



AGENCY: City Council/MID
 MEETING DATE: November 8, 2021
 DEPARTMENT: City Manager
 PRESENTED BY: Tabatha Miller
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AGENDA ITEM SUMMARY

TITLE:

Receive Report and Consider Adoption of City Council Resolution Waiving Water Capacity Fees and Fort Bragg Municipal Improvement District No. 1 Resolution Waiving Wastewater Capacity Fees for Restaurants, Cafes and Coffee Shop Businesses in the Central Business District

ISSUE:

Staff sought direction from the City Council on Utility Capacity Fee Waiver/Deferral programs in September of 2019. The Council established a program to allow for [deferral of capacity fees associated with housing](#). Deferral of Development Impact Fees (AKA Capacity fees) is codified in the Fort Bragg Municipal Code Section 15.36 (Attachment 1 and hyperlinked above). Such fees can be deferred up to three years, depending on the amount of fees and the project.

At that meeting, staff polled the Council on whether or not there was interest in expanding a Capacity Fee Deferral/Waiver program beyond housing projects in an effort to encourage or assist development in certain areas or industries. Those proposed options included using a deferral or waiver program in the Central Business District (CBD) to attract new businesses and to encourage the installation of sprinklers. At that time, the Council was not inclined to extend the program for deferral or waiver to commercial development.

At the April 14, 2021 Finance and Administration Committee meeting, the Committee recommended that the City Council adopt a temporary waiver of water and wastewater capacity fees for restaurant and food service businesses locating in the Central Business District for a two-year period. The Committee also recommended discounting water and wastewater capacity fees by twenty-five percent (25%) in all other zoning districts in the City limits for a two-year period.

ANALYSIS:

Capacity fees are one-time charges applied to new development and expansion to ensure there is sufficient funding for improvements to City infrastructure necessitated by the increased demands/flows to service the needs of development. Capacity fees received by the City are generally accumulated over years and then used to pay for projects.

ACCUMULATED CAPACITY FEES

FUND	BALANCE 6-30-21
Water	\$ 577,576
Sewer	\$ 699,092

ANNUAL CAPACITY FEE REVENUES

Fiscal Year	WATER			SEWER		
	Residential	Commercial	Total	Residential	Commercial	Total
2021	\$ 340,560.92	\$ -	\$ 340,560.92	\$ 302,980.09	\$ 6,466.07	\$ 309,446.16
2020	3,843.50	3,843.50	7,687.00	21,840.00	4,454.65	26,294.65
2019	16,463.14	2,632.07	19,095.21	19,721.17	2,099.12	21,820.29
2018	4,483.92	15,053.20	19,537.12	3,523.60	16,045.27	19,568.87
2017	20,241.73	5,125.66	25,367.39	6,672.84	11,068.11	17,740.95
2016	42,099.24	83,923.26	126,022.50	20,811.02	950.98	21,762.00
2015	(433.04)	56,069.82	55,636.78	2,232.87	19,397.22	21,630.09
7 Year Total	\$ 427,259.41	\$ 166,647.51	\$ 593,906.92	\$ 377,781.59	\$ 60,481.42	\$ 438,263.01
Average/ Year	\$ 61,037.06	\$ 23,806.79	\$ 84,843.85	\$ 53,968.80	\$ 8,640.20	62,609.00

In addition to capacity fees, the City’s water and wastewater (sewer) rate structures are built to accumulate funding for future capital projects. In the last couple of years, both water and sewer rates have annually collected more than \$1 million each for capital reserves. This is by far the primary source of non-grant funding used for utility capital projects. In contrast, after many years of accumulation, water and sewer capacity fee balances are much lower.

The current discussion on providing assistance with capacity fees is part of the City’s focus on economic development for the CBD. During the pandemic and Stay at Home Orders, small businesses, particularly those deemed “not essential” were the hardest hit by the economic shutdown. Many of those small unique businesses are located in the CBD and are part of what attracts visitors to Fort Bragg and encourages them to get out of their cars and spend dollars here. Restaurants, bakeries, bars, and other food and drink establishments are often cited as creating pedestrian traffic for downtown districts, malls and other shopping centers or areas. Similar to “anchor stores” these businesses become a destination for customers who will often patronize other stores or businesses once they are out of their cars or are in the area. These types of businesses in certain locations can also be a mainstay of tourism.

