

City of Elk Grove

Southeast Policy Area Strategic Plan

Cost Recovery Program



Final
February 13, 2019

Introduction

The purpose of the Southeast Policy Area Strategic Plan Cost Recovery Program Fee (fee) is to recover the City's costs associated with preparation, adoption, and early implementation of the Southeast Policy Area (SEPA). Cost recovery planning fee programs are enabled by state law consistent with California Government Code Section 66000, et seq.

The SEPA is the last large-scale development area within the current City limit, which makes it desirable to developers. Additionally, development of the SEPA would be beneficial to the City because it would provide additional business institutions, creating job opportunities as well as housing for the growing population and increase the City's tax base. However, the General Plan requires the preparation of a strategic plan prior to any development of the SEPA. Fee revenues will cover the costs associated with the Strategic Plan developed by City staff, which satisfies the requirement in the General Plan. By completing this work as a City project, the City has provided a mechanism to jump-start development in the SEPA. Consequently, the initial planning projects undertaken by the City were reasonably necessary to foster development of the SEPA.

The Fee shall be imposed upon development projects for the purpose of mitigating costs incurred by the City in the preparation, adoption, and early implementation of the SEPA Strategic Plan. Staff has prepared a Community Plan, which includes community design guidelines and standards, a programmatic environmental review, and high-level supportive infrastructure analysis related to traffic/transportation, drainage, water, and wastewater in accordance with California Government Code Section 66001(a)(1). Staff has also engaged in public outreach, research, and plan development. A breakdown of the costs associated with each activity can be found in the table entitled "SEPA Strategic Plan Cost by Task and Department" on Page 4 of this document.

Fee revenues will be applied exclusively to the costs associated with the preparation, adoption, and early implementation of the SEPA in accordance with California Government Code Section 66001(a)(2). Since revenues will only be applied for the benefit of the SEPA, it is reasonable for the fee to be imposed on development projects in that area in accordance with California Government Code Section 66001(a)(3). There is a reasonable relationship between the fee amount and the portion attributable to each developable lot sold because fee revenues will be collected on a per gross acre basis in accordance with California Government Code Section 66001(a)(4). There are 914.41 acres in the SEPA that are subject to the fee. Using the total cost expended for the Strategic Plan of **\$2.06 million** and, including a 4% administrative fee for maintenance of this Cost Recovery Fee, the fee per gross acre is **\$2,143.39**. Since these planning activities benefited each acre in the SEPA, it is reasonable to divide the total fee by the total acreage not otherwise designated for public use in accordance with California Government Code Section 66001(a)(5).

Project Background

Located at the southern end of the City, the SEPA is the last large-scale development area within the current City limit. It lies directly south of the Laguna Ridge Specific Plan area and west of Lent Ranch/Elk Grove Promenade and the approved Sterling Meadows development. It is approximately 1,200 acres in size.

Recognizing the importance of this area, in 2003 as part of the adoption of the General Plan, the City Council declared it a special Policy Area. With this designation, policies were adopted for how the area would be developed. Specifically, the policies required the preparation of a comprehensive master plan and prohibited the approvals of any specific development prior to completion of the master plan. In 2007, a group of land owners and developers initiated the process for master planning, submitting an application for the Southeast Area Specific Plan. However, as the economy cooled, the plan was never finalized.

On July 25, 2012, the City Council directed staff to initiate master planning (in the form of a strategic plan) for the SEPA. The Council direction specified the preparation of a Community Plan along with high-level supportive infrastructure analysis (including traffic/transportation planning, drainage, water, and wastewater), community design guidelines and standards, and programmatic environmental review. This plan was adopted on July 9, 2014, after two years of public outreach, research, and plan development. Since the adoption, the City Council has directed staff to continue outreach with property owners and coordinate the delivery of infrastructure to the area.

SEPA Strategic Plan Cost

The strategic planning effort involved several City departments including the City Manager's Office, Development Services, and Public Works. Costs incurred by staff in these departments along with outside consultant assistance for strategic plan development have been accounted for and are recoverable by imposing a fee on development projects for the SEPA.

