



AGENCY: City Council
MEETING DATE: May 29, 2018
DEPARTMENT: Public Works
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AGENDA ITEM SUMMARY

TITLE:

Receive Recommendation from Public Works and Facilities Committee, Conduct Public Hearing, and Consider Adopting a Resolution Amending the Commercial Categories Used for the Calculation of Water Capacity Fees in Resolution 3144-2008 and Standardizing Policy for Implementing Discounts for Best Available Technologies

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). When a development permit comes through which indicates a potential change in water/sewer usage, a capacity or fee is calculated using an equation which accounts for anticipated water usage, the appropriate unit of measurement unique to the space and category, and the current water fee established by the annual fee schedule. The existing multiplier list from which the number of water units is retrieved from is missing a few important categories which make additional research necessary to customize a fee for those respective projects.

A secondary topic to consider is incorporating the 30-60% discounts approved by Resolution 2668-2003 (water) and Resolution ID 225-2003 (wastewater) for the use of Best Available Technologies (BAT) into the fee calculations. Since the approval of the BAT discounts, there have been significant changes to the California Building Code (FBMC section 14.06.080) mandating many of the approved 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 multiplier. The goal of this report is to update the list to include new categories and to incorporate the discounts for BAT's into the development impact fees.

This staff report covers two related actions. The same three categories for both water and wastewater capacity fees are being recommended for addition to the fee schedule. The general background for both sets of fees will be discussed in this staff report.

ANALYSIS:

The Process: when an applicant comes in with a Commercial development plan (whether new development or change in use) that indicates a potential 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 charge, 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. The third fee type is the monthly rate which includes usage and meter fee for water.

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. Calculating capacity fees requires a more technical procedure. The capacity fee(s) are 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 dwelling (SFR). The current capacity charge for a SFR is \$4,483.92 for water and \$3,523.60 for sewer. This information is then multiplied by the unit of measure (i.e. # of seats in a restaurant, number of hotel rooms, or square footage of retail space) and the uses' pre-calculated EDU. Figure 1 below, shows the sample equation for calculating water capacity fees. The EDU unit of measure used to calculate commercial water capacity fees currently come from Resolution 3144-2008 (water). The sewer fees are calculated using the same formula, the EDU multipliers (EDU per unit of measure) have different values than those for water (see Resolution ID 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 \$4483.92*
 (*\$4483.92 is the 2018 fee for 1.0 Water EDU)

Example:

Proposed Dental Facility: 2,500 SF

Water Capacity Charge = 2.5 x 0.83 x \$4483.92

Water Capacity Charge = \$9304.13

Equations for Calculating Water Flow:

For Commercial Uses: $Water\ Flow = Sewer\ Flow \times 3.01 \times \frac{1.46}{2.0}$

For Multi-Family Home: $Water\ Flow = Sewer\ Flow \times 3.01 \times \frac{1.75}{2.0}$

(* 1.46 and *1.75 are the peaking factors for commercial and multi-family residential use)

(Note: These formulas do not apply to the single family home water flow)

$$Water\ EDU = \frac{Water\ Flow\ (gpd)}{Residential\ Flow\ (gpd)}$$

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 estimated water flows for listed categories 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. A memo from I.L. Welty and Associates, from 2000 describes in detail the methodology used to determine the residential flow and peaking factor used to create a custom multiplier for unusual or unlisted use categories a summarized below.

When a commercial use category is not listed in the approved EDU table, the Engineering Department performs an estimate for water flow. The flow estimate takes into account actual water usage for similar facilities in the City (when available) and then compares 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 use category, using the following equation:

$$\text{Sewer Flow} = \frac{(\text{water peak flow}) \times 2}{(3.01) \times (1.46) *}$$

Once the peak flow in gallons per day is determined for water and sewer the peak flow is divided by the residential flow to produce the EDU multiplier that can be used for that project. This method is shown in Figure 1. Ideally, once a multiplier is calculated for a use category, the information is saved so that the multiplier can be applied consistently to similar projects. Three of those reoccurring categories are listed herein for inclusion into the approved multipliers list to do just that.

