October 3, 2023

TO: CADA Board of Directors

SUBJECT: **October 6, 2023, Board Meeting**
AGENDA ITEM 2
CITY DEVELOPMENT IMPACT FEE INCREASES

CONTACT: Danielle Foster, Executive Director
Todd Leon, Development Director

RECOMMENDED ACTION:

Staff recommends that the Board authorize staff's submittal of a comment letter for the October 17, 2023 City Council meeting regarding the City's proposed Development Impact Fee increases, as summarized in Attachment 1.

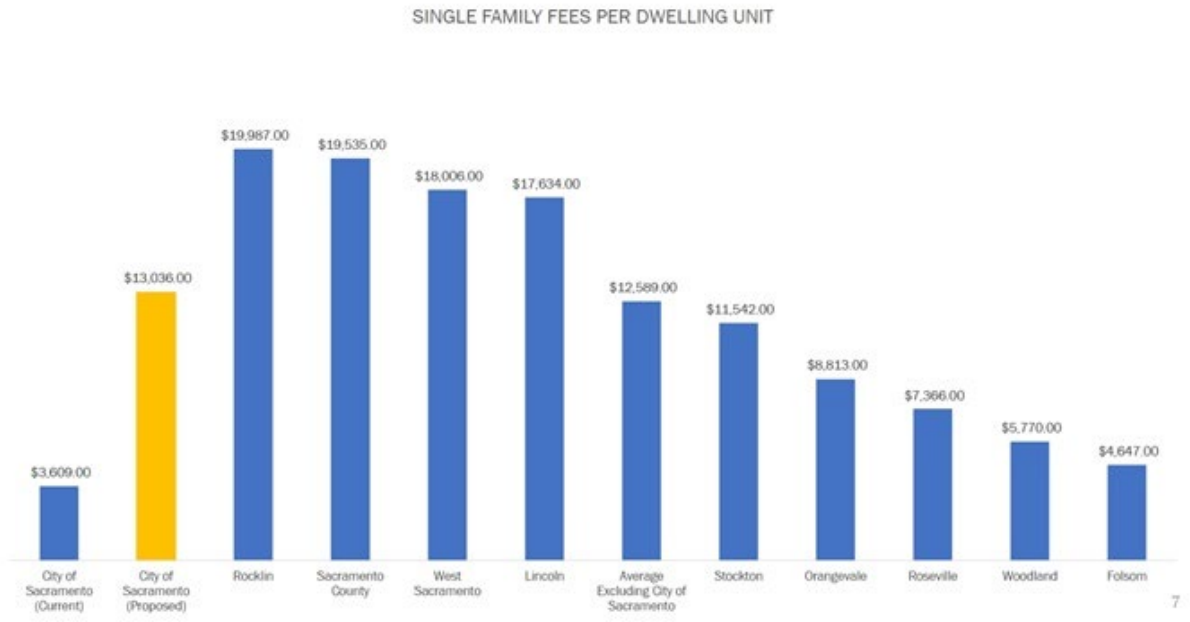
BACKGROUND

The City's Department of Utilities (DOU) is proposing to establish a drainage fee and increase water and sewer fees, collectively referred to as "development impact fees," which help fund utilities infrastructure for new development within the city of Sacramento. California law prevents utility rates from being used for new construction infrastructure, so development impact fees are necessary to help fund new utilities infrastructure for development in the city. City staff has determined that current impact fees are not enough to support the required infrastructure for future growth, as projected in the City's draft 2040 General Plan.

City staff has been providing outreach to local developers, associations, and key development representatives over the summer regarding this gap of funding and recommendation. Additional background can be found at:
DOU Development Impact Fees - City of Sacramento
www.cityofsacramento.org/utilities/development-impact-fees

The City's Fact Sheet and Responses to Public Comments are included as Attachments 2 and 3 of this report.

The City uses development impact fees to equitably distribute the costs related to water, stormwater, and wastewater infrastructure to all potential development. Without an adjustment to current development impact fees, City DOU staff states that there will not be adequate funding to support infrastructure for future growth. All nearby cities utilize impact fees for development as well. The City of Sacramento is currently one of the jurisdictions with lower impact fees and would shift to just above the average on the water fee, for example, with the proposed increase, as shown in the chart below.



Currently, there are three development impact fees in the City of Sacramento: water, separated sewer, and combined sewer infrastructure. A project either pays for separated or combined sewer. Being downtown, CADA typically pays the combined sewer rate.

There is currently no development impact fee for the City's stormwater system. The City is proposing to add a new fee for stormwater systems, one for a pumped basin and one for a gravity basin infrastructure, depending upon project location. CADA would not likely be paying a stormwater fee since its projects tend to be in the combined sewer/stormwater system.

