

CAPACITY FEE DEFERRAL PROGRAM

Currently the owner/s or developer/s of lands within the service area of the City and/or the Municipal Improvement District No. 1 are required to pay a capacity charge, prior to the issuance of a permit, to connect any portion of the property to the sanitary sewer works or water system. The purpose of the capacity charge is to assure that there will be sufficient funding for improvements to the District sanitary sewer works or City water system as necessitated by increased flows of water and/or wastewater resulting from new connections.

However, in order to stimulate economic development within the city, the City Council wishes to instate a temporary Capacity Fee Deferral Program. Rather than paying capacity fees at the time a building permit is issued, developers may elect to defer a portion of those fees. It is proposed that the Deferral Program be instated for an initial period of two years and renewed for additional two year periods at the discretion of Council.

ELIGIBLE FEES

The following capacity fees are eligible for deferral:

- Water system capacity fees
- Wastewater system capacity fees

FINANCING

Two-year program – to be eligible for this program, the total qualified capacity fees must be over \$15,000 but less than \$100,000.

- Down payment – 20% of qualifying fees, plus all other fees due at time of permit issuance.
- Payment schedule – two equal annual installments, plus interest calculated on the unpaid principal.

Three-year program – to be eligible for this program, the total qualified capacity fees must be \$100,000 or greater.

- Down payment – 10% of qualifying fees, plus all other fees due at time of permit issuance.
- Payment schedule – three equal annual installments, plus interest calculated on the unpaid principal.

The rate of interest shall be equal to the Local Area Investment Fund (LAIF) published rate of interest at the time the Fee Deferral Agreement is signed.

APPROVAL PROCESS

Developers who wish to participate in the program must submit an application to the Community Development Department. If approved, the City will defer fees after the Developer has entered into a Fee Deferral Agreement. The City will not enter into a Fee Deferral Agreement until the developer has paid all non-city controlled fees due as well as the required down payment.

To participate in the fee-deferral program, a development project must satisfy the following requirements:

1. The property shall be located on property within the City of Fort Bragg.
2. The project shall have received the final discretionary approval by the City Council, Planning Commission, or staff as appropriate.
3. The project shall have undergone all required environmental review and shall be in compliance with all requirements established by the environmental document prepared for the project.
4. All conditions of approval, as applicable at the time of permit issuance shall have been met.
5. All payments of taxes and assessments on the property on which the project is located shall be current.
6. The applicant shall have no unpaid balances due to the City for the project or any other project or purpose.
7. The applicant and/or his, her or its partners and affiliates shall have been deemed by the City to present a low risk of non-payment of fees. The City may require the applicant to provide a risk assessment from a qualified and independent third party at the applicant's sole cost. Additionally the City may review criteria such as (but not limited to) applicant foreclosure history, bankruptcy filings, and civil judgments in making a determination of low risk.
8. All fees imposed by a government agency other than the City either shall have been paid or shall have been the subject of a fee deferral agreement between the applicant and the agency imposing the fees.
9. To ensure payment of deferred fees, the City will require, as security, a lien against the project property or another security instrument mutually agreed upon by both the City and Developer.

SCENARIO

As an example of implementation of this type of financing, one might envisage a new development of a retail/grocery store in the City. The Water system capacity fees for the project are calculated at \$66,000 and the Wastewater system capacity fees are calculated at \$90,000; total capacity fees equal \$156,000. The developer submits an application to the City and after meeting all of the requirements of the program the two parties enter into a fee deferral agreement. The developer makes an initial payment equal to 20% of the total capacity fees due which equals \$31,200 leaving a balance of \$124,800. The remaining fees are paid in three equal annual payments of \$41,600 each plus interest. The LAIF rate of interest at the time the agreement is completed is 2%. Using a rate of 2%, interest across the life of the deferral equals \$4,992.

STAFF CONTACT