



ITEM 7

Agenda of January 16, 2020

**TO: Sacramento Area Flood Control Agency
Board of Directors**

**FROM: Jason D. Campbell, Deputy Executive Director
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**SUBJECT: RESOLUTION - AUTHORIZING AN AMENDMENT TO THE
SACRAMENTO AREA FLOOD CONTROL AGENCY DEVELOPMENT
IMPACT FEE PROGRAM ADMINISTRATIVE PROCEDURES MANUAL
2016 AND APPROVING AN INFLATIONARY ADJUSTMENT**

OVERVIEW:

By adopting Resolution No. 2020-005, the Board would authorize amending SAFCA's Development Impact Fee Program (DIF or Fee Program) to address changes to the Government Code associated with California SB 13, Accessory Dwelling Units, signed by the Governor on October 9, 2019 (SB-13). SB-13 modifies the SAFCA Development Impact Fee (DIF) by increasing the area of residential impact fee exemption from 300 square feet to 750 square feet. The modifications for the residential exemption area would be effective beginning January 1, 2020.

The proposed resolution would also approve an inflationary adjustment informed by Engineering News Record (ENR) Construction Cost Index along with fee collection trends. The ENR cost index has increased 7.4 percent (%) for period since the last rate change in January of 2017. During the same period trends in fee collection have tapered down. Based on the ENR index, trends in collection and impacts of SB-13, Staff is recommending a 2.0% fee increase to insure project funding levels are maintained. If approved, DIF increases will be effective on July 1, 2020 in accordance with the Fee Program policy and procedures.

FINANCIAL IMPLICATIONS:

Under the proposed modifications to the Fee Program, the DIF rates currently charged to new structures would be increased by 2.0%. The change in residential exemptions is not anticipated to have an overall impact on the collection of fees or the basis of the fee calculation.

RECOMMENDATION:

Staff recommends that the Board adopt Resolution No. 2020-005, thereby authorizing an amendment to the Sacramento Area Flood Control Agency Development Impact Fee Program Administrative Procedures Manual 2016 and approving an inflationary adjustment of 2.0%.

BACKGROUND

The SAFCA Act of 1990 (SAFCA Act) gives the SAFCA Board of Directors (Board) the authority to prescribe, revise, and collect fees as a condition of development of land. The Fee Program was approved in 2008 and became effective on January 1, 2009. The last update to the Fee Program occurred in October of 2016, at which time a new rate structure and administrative procedures were updated. In addition, the rates established in the 2016 update became effective on January 1, 2017 and have not been updated since.

DISCUSSION

As described in the program documents, implementation of the Fee Program ensures that new structures placed in the Program Area do not increase Sacramento's exposure to flood damages and associated governmental costs.

New development could significantly increase the economic consequences of an uncontrolled flood. The Fee Program mitigates this impact by funding a series of flood risk reduction measures that would build on the flood risk reduction accomplishments of the various SAFCA assessment districts and related construction efforts.

The fee structure provides a methodology for calculating the Development Impact Fee that recognizes various variables including growth projections, benefit factors related to land use categories, and cost estimates for flood improvement projects. The resulting fees, applied on added square feet basis by land use categories, provides a methodology that can be easily apportioned to each new structure.

Fee Program Administration

Since the inception of the Fee Program in January 2009, the DIF has been collected by the agencies with jurisdiction over development in the Program Area (City of Sacramento, County of Sacramento, and County of Sutter). Each of these agencies has entered into fee collection agreements with SAFCA, by which they administer the Fee Program and receive compensation in an amount equal to about two to three percent of the total Fee Program collections. These agreements incorporate, by reference, an administrative procedures manual. Pursuant to these procedures, the DIF is collected as a condition of obtaining a building permit. Upon receipt of a building permit application, the responsible land use agency makes an initial determination of the applicability of the Fee Program, based on the location of the proposed development project and computes the fee, taking into account applicable credits.

SB-13 Accessory Dwelling Units

California SB 13, Accessory Dwelling Units, signed by the Governor on October 9, 2019, changes the Government Code associated with impact fees. The new law in turn modifies the SAFCA Development Impact Fee (DIF) by increasing the area of residential impact fee exemption from 300 square feet to 750 square feet. While the fee exemption is not anticipated to pose a significant impact on the fees collected, it is anticipated to have a nominal impact on

administrative costs associated with the collection of fees. The modifications increasing exemptions for residential areas from 300 square feet to 750 square feet will be effective beginning January 1, 2020.

Periodic Adjustment

DIF rates are subject to periodic adjustment to reflect inflationary costs based on the Engineering News - Record Construction Cost Index (ENR). Such periodic adjustments are considered annually and provided to the responsible land use agencies on or before May 1 of each year. Since the last fee update effective in January of 2017, inflationary adjustments have not been brought to the Board for consideration. During the period between January 2017 and the present, the ENR Index has seen a significant increase of 7.4% or an average of 2.48% annually. However, based on market volatility and relatively low inflationary indicators during this period, staff did not request to proceed with annual fee increases. SAFCA staff is now requesting the Board consider a 2.0% fee increase to cover administrative cost increases and to protect against ongoing inflationary costs for projects.

FINANCIAL CONSIDERATIONS

During Fiscal Years 2017, 2018 and 2019 the Fee Program raised over \$23.2 million. Based on growth projections prepared for the 2016 Fee Program Update, the Fee Program was estimated to generate an additional \$33.0 million over the nine year period ending on June 30, 2025. The unadjusted cumulative total of \$44.24 million is needed to support the fee-funded projects identified in the Fee Program to the end of the period of analysis. The implementation of inflationary rate increases are necessary to continue to meet the project cost demands. The proposed 2.0% increase will have the following effect on the 2016 approved rates:

	2016	2020
• Residential		
○ Single-Family	\$2.06/sf	\$2.10/sf
○ Multifamily	\$1.18/sf	\$1.20/sf
• Non-Residential		
○ Commercial	\$1.57/sf	\$1.60/sf
○ Industrial	\$1.14/sf	\$1.16/sf

POLICY CONSIDERATIONS

The Development Impact Fee Program serves several important policy objectives. The DIF provides coverage for the aggressive approach being taken to advance implementation of projects in Natomas, on the Sacramento River and on the American River. The Development Impact Fee Program also addresses ongoing Federal and State floodplain management concerns by providing a strategy for managing the residual risk of damage in the Program Area as new development occurs over time, thus promoting consistency with current Federal and State floodplain management policies.

ENVIRONMENTAL IMPACTS

The environmental effects of the projects funded by the updated Fee Program have been evaluated in the Final Subsequent Program EIR on Updated Local Funding Mechanisms for Sacramento Area Flood Control Improvements, which was certified by the SAFCA Board in April 2016.

RECOMMENDATION

Staff recommends that the Board adopt Resolution No. 2020-005, thereby authorizing an amendment to the Sacramento Area Flood Control Agency Development Impact Fee Program Administrative Procedures Manual 2016 and approving an inflationary adjustment of 2.0%.

JClr/DIF update.bd.doc
Attachment(s)