

CITY OF YUBA CITY
STAFF REPORT

Date: March 17, 2020

To: Honorable Mayor & Members of the City Council

From: Public Works and Development Services Departments

Presentation by: Diana Langley, Acting City Manager
Ben Moody, Development Services Department

Summary

Subject: Reduction of Development Impact Fees and Adoption of an Overhead Utility Policy

Recommendation: A. Adopt a Resolution authorizing that the current Development Impact Fees, including Water and Wastewater Connection Fees and Extension Fees, be reduced to match the current Infill Development Impact Fees

B. Adopt a Resolution adopting an Overhead Utility Policy and associated CEQA

Fiscal Impact: By reducing the Development Impact Fees and adopting an Overhead Utility Policy it is anticipated that the City will see an increase in development, thereby increasing revenues to the City.

Purpose:

Evaluate the City's Development Impact Fees and requirements for undergrounding existing overhead utilities in an effort to increase development within the City.

Background:

City Council held a special workshop on December 2, 2019, to discuss the City's Development Impact Fees (Impact Fees). Based on the discussion, on December 19, 2019, staff recommended and Council approved to:

- Freeze Impact Fees at the current level; and
- Form an Ad Hoc Development Impact Fee Committee comprised of two Councilmembers, staff, and representatives from Yuba City Unified School District, Sutter County, and the builder/developer community, as needed

The Development Impact Ad Hoc Committee (Committee) is comprised of Vice Mayor Marc Boomgaarden, Councilman Shaw, Holly Shackelford of Interwest Homes, Kurt Hilbers of Hilbers, Inc., Charly Bates of Home Town Lenders, Sean Minard of MHM, Inc., and staff. The Committee has met three times to identify short-term, mid-range, and long-term objectives to facilitate development in Yuba City. Items discussed to date include:

- Undergrounding of overhead utilities
 - Evaluated a map showing arterial and collector roadways with existing overhead utilities
 - Surveyed other agencies and potential policy options
- Development Fees
 - Reviewed a summary of all development fees, including applicable fees for outside agencies
- Infill Development Fees
 - Evaluated maps showing roadways requiring improvements, existing parks, water lines, and sewer lines to compare those areas to the existing designated Infill Impact Fee area
- Infrastructure Financing
 - Reviewed information related to the California Infrastructure and Economic Development Bank (IBank), Statewide Community Infrastructure Program (SCIP), and Bond Opportunities for Land Development (BOLD) Program

Two short-term objectives were quickly identified:

1. Reduce the City's Development Impact Fees

In reviewing the data and listening to the builder/developer representatives on the Committee, it became clear that the City's Development Impact Fees are a deterrent to development. Surrounding agencies have much lower fees and development is occurring in those communities. It was also recognized that land costs play a large factor in the cost of development, with land costs in Yuba City typically being higher than surrounding agencies.

After reviewing the various maps showing existing infrastructure versus the existing Infill Impact Fee area and the current City Limits, the Committee is recommending to reduce the City's Development Impact Fees city-wide, including the pipeline portion of the water and wastewater connection fees and extension fees, throughout the existing City Limits. It is recommended to reduce the fees to match the current Infill Impact fees. Locations within the City that do not have existing infrastructure will still be required to build the necessary infrastructure.

2. Create an Overhead Utility Policy

The City's Municipal Code provides direction on placement of new utilities associated with a subdivision. Section 8-2.1415(b) of the City's Municipal Code states, "All utility distribution facilities shall be placed underground, except as otherwise provided in Section 8-2.1511." Section 8-2.1511 states, "All new utility facilities (including, but not limited to, electric, communication, and cable television lines) extended to and installed within any new subdivision shall be placed underground."

However, the Municipal Code does not provide direction on how to address existing overhead utilities. Past practice has been to require all projects, through the entitlement process, to underground existing overhead utilities, with few exceptions where projects have paid an in-lieu fee. The cost to underground existing overhead utilities is expensive. Typical costs are \$1,000-\$1,100 per lineal foot if included as part of a City Rule 20A project, or \$850 per lineal foot if completed by the private sector.