Zero Dollar Impact Fee Program. On October 30, 2018, the City Council passed a resolution reducing certain development impact fee residential rates for new deed-restricted affordable dwelling units (up to 120% of Area Median Income for a period of at least 30 years) to a zero-dollar rate for building permit applications accepted on or after December 30, 2018. This impact fee reduction program is subject to funding availability at the time of building permit issuance. This program covers water, sewer, combined sewer, and the Central City Impact Fee. Other fees like parks and schools are not covered in this program. Even with this program, affordable housing projects in the city will result in having a higher cost per unit through these fee increases.

Fee Deferral Program. The City also allows for a fee deferral of impact fee payment until final inspection for certificate of occupancy for residential, mixed use, and large non-residential (greater than 100,000 square feet) projects. This allows decreased construction costs because the developer does not have to pay as much construction interest on the fees if they are paid at the end of construction rather than at the start.

POLICY ISSUES

The City is required to provide adequate infrastructure for new development and has not raised its fees in over twenty years to garner the fees to complete the necessary projects. There are regional, state, and federal funds that the City pursues to assist with infrastructure projects as well and there are areas of the city where inadequate or outdated infrastructure makes projects more expensive. Sewer and water connections, alleys, sidewalks, curb and gutters, electrical substations, and road connections are also borne by projects where these repairs or installations are needed, sometimes proving them infeasible, regardless of impact fee rates.

The City offered the following multifamily project example to illustrate the increase in fee rates for water, sewer, and stormwater fees, not including other City fees, for a 200-Unit Condo or Apartment Project on a one-acre site:

	WATER	Separated Sewer System	Combined Sewer System	Gravity Drainage	Pumped Drainage	TOTAL
	Developer pays	Developer pays one fee		Developer pays zero to one fee		
Current Impact Fees	$103,805	$490	$473,080	$0	$0	$576,885
Proposed Impact Fees	$190,321	$470,580	$1,007,820	$6,494	$10,602	$1,198,141

Note: The TOTAL column above is showing the increase for these DOU fees if the project is within the CADA Project Area, paying Water and the Combined Sewer System rate. These fees are in addition to regional sanitation, parks, and school district fees, as well as building permit review and processing fees, planning entitlement fees, infrastructure costs, and other predevelopment costs.

Given the impact these fees will have on development, staff would like to provide the City a letter that does the following:

- Acknowledges the City's need to fund infrastructure improvements and replacement projects;
- Requests that the City consider this conversation in parallel with related programs and ordinance requirements on development and opportunities to streamline the development process and reduce time and costs to housing projects;
- Details the impacts these increases will have on CADA affordable housing projects and their competitiveness for outside funding;
- Outlines the need for additional funding and funding certainty in the Zero Dollar Impact Fee Program Fund for affordable housing;
- Highlights the importance of City efforts to pursue additional funding sources for infrastructure;
- Notes the critical role that the fee deferral program plays for all development, particularly when interest rates are high, and encourage the City to consider an approach that offers deferment to more projects, particularly residential projects; and
- Requests the City to continue to seek cost-saving steps for development through other City-controlled measures, including: streamlined building permit processing, faster and consistent inspections, consolidating project-related Engineering staff into the Community Development Department, and other time-saving measures and regional best practices to lower costs on development.

Staff believes these comments recognize the challenges facing the development community and the City, while offering suggestions that can assist both parties and development efficiency. As a community partner, CADA can provide information and potential policy options for consideration. In the current development climate, construction loan interest rates are high and it is more challenging to borrow capital and identify equity investors, working together on solutions is imperative to keeping development going. CADA staff is also working with City staff and the affordable housing development community in reserving funds in the Zero Dollar Impact Fee Program for projects, to increase certainty once projects are fully-funded and headed towards the building permit process.

CADA staff will plan to return with more information about the Mixed Income Housing Ordinance discussion at the regular October Board Meeting and will work on a summary legislative platform document to guide staff on future items without requiring Board action.

STRATEGIC PLAN

This item fulfils the following components of the CADA Strategic Plan: collaboration, urban development leadership, creativity, and community stewardship in the provision of comments that might support mutually-beneficial solutions and further consideration of next steps.

FINANCIAL IMPACT

If the fees are adopted as proposed, these utility fee costs will double in CADA projects and require $500,000 to $600,000 more per project (depending upon project size). These funds would need to come from local subsidies in order to stay competitive for state and federal funding sources. Sources would likely be the City Zero Dollar Impact Fee program, local housing trust funds (City or SHRA), or CADA funds.

ENVIRONMENTAL REVIEW

This action is exempt under the California Environmental Quality Act (CEQA) as a discussion item and not project specific.

