



CITY OF FORT BRAGG

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COUNCIL COMMITTEE ITEM SUMMARY REPORT

MEETING DATE: APRIL 11, 2018
TO: Public Works and Facilities Committee
FROM: Chantell O'Neal
AGENDA ITEM TITLE: **RECEIVE REPORT AND CONSIDER RECOMMENDATIONS TO AMEND CATEGORIES OF COMMERCIAL USES LISTED FOR THE CALCULATION OF WATER CAPACITY FEES IN RESOLUTION 3144-2008 AND WASTEWATER CAPACITY FEES IN RESOLUTION 300-2008**

ISSUE:

The existing commercial category fee multipliers used to calculate the water and sewer development impact fees were last updated in 2008 (and reviewed again by the Community Development Department in 2010). The list of uses is missing several important categories common to local development. When a development permit comes through which indicates a potential change in water/sewer usage, a capacity fee is calculated using an equation which accounts for anticipated water usage, the appropriate unit of measurement unique to the category, and the current "residential" water capacity fee established by the annual fee schedule. Sometimes, when an applicant comes in with a proposal, the existing list is inadequate to provide a quick estimate, and additional research needs to be completed in order to customize a fee multiplier for their project.

A secondary topic is to consider, is incorporating the 30-60% discounts approved by Resolution 2668-2003 (water) and Resolution 225-2003 (wastewater) for the use of Best Available Technologies (BAT) into an approved multiplier list. Since the approval of the BAT discount resolution in 2003, there have been significant changes to the California Building Code (and FBMC section 14.06.080). These code updates mandate many of the approved Best Available Technologies be implemented as standard building practices. As most water and wastewater technologies are becoming the industry standard, it follows, this discount should be accounted for in the approved multiplier list. The goal of this report is to update the list to include new categories which seem to be gaining popularity among commercial developers and to incorporate the discounts for BAT's into the approved Equivalency Dwelling Units (EDU) schedule.

SUMMARY:

The Process: when an applicant comes in with a commercial development plan (whether new development or a proposed change in use) that indicates a subsequent change in water usage, the Engineering staff provides the applicant with information for three fee categories. There is the connection fee, which covers the cost of labor and materials for City crews to add a new service connection to the City's water/sewer system. There is a capacity fee, which is collected to assure that there will be sufficient funding for improvements to the "District Works" necessitated by the increased flows resulting from new connections (FBMC 14.24.060). Both connection and capacity fees are adjusted annually with the fee schedule, these fees increase based on the calendar year Engineering News Record (ENR) 20-City Construction Cost Index. In 2017, the increase was 3.94%. The third fee type is the monthly usage fee- this comes from the water department after the development where the user receives a monthly utility bill (includes usage and meter fee).

Once the applicant has a clear understanding of the fee types associated with development, a simple connection fee estimate for water/sewer can be provided over the counter, but a more technical calculation ensues to calculate the capacity fees associated with the specifics of a project. The capacity fee(s) as briefly described above is calculated using a factor of water Equivalency Dwelling Units (EDU). One EDU is the standard average design peak water demand for one primary single family residence (SFR). The 2018 capacity charge for a SFR is \$4,483.92 for water and \$3,523.60 for sewer. This information is multiplied by the unit of measure (i.e. number of seats in a restaurant, number of hotel rooms, or square footage of retail space) and the uses' pre-calculated EDU (approved by Resolution). Figure 1 below, shows the sample equation and example for calculating water capacity fees. The EDU unit of measures used to calculate commercial water capacity fees are listed in Resolution 3144-2008. Sewer is calculated using the same formula, the EDU multipliers (EDU per unit of measure) have different values than those for water (see Resolution 300-2008 for sewer EDU values).

Equation for Water Fee Calculation:	
Water Capacity Charge = Number of Units x Water EDU per unit of measure x \$3375*	
(*\$3375 is the fee required for a Water EDU of 1.0)	
Example:	
Proposed Supermarket, 30,000 SF	
Water Capacity Charge = 30 x 0.63 x \$3375*	
Water Capacity Charge = \$63,787.50	
Equations for Calculation Water Flow:	
For Commercial Uses:	Water Flow = Sewer Flow x 3.01 x $\frac{1.46}{2.0}$
For Multi-Family Home:	Water Flow = Sewer Flow x 3.01 x $\frac{1.75}{2.0}$
(Note: These formulas do not apply to the single family home water flow)	
Capacity charges will be established after project flows are developed for unusual and large projects where a variety of uses are proposed.	
If a change in occupancy is proposed on an existing site where the capacity charges have been paid, the fee may be recalculated. An additional fee may be charged if the change in occupancy results in a new fee greater than the original fee paid. There will be no refunds issued if the change in occupancy results in a fee less than the original fee charged.	