After surveying several cities of similar size and economies to determine their policies on requiring the undergrounding of overhead utilities, it was determined that all of the cities require the undergrounding of new utilities as part of a subdivision, and most of the agencies have provisions to evaluate other projects on a case-by-case basis to determine if the undergrounding of existing overhead utilities makes sense.

Analysis:

Reduction of Development Impact Fees:

The Committee recommends reducing the City’s Development Impact Fees city-wide, including the pipeline portion of water and wastewater connection fees and extension fees, throughout the existing City Limits to match the currently-adopted Infill Impact Fees. Table 1 provides a comparison of the fees.

Table 1: Comparison of Development Impact Fees to Infill Impact Fees

Land Use	Development Impact Fees	Infill Impact Fees
Single Family (per unit)	\$25,615.08	\$13,102.56
Duplex (per unit)	\$25,066.68	\$12,817.70
Multi-Family (per unit)	\$16,800.19	\$8,595.96
Mobile Home (per unit)	\$15,891.22	\$8,127.72
Office (per sq. ft.)	\$4.04	\$3.73
Commercial (per sq. ft.)	\$10.47	\$5.34
Industrial (per sq. ft.)	\$0.75	\$0.75

As seen in Table 1, the Infill Impact Fees are half of the Development Impact Fees for the residential and commercial uses, slightly less for office uses, and the same for industrial uses. When the Development 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, when determining an infill impact fee, it was decided 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, when calculating the infill impact fee, it was decided that a reduction in the general facilities and pipeline portion of the water and wastewater connection fees would apply.

Water and wastewater connection fees are broken down 80.6% treatment and 19.4% pipeline for water and 60% treatment and 40% pipeline for wastewater. Over the years, improvements have been constructed at the treatment plants to expand the capacity to serve new development. The City is paying debt service payments on loans that were obtained to pay for the improvements. Therefore, staff recommends collecting the full treatment portion of the connection fees. The pipeline portion of the fee pays for the large water transmission mains and wastewater collection lines that provide the backbone pipeline network. The City is currently in the process of finalizing the update of the Water and Wastewater Master Plans. With water conservation requirements enacted over the last few years, the pipelines required to serve new development are not as large as previously anticipated. Staff is recommending reducing the pipeline portion of the connection fees 50% until new connection fees can be determined upon completion of the Master Plans.

Water and wastewater extension fees pay for the smaller water and wastewater lines required to serve properties. These are typically the lines in residential and collector streets. Staff is recommending to reduce extension fees 50% as well. The exception to this is if there is an active Reimbursement Agreement.

Overhead Utility Policy:

A proposed Overhead Utility Policy is provided as Attachment B. Rather than requiring that all projects underground existing overhead utilities, it is proposed that projects may address overhead utilities in other ways such as:

- Relocation of the poles and/or facilities to meet roadway design and other applicable standards
- Complementary or shielding landscaping, masonry walls, or other aesthetic or structural enhancements
- Payment of an in-lieu fee

Should a project developer choose overhead utility improvement alternatives, in-lieu of undergrounding, it is proposed that the cost of alternatives to undergrounding not be less than 25% of the estimated undergrounding cost for the project. If a Developer chooses an alternative cost option but is unable to meet the minimum 25%, the Developer may choose to donate any shortfall of this amount to the City for the City's discretionary use of undergrounding or relocating utilities at priority locations, or for other aesthetic enhancements throughout the city. The estimated underground cost shall be based on \$850 per lineal foot, indexed annually.