The Categories:

With an uptick in development applications, several use categories not currently included in the exiting 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: this EDU is 50% of a restaurant to account for inclement weather

Each of these uses are common development categories and should have a standard EDU multiplier listed. The proposed EDU multipliers are listed in table 1:

Proposed Category	Water EDU Multiplier	Sewer EDU Multiplier	Unit of Measure
Bar	1.38	1.98	1000 SF Patron Area
Single Service	2.68	2.88	Prep Area
Outdoor Seating	4.87	6.67	1000 SF Dining Space

Table 1: Proposed Multiplier Categories and EDU's

The Cost: It is very common for local small business entrepreneurs, to be surprised by the 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. Over time, it has become more apparent that the small business owners want to know how to save money on these fees. Resolution 2668-2003 (water) and Resolution ID 225-2003 (wastewater) encourage the use of Best Available Technologies (BAT) by discounting the capacity fee cost by up to 60% when BATs are used in a development.

In June 2003, the City Council determined that commercial projects that include best available water technology as part of their project construction should be eligible for a discount calculated on a sliding scale (Resolution 2668-2003). The discount approved is as follows:

2 to 5 EDU's	30% discount
More than 5 up to 10 EDU's	40% discount
More than 10 up to 15 EDU's	50% discount
More than 15 EDU's	60% discount

Figure 2: Excerpt from Resolution 2668-2003

The 2017, California state 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. Technological improvements result in considerable water savings and the codes that regulate developments establish requirements for using BATs in developments; thus the EDU list should simply incorporate the discount into the multiplier. The time intensive process associated with verifying and inspecting BAT requirements which are built in to the revised building code and landscaping standards will be eliminated from the process and a standardized process will result from combining the two Resolutions (3144-2008 and 2668-2003 for water). Implementing the process in this way directly reduces the potential to over-charge the customer. The discount EDU applies to five existing water and sewer categories. Directly incorporating the discount in this way may also decrease the sticker shock associated with capacity fees and encourage developers to pursue their projects.

Adding commonly used multipliers to the approved list and incorporating the BAT discounts into the EDU multiplier will both aid the Department's explanation and calculations for potential developers. Approving and listing the proposed use categories ensures consistency for processing application fees and reduces 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 employed at the development site.

RECOMMENDED ACTION:

1. Adopt resolution amending the commercial categories used for the calculation of water capacity fees in Resolution 3144-2008 and establishing a standardized policy for implementing discounts for best available technologies.

ALTERNATIVE ACTION(S):

1. Conduct the public hearing and make minor amendments to the resolution prior to adoption.
2. Conduct the public hearing and direct staff to provide additional review or changes to the proposed fees for action at a subsequent meeting.

FISCAL IMPACT:

