

Program Guidelines

Water & Wastewater Capital Improvement Fee Deferral Program

City of Fort Bragg & Fort Bragg Municipal Improvement District No. 1

1. Program Purpose

The Water and Wastewater Capital Improvement Fee Deferral Program (“Program”) is intended to support Fort Bragg’s Strategic Plan goals and Business Expansion, Attraction & Retention (BEAR) economic development strategies by:

- Reducing upfront costs for small, locally owned businesses;
- Encouraging adaptive reuse and infill development in existing commercial areas;
- Activating vacant or underutilized buildings and storefronts;
- Supporting neighborhood-serving and visitor-serving businesses;
- Advancing climate action goals through reduced vehicle miles traveled (VMT) and more sustainable land use patterns.

The program defers, but does not waive, water and wastewater capacity fees, ensuring enterprise funds remain whole while supporting business growth and community vitality.

2. Eligible Uses and Locations

Eligible uses include small, locally owned businesses that activate commercial corridors, provide neighborhood-serving amenities, and support community vibrancy:

- Food service businesses (restaurants, cafés, coffee shops, tasting rooms, small eateries);
- Retail and specialty goods businesses (visitor-serving shops, boutiques, galleries);
- Arts, cultural, and creative uses (studios, cultural spaces, maker spaces);
- Neighborhood-serving services (salons, fitness studios, bookstores, personal services);

- Light manufacturing and artisan production, including:
 - Small-scale food and beverage production (e.g., kombucha, vinegar, coffee roasting, bakeries, craft beverages);
 - Artisan fabrication and crafts (e.g., furniture, textiles, metalwork);
 - Makerspaces or low-impact production uses.

Light manufacturing uses must meet all program eligibility criteria and shall not exceed \$75,000 in total deferred capacity fees per project.

Large-scale manufacturing, warehousing, and distribution uses are ineligible.

Council Discretion:

The City Council may, at its sole discretion, approve or deny deferral requests from businesses or projects that fall outside standard eligibility categories if the Council determines that the project:

- Is locally owned and operated;
- Advances Strategic Plan or BEAR goals; and
- Does not pose an undue fiscal or operational burden on City utility systems.

The Council may impose additional conditions on such approvals, including lower deferral amounts, shorter terms, or performance conditions.

c. Eligible Permits:

- Deferral may only be requested in connection with a building permit issued no earlier than January 1, 2024 and no later than December 31, 2025, unless otherwise extended by Council and the Board.

Eligibility Criteria

Category	Limit / Requirement
Employee Size	≤ 25 Full-Time Equivalent (FTE) employees
Gross Receipts	≤ \$3,000,000 annually (most recent tax year); Council may adjust by resolution
Project Valuation	≤ \$2,500,000 total building permit valuation

Category	Limit / Requirement
Ownership	Locally owned and operated; national chains or franchises with more than five locations are ineligible
Zoning	CBD, CG, CH, or CN
Frequency	One deferral per business or property within a 5-year period
Annual Program Cap	\$200,000 total deferred fee exposure per fiscal year

The City Council may adjust caps or thresholds by resolution as needed.

Exclusions:

- National or regional corporate chains;
- Franchise operations with multiple locations outside Fort Bragg;
- Businesses exceeding capital investment thresholds set by City policy

Priority Consideration:

- Occupation of vacant or long-term underutilized properties;
- Projects that contribute to neighborhood vitality or tourism.

4. Deferral Terms

a. Length of Deferral: Up to five (5) years from issuance of Certificate of Occupancy or business opening, whichever occurs first.

b. Repayment Triggers:

- Property transfer;
- Expansion or change of use;
- End of deferral term.

c. Fee Schedule: Deferred fees shall be calculated based on the fee in effect at the time of repayment, not the date of deferral.

d. Early Payment: Applicants may repay deferred fees at any time prior to the deferral expiration.

5. Interest on Deferred Fees

- Interest Rate: Prime Rate + 1.0% or the City's pooled investment rate, whichever is higher, fixed at the time of deferral approval.
- Accrual Method: Simple (non-compounding) interest.
- Council Discretion: Council may approve a reduced or 0% interest rate for catalytic local projects that deliver exceptional community or economic benefits.
- Transparency: Interest rate terms shall be clearly stated in the deferral agreement.

6. Security & Repayment Requirements

- All deferrals must be secured through a recorded lien, covenant, or deferral agreement approved by the City Attorney.
- If repayment is not made upon maturity, the City may pursue collections, enforce liens, or exercise other legal remedies.
- Interfund loans from the General Fund to enterprise funds may be used to ensure capacity improvements are not delayed.
- Council may authorize exceptions to the annual cap for catalytic projects, with findings.

7. Fiscal Safeguards

- a. The total amount of deferred fees under this program shall be capped at approximately \$200,000 annually, unless otherwise authorized by Council.
- b. The City Council may authorize interfund loans from the General Fund to the Water or Wastewater Capacity Funds to avoid any delay in planned capital improvements.
- c. Deferred revenues will be tracked and reported annually to ensure full recovery.

8. Administrative Requirements

- a. Staff shall maintain a registry of properties approved for fee deferral under this program.
- b. The Master Fee Schedule shall be updated to reference this program, summarize its terms, and provide guidance on how to access the deferral registry.
- c. Standard application and deferral agreement forms shall be developed by the Economic Development and Finance Department.
- d. Annual reports shall be presented to the City Council detailing:
 - Number of participating businesses;
 - Total deferred amounts;
 - Repayments and outstanding balances;
 - Program impacts on economic development goals.

10. CEQA Compliance

This Program is exempt from environmental review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines § 15273(a)(4), which exempts modifications to fees for the purpose of obtaining funds for capital projects necessary to maintain existing levels of service.

11. Program Duration and Review

This program shall remain in effect through June 30, 2027, unless extended or amended by City Council.

The City Council shall review the program annually to evaluate its effectiveness, fiscal impacts, and alignment with strategic economic development goals.

Council may amend eligibility criteria, interest rates, deferral caps, or other program parameters by resolution to respond to changing economic conditions or community priorities.

No new deferral applications will be accepted after June 30, 2027, unless the program is renewed or extended by Council action. All approved deferrals prior to the sunset date shall remain valid under the terms of their executed agreements.