Example:

- Project Frontage = 1,000 feet
- Estimated Cost to Underground the Overhead Utilities = 1,000 feet x \$850/foot = \$850,000
- Minimum Amount That Must be Spent per Policy = \$850,000 x 25% = \$212,500
 - Scenario 1: Developer elects to relocate the poles at a cost of \$175,000
 - Developer may enhance the landscaping or block wall or pay the City an enhancement fee of \$37,500 to total the minimum amount of \$212,500
 - Scenario 2: Developer elects to relocate the poles at a cost of \$300,00
 - Developer has fulfilled its obligation and is not required to do anything more for overhead utilities

Any funds received that are associated with the utility undergrounding alternatives will be placed in a designated account, separate from the General Fund, for City Council to determine how the funds should be spent. Potential options include to utilize the funds to supplement PG&E Rule 20A funds to underground overhead utilities along desired corridors, underground service lines crossing major arterials to reduce the visual crossings, enhance landscaping along key corridors, etc.

Fiscal Impact:

By reducing the Development Impact Fees and adopting an Overhead Utility Policy it is anticipated that the City will see an increase in development, thereby increasing revenues to the City.

In reviewing the City's AB 1600 Study which established the Fees, the Committee is recommending that the AB 1600 Study be updated as part of a long-term objective to re-evaluate the need for all of the facilities identified to accommodate the buildout of the City's General Plan. This could result in lower Development Impact Fees for the City long-term.

Alternatives:

1. Maintain existing Development Impact Fees
2. Modify the reduction amount of the Development Impact Fees
3. Require undergrounding of all overhead utilities
4. Modify the Overhead Utility Policy

Recommendation:

- A. Adopt a resolution authorizing that the current Development Impact Fees, including Water and Wastewater Connection Fees and Extension Fees, be reduced to match the current Infill Development Impact Fees
- B. Adopt a resolution adopting an Overhead Utility Policy

Attachments:

- A. Resolution – Reduce Development Impact Fees, including Water and Wastewater Connection Fees and Extension Fees
- B. Resolution – Overhead Utility Policy (including the Overhead Utility Policy)

Prepared and Submitted by:

/s/ Diana Langley

Diana Langley
Acting City Manager

Reviewed by:

Finance

SM

City Attorney

SLC by email

ATTACHMENT A

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
AUTHORIZING THE REDUCTION OF DEVELOPMENT IMPACT FEES, INCLUDING THE
PIPELINE PORTION OF WATER AND WASTEWATER CONNECTION FEES AND WATER
AND WASTEWATER EXTENSION FEES**

WHEREAS, the City Council of Yuba City has adopted Ordinance No.1100 creating and establishing authority for imposing and charging a Development Impact Fee within the City;

WHEREAS, the City Council on June 18, 1990, adopted Resolution No. 90-118 establishing a Development Impact Fee within the City to finance those public facilities required by new development as identified in the Yuba City Urban Area General Plan and various studies and reports;

WHEREAS, the City, together with Sutter County, previously conducted and adopted a study to determine the development impact fees to finance the public facilities necessitated by new development. Said study was entitled AB 1600 Fee Justification Study, County of Sutter, City of Yuba City, dated August 18, 1995 (updated Feb. 2001) ("1995 Fee Study");

WHEREAS, the City Council of the City of Yuba City on February 4, 1997, adopted Resolution No. 97-011 establishing a Development Impact Fee within the City to finance those public facilities required by new development as identified in the Yuba City Urban Area General Plan ("Plan") and various studies and reports; and

WHEREAS, in 2001 the 1995 Fee Study was updated and on May 22, 2001 the City Council adopted Resolution No. 01-063 which established new development impact fees;

WHEREAS, in 2004 the 1995 Fee Study was updated and on August 17, 2004, the City Council adopted Resolution No. 04-129 which established new development impact fees;

WHEREAS, in 2007 the Fee Study was updated and on October 16, 2007 the City Council adopted Resolution 07-101 which established new development impact fees through the preparation of an AB 1600 study. Said study, entitled "Yuba City Update of the AB 1600 Fee Justification Study: dated October 10, 2007 ("Study") is on file with the City Clerk of the City of Yuba City; and

