

**MINUTES OF THE CITY COUNCIL  
SPECIAL MEETING  
Wednesday, February 11, 2009**

**CALL TO ORDER/ROLL CALL**

Mayor Hume called to order the Special City Council meeting of February 11, 2009 at 3:03 p.m.

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

Absent: Council Member Cooper (arrived at 3:19 p.m.)

Council Member Detrick led the Pledge of Allegiance.

**PRESENTATION**

**Agenda Item No. 2.1:** Development Impact Fees

**RECOMMENDATION:**

Provide staff and consultant direction in updating the citywide Roadway and Capital Facilities development impact fees.

*NOTE: The City Council recessed at 3:11 p.m. and reconvened at 3:19 p.m. with all members present.*

With the aid of an overhead presentation (filed), Assistant Public Works Director Fritz Buchman explained that, based on discussion that occurred at the January 14, 2009 meeting on this subject, the original four Roadway Fee Capital Improvement Program (CIP) scenarios were consolidated to two: 1) Scenario 1: Base Case – incorporates newly identified projects since the last update and eliminates funding for widening Sheldon arterials, and 2) Scenario 2: Includes full width additions. Mr. Buchman reviewed maps for both scenarios. The estimated fee program cost for Scenario 1 is \$419.8 million. The additional cost associated with full width additions is \$84.5 million. He noted that these amounts exclude contingencies, outstanding reimbursement liabilities, current fund balance, and other adjustments. He reported that, next week, a meeting is scheduled with Sheldon area representatives to obtain input on specifically what facilities are proposed for inclusion and exclusion in the fee program. He explained that eliminating funding for the arterials does not mean the City does not plan or expect the need for the arterials to be widened at some point in the future. He stated that when the need is triggered, the widening will need to be funded through other sources than the Roadway Fee. In reference to Scenario 2, Mr. Buchman explained that funding the arterials from “curb to curb” provides the City the means to fund the arterials to full

capacity irrespective of the status of adjacent development. He cautioned that this has the potential to complicate California Environmental Quality Act clearance for individual developments. By funding full width, the City will have the means to widen arterials as needed for City delivered projects. The full width addition facilitates implementation of General Plan policies that are intended to eliminate “zipper” streets and to provide continuous pedestrian facilities.

Council Member Detrick asked whether Roadway Fees could be used to advance the cost for future development. Mr. Buchman replied that that was the approach initially embraced when the previous Roadway Fee was adopted; however, staff recently received legal advice that the reimbursement mechanism from future development is not reliable, particularly when there is a lengthy separation between the time the City advances the road improvement and the time development begins.

Mr. Buchman reported that, if the City’s level of service (LOS) standards were reduced from D to E, it would reduce the CIP by \$29 million.

With the aid of an overhead presentation (filed), Jamie Gomes representing Economic & Planning Systems pointed out that, in considering an RD-5 unit, the Laguna Ridge Specific Plan has the largest gap between what the current infrastructure burden is and what the targeted burden could be, i.e. \$30,000 on a per unit basis. In a \$400,000 priced home in East Franklin there is still a gap between what that home would normally be able to afford and what the current burden is on that product. The infrastructure cost burdens on the east side of the City are in the feasible range. He explained that rather than a single number for the amount that needs to be reduced, it is actually a range that varies by product type. The majority of potential homebuyers cannot afford the infrastructure cost burdens on product types that they can afford to buy.

In answer to Mayor Hume, City Attorney Cochran believed that affordable housing fees could offset the cost differential.

Council Member Davis asked whether prevailing wage is triggered in the existing affordable housing subsidy program, to which Ms. Cochran stated she was unsure. She noted that there were reduced rates, restrictions, and covenants on the resale of units through the subsidy program.

Mr. Gomes reported that Elk Grove Unified School District development fees are based on square footage, whereas actual burden is based on value. He reviewed possible solutions such as scaling the impact fees based on household size categories, updating the Impact Fee Programs, and lowering the LOS goal. He pointed out that, between 50% to 65% of the impact fees imposed on units, are for other agencies. He reported that staff has organized a working group with the development community to evaluate the City’s improvement standards and analyze how they affect development costs. Mr. Gomes pointed out that, no matter how

successful, \$35,000 in fees cannot be reduced on a per unit basis. Vertical construction costs, subdivision development costs, and development standards will also be considered.

Council Member Davis had expected meetings with the development community would already have taken place prior to this meeting. Mr. Gomes replied that it normally takes six to 18 months to complete the process.

Mr. Buchman believed that review and implementation of changes to improvement standards could be accomplished quickly.

Council Member Davis asked staff to expedite the process and develop a comprehensive list so that Council can consider options and make decisions quickly.

Mr. Gomes explained that phasing improvement costs has a significant effect on development feasibility; some projects indicate a range of 15% to 20%. Short term measures for Council to consider include a fee deferral program and the Statewide Community Infrastructure Program. Mr. Gomes pointed out that phased implementation, interim reductions, or targeted subsidies would all require funding from other sources to fund roadway improvement projects.