Proposed New Water Development Impact Fees						
2018 Water Capacity		\$4,483.92				
Water Use & Use Type	Water EDU	Development Impact Fee per Unit of Measurement (Current)	Development Impact Fee per Unit of Measurement (Proposed)	BAT Discount	Difference per unit of measure	Unit of Measure
Very Low						
Theater	0.01	\$ 45	\$ 45		\$ -	Seat
Restaurant (fixed seating)	0.15	\$ 673	\$ 673		\$ -	Seat
Restaurant with Bar (fixed seating)	0.22	\$ 986	\$ 986		\$ -	Seat
Retail/Wholesale	0.24	\$ 1,076	\$ 1,076		\$ -	1000 SF
Garage	0.24	\$ 1,076	\$ 1,076		\$ -	1000 SF
Church	0.34	\$ 1,525	\$ 1,525		\$ -	1000 SF
Low						
Convalescent homes	0.49	\$ 2,197	\$ 2,197		\$ -	Bed
Lodging (without spa)	0.63	\$ 2,825	\$ 2,825		\$ -	Room
Supermarket	0.63	\$ 2,825	\$ 2,825		\$ -	1000 SF
Domestic						
Professional Office	0.73	\$ 3,273	\$ 3,273		\$ -	1000 SF
Laundromats	0.78	\$ 3,497	\$ 3,497		\$ -	Washing Machine
Dental/Medical Office	0.83	\$ 3,722	\$ 3,722		\$ -	1000 SF
Gas Stations	0.88	\$ 3,946	\$ 3,946		\$ -	1000 SF
Medium						
Lodging (with spa)	1.12	\$ 5,022	\$ 5,022		\$ -	Room
Hospitals	1.22	\$ 5,470	\$ 5,470		\$ -	Bed
Beauty Shops	1.31	\$ 5,874	\$ 5,874		\$ -	1000 SF
Bar	1.38	\$ 6,188	\$ 6,188		New category	1000 SF Patron Area
Brewery	2.14	\$ 9,596	\$ 6,717	30%	\$ (2,879)	1000 SF
Single Service (deli, bakery, etc.)	2.68	\$ 12,017	\$ 8,412	30%	New category	1000 SF Prep Area
High						
Outdoor Seating	4.87	\$ 21,814	\$ 21,814		New category	1000 SF Dining Area
Car Wash (Self Service)	5.16	\$ 23,137	\$ 13,882	40%	\$ (9,255)	Stall
Schools	5.35	\$ 23,989	\$ 14,393	40%	\$ (9,596)	1000 SF Classroom
Restaurant (no fixed seating)	9.73	\$ 43,629	\$ 26,177	40%	\$ (17,451)	1000 SF Dining Area
Restaurant with Bar (no fixed seating)	11.68	\$ 52,372	\$ 26,186	50%	\$ (26,186)	1000 SF Dining Area

Source: Bartle Wells, 2002; Public Works, City of Fort Bragg, 2018

Table 2: Calculated Costs per unit of Measure

These are not new discounts; amending the resolution to incorporate the BAT discounts will ensure developers are receiving the discounts to which they are already entitled, while guaranteeing consistency with staff processing of fees and eliminating other time consuming processes. Table 2 shows the impact of the discount associated with the water and sewer

categories tiers to which the discounts apply. Those fee categories with EDU's over 2 include Brewery, Car wash, Schools, and both Restaurant with fixed and no fixed seating.

Staff believes the proposed revisions reflect both the policies previously put in place by Council and the appropriate current impact of new system connections for the new categories, thus the proposed changes will not adversely affect the existing or proposed Utilities Capital Improvement Program.

CONSISTENCY:

Capacity fees are established pursuant to Government Code section 66013, which requires that these charges and fees be adopted by the City Council after providing notice and holding an open and public meeting. Notice was provided in accordance with Government Code section 66016 and information regarding the proposed fee changes was made available to the public in accordance with Government Code section 66016(a).

Additionally the implementation of these policies is consistent with the City Council and Community goals adopted in the City's Economic Development Strategy 2014. The Economic Development Strategy included the following goals:

- STRATEGY 1.2 ACTIVELY GROW AND RETAIN BUSINESS

Establish a "business friendly" City permit/license process, which includes: better customer service and coordination between Community Development, Finance and Public Works, especially for development and business license reviews and approvals.

- Strategy 4.2 CONTINUE TO ENCOURAGE SUSTAINABLE AND GREEN BUILDING PRACTICES

"Sustainable development and smart growth play an increasingly important role in community economic, social, and environmental health." This is established in part by continuing "to require efficient water use via drought tolerant landscaping and water conservation".

IMPLEMENTATION/TIMEFRAMES:

Changes to Development Impact fees become effective 60 days following the adoption of the Resolution establishing such fees. No fees are actually changing, instead this resolution is simply combining existing resolutions to formalize and simplify the calculation process.

ATTACHMENTS:

1. Resolution Amending Water Capacity Charges
2. Public Hearing Notice

NOTIFICATION:

None.