WHEREAS, in 2008 the Nation and region experienced a protracted economic downturn known as "the Great Recession"; and

WHEREAS, on January 20, 2009, the City Council adopted Resolution No. 09-001 amending Resolution 04-129 establishing a Development Impact Fee for all developments within the City;

WHEREAS, despite development having long since recovered in other jurisdictions after the recession, development in Yuba City has remained stagnant; and

WHEREAS, on December 17, 2019, the City Council adopted Resolution No. 19-121 authorizing that current Development Impact Fees, including Water and Wastewater Connection Fees, remain in effect until otherwise modified by Council;

WHEREAS, on December 17, 2019, a Development Impact Fee Ad Hoc Committee was formed to evaluate Development Impact Fees and other items impacting development;

WHEREAS, the Development Impact Fee Ad Hoc Committee recommends that Development Impact Fees be reduced to match the currently-adopted Infill Impact Fees; and

WHEREAS, the City Council desires to reduce the development fees to address this issue.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF YUBA CITY DOES RESOLVE AS FOLLOWS:

1. The City Council finds that the reduction of funds will be used for a public purpose such as:
 - a. Increase in housing stock;
 - b. Economic stimulation of the local economy;
 - c. Anticipated resulting increases in property tax and sales tax revenue to the City from new development; and
 - d. Job growth from construction of new development as well as that associated with ongoing operations of commercial and industrial businesses.

2. The existing Development Impact Fees in effect, including Water Connection and Extension Fees, and Wastewater Connection and Extension Fees, shall be reduced to match the currently-adopted Infill Impact Fees.

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 17th day of March, 2020.

AYES:

NOES:

ABSENT:

Shon Harris, Mayor

ATTEST:

Patricia Buckland, City Clerk

APPROVED AS TO FORM
COUNSEL FOR YUBA CITY

Shannon L. Chaffin, City Attorney
Aleshire & Wynder, LLP

ATTACHMENT B

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF YUBA CITY
ADOPTING GUIDELINES FOR AN OVERHEAD UTILITY POLICY**

WHEREAS, the City Council of the City of Yuba City recognizes the importance of mitigating existing overhead utilities by providing developers with a variety of options while maintaining consistency; and

WHEREAS, to ensure that a policy is set establishing parameters for the mitigation of overhead utilities.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF YUBA CITY DOES RESOLVE AS FOLLOWS:

1. Pursuant to CEQA Guidelines Section 15064(b)(3), the City Council determines that there is no possibility this project may have a significant impact on the environment as the policy reflects the current built environment for utilities within the City. Therefore, the project is not subject to CEQA.
2. The City Council approves the attached Overhead Utility Policy.

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 17th day of March, 2020.

AYES:

NOES:

ABSENT:

Shon Harris, Mayor

ATTEST:

Patricia Buckland, City Clerk

APPROVED AS TO FORM
COUNSEL FOR YUBA CITY

Shannon L. Chaffin, City Attorney
Aleshire & Wynder, LLP

Attachment: Overhead Utility Policy



City of Yuba City Overhead Utility Policy

March 17, 2020

Purpose:

The purpose of this policy is to establish guidelines, criteria, and requirements for the improvement of overhead utilities within the City and Sphere of Influence. It is the ultimate goal of the City to encourage the growth of the City while maintaining a high standard for the appearance and function of its right-of-way, especially for roadway arterials and collectors. The City has determined that a primary means of improving the appearance and functionality of said roadways is through implementing overhead utility improvements and/or through the undergrounding of proposed and existing overhead utility structures with development and redevelopment projects; however, the City also recognizes the financial burden of implementing utility improvements and undergrounding. This policy intends to balance the needs of the City's development community with the goals and aims of the City. This policy does not supersede Municipal Code Section 8-2.1511.