The lack of food and drink businesses in the Central Business District (CBD), particularly on Franklin Street, has been cited as a contributing factor to the increase in vacant buildings. This lack has also been blamed as partially responsible for the limited hours of operation in the CBD, which in turn reduces the pedestrian traffic. Even if these claims lack concrete evidence, the presence of busy restaurants, coffee shops, and eateries in historical and unique downtowns and communities is a tried and true way to get folks out of cars and into shops and local businesses.

For food service businesses, capacity fees are often cited as the reason these new businesses are not able to financially make a new business viable. If a food service business is occupying a space previously used as a restaurant, then the capacity fees have likely

been paid for that space and there is no intensification of use that would trigger additional fees due. However, if the space has not been used in a more water/sewer intensive manner, such as a restaurant, a new food service business would trigger the additional capacity fees. These fees can be as high as \$50,000, and more often than not, make the business financially unfeasible.

Staff recommends temporarily waiving Capacity Fees in the Central Business District for Restaurants, Cafes, and Coffee Shops as defined in the Inland Land Use & Development Code. Staff does not recommend reducing fees for Restaurants, Cafes, and Coffee Shops outside of the CBD because there is not sufficient benefit or policy justification for that action.

RECOMMENDED ACTION(S):

Separately adopt the following Resolutions:

1. Fort Bragg City Council Resolution waiving Water Capacity Fees for Restaurants, Cafes, and Coffee Shops in the Central Business District Zoning District.
2. Fort Bragg Municipal Improvement District No. 1 Resolution waiving Wastewater Capacity Fees for Restaurants, Cafes, and Coffee Shops in the Central Business District Zoning District.

ALTERNATIVE ACTION(S):

1. Modify the proposed Resolutions before adoption;
2. Reschedule approval of one or both of the Resolution(s) pending further input or staff information.

FISCAL IMPACT:

The impact of waiving capacity fees for restaurant, café, and coffee shop businesses in the CBD is unknown but should have a positive effect on new businesses and City sales tax revenue. Water and Wastewater Fund Capacity Fees may be decreased in situations where the business model supported payment of the waived fees.

GREENHOUSE GAS EMISSIONS IMPACT:

Adoption of a Resolution temporarily waiving capacity fees may in the short term increase development of restaurants but the impact would be minimal.

CONSISTENCY:

The City's current Inland General Plan provides support for encouraging new businesses, specifically restaurants in the Central Business District.

Policies and Goals from the City's General Plan include:

Policy LU-3.1 Central Business District: *Retain and enhance the small-scale, pedestrian friendly, and historic character of the Central Business District (CBD).*

Policy LU-3.2 Mixed Uses: *Support mixed use development (i.e., a combination of residential and commercial uses) in the Central Business District that does not conflict with the primary retail function of this area.*

Policy LU-3.4 Encourage Infill Development: *Encourage infill development of vacant*

and underdeveloped land in the Central Business District and adjacent commercial areas before amending the Inland General Plan and rezoning to obtain additional commercial land elsewhere.

Policy LU-3.6 Re-Use of Existing Buildings: *Encourage the adaptive re-use and more complete utilization of buildings in the Central Business District and other commercial districts.*

Policy C-5.1 Community Priorities for Transportation Improvements: *Place a higher priority on maintaining a sense of place and enhancing the attractiveness of the Central Business District than on efficient traffic flow and movement.*

Policy CD-2.1 Adaptive Reuse: *Facilitate the adaptive reuse of existing older buildings in the Central Business District.*

Policy CD-2.2 Pedestrian Activity: *Encourage increased pedestrian movement and activity in the Central Business District.*

Policy CD-2.3 Economic Vitality: *Continue to support the economic diversity and vitality of downtown businesses.*

Policy CD-2.5 Strengthen the Distinctive Identity of the Central Business District: *Strengthen the distinctive identity and unique sense of place of the Central Business District.*

Policy CD-6.1 Protect and Preserve Buildings and Sites with Historic and Cultural Significance to the Community.

IMPLEMENTATION/TIMEFRAMES:

The proposed resolutions will be effective immediately upon adoption on November 8, 2021 and will remain in place until November 8, 2023 unless rescinded by the City Council.

ATTACHMENTS:

1. Fort Bragg Municipal Code Chapter 15.36 – Deferral of Development Impact Fees
2. Proposed City Council Resolution Waiving Water Capacity Fees
3. Proposed Municipal Improvement District No. 1 Resolution Waiving Wastewater Fees

NOTIFICATION:

1. Economic Development Planning, **Notify Me subscriber list**
2. Fort Bragg Downtown Businesses, **Notify Me subscriber list**
3. Tourism and Marketing, **Notify Me subscriber list**