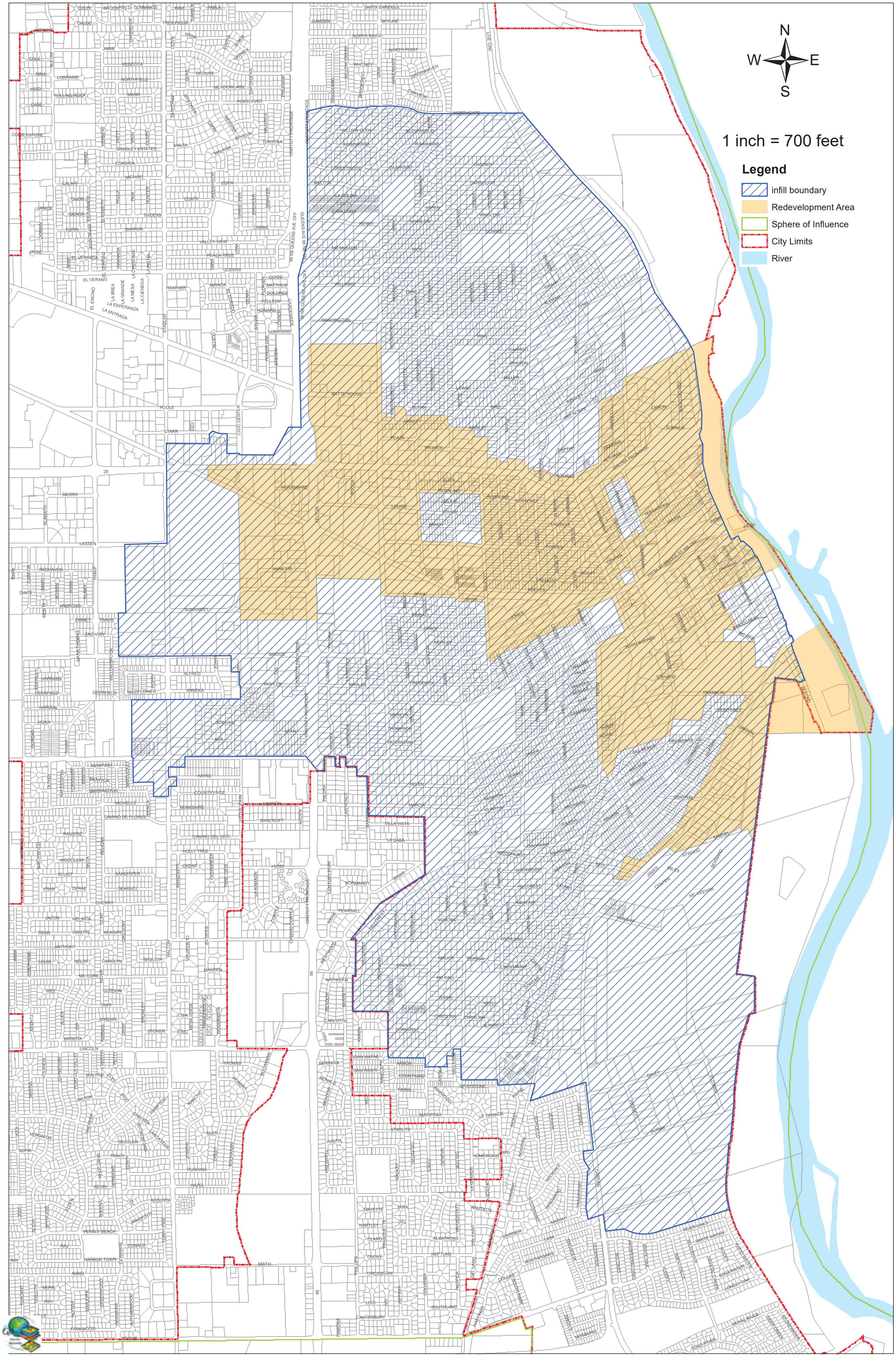
Terrel Locke, City Clerk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ATTACHMENT 6

Greater Sacramento Economic Council Report

“Development Impact Fees: Role in Public Finance and Strategic Considerations”

The Economics of Land Use

Executive Summary

Development Impact Fees: Role in Public Finance and Strategic Considerations

Prepared for:
Greater Sacramento Economic Council

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EPS #192004

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1. Executive Summary

Background

The six-county Sacramento Region is competing for various high-value development prototypes, including research and development (R&D), advanced manufacturing, and headquarter operations. However, concern is increasingly expressed regarding the region's cost structure and its potential to turn-away prospects for growth, investment, and diversification.