Attachments:

1) Summary Comments Re: City Development Impact Fee Increases
2) City Development Impact Fees Update Fact Sheet
3) City Response to Impact Fee Public Comments

Attachment 1

SUMMARY COMMENTS RE: CITY'S DEVELOPMENT IMPACT FEE INCREASES

CADA staff is authorized to issue a comment letter to the City Council that does the following:

- Acknowledges the City's need to fund infrastructure improvements and replacement projects;
- Requests that the City consider this conversation in parallel with related programs and ordinance requirements on development and opportunities to streamline the development process and reduce time and costs to housing projects;
- Details the impacts these increases will have on CADA affordable housing projects and their competitiveness for outside funding;
- Outlines the need for additional funding and funding certainty in the Zero Dollar Impact Fee Program Fund for affordable housing;
- Highlights the importance of City efforts to pursue additional funding sources for infrastructure;
- Notes the critical role that the fee deferral program plays for all development, particularly when interest rates are high, and encourage the City to consider an approach that offers deferment to more projects, particularly residential projects; and
- Requests the City to continue to seek cost-saving steps for development through other City-controlled measures, including: streamlined building permit processing, faster and consistent inspections, consolidating project-related Engineering staff into the Community Development Department, and other time-saving measures and regional best practices to lower costs on development.

City of SACRAMENTO
Department of Utilities

Development Impact Fees Update

- Additional drinking water treatment capacity is necessary by 2035 or development could halt.
    - The cost of the new capacity cannot be funded by ratepayers per Proposition 218
    - A portion of the fee would be used to construct RiverArc which will help expand available capacity for drinking water.

- The need for increased drinking water capacity is driven by new development and build out of the updated General Plan. In fact, the General Plan clearly states that all new development must pay their fair share.
    - California is in a housing crisis. The City's General Plan cannot be implemented without updating, improving and adding necessary utility infrastructure. Funding will allow for affordable and market rate units to get built which can help move people off the streets, improve housing supply and allow the city to meet their Regional Housing Needs Allocation.

- Creating a Utility Development Impact Fee (DIF) would open the door to leverage state and federal funding, specifically for conjunctive use related to water supply and water conservation.

- Additionally, the DIF would allow developers to pay their fair share rather than funding the entire improvement to satisfy mitigation on their project.

- Adjusting the DIFs would be consistent with other local jurisdictions, current fees are nearly 75% lower than other cities. The City of Sacramento has not increased their water fees in 20 years and currently doesn't have a drainage development impact fee, however the cost of providing these services continues to increase.

- Without these adjustments, the city will be unable to construct the necessary water supply, storm water drainage, and sewer management infrastructure needed to support future growth.

- Priority projects will increase safety and resiliency by improving, updating and expanding antiquated infrastructure.

- Funding for infrastructure projects will be a shared responsibility with a dedicated revenue stream to ensure projects get built to support new development growth.

- The city has made sustainability a key element for all new projects. Priority projects will be identified with reliability and resiliency as a top criterion.

- New project construction will generate hundreds of construction jobs and thousands of indirect jobs once projects are completed.

A webpage with information on the fees and some frequently asked questions is available at www.cityofsacramento.org/utilities/development-impact-fees

Response to Public Comments on DOU Development Impact Fees

The Department of Utilities requested public comment and feedback related to its 2023 Development Impact Fee Program and Nexus Studies. During the formal comment period four letters were received from Rutan, Next Generation Capital, North State Building Industry Association, and Avdis & Cucchi, LLP. To address the stakeholder comments and provide additional information, the Department of Utilities has provided responses to all comments received.

Comment #	Comment Received	Response
General		
11	The Fee Study applies the Buy-in Method for the water fee and drainage Fee. The American Water Works Association ("AWWA") recommends this approach where current infrastructure is capable of adequately servicing existing and future development where no new significant infrastructure investment is anticipated or where existing facilities are not schedule for replacement in the near future. The water and drainage system infrastructure are dated and in need of significant repair and replacement, calling into question the use of the Buy-In method.	The Water and Storm Drainage Systems still have remaining existing capacity to support a portion of new development and growth. A depreciated value of these systems has been used in the calculation of the fees. In the Water System, Buy-in fees are dedicated to the portion of the existing system that can support further growth. Incremental increases in water treatment and conveyance to accommodate new development are aligned with the incremental portion of the proposed fee. In the Storm Drainage System, most new development will not be subject to the fee. Most new development will occur in PUDs, which have, by agreement, comprehensive drainage systems and, for maintenance, Mello-Roos Districts or other dedicated, perpetual funding systems. Also, because the remaining service areas are largely built out, and with the exception of some small-scale infill, all of the remaining new development will be redevelopment. 100% credits are applied for existing or previously existing impermeable surfaces, greatly reducing or eliminating any fee. Where fees are incurred, improvements are limited to common facilities though: support of storm drainage master planning; participation in capital capacity improvements benefitting new growth with revenue from the fee and benefitting existing customers with rate-based or other funding; and, creation of new capacity solely benefitting new growth.