Figure 1: Sample Capacity Fee Equation

The Calculation: Capacity fees are often referred to as Capital Improvement Fees or Development Impact Fees. Under state law, the City may charge customers connecting to the utilities a capacity fee as long as it does not exceed the cost of improvements related to facilities in existence at the time the charge is imposed or for new facilities which are constructed in the future which are of benefit to the person being charged.

The EDU flows were developed by Bartle Wells Associates and the water flow equal to one EDU was developed by I.L. Welty and Associates. The capital improvement fees are based on the estimated sewer usage and water demand and not the size of the meter. For unusual categories and large mixed use projects, a custom method is used to determine the appropriate EDU multiplier. There are multiple accepted methods for calculating EDU's which range from using state wide metered data information to a standardized value developed by Carrollo Engineers in 1999 which was based upon average design peak daily and historical demand from usage in the City of Fort Bragg. A memo from I.L. Welty and Associates, from 2000 (attachment 3) describes in detail the methodology used to determine flow and peaking factor, which is used to create a custom multiplier for unusual or unlisted use categories.

When a commercial use category is not listed in the approved EDU table, staff estimates water flow. The flow estimate takes into account actual water usage for similar facilities in the City (when available) and then compares the flows with existing data from other municipalities. The water flow data is multiplied by the appropriate peaking factor to determine the water EDU. The estimated sewer flow is calculated for commercial uses with the following equation.

$$\text{sewer peakflow} = \frac{(\text{water peak flow}) \times (2)}{(3.01) \times (1.46)}$$

Once you determine the peak flow (gpd) for water and sewer, the peak flow is divided by the residential flow to produce the EDU multiplier that can be used for calculating the capacity costs for the project. Ideally, once you calculate a multiplier for a use category, you save the information so that the multiplier can be applied consistently to similar projects.

The Categories:

With an uptick in development applications, several use categories not currently included in the existing list, have been needed to calculate capacity fees. The most common unlisted categories include:

1. Bar
2. Single Service: this category can take on a different name, it should be a catch all for bakery's, service/deli counters, fast food (where very few serving dishes are being used), and other facilities where semi-prepared food is consumed on-site.
3. Outdoor seating
4. Manufacturing

Each of these categories is a common enough development category, that they should have a standard EDU multiplier listed. For this report, I have calculated a proposed EDU for the bar and take-out category, they are as follows:

Proposed Category	Water EDU	Sewer EDU	Unit of Measure
Bar	1.38	1.98	1000 SF Patron area
Single Service	2.68	2.88	Prep area

The same method will be used to determine the EDU fee for the other two categories, once the Committee has a chance to weigh in on the potential impact of those uses. Alternately, they may remain calculated on a case by case basis.

The Cost: It is very common for potential developers, to be surprised by the resulting high costs associated with water and sewer capacity fees. It is important to remind applicants that the high costs are not unlike the costs associated with building and maintaining a well or septic system or the costs of capacity fees in other nearby California cities. Small business owners want to know how to save money on these fees. Resolution 2668-2003 (water) and Resolution 225-2003 (wastewater) for the use of Best Available Technologies (BAT) (attachments 4 & 5) allows discounts of up to 60% off of capacity fees when BATs are used in the development.

The 2017, building code update which is reflected by the Fort Bragg Municipal Code section 14.06.080, requires new construction and remodels to meet minimum BAT standards. As the technology is changing and the code requirements establish usage of BATs it follows, that the discounts could be incorporated into the approved EDU list. The City of Santa Rosa, updated their capacity fee multipliers in 2017, and they used this same approach of doing away with the time intensive requirements associated with verifying and inspecting BAT's by incorporating the discounts into the multipliers. Doing so, would reduce the EDU's for five water and sewer categories. This reduction may decrease the sticker shock associated with capacity fees and in a small way encourage developers to pursue their projects.

RECOMMENDATION:

Adding commonly used multipliers to the approved list and incorporating the BAT discounts into the EDU multiplier will both aid staff explanations and calculations for potential developers. Approving and listing the proposed use categories ensures consistency for processing

application fees. Incorporating the discounts into the approved EDU list will reduce staff processing time. Staff time saved by this change includes the time for explaining the BAT's and their benefits, performing the secondary calculation, researching specific technologies submitted with improvement plans, and performing site visits to confirm approved technologies are being implemented at the development site. Alternatively, incorporating BAT's into the multiplier may have an unintended consequence of not encouraging applicants to consider the economic and environmental benefits that can be achieved by utilizing BAT's.

Staff hopes to receive feedback on the pros and cons of the proposed changes and is looking for direction to prepare a Resolution for Councils approval with the recommended changes.

ATTACHMENTS:

1. Resolution 3144-2008 Water Capacity Charges
2. Resolution 300-2008 Sewer Capacity Charges
3. Capital Fees Report for the City of Fort Bragg by I.L Welty (2000)
4. Resolution 2668-2003 Water Capacity Fee Discounts
5. Resolution 225-2003 Sewer Capacity Fee Discounts