Specifically, within the greater Sacramento Region there is a perception that Development Impact Fee (DIF) burdens may be discouraging economic development efforts when trying to attract companies that could bring high-paying employment opportunities or strong economic benefits for the region, such as attracting supporting industries and strong growth in the regional tax bases. To be competitive, the argument goes, the region must work together to determine when fee reductions are warranted by extraordinary economic development opportunities.

DIFs serve an important purpose in ensuring that critical infrastructure and facilities required to serve new development are adequately funded. DIFs are derived through establishing a direct nexus between the amount of a fee, resulting in a DIF proportional to demand for the facility or infrastructure.

DIFs allow public agencies to implement a funding plan to build required infrastructure or facilities needed to serve new development, or as a way to reimburse private parties that stepped forward to over size required infrastructure such that it will benefit other, future projects. DIFs are a "pay-as-you-go" program that incrementally funds the costs of required facilities. On one hand, DIFs provide revenue to support the construction of critical infrastructure and capital facilities that can generate development value, economic development, and quality of life benefits. On the other hand, DIFs are one of many elements of development costs that can influence development feasibility and potentially the pace of new development. In reality, each fee-adopting jurisdiction must weigh the costs and benefits of potential new/increased fee levels in the context of their goals, capital improvement needs, and economic and development dynamics.

Throughout California, there is an increased focus on DIFs and their role in the overall costs of new development. Certainly, DIFs in California tend to be greater on a "per unit" basis in California than in many other regions of the country. As such, they are sometimes looked at as a target for cost reduction scenarios to offset other costs of new development.

The implications of reductions and waivers are discussed in the context of an evaluation looking at the potential for these fees to present barriers to investment and job creation. As discussed, problems often occur when DIFs are contributors to excessive “cost-burden”, where all costs added together are too high relative to asset values. This relative burden varies substantially among suburban and Central City contexts.

This document finally contemplates the potential for regional coordination to address the issue, and provides a foundation for ongoing discussion of key metrics that may be used to identify situations warranting policy steps that may be considered to improve regional competitiveness.

Key Findings

1. ***The Sacramento Region has an opportunity to improve its structural market position as a competitor for high value economic development.*** This outcome relies on not just improving the cost structure of providing infrastructure serving private investment (of which fees are a contributing component), but improving value capture through strategic placemaking. Effective combinations of uses, for example, bring an opportunity to increase asset value. Pairing improved value creation with informed and strategic approaches toward front-end cost reduction, including but not limited to fee reductions, could assist in attracting high value export-oriented[1] firms to the region.

2. ***Robust impact fees are not necessarily a deterrent to growth and investment.*** Investors and developers seek certainty regarding cost expectations, and expect to receive high quality infrastructure supporting their projects, delivered on a timely basis. It is not a coincidence that areas with high levels of growth and investment in the Sacramento Region also have the highest development impact fees.

3. ***Fees should be evaluated both in terms of absolute dollar amount and as a percentage of asset value, with an eye to competing areas.*** High value districts within the Sacramento Region, such as Downtown Sacramento and the Railyards, are able to absorb higher fee levels than areas further from the urban core of the region. In some cases, strategic project delivery changes (e.g., zoning, product type, etc.) can create the additional value needed to bring prevailing fee levels into balance. In yet other cases, there are legitimate reasons to seek ways of reducing community facility requirements, California Environmental Quality Act (CEQA) mitigation risks, and use of other financing mechanisms in order to gain competitive footing relative to competing jurisdictions or regions.

[1] “Export-oriented” refers to “basic” growth and development that brings outside wealth to a community, such as headquarters and advanced manufacturing operations, as opposed to “non-basic” population-serving growth common to all communities.