Policy:

All proposed and existing: poles, overhead wires, associated overhead utility structures, and/or services, within the property boundaries or along the entire property frontages of proposed developed property, shall be constructed by the developer to improve the function and appearance of the City right-of-way, up to and including the undergrounding of utilities. This shall be required as a condition to development for non-ministerial developments.

Options for Utilities:

During the development review process, staff shall recommend the level and requirements to improve the function and appearance of overhead utilities, to ensure conformance with roadway design standards and reducing visual blight. Any alternative to undergrounding must not create a situation hazardous to the health, safety, and welfare of the general public nor limit any mode of transportation. Any combination of alternative options listed below will be required for approval through the City's approving authority as established in the Municipal Code. Options are as follows:

1. Overhead Utility:

The majority of development projects will require a combination of the following measures as an alternative to undergrounding utilities unless exempted by the approving authority for the City:

- Relocation of the poles and/or facilities to meet roadway design and other applicable standards.
- Undergrounding of all new utility services, including associated transformers or other equipment, as approved by the City.
- Complementary or shielding landscaping, masonry walls, or other aesthetic or structural enhancements.
- Bundling and consolidating of existing and added infrastructure.
- Modified limits of undergrounding along property frontages.
- No additional poles or service lines along newly constructed roadways.

- Alternative phasing or timing of the utility undergrounding in order to make construction more feasible or affordable.
- Payment of an in-lieu fee equal to the full cost of constructing the developer's share of the utility undergrounding improvements adjacent to the property.

If a Developer chooses an alternative cost option but is unable to meet a minimum 25% of the determined undergrounding cost for the project, the Developer may choose to donate any shortfall of this amount to the City for the City's discretionary use of undergrounding or relocating utilities at priority locations, or for other aesthetic enhancements throughout the city, including but not limited to enhanced landscaping, public art, and signage. Any amounts so donated shall be deemed to be counted toward the 25% minimum cost. The Director of the Development Services Department is authorized to accept any such donation on behalf of the City, or to deny any portion thereof if the Director determines that the funds can reasonably be spent by the Developer to meet the minimum 25% requirement under an alternative cost option.

The cost of undergrounding utilities shall be estimated at \$850 per lineal foot at the time of adoption of this policy, and indexed annually each year per the ENR Construction Cost Index 20 City Average, calculated from April to April, with a recurring five-year review of the base cost estimate.

Proof of valuation and cost analysis must be submitted to the City for review and approval.

2. Undergrounding:

The City may require undergrounding of utilities for:

- Projects that require a development plan, specific plan, or master plan.
- Projects that are adjacent to the "Streets Requiring Undergrounding" in the section below.
- Projects within any current or future established undergrounding district.

3. Complete Exemption:

- Complete exemption from the utility requirement. This option shall be reserved only for cases where undergrounding or overhead utility alternatives have been determined to be unsafe or infeasible.

Streets Requiring Undergrounding:

All new roadways constructed after the time of approval of this policy must have utilities undergrounded, including all distribution and service lines.

Developments adjacent to established undergrounding districts and/or future undergrounding districts have been determined by the City Council to be ineligible for exemptions or deferrals from undergrounding, unless otherwise authorized by the City Council. However, if undergrounding has been determined to be unsafe, infeasible, or must be used for the

transmission of electric energy in excess of 26,000 volts, exemption or deferral may be considered during the approval process.

Construction:

Once the appropriate City authority has approved the requirements for the installation of utilities, the developer must meet the following requirements during construction:

- Unless otherwise agreed to by the affected public utilities and the developer, the cost of installing such utilities shall be borne by the developer.
- Existing utility improvements shall be updated in conformance with this Policy and the City's standards in effect at the time of construction, including any requirements that the affected public utilities may have. Satisfactory construction will be determined by the Public Works Director or designee.
- Prior to commencing the work, the developer shall obtain any necessary permits from the City, including encroachment and/or building permits.
- If, for various reasons, it has been deemed necessary to extend the installation of utilities beyond the project limits, the developer may be partially or fully reimbursed from future development for the costs associated with such extensions.