The following specific planning tasks/activities would be recovered through the fee:

- Initial public outreaching and visioning of the planning area (spring 2012)
- Presentation to the Planning Commission and City Council of the results of the public outreach (summer 2012)
- Preparation of the SEPA Strategic Plan, which included the following specific documents/tasks:
 - A Community Plan policy document, which was adopted as part of the General Plan
 - A Special Planning Area (a zoning document), which established zoning regulations for properties in the Policy Area

- Backbone roadway sizing and intersection study to identify future right-of-way needs for major roadways in the community, as well as connectivity of multimodal transportation routes, including access for pedestrians and bicyclists
- A drainage plan, identifying design requirements, facility needs, and alignment of the backbone drainage system, including alignment of Shed C Drainage Channel and location of detention facilities and major pipe systems
- Water and sewer plans, identifying backbone infrastructure needed to serve the planned development
- A Program Environmental Impact Report, which addressed California Environmental Quality Act compliance for SEPA
- Public outreach and review of the draft documents
- Planning Commission and City Council public hearings for plan adoption
- Coordination of infrastructure improvements that will serve the area
- Preparation of an architectural style guide to address building architecture in the Plan area
- Development of a series of landscape planning prototypes that guide subsequent improvement design in the Plan area
- Annexation of the entire SEPA into the service area of Sacramento Area Sewer District (SASD) and Sacramento Regional County Sanitation District (SRCSD) through the Local Agency Formation Commission (LAFCo)
- Other activities necessary to plan for the design and development of SEPA.

The total cost for the SEPA Strategic Plan is \$2.06 million. This cost comprises Development Service and Public Works departmental staff and expenses, consultants retained by the two departments for technical reports, City overhead costs, outside charges by LAFCo. The City overhead is 49% of direct costs and is guided by the Overhead Rate Policy adopted through resolution by the Elk Grove City Council in July 2009. The overhead rate captures costs from General Fund-supported functions, such as Facilities, Information Technology, Finance, and the City Attorney's Office, that provide central government support services to the Planning and Public Works Departments. The 49% overhead rate is applied to the direct costs for the SEPA plan development.

Table 1 provides a breakdown of the cost by plan task.

Table 1: SEPA Strategic Plan Cost by Task and Department

Task	Development Services ¹	Public Works ¹	SUBTOTAL	City Overhead	Outside Charges ²	TOTAL
Phase 1: Background Investigation and Visioning	\$125,300	\$0	\$125,300	\$61,397	\$0	\$186,697
Phase 2: Strategic Plan Initiation	\$27,500	\$0	\$27,500	\$13,475	\$0	\$40,975
Phase 3: Guiding Principles and Preferred Land Plan	\$68,870	\$0	\$68,870	\$33,746	\$0	\$102,616
Phase 4: Plan Development	\$355,540	\$185,320	\$540,860	\$265,021	\$0	\$805,881
Phase 5: Environmental Review	\$157,750	\$0	\$157,750	\$77,298	\$25,000	\$260,048
Phase 6: Plan Adoption	\$23,900	\$0	\$23,900	\$11,711	\$0	\$35,611
Phase 7: Project Management	\$24,290	\$0	\$24,290	\$11,902	\$0	\$36,192
Phase 8: Plan Implementation	\$117,000	\$100,000	\$217,000	\$106,330	\$0	\$323,330
Phase 9: Architectural Style Guide	\$45,000	\$0	\$45,000	\$22,050	\$0	\$67,050
Phase 10: Landscape Protocol Manual	\$51,000	\$0	\$51,000	\$24,990	\$0	\$75,990
Phase 11: 2015 Plan Amendment	\$10,825	\$0	\$10,825	\$5,304	\$0	\$16,129
Phase 12: Traffic Web Mapping Tool	\$38,000	\$1,000	\$39,000	\$19,110	\$0	\$58,110
Phase 13: SASD/SRCSD Annexation Expenses	\$5,000	\$12,000	\$17,000	\$8,330	\$5,000	\$30,330
PROGRAM EXPENSES TOTAL	\$1,066,765	\$298,320	\$1,365,085	\$668,892	\$30,000	\$2,063,977

Notes:

¹ Includes sub-consultant charges² Cost of the Water Supply Assessment and LAFCo charges for the annexation.

Administration Fee

The City will charge an administration fee that equals 4.0% of the total costs. Calculations performed by City staff for other City fee programs show that expenditures for program administration equal and often exceed 4.0% of the fee program's expenditures. Costs included in the administration of the program include, but are not limited to, preparation of the nexus study; preparation of updates to the nexus study; preparation of annual reports for the fee; and administration costs for maintaining the fee fund. The City should monitor its costs in the following years and adjust the rate, as necessary.