Response to Public Comments on DOU Development Impact Fees

12	The fee study states that although new development cannot be required to fund deficiencies for existing customers, deficiencies in facilities that serve both new and existing customers can be split on a proportional basis. Existing deficiencies should only be mitigated and paid for by existing customers.	A deficiency in service level that affects only existing customers could only be paid for by existing customers. Levels of service that are below a standard of service should not be continued for existing or new development whenever possible. An improvement that addresses a deficiency and that benefits both existing and new development would be shared proportionately. For example, the Water Master Plan (WMP) identifies projects that benefit the existing system but have been sized to accommodate growth. An example is a proposed 2 million gallon storage reservoir with a 6 million gallon per day booster pump station with associated pipelines for the northeast area of the City. This project will help maintain water supply pressures and enhance operations in this area of the City. This is a benefit to both existing customers and new development.
13	Detailed descriptions in some of the list of capital improvements need to be included. Current system values, such as the water system, are not supported by a detailed list of capital improvements. The lists of capital improvements do not contain sufficient information to distinguish if capital improvements have already been made.	A revised and more detailed list of the future Water Systems capital improvements has been provided in Appendix B. Existing improvements are listed in separate letters and memos, also included in Appendix B.
14	Master planning costs may already be included as part of CIP costs. Verify to ensure there is no double-counting of this cost.	Master planning costs are broad planning efforts and are not included in individual CIP costs. All CIP costs are capital costs as defined, where appropriate, by Generally Accepted Accounting Principles, Financial Accounting Standards Board, Governmental Accounting Standards Board, and Office of Management and Budget.
15	The additional administrative cost of 3% needs to be supported. Also, administrative costs may already be included as part of CIP costs.	The Administration Fee funds City costs associated with fee program administration and implementation including collection and accounting, annual reporting, capital planning, periodic updates to the Development Impact Fee, and other related costs. Administrative cost is not associated with individual CIP projects.

Response to Public Comments on DOU Development Impact Fees

39	SCIP and BOLD Bond Funding. The SCIP and BOLD programs offer an efficient means of financing project infrastructure costs though consolidated bond funding run by statewide JPA. We would appreciate it if the city could ensure that projects could finance any future rate increase through these two important non-profit public programs as that would facilitate cash flow and thus project feasibility.	The City currently participates in the SCIP and BOLD programs. Adjustments to DOU's development impact fees will not affect the use of these current programs. In addition, DOU has been working with the Building Division to ensure that the new Storm Drainage Development Impact Fee will be included in the City's Fee Deferral Program.
40	SB 330. An approved SB330 preapplication gives certain vesting protections for, among other things, new fees. The DOU fee proposals represent new fees. We would like an affirmative recognition from the City that the proposed fees do not apply to projects that have vesting under the provisions of SB330.	**Updated Response Provided September 28, 2023:** The City has made a preliminary determination that the Utility Development Impact Fees are exempt from SB 330 vesting due to specific, adverse impacts upon the public health or safety for which there are no feasible alternative methods to mitigate. However, the Department of Utilities currently intends to recommend to Council that the new and increased fees be deferred for projects that have vested under SB 330 for one year after the effective date. Initial Response Provided September 26, 2023: DOU is aware of SB 330 and has been working with legal counsel to determine if SB 330 vesting provisions would apply to Utility Development Impact Fees. An exemption to these provisions can be provided when there is a specific, adverse impact upon public health. As soon as a determination has been made on this item, DOU will communicate the decision.
41	Grandfathering of Pipeline Projects. We have numerous pipeline projects that have already obtained entitlement approval and, as such, are not eligible for SB330 vesting. This substantial rate increase threatens the feasibility of these numerous projects, which are either underway or on track to begin construction soon that never planned for or envisioned this scale of a fee increase while they were pursuing entitlements or permits in the last few years. It is our request is that projects that have submitted grading plans or improvement plans be exempted from this rate increase. We would also like to suggest that in any case, the	DOU understands that January 1, 2024 is approaching quickly, and that the development process starts far in advance to the date a permit is pulled. However, the further we postpone the implementation of these fees the further behind the City's infrastructure becomes. DOU is attempting to close this gap and keep pace with the City's development.