In answer to Mayor Hume, Finance Director Rebecca Craig reported that refinancing bonds is not an option at this time, due to market conditions. She explained that refinancing opportunities will arise when development is built out, as developed land has more static value than developer based land. The funds being used are the City's advance draw on its portion of the total proceeds for the future civic center complex. The City has been loaning the funds to make the debt payment. Ms. Craig noted that the funds can only be used for facilities.

Council voiced the need to reach out to other agencies and expedite this process as quickly as possible.

Heather Ross, Management Analyst, stated that Council could reduce fees across the board; however, without a specific timeframe, because it would trigger prevailing wage requirements. Any lost revenue from the fee reduction would have to be replaced from another funding source to make the program whole. Another option would be an incentive program that would allow the City to target specific sectors or types of development. She noted that this option would trigger prevailing wage requirements for both onsite and offsite improvements. Staff would need to develop qualification criteria, as well as incentive levels. The cost would need to be funded from an alternative source, e.g. General Fund reserve. Ms. Ross reviewed examples of incentive programs.

Council Member Davis asked if prevailing wage would be triggered if a source of funds was transferred to the Economic Development Corporation (EDC) and it made the decision about where the funds were allocated. Ms. Cochran replied that it should not, because the EDC would be exercising independent discretion.

Following discussion, Council concurred not to reduce the LOS goal.

**PUBLIC COMMENT:**

Tom Shine, member of the Sheldon Community Association and Greater Sheldon Homeowner's Association distributed a list of rural roads projects (with a total cost of \$115 million) that will be discussed with Public Works on February 20 (filed). He stated that there is a disconnect in certain areas between the General Plan Land Use Element and the Circulation Element. He pointed out that the Capital Southeast Connector has the potential of being a significant issue at some point. He believed that Calvine Road (on the Elk Grove side) needs full width improvement.

John Costa, representing the Building Industry Association, reported that he met with staff last week; however, he noted that there remains a great deal to discuss. He explained that it is more than the City's current fees that need to be considered; it is also the cost structure, standards, and assumption within the standards that needs to be addressed. A meeting has been scheduled for March 19 with City staff and outside agencies. On March 24 Sacramento County will be presenting to its Board a comprehensive review of all of its costs including those from outside agencies. He noted that \$230,000 per unit is currently market affordable. He asked Council to direct staff to work with the industry and other stakeholders to address the overall issues.

Ed Gillum stated that he represented numerous developers in the community. He asked for additional time to review the full width issue. He noted that full width improvement includes water, electric, sewer, and drain lines; however, they cannot be constructed in advance of development that will not occur for many years. Consequently, it would require having to cut pavement to install the lines later. If partial streets were done, a lane on each side could be constructed to place the facilities in.

Public Works Director Richard Shepard stated that staff is committed to working with the industry to find a way to shrink the size of the projects either through reduced standards or eliminating other costs. He noted that the only way to reduce fees is to reduce the size of the program.

Mayor Hume recommended that the Capital Southeast Connector be factored in. He recalled at the last meeting Council agreed with the base case scenario plus some additions, such as Whitelock Parkway. Additionally, he recalled that there

was consensus *not* to include full width additions. One of the cost savings options was the phasing of improvements.

Council agreed that *Scenario 2: Full Width Additions* should be vetted through a work group.

In reply to Council Member Davis, Mr. Buchman reported that staff has adjusted the right-of-way cost based on acquisition prices over the past 12 months.

Council Member Detrick asked staff to prepare a matrix including all agency fees, design criteria and their impacts, and all optional fees, so that Council can consider the situation in totality. Council Member Cooper voiced agreement.

Vice Mayor Scherman agreed with Mr. Detrick and asked staff to also include the Sacramento Regional County Sanitation District's plan to meter water by 2025 and other mandated fees.

Council Member Davis suggested that fees be lowered on job creating projects. He believed if fees were reduced enough for office product it might create economic activity; however, he doubted the same would hold true for housing.

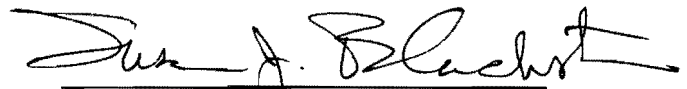
Mayor Hume expressed concern about a square foot sliding scale, which he believed would create an incentive to build, for example, an RD-7 rather than RD-5 product.


Council concurred with Scenario 1 and asked staff to return with options.

Council Member Davis suggested that the Roadway Fee be a percentage of projects. He recommended an incentive program targeting job development and that deference be made to local contractors and suppliers, to which Mayor Hume expressed agreement.

**ADJOURNMENT**

With no additional business to conduct, the Special February 11, 2009 City Council meeting was adjourned at 4:52 p.m.

  
SUSAN J. BLACKSTON,  
CITY CLERK

ATTEST:  
  
PATRICK HUME, MAYOR