



CITY OF FORT BRAGG

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COUNCIL COMMITTEE ITEM SUMMARY REPORT

MEETING DATE: APRIL 14, 2021
TO: FINANCE & ADMINISTRATION COMMITTEE
FROM: TABATHA MILLER, CITY MANAGER
AGENDA ITEM TITLE: Temporary Waiver of Water/Sewer Capacity Fees to Encourage New and Expanding Businesses

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 options were proposed: 1) a deferral or waiver program in the Central Business District to attract new businesses; and 2) a deferral or waiver program to encourage the installation of fire sprinklers. At that time, the Council was not inclined to extend the program for deferral or waiver to commercial development.

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.

In addition to capacity fees, the City's water and 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.

ACCUMULATED CAPACITY FEES

FUND	BALANCE AS OF 6-30-2020
Water	\$232,585
Sewer	\$383,088

HISTORIC CAPACITY FEE REVENUES

Fiscal Year	Water			Sewer		
	Residential	Commerical	Total	Residential	Commerical	Total
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
6-Year Total	\$ 86,698.49	\$ 166,647.51	\$ 253,346.00	\$ 74,801.50	\$ 54,015.35	\$ 128,816.85
Average Yr	\$ 14,449.75	\$ 27,774.59	\$ 42,224.33	\$ 12,466.92	\$ 9,002.56	\$ 21,469.47

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 on this same street. 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 are absence complete 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 new businesses are not able to financially make a new business viable. If a food service business seeks to occupy 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, most locations in the CBD would trigger additional water/sewer capacity fees, as they operated as low intensity uses such as retail. These fees can be as high as \$50,000, and more often than not, make the business financially unfeasible.

As part of the economic development incentives program focused on the Central Business District, the idea of deferring and/or waiving water and sewer capacity fees has

been raised. Staff is asking the Finance & Administration Committee for guidance on developing a possible program for adoption by the full City Council.

To guide this discussion, staff suggest that the Committee consider the following questions:

1. Should the utility ratepayers be asked to subsidize certain types of business development to support the Central Business District?
 - a. Food service businesses only or all development?
2. Would a waiver of capacity fees or just a deferral of payment of fees be preferred?
3. If a waiver is appropriate, how much?
 - a. 25%
 - b. 50%
 - c. Or more?
4. What other limitations should be considered in developing a program?
5. Are there other requirements should the City consider for a program?