	fee be applied to permits that are requested/pulled starting in January of 2025.	
Water Development Impact Fee		
1	In regards to the Buy-In Fee, the City has made no attempt to demonstrate how the existing capacity being provided by the assets covered by the Buy-In Fee will actually be utilized or will be used by new development. In other words there is no evidence that future development will benefit from the existing infrastructure. It is just naked speculation. Furthermore, this issue is compounded by the fact that the City also seems to be relying on the projected demand for water from this new development (allegedly 22 MGD) as justification for increasing the Incremental Fee by forcing new development to pay for the RiverArc project. In doing so, the City appears to be "double-dipping" by charging new development for existing capacity within the existing facility, and then also assigning most of the cost from the River Arc project to new development to cover the projected demand.	The issues raised in this comment have been clarified in an amended nexus study report. Based on the future growth projection in the recently completed Water Master Plan (WMP), Department of Utilities developed Capital Improvement Programs and projects to support this growth with the needed infrastructure. The Buy-In approach is used to determine existing asset shares. The Buy-In fee is appropriate to require participation by new development in existing assets that will benefit future customers (existing treatment plants, wells, reservoirs, and transmission lines) that have been paid for by current rate payers. Future customers will "buy in" to 27.5 percent of these assets by way of a buy-in development capacity charge. The assets are depreciated, and developer contributions and assets financed with long-term debt are removed so only the remaining useful life of assets directly paid by rates is allocated. New growth is expected to need 57 MGD in supply maximum day demand. The current Water System has remaining capacity and allows for future development to use 35 MGD. The remaining capacity required by new development (22 MGD) will come from future infrastructure projects such as, RiverArc. The future infrastructure cost has been calculated and has been divided proportionally through all estimated new meters. This method is the basis of the Incremental Fee. *Please reference the Buy-In Methodology and the Incremental Methodology sections of the Nexus Study.*

Response to Public Comments on DOU Development Impact Fees

2	In regards to the Buy-In Fee, the Fee Report simply assumes that every new unit of modern development will use the same amount of water as existing single-family detached units, despite acknowledging that that majority of the new units to be developed in the City would be multi-family or attached single-family homes, which uses generally use less water on a per unit basis. (Fee Report, p. 2.) Likewise, the Fee Report assumes that new multi-family units use the same amount of water as new single-family units, when they in fact use less.	The main driver of future water demand has been changed to the Maximum Daily Demand (MDD) in 2040 over the current MDD as projected in the recently completed Urban Water Management Plan. Instead of growth in housing units, growth in total water demand is converted back to Equivalent Meters (EM) for fee purposes. The effect is a reduction in the base fee per EM from $13,100 to $12,656. The Water Development Impact Fees are based on water meter size. A project's estimated water demand will determine the required water meter size and the associated development impact fee. New development can select the smallest meter necessary to meet demands. The smallest meter allowed by the City is 1-inch, which also allows for fire sprinkler flow rates. The future demand forecast anticipates continued investment in water efficiency. The status of water efficiency programs and forecasted demands can be found in the City's adopted Urban Water Management Plan, which projects water supplies and demands through 2040.
3	There is no evidence showing that the Buy-In Fee is being used to pay for anything new as the assets already exist and there is no claim that new development either has to, or will, use the existing assets to meet its water demand. Instead, it appears that the City will use the money to do with as it pleases. This is a violation of Government Code section 66013, subsections (b)(3), (c)-(d), which requires that capacity charges be specifically used to cover the costs resulting from providing services to the new development.	The Buy-In approach is used to determine existing asset shares. Existing assets that will benefit future customers (existing treatment plants, wells, reservoirs, and transmission lines) have been paid for by current rate payers. Future customers will "buy in" to 27.5 percent of these assets by way of a buy-in development capacity charge. The assets are depreciated, and developer contributions and assets financed with long-term debt are removed so only the remaining useful life of assets directly paid by rates is allocated. Due to Proposition 218, rate payers cannot subsidize infrastructure required for future development, therefore future development must buy-in or pay for their proportional share of the existing system benefits being conveyed to new growth. The Nexus Study has been refined to provide clarity.
4	The "equivalent meter projection" is flawed because it erroneously assumes that all future unit types will be built	*Please see the response to #2.*

