



AGENCY: City Council/MID  
 MEETING DATE: June 27, 2022  
 DEPARTMENT: Interim City Manager  
 PRESENTED BY: David Spaur  
 EMAIL ADDRESS: [dspaur@fortbragg.com](mailto:dspaur@fortbragg.com)

## AGENDA ITEM SUMMARY

**TITLE:**

**Receive Report and Recommendation from Finance and Administration Committee and Consider Adoption of Joint City Council/Municipal Improvement District Resolution Temporarily Waiving Water and Wastewater Capacity Fees for All Businesses in the Central Business District for a Three-Year Period**

**ISSUE:**

In April 2021, the Finance and Administration Committee recommended that the City Council adopt a temporary waiver of water and wastewater capacity fees for restaurant, café and food service businesses locating in the Central Business District (CBD) 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.

At the June 21, 2022 Finance and Administration Committee special meeting, the Committee recommended that City Council adopt a fee waiver in the CBD for Water Capacity and Sewer Capacity for a three-year period.

The current discussion involves waiving water/wastewater capacity fees for a period of three years, to be applied to all businesses locating in the Central Business District (CBD). It is part of a larger conversation involving numerous strategic investments downtown that was set in motion March 2021 as part of a focused economic development strategy (Att. 1 – CDB Revitalization Toolkit). Removing fiscal barriers related to water and sewer capacity fees could attract investment and help fill downtown vacancies.

**ANALYSIS:**

Currently, all 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. Capacity fees are one-time charges for connections to City water and sewer. The purpose of the capacity charge is to assure sufficient funding for utility improvements in the District sanitary sewer works or City water system as necessitated by increased flows of water and/or wastewater resulting from said new connections.

Capacity fees received by the City are generally accumulated slowly over years and then used to pay for capital projects. In addition to capacity fees, the City’s water and wastewater rate structures are built to accumulate funding for future capital 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

For aspiring new businesses moving into the Central Business District (CBD), costly capacity fees are often cited as the limiting factor to make a new business viable. For example, if a restaurant occupies a space that has not previously been used in such a water/sewer intensive manner, like a clothing store or art gallery, this new restaurant would trigger additional capacity fees. These fees can be as high as \$50,000, and more often than not, make the business financially unfeasible according to restaurant owners and commercial real estate brokers who represent owners when looking for a building to rent or a parcel to purchase.

In order to support and incentivize investments downtown, staff recommends temporarily waiving Water and Sewer Capacity Fees in CBD zoning for all businesses as defined in the Inland Land Use & Development Code for a three-year period. Staff does not recommend reducing fees for businesses outside of the CBD because there is not sufficient benefit or policy justification for that action.

**RECOMMENDED ACTION(S):**

Adopt a joint City Council/Municipal Improvement District Resolution waiving Water and Wastewater Capacity Fees for all businesses in the Central Business District Zoning District.

**ALTERNATIVE ACTION(S):**

1. Modify the proposed Resolution before adoption;
2. Reschedule approval of the Resolution pending further input or staff information.

**FISCAL IMPACT:**

The impact of waiving capacity fees for businesses in the CBD may add up to more than \$120,000 over a three-year period - beginning June 27, 2022 through June 30, 2025. However, the positive effects of new business locating in vacant buildings would generate new sales tax and property tax over the next 10 years to sufficiently pay back both the Water and Sewer Capacity accounts. Estimated new sales tax from the CBD during this three-year period are estimated to be close to \$120,000, and will continue to receive additional contribution to the General Fund for the next 10 years, which should have a positive effect on new businesses and City sales tax revenue in order to repay the two accounts. Water

and Wastewater 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 and construction, but the impact would be minimal.

**CONSISTENCY:**

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

Policies and Goals from the City's General Plan that are consistent 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 June 27, 2022 and will remain in place until June 30, 2025 unless amended by the City Council.

**ATTACHMENTS:**

1. CBD Revitalization Toolkit
2. Proposed Joint City Council Resolution/Municipal Improvement District Resolution Waiving Water and Wastewater Capacity 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**