

**MINUTES OF THE CITY COUNCIL  
SPECIAL MEETING  
Wednesday, January 14, 2009**

**CALL TO ORDER/ROLL CALL**

Mayor Hume called the Special City Council meeting of January 14, 2009 to order at 2:06 p.m.

Present: Mayor Hume, Vice Mayor Scherman, Council Members Cooper, Davis and Detrick

Absent: None.

**PRESENTATION – Development Impact Fee Updates**

**RECOMMENDATION:**

Provide direction to staff on multiple policy points related to development impact fees as listed below:

- 1) The Roadway Capital Improvement Program;
  - a. Project Additions;
  - b. Inclusion of full-width cost versus median and center lane(s);
  - c. Inclusion of Rural Roads;
  - d. Project Priorities;
  - e. Level of Service Standards;
- 2) The Facilities Capital Improvement Program; and
- 3) Economic Development Incentives.

Council Member Cooper requested that, future meetings of this type, be scheduled in the evening when more citizens are available to attend and participate.

With the aid of an overhead presentation (filed), Management Analyst Heather Ross provided an overview of the background and history related to development impact fees. She noted that City of Elk Grove impact fees include:

- Roadway;
- Capital Facilities Fee (Civic Center, Police, Corporation Yard, Library, and Transit facilities);
- Affordable Housing (charged to residential development);
- Very low income housing (charged to non-residential development);
- East Franklin (drainage and landscape corridors); and
- Laguna Ridge Park Fee.

Ms. Ross reported that these fees total 52% of the total fee burden of a typical development in the Laguna Ridge area. The remaining 48% consists of other agency fees, which include Sacramento County Development Impact Fees, Elk Grove Unified School District (EGUSD), and Cosumnes Community Services District (CSD) Park and Fire Fees. Ms. Ross explained that AB1600 requires cities to periodically update their fees to continue to show the relationship between the cost and the fee rates. The list of facilities funded by the fees, and the cost estimates associated with them, also need to be updated based on changing community needs.

In answer to Council Member Davis, Ms. Ross explained that the City does not have authority over EGUSD fees, which are separately collected by the District. Likewise, the City does not have authority over the CSD fees; however, the City collects CSD fees on its behalf.

Jamie Gomes representing Economic & Planning Systems explained that his firm provided consultant services for the nexus study, development feasibility analysis, and update of roadway and capital facilities fee. With the aid over an overhead presentation (filed), Mr. Gomes described the feasibility analysis findings, which show a decline in home pricing to 2002-03 levels. The current ratio is 6 to 1, between household price and income. Mr. Gomes pointed out that the ratio should be in the 4 or 5 range, which indicates a likelihood that additional decline will take place in the future. Ideally, homeowners should spend no more than 30% to 35% of their income on housing. In Sacramento County, 53% of the market is potential homebuyers, with 47% being renters. The current cost structure for housing makes products below \$400,000 infeasible.

In reply to Council Member Cooper, Mr. Gomes stated that 10% is the average builder and land developer profit.

Mr. Gomes reviewed the residual land value calculation for East Franklin, noting that the infrastructure cost burden should not exceed 15% to 20% of the ultimate home sales price. Only senior manager (\$528,000) homes are feasible in the East Franklin area; however, executive level housing represents only 15% of potential homebuyers.

In answer to Mayor Hume, Mr. Gomes explained that infrastructure burden includes fees, backbone infrastructure costs, and lot development costs. As lots increase in size development costs change. School impact fees vary according to the square footage; however, the road fee, sewer and water fees, and capital facilities fees, are on a per unit basis. Smaller units have a higher burden because the fees are not scaled proportionately.

Mr. Gomes reviewed charts depicting the regional development impact fee comparison for single-family development impact fees per unit, single family development, and City versus other agency fees (all filed).

Council Member Detrick asked for a breakdown of other agency fees, to which Mr. Gomes replied that he would supply it to Council in a separate report.