	out at the same overall projected growth rate for the City – 30.3%. (Fee Report, p. 16.) However, this approach does not address the fact that the new development will consist of different proportions of different types of units than were historically present. For example, the percentage of projected new multifamily units dwarves new single-family detached units, which presumably would result in a different type of meter size per unit. Likewise, usage rates of water changes between unit types with a multi-family unit likely using significantly less water than a detached single-family unit. Additionally, the Fee Report does not address the potential impact or differential treatment of new commercial development versus residential development.	
5	In regards to the Incremental Fee, there is no explanation as to where the City came up with the 22 million gallons a day estimate for the total projected demand from new development. It is just speculation. Furthermore, the Fee Report uses this number to support assigning a significant share of the cost of the RiverArc project to new development, even though there is no explanation as to why the River Arc project is required by the new development.	The City's adopted Urban Water Management Plan and other water planning documents align with the draft 2040 General Plan and have forecasted the demand necessary to serve new growth. 57 MGD is the forecasted demand. Of the 57 MGD, 35 MGD is available within the existing treatment and conveyance system, which leaves a remaining 22 MGD. The City has identified the next most probable source of new capacity as a 30 MGD investment into new capacity from a proposed regional water treatment plant, currently branded as "RiverArc". The remaining 8 MGD left in RiverArc, after new development has met it obligations from the 35 MGD buy-in portion and the 22 MGD incremental increase in capacity, will provide a joint benefit to existing and new users as a further reliable source of potable water. Water Demand forecasts embed expectations of continued water efficiency practices. The Nexus Study has been refined to provide clarity.
6	There is no explanation as to any alleged deficiency in available water rights that would be needed to supply new development. To the contrary, it is Greenbriar's understanding that the City has ample water rights at its disposal to meet the needs of future development (even if one were to accept the 22 MGD figure).	The analysis does not articulate a deficiency in water rights. The analysis is focused on the value of the existing capacity available to new development and the value of the infrastructure necessary to meet the next increment of capacity once the existing capacity has been exhausted. Based on the City's adopted Urban Water

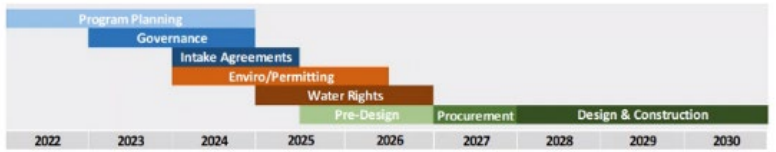
		Management Plan, no additional water entitlements will be requested.
7	The RiverArc project should be considered a project that is used to benefit the entire system, including existing users. The RiverArc project's website explains that the goals of the project are to provide environmental benefits, increase water supply and access for existing users, and to limit the City's and other potential users of the project's reliance on sourcing water from the American River, which can be problematic from time to time. There is nothing in the record to support the notion that new development will uniquely benefit from this project, or that the RiverArc project was or will be necessitated by the projected future growth.	The RiverArc Project provides for the next increment of capacity once the capacity of the existing system is dedicated. The project does shift the source of this capacity from the American River to the Sacramento River. If the City of Sacramento water treatment system was of sufficient capacity to meet all new growth, then a reconsideration of the benefits of RiverArc would be in order. However, the existing water treatment system is not considered adequate to meet all existing users and new growth through 2040.
8	A large portion of the Incremental Fee is being used to pay for the upkeep and maintenance of the City's infrastructure, and unfairly places the majority of those costs on new development, when the costs should be borne out by all ratepayers. For example, all of the projects listed in Appx. B-2 of the Fee Report are clearly projects that must be implemented irrespective of whether new development is needed. Accordingly, by attempting to force new development to shoulder the majority of these costs beyond new development's proportional share, the City has violated the Mitigation Fee Act, and the California and Federal Constitutions. These costs are more appropriately borne through a properly adopted commodity rate, or through the use of certain public financing tools.	Capital projects that are maintenance of existing facilities have been removed from the Incremental fee and are added to the Buy-In fee calculation if they are not already included in the valuation of current assets. This approach allows maintenance projects to be proportionally shared between rate payers and development growth. Remaining capacity is available within the existing treatment and conveyance system to serve new growth.
9	In regards to the 30 MGD capacity supposedly made available by the RiverArc project, the Fee Report explains that the Incremental Fee imposes costs on new	The projected increase in demands to satisfy new growth through 2040 is 57 million gallons per day. This accounts for expected efficiencies in water use from new users. Of the 57 MGD, 35 MGD

