



<b>AGENCY:</b>	City Council
<b>MEETING DATE:</b>	May 23, 2016
<b>DEPARTMENT:</b>	Public Works/Admin
<b>PRESENTED BY:</b>	T Varga/L Ruffing

## AGENDA ITEM SUMMARY

### **TITLE:**

**RECEIVE REPORT REGARDING OVERTIME BREWERY PROJECT CAPACITY FEES AND PROVIDE DIRECTION TO STAFF**

### **ISSUE:**

The developers of the Overtime Brewery are required to pay a variety of development-related fees in conjunction with their project. Staff has determined two options for the calculation of the capacity fees and seeks Council direction regarding which methodology to use. The applicants have requested that the City consider a payment plan for the capacity fees and staff seeks Council direction on that as well.

### **RECOMMENDED ACTION:**

Provide direction to staff regarding applicable assumptions for capacity fee calculations and whether or not to provide a payment plan to the Overtime Brewery project.

If the Council is amenable to a payment plan, staff recommends the following terms:

1. Pay all fees upon issuance of building permit except for capacity fees.
2. Pay 50% of capacity fees upon issuance of certificate of occupancy.
3. Amortize remaining 50% over 24 months with monthly payments and an interest rate equaling the investment earnings of the City's water and wastewater enterprise funds.

### **ALTERNATIVE ACTION(S):**

There are two options for the calculation of capacity fees (see below and Attachment 1).

### **ANALYSIS:**

The applicants propose to manufacture craft beer within an existing building located at 190 E. Elm Street. A brewing system of up to 1,500 barrels per year is proposed. In addition to the proposed brewery, accessory retail as well as food and beverage service will be included in the project. It is important to note that the brewery is the primary use of the building, and the retail/food and beverage service are an accessory use. A full commercial kitchen is planned as an adjunct to brewery operations and will also prepare food for on and offsite consumption. There will be an onsite retailing area with a 15-seat bar and a dining area with 12 seats, and an outdoor event area. There will be a walk-in cooler and two restrooms. Proposed hours and days of operation are 11:00 AM to 10:00 PM, seven (7) days a week.

The brewery is subject to City water and wastewater fees: capacity (water and wastewater), connection (water), and fire sprinkler connection. Additional fees include permit/inspection, engineering, storm drainage, planning, and building permit. Since there is no record of a storm drain fee being paid, there is no credit available to apply toward this fee.

The issue that is brought forward for Council direction is the basis for the calculation of water and wastewater capacity fees. Capacity fees are impact fees that pay for a new user's fair share of

capital improvements of the water and wastewater systems. These are calculated on an Equivalent Dwelling Unit (EDU) basis. Non-residential users of the City's water and wastewater systems are charged rates that use residential use as a comparative baseline.

As shown on Attachment 1, there are two different ways of calculating the capacity fees for the Overtime Brewery which yield substantially different fees. If the facility is broken down into three functional areas (brewery, retail, restaurant/bar), the total water and sewer capacity fees are \$59,684.17. If the facility is simply considered brewery and retail, the total capacity fees are \$30,384.48. It should be noted that while the facility is permitted to have onsite sales and consumption of food and beverages, the use permit granted by the Planning Commission places considerable restrictions on such uses:

- There shall be no external evidence of any commercial activity outside of the primary use of the site for the brewery. No retail merchandise shall be suspended from any windows or otherwise visible from either Franklin or Elm Streets. Additionally, the applicant's signage shall be limited to advertising the brewery operation. Signage shall not reference a "restaurant or bar" facility at the brewery.
- The operating hours for the accessory retail and service uses and outside events shall be from 11:00 AM to 10:00 PM, seven days a week. The manufacturing of beer can occur outside these hours; however, no onsite or offsite retail sales of food, merchandise, or beer or outdoor events shall occur after 10:00 PM.
- Overtime Brewing, Inc. shall only sell (on and off sale) alcoholic beverages which are brewed on site and locally grown Mendocino County wines.

These special conditions were added to ensure that the sale of food and beverages is truly accessory to the brewery.

In addition, a credit for the previous use has been applied to the fee calculation. The previous building tenants included a tire shop and an art gallery/paper manufacturer. Staff recommends that the higher credit (art gallery/paper manufacturer) be applied.

#### **FISCAL IMPACT:**

Capacity fees for the water and wastewater systems are the primary source of locally generated funds that pay for capital improvements and major maintenance projects. Reducing the fee in turn will decrease the funds for these purposes. The amounts collected should represent a fair contribution from each development.

#### **CONSISTENCY:**

The project has received its planning approvals and was found to be consistent with the Inland General Plan and Inland Land Use & Development Code.

#### **IMPLEMENTATION/TIMEFRAMES:**

The Overtime Brewery developers await a decision on this matter to ensure they have the resources to pay the required fees.

#### **ATTACHMENTS:**

1. Fee calculation table
2. Floor plans
3. Correspondence Re Overtime Brewery

#### **NOTIFICATION:**

1. Overtime Brewery applicants

**City Clerk's Office Use Only**

Agency Action      ☐ Approved      ☐ Denied      ☐ Approved as Amended

Resolution No.: \_\_\_\_\_ Ordinance No.: \_\_\_\_\_

Moved by: \_\_\_\_\_ Seconded by: \_\_\_\_\_

Vote: \_\_\_\_\_

☐ Deferred/Continued to meeting of: \_\_\_\_\_

☐ Referred to: \_\_\_\_\_