4. ***Fee reductions, waivers, and deferrals should be evaluated in the context of all front-end costs and conditions confronting a project.*** In some cases, high fees may "tip the balance" contributing to an onerous cost structure. Recalibrating infrastructure funding strategies to provide an optimal blend of tools and techniques can reduce front-end cost implications and better allocate costs among land uses. By working closely together, public- and private-sector forces can use expanded tools and techniques to enhance a project's feasibility. For example, by reducing exposure to risks, the public sector can reduce required private sector rates of return on investment (ROI), in some cases allowing projects to move forward without adjusting fee levels. The following simple example illustrates this dynamic:

Comparison of Project Risk Reduction to Impact Fee Reduction

	Baseline	Reduced Risk	Waived Fee [1]
Asset Value at $350/SF: 10,000 SF Cold Shell:	**$ 3,500,000**	**$ 3,500,000**	**$ 3,500,000**
Development Impact Fees at $10/SF:	$ 100,000	$ 100,000	$ -
Total Cost of Development:	$ 3,600,000	$ 3,600,000	$ 3,500,000
Rate of Return (percent of cost):	**12%**	**10%**	**12%**
Required Developer Return:	$ 432,000	$ 360,000	$ 420,000
Cost + Developer Return:	$ 3,932,000	$ 3,860,000	$ 3,920,000
Change from Baseline:	**$ -**	**$ 72,000**	**$ 12,000**

[1] Illustrates elimination of fee related improvements equivalent to fee amount of $10/SF.

5. ***Fee reductions and waivers for economic development purposes should build on other efforts to improve economics, and should meet very specific criteria.*** Examples might include one or more of the following criteria: 1) represents strategic export-oriented sector bringing outside wealth to the region; 2) delivers livable wages and high employment density; or 3) provides catalytic effect to the extent that regional competitive position is improved. It is recommended that GSEC members convene and discuss these and other potential criteria to the extent that a regional strategic and cooperative agreement is sought.

6. ***To the extent that fees are reduced or waived, substitute funding mechanisms must be found to the extent that growth-serving facilities and infrastructure are still legally required to meet CEQA and/or other growth-related requirements***. Going forward, informed approaches using a blend of infrastructure financing techniques can materially improve feasibility by improving flexibility and reducing front-end cash outlay requirements among developers. Examples may include the use of a one-time Community Facilities District (CFD) special tax, which allows for the assignment of the special tax to land uses based on an agreed-upon allocation

that does not require the nexus findings of a DIF program. Tax increment funding (see #8 below) can also be used to the extent a jurisdiction is willing to forego all or a portion of property tax revenue from new development, potentially affecting existing residents to a greater degree.

7. ***An area completely developed in terms of infrastructure can still require fee payments from new development to reimburse earlier developers or public agencies that were willing to "front" the costs of infrastructure beyond the needs of their respective projects.*** In certain cases, municipalities or pioneering developers may advance fund infrastructure that serves future development. Under these circumstances DIF programs would require reimbursement to the original developer for the infrastructure oversizing. North Natomas in the City of Sacramento is a good example of this dynamic, where the original developers have experienced a prolonged reimbursement period due to slow absorption over time. To the extent that communities are able to better phase infrastructure calibrated to absorption rates, this issue becomes less prevalent.

8. ***Communities in other states have benefited from the use of an expanded range of tools and techniques for improving feasibility not available in California.*** Before the loss of Redevelopment in California in 2012, tax increment was a viable approach to offsetting onerous costs including fees. California is one of two states in the union that does not have a viable tax increment financing option. While Enhanced Infrastructure Financing Districts (EIFDs) are of use in specific circumstances, many cities with lower shares of the 1 percent ad valorem property tax derive little benefit without the involvement of the host county's share of property taxes, which has proven to be a rare circumstance. Moreover, due to the limitations of Proposition 13, California cities do not have the same options as others in terms of increasing property tax rates to overcome the loss of impact fee revenue.

9. ***Addressing DIF escalation also relies on calibrating regulatory, infrastructure, and other community amenities without harming community quality of life—a factor important to maintaining asset values.*** In areas where cost escalation outpaces home price appreciation, additional pressure is exerted on infrastructure financing capacity and residual land values. Under these pressures, public agencies often prioritize their infrastructure needs into the following categories: a) urgent infrastructure and facility needs (Regulatory Compliance), b) critical (but not urgent) infrastructure and facility needs (Community Facilities), and c) desirable infrastructure and facility needs (Other Community Amenities). Factors such as regulatory reform (e.g., CEQA reform) and careful evaluations to "right size" community facilities/amenities are avenues toward controlling the escalation of DIF amounts.