	development to cover 22 MGD of that capacity, and reserves the remaining 8 MGD as a potential cost that would be covered through normal rates from all users – existing and new development. 1 In doing so, the Fee Report undermines the legality of the Buy-In Fee. In assigning the majority of the value of the River Arc project to new development, the Fee Report seems to be claiming that all of the new development's capacity needs (i.e. 22 MGD) would be covered by that project. As such, the Buy-In Fee could not legally be imposed in addition to those costs, because the City cannot claim that the City needs to pay for the wells, reservoirs or treatment plants if the new development's projected demand is otherwise covered.	is dedicated to available capacity in the current Water System. The remainder, 22 MGD, is dedicated to the next increment of supply, e.g. RiverArc. *Please reference Table 2-5 of the Nexus Study for details on RiverArc's capacity, benefit, and cost allocation.*
10	Both the Buy-In Fee and the Incremental Fee are framed as "capacity charges" under Gov't Code § 66013. Under Gov't Code § 66013(b)(3), these charges must be "proportional benefit to the person or property being charged, including supply or capacity contracts for rights or entitlements, real property interests, and entitlements and other rights of the local agency involving capital expense relating to its use of existing or new public facilities." In this instance, there is no evidence that either the Buy-In Fee or the Incremental Fee are proportional to the benefit being provided to new development.	Based on the future growth projection in the recently completed Water Master Plan (WMP), the Buy-In approach is used to determine existing asset shares. Existing assets that will benefit future customers (existing treatment plants, wells, reservoirs, and transmission lines) have been paid for by current rate payers. Future customers will "buy in" to 27.5 percent of these assets by way of a buy-in development capacity charge. The assets are depreciated and developer contributions and assets financed with long-term debt are removed so only the remaining useful life of assets directly paid by rates is allocated. Future asset requirements are allocated through engineering determinations of proportional demands. If an asset has an equal demand from, or benefit to, all users, the allocation percentage for in-common facilities (27.5%) is used. If the asset benefits growth more than existing customers, or vice versa, the allocation is adjusted accordingly. The capital improvement plan details future projects and the specific allocation used.

Response to Public Comments on DOU Development Impact Fees

16	The basis for the cost allocations is the use of an equivalent meter. Equivalent meters are a measure of water volume flow and fail to account for a land uses specific water consumption and actual demand placed upon the system.	The customer determines the water meter size based on the anticipated use or demand of the project. If a proposed new land use is anticipated to use lower volumes of water, then the applicant is encouraged to use the smallest rated water meter to meet the level of service desired.
17	It is unclear as to how the meter flow factors used for larger meters are derived; meter flow factors appear to deviate from flow factor standards.	AWWA meter design flow rates are utilized to proportionally adjust the fee. The proposed fee from meter to meter is directly proportional to the rated capacity from meter to meter.
18	Failure to account for reduced water consumption mandates and conservation efforts associated with future connections.	Water consumption and conservation efforts have been accounted for in the 2023 Water Master Plan and the City Council adopted 2020 Urban Water Master Plan.
19	Inconsistent application of useful life assumptions for similar facility categories.	Useful life varies and is dependent on equipment used, type of facility, use of facility, and frequency of use. For the Water System, detail is also provided in Appendix B.
20	The inclusion of significant design, engineering and other soft costs estimates increasing the replacement costs by 60% or greater.	Projects have been identified through the planning process and do include a contingency, which is the industry standard. Industry standards were used also to estimate project costs, including soft costs. Taken from the 2023 Water Supply Master Plan (WSMP): Estimated construction costs reflect typical conditions and do not account for construction uncertainties or reflect economic bidding climate. Costs include construction contingency of 20% from base construction costs. Costs included other project costs equal to 30% (10% for engineering, 10% for construction management, 10% for program implementation).
21	Inclusion of undefined Miscellaneous Civil Costs of $180 million.	CIP future projects have been further defined. Miscellaneous or TBD projects have been removed from the fee calculation.
22	The vast majority of the incremental costs are associated with rehabilitation or replacement of existing facilities and should be removed from the fee calculation.	Projects that have a benefit to both existing and new customers are included in the fee calculation. If an existing asset is being replaced to convey capacity in the quantity and quality necessary for anticipated new growth, then new growth is expected to contribute since new growth benefits from the investment.