With the aid of an overhead presentation (filed), Interim Public Works Director Fritz Buchman reviewed Capital Improvement Program (CIP) methodology as described in the following scenarios:

- Scenario 1: Base Case – \$382 million fee program cost for the existing road fee program. Staff removed projects that had been completed since the last update in January 2005 and eliminated projects no longer needed. Mr. Buchman noted that, during implementation of the first infrastructure in Laguna Ridge, staff designed a way around \$6 million in facilities; consequently it was removed from the road fee.
- Scenario 2: Project Additions – \$438 million fee program cost. Of the \$56 million increase, 95% is for the Whitelock interchange and most of the remainder is for Elk Grove Boulevard / Highway 99 improvements.
- Scenario 3: Full Width Addition – \$466 million fee program cost. Staff recommended this scenario which would increase to full width (from curb to curb) on the arterial roadways.
- Scenario 4: Rural Road Deduction – \$321 million fee program cost. Mr. Buchman recalled that, in 2007, Council adopted rural road improvement policies that set forth specific timing thresholds that would have to be met before rural arterial roadways were implemented; and noted that many of the roadways are far from meeting these thresholds. Temporarily or permanently removing funding for the rural arterial segments (not the intersections) is an option which would reduce the current fee.

Mr. Buchman reported that a \$10 million change in the CIP results in a \$260 per unit change in the fee for a single family residence.

In reply to Council Member Davis, Mr. Gomes affirmed that he would do further residual land value analysis calculations to ascertain what the infrastructure burden should be for various home price ranges given where income levels currently are, which would determine how much the fees would have to be decreased by all agencies.

Mr. Buchman pointed out that reducing the level of service standard would result in an increase in congestion levels and this increase would have to take place before the City could ask developers to mitigate for the impacts. From a traffic impact standpoint, all the improvements proposed in the CIP are expected to be needed sometime during the build out of the General Plan. If funding is removed for improvements, the specific development that triggers a need for that improvement

would be unfairly burdened. If funding is removed temporarily for a facility, adding it back into the CIP later would likely result in an existing deficiency, and a strategy for backfilling the deficiency with other funding sources would need to be devised.

In answer to Council Member Davis, Ms. Ross described the transportation fee charged to building tenants.

In reply to Mayor Hume, Mr. Buchman confirmed that bridges (including two lane bridges) are included in the road fee. Excelsior and Sheldon Roads are also included in the road fee, as well as \$1.5 million for the bridge that will connect Big Horn Boulevard to Laguna Springs Drive.

Mr. Gomes reviewed charts depicting the regional road fee comparison for single-family roadway fees per unit and retail road fees per acre, as well as cost allocation factor comparisons (all filed). He reported that the Elk Grove road fee program is competitive within the market place. Currently the road fee program is imposed on a citywide basis. Different fees exist only in subzones for Community Facilities Districts. He suggested considering different fees for areas east and west of Highway 99. He reviewed other considerations such as a land use contingency and economic development incentives.

*NOTE: The City Council recessed at 3:49 p.m. and reconvened with all members present at 3:59 p.m.*

**PUBLIC COMMENTS:**

Tom Shine, member of Greater Sheldon Homeowner's Association, submitted a two page list of projects that he felt were of questionable need or contrary to the rural roads policy (filed). He urged Council to review staff's list of projects carefully before making a decision.

John Costa, representing the Building Industry Association, urged Council to direct staff to continue to work with stakeholders on this process.

Joshua Wood, representing the Sacramento Builders Exchange, spoke about the difficult economic situation in which builders are bidding projects at cost, or a negative, in order to keep workers employed.

Council Member Davis asked staff if there was anything that could be done to decrease the overall development cost, particularly with the backbone infrastructure and standards. He suggested that staff invite a cross section of industry representatives to join them in developing alternatives that would make it more affordable to do business in Elk Grove.

Vice Mayor Scherman asked Mr. Buchman to return to Council with options and recommendations for decreasing development costs.

