



CITY OF FORT BRAGG

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COUNCIL COMMITTEE ITEM SUMMARY REPORT

MEETING DATE: June 21, 2022
TO: Finance and Administration Committee
FROM: David Spaur
AGENDA ITEM TITLE: Receive City Manager's Report Regarding Waiving Water and Wastewater Capacity Fees for Businesses in the Central Business District

BACKGROUND AND OVERVIEW:

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](#). 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. Two 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 provide funding for the increased need for City infrastructure impacted by the service

needs of new 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 retail establishments are often cited as creating pedestrian traffic for downtown central business district.

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.

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 increase in intensity 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.

RECOMMENDATION:

Staff recommends that the Finance and Administration Committee recommend to the full City Council that the City temporarily waive Capacity Fees in the Central Business District for all businesses as defined in the Inland Land Use & Development Code. Staff does not recommend reducing fees for restaurants and hotels outside of the CBD because there is not sufficient benefit or policy justification for that action.

ALTERNATIVES:

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

ATTACHMENTS:

Proposed Council resolution on waiving water capacity fees