Response to Public Comments on DOU Development Impact Fees

23	It is unclear if the existing debt is associated with infrastructure that needs repair and replacement and its allocation to existing and future infrastructure.	Debt financed infrastructure is removed from the calculation of the Buy-In fee because it was not paid for by current rate payers. When in service, it becomes existing, and so is subject to the same maintenance and capacity improvement requirements as any other infrastructure.
24	The report claims that water demand from new development will be 22 mgd, which is projected to be 73.33% of the total 30 mgd additional capacity the RiverArc resiliency project will provide. Supporting documents will be needed to confirm this claim of 22 mgd for new development.	Water demand for new development is projected to be 57 MGD. The first 35 MGD will be absorbed by remaining capacity on the existing system. The next increment will be met by construction of new capacity. The proposed 2040 General Plan, the adopted 2020 Urban Water Management Plan, and the City Water Distribution Plan are all aligned to the same planning horizon.
25	The status of the RiverArc project needs to be provided because its feasibility could be questionable, and its timeline is not mentioned in the report.	See website for RiverArc details: https://www.riverarcproject.com/ 
Separated Sewer Development Impact Fee		
26	The basis for cost allocations is based on the average sanitary flow from a single-family detached home. These flow factors appeared based on historical data which fails to recognize the reduced flows from new development.	Flow factors for development projects is consistent with the flow factor criteria documented in the City of Sacramento Design and Procedures Manual, Section 9.3.4. Within the separated system, the flow factor used includes average dry weather sewage flow plus groundwater infiltration, which can be extensive in many regions of the City's sewer service area. Additionally, the ESD per Unit, identified in the detailed fee schedule, has been refined to include measured, average daily winter water-use data into the calculation for unique categories for each land use.
27	Failure to provide a capacity analysis of the existing sewer basins. The lack of this analysis calls into question the need for new or expanded facilities.	For the basins identified in Table 3-3 where capacity improvements are needed to support new development or re-development (growth), documentation on the most up-to-date capacity analysis depends on the individual sewer basin. The data in the Technical Memorandum, included in part in Appendix C, contains existing

		system and growth data on all basins, served as a preliminary assessment of hydraulic capacity, and has been used as a screening tool to determine if more detailed master plan is warranted. Some basins were studied further using dynamic hydraulic modeling and a more comprehensive master plan developed. Cost in Table 3-3 have been updated to capture the most current data available.
28	Failure to provide a clearly defined capital improvement program required to mitigate increased flows from new development.	Details on the recommended capital improvement program is either documented in approved sewer master plans or within basin-specific reports associated with the Technical Memorandum.
29	Lack of detailed facility descriptions to determine if needed facilities are mitigating existing deficiencies or funding replacement/rehabilitation needs.	Appendix C-1 contains the strategy for the hydraulic capacity and capital costs evaluation. Figure 3 of Appendix C-1 summarizes the costs associated with replacement/rehabilitation (column 5) separate from costs for existing capacity improvements (column 7) and growth capacity improvements (columns 8 and 9) for every basin. Descriptive notes for columns 7, 8 and 9 state that the costs are to meet capacity requirements of the backbone system. The associated technical memorandum provides details on what was considered for each analysis, how capacity for existing system and growth is evaluated, and the associated costs. More detail is contained in individual Master Plans or basin-specific reports of the Technical Memorandums.
30	Depreciation in the valuation of improvements was not included.	The depreciated value of current assets is not relevant to this incremental fee. All mitigation measures and related costs are future additions to the capacity of the system.
Combined Sewer System Development Impact Fee		
31	The sewer discharge rate for 310 gallons per day appears to be based on historical data and not reflective of current development.	Flow factor of 310 gallons per day per ESD is consistent with documented criteria in the City of Sacramento Design and Procedures Manual, Section 9.3.4. The ESD per Unit, identified in the detailed fee schedule, has been refined to include current measured, average daily winter water-use data into the calculation for unique categories for each land use.

32	Failure to provide a capacity analysis of the existing pipelines. The lack of this analysis calls into question the need for new or expanded facilities.	It is well documented that the existing combined system pipelines are of inadequate capacity for flows during significant storm events without flooding onto streets. A 1990 Cease and Desist Order finding this to be the case prompted the City to undertake operational improvements, develop and submit technical reports and time schedules to prevent surcharging to the streets, and required developers of projects in the Combined Sewer System (CSS) to mitigate for additional sewer and drainage flows. Replacing existing mains with larger pipes in key locations to store excess flows is the most cost-effective means of increasing the CSS's capacity to mitigate added flows from growth. The CSS Long Term Control Plan, available upon request, documents the existing system deficiency analysis and includes recommended improvements for existing system capacity. The CSS Long Term Control Plan also notes policy for mitigation for growth.
33	Existing development is mitigated by 18" in-line storage while new development triggers the need for 48" in-line storage. This pipe size increase appears disproportionate to the level of development and new flow factors.	The 48-inch pipe size is a representative in-line storage pipe diameter that is ICALS (Inlet Control and Local Storage) and is the size that has been used in several CSS projects to date. The 18-inch is a representative pipe size and is a typical pipe size to be replaced.
34	ESD factors for multifamily and single family attached units appear to deviate from measurable factors, such as flow, associated with their residential types.	ESD factors are developed utilizing measured, average daily winter water-use data for the calculation of unique categories for each land use.
Storm Drain Development Impact Fee		
35	The Fee Study lacks sufficient details to determine if an acceptable level of depreciation has been applied to the existing assets.	The assessment of pipe depreciated value relied on available age data and was determined by applying a linear depreciation using the anticipated service life