Mayor Hume was in favor of *Scenario 2 Project Additions*. He believed that Whitelock Parkway was needed to relieve congestion near Highway 99. He was opposed to *Scenario 3 Full Width Additions*, explaining that it would overburden the City with maintenance costs. He expressed support for *Scenario 4 Rural Road Deletions*.

In answer to Mayor Hume, Mr. Buchman did not believe a fully operational Intelligent Transportation System (ITS) was incorporated into the General Plan modeling.

Mayor Hume suggested considering lowering the level of service in some areas, due to benefits projected to be derived from the transit system and ITS. Additionally he recommended that economic development incentives be created, such as a fee credit for agreeing to use local labor and material.

Council Member Davis voiced agreement with Mayor Hume's suggestions. Further, he recommended that Cosumnes Community Services District be included in the discussions.

Council Member Cooper supported the additions in the center lane medians, but not the full width additions. He was opposed to full rural road deletions (as outlined in Scenario 4), as he felt that some of the projects have merit and more discussions should take place on the subject. He asked for a list of the projects included in Scenario 4 that would total a \$61 million decrease.

Vice Mayor Scherman agreed that further discussion should take place regarding *Scenario 4 Rural Road Deletions*.

Mayor Hume asked staff to consider roundabouts instead of signalized intersections, as a way to lessen costs.

Mayor Hume, Vice Mayor Scherman, and Council Member Cooper voiced opposition to *Scenario 3 Full Width Additions*.

Council Member Detrick favored *Scenario 2 Project Additions*.

In answer to Council Member Detrick, Mr. Buchman stated that, including Scenario 3 in the fee program would create a formal cost sharing mechanism, so roads can be built when needed.

City Attorney Cochran explained that the Constitution requires cities to have a nexus and rough proportionality in any type of impact fee that is imposed on new development. By excluding portions of the road, the City may not be appropriately getting the sufficient nexus and proportionality. For this reason, Ms. Cochran had advised to include the full width of the roadway to ensure the City was accounting for everything in developing its fee programs and when imposing mitigation measures on development.

Council Member Davis recommended *Scenario 2 Project Additions* and *Scenario 4 Rural Road Deletions*, which would result in a lower cost than *Scenario 1 Base Case*.

Mr. Gomes reviewed the Capital Facilities Fee CIP, level of service methodology, level of service comparisons, and proposed level of service methodology as outlined in the overhead presentation (filed).

In answer to Council Member Davis, Finance Director Craig reported that there were multiple funding components for the proposed civic center, which includes \$4 million in the Poppy Ridge issuance or \$25 million available to be issued in future issuances in Laguna Ridge.

Council Member Davis pointed out that a significant cost savings could be achieved by locking in lower construction costs now.

Council Member Cooper suggested that Police facilities be expanded to include a holding facility, which would save costs currently being expended toward County booking fees.

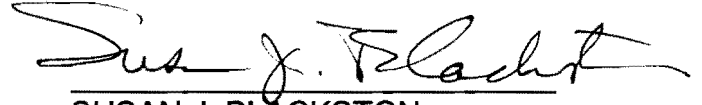
Council Member Davis asked whether the City requires others to use its contractors to complete environmental impact work.

City Attorney Cochran explained that, State law stipulates, cities are in charge of environmental impact reports (EIR). Some jurisdictions, therefore, contract for the work and the developer reimburses the city for costs incurred.

Planning Director Hazen believed applicants should be able to get a fair investment of their money for the EIR and the only way to ensure that would be to go through a competitive process. The City could either establish an eligibility list of consultants that are prescreened for qualifications or it could be done on a project by project basis. He expressed concern about the practice of sole sourcing EIRs to one firm.


**ADJOURNMENT**

With no additional business to conduct, the January 14, 2009 Special City Council meeting was adjourned at 5:00 p.m.



SUSAN J. BLACKSTON,  
CITY CLERK

ATTEST:



PATRICK HUME, MAYOR