Impact Fee Incentive and Implementation

Various local jurisdictions have developed impact fee incentives or implementation considerations to help mitigate potential financial impacts of fee programs. These programs include the reduction of impact fees for certain land uses in order to incentivize their development, delayed implementation of impact fees, impact fee deferrals, and fee financing programs. These are not the only such programs, but they are most commonly used. Below is a brief discussion of each.

- **Reduction of Impact Fees for Certain Land Uses**. A jurisdiction may adopt impact fees at a lower rate than the maximum justified fees for certain land uses. This reduces the total amount of impact fee revenue that can be collected to fund required infrastructure. Any jurisdiction reducing impact fees to a lesser amount than the maximum justified impact fee should identify other revenues of the jurisdiction that will be used to fill the funding gap for required infrastructure.

- **Delayed or Phased Implementation of an Impact Fee**. In delaying or phasing impact fees, it helps to reduce development costs early in the development process. Again, this reduces the total amount of impact fee revenue that can be collected to fund required infrastructure and must be funded from other sources of the jurisdiction.

- **Impact Fee Deferrals**. Impact fee deferrals allow the developer to pay the maximum justified impact fee at a later point in the development process. Most impact fees are collected at the time a building permit is issued. By deferring the collection to a latter stage of development, such as the certificate of occupancy, it allows the developer to potentially reduce financing costs. And since the maximum justified impact fee is paid to the jurisdiction, required infrastructure remain fully funded.

- **Fee Financing Programs**. Developers may choose to use land-secured public financing to either fund the cost of constructing required infrastructure or to pay the impact fees. This allows a developer to build the required infrastructure required of the impact fee program or to fund eligible fee payments via tax-exempt debt with debt service payments assumed by the purchaser of finished real estate products.

Recommendations for Consideration

Based on the conclusions of this report, it is recommended that GSEC membership convene to discuss common interests and criteria by which regional coordination addresses cost competitiveness while still delivering quality infrastructure and public services. Efforts should be focused on pursuing the following regional guidelines.

1. **Identify community's strategic position within the region**. All jurisdictions inevitably have competing goals and interests regarding economic development targets. However, each jurisdiction has a unique competitive profile within the region among various industry targets. A reginal effort to identify the regionally strategic position and related development goals among key industry targets could be a helpful step toward reducing duplicative efforts.

2. **Identify target areas for economic development efforts and evaluate cost burden constraints**. After identifying an area's competitive position, further evaluate specific locations having potential to accommodate related growth. In these areas, assess feasibility parameters to determine whether up-front cost burdens, including DIFs, are a barrier to major investments related to key sectors and/or specific projects.

3. **Set standards to measure effectiveness of economic development efforts**. Where there is a strong prospect for industry attraction based on strategic position, along with evidence that up-front costs may be a barrier, further evaluate the extent to which a given industry or deal prospect brings extraordinary benefits warranting public policy action. As discussed below, targeted new development should bring to each community desired economic benefits that are measurable, such as creation of high-wage jobs and/or other extraordinary local and regional benefits. These outcomes should be identified as a means of determining whether consideration should be given to reduction or waiving of DIFs.

4. **Attempt to reduce upfront costs of development**. As warranted, invest public funds to reduce up front development costs in targeted development areas.

Discussion Topics

A regional collaborative effort can improve the standing of the regional economy for development and job-producing interests, but it must be predicated on further discussions among stakeholders allowing a subsequent series of actions to be formulated. The following topics should be addressed in ongoing discussions to define a future course of action among individual jurisdictions and the region as a whole:

1. What key uses are important to the growth and diversification of the regional economic base?
2. Are there projects that are “on the margin” economically that would proceed as a result of informed public policy adjustments, including the reduction or waiver of development impact fees in certain cases?
3. Can ongoing market trends resolve feasibility issues without intervention? Put otherwise, can innovative combinations of uses, based on best practices in zoning and other policy requirements, improve feasibility outside of changes to the DIF structure?
4. Should there be a formulaic approach for identifying projects warranting “economic development” fee levels based on various criteria?
5. What cost-burden reduction strategies and funding sources are likely to be most effective in pursuing improved economic development “capture” across the six-County Sacramento Region?

Stakeholder input on these and related topics will be an initial step toward formulating potential approaches to improving feasibility prospects for highly sought after uses, benefitting individual jurisdictions and the region as a whole.