Table 2: Administration Fee

Expense	Cost
Program Expenses Total	\$2,063,977
Administrative Fee (4%)	\$82,559
Total Fee	\$2,146,536

Cost Recovery Fee

Initial funding for the Strategic Plan is from the Development Services Special Projects fund and from General Fund Reserve loans. This fee will repay these expenses and loans. The City's recovery of plan costs is through a fee that is collected on a per gross acre basis (inclusive of existing or planned rights-of-way) and will be collected prior to the recordation of a (small lot) Final Map. For projects where a map is not required, the fee will be collected prior to building permit issuance.

As shown in Table 3, the total Plan Area is 2,107.8 gross acres. The fee will not be applied to lands designated for public use (parks/open space, greenways (trails), drainage (basins and channel area), and schools). This would leave 1,001.5 gross acres as the amount subject to the fee. Using total cost of \$2.06 million, plus the Administrative Fee (4%), the fee per gross acre is **\$2,143.39**.

Table 3: Cost Recovery Fee

Land Use	Gross Acreage	Land Subject to Fee	Percent of Total Applicable Acreage	Total Fee Collected ¹	Fee per Acre
Single Family ²	476.4	476.4	47.6%	\$1,021,198.78	\$2,143.39
Multi-Family ³	68.8	68.8	6.9%	\$147,465.53	\$2,143.39
Commercial ⁴	34.4	34.4	3.4%	\$73,775.63	\$2,143.39
Office	311.1	311.1	31.1%	\$666,886.33	\$2,143.39
Industrial/Flex	110.7	110.7	11.1%	\$237,209.45	\$2,143.39
School	19.5	0.0	0.0%	\$0.00	\$0.00
Park/Open Space	50.4	0.0	0.0%	\$0.00	\$0.00
Drainage Facilities	90.6	0.0	0.0%	\$0.00	\$0.00
Greenway	45.8	0.0	0.0%	\$0.00	\$0.00
TOTAL	1,207.8	1001.5	100.0%	\$2,146,535.72	\$2,143.39

Notes:

1. Total fee includes the total program expenses and administrative fee, as shown in Table 2.
2. Includes acreage associated with estate, low density, and medium density residential land uses.
3. Includes acreage associated with high density and mixed-use residential land uses.
4. Includes anticipated non-residential acreage within the mixed-use area.

The fee will be adjusted annually (every January). The rate of adjustment will be the annualized increase, if any, in the Local Agency Investment Fund (LAIF) rate plus two percent to repay the interest cost to the General Fund. This represents the City's base costs plus long-term financing costs for the expenditure of funds towards the development of the SEPA Strategic Plan. If there is a decrease in the LAIF rate the fee will not be adjusted.

Nexus Findings

Development in the plan area will benefit from the City's prior work. The Cost Recovery Program shall reimburse the City for its expenses in establishment of the SEPA Plan. The Cost Recovery Fee, as calculated in this Nexus Study, meets the Mitigation Fee Act law nexus requirements, as outlined below.

Purpose of Fee

The purpose of the Cost Recovery Fee is to reimburse the City's cost in establishment of the SEPA Strategic Plan, which is necessary to develop the area.

Use of Fee

Revenue from the Cost Recovery Fee will be used to reimburse the City for its costs in the establishment of the SEPA Strategic Plan. These costs are identified in Table 1.

Reasonable Relationship Between the Fee's Use and the Types of Development

Development of residential and non-residential land within the Plan Area will benefit from the City's efforts, including the establishment of zoning, completion of the necessary review under the California Environmental Quality Act (CEQA), including the Water Supply Assessment, traffic analysis, water, sewer, and drainage master planning, annexation of the area into the service territory of Sacramento Area Sewer District and Sacramento Regional County Sanitation District, and other plan implementation efforts. Revenues will be used to reimburse the City for its costs in these efforts.

Reasonable Relationship Between the Need for the Plan and the Type of Development

Development in the Southeast Policy Area requires the establishment of appropriate zoning, consistent with the City's General Plan, infrastructure master planning, the completion of CEQA review, and other actions necessary to consider subsequent requests for subdivision, design review, and site improvements. The City's efforts to complete this planning and engineering work allows for the more efficient and legally sufficient review of these subsequent applications.

Reasonable Relationship Between the Amount of the Fee and the Cost of the Plan

The Cost Recovery Fee is calculated based upon the City's costs to date in its efforts and attributed to the private development area (residential and non-residential commercial uses). Public facility land is excluded from the calculation because these lands would not exist but for the private development area. Costs are allocated on an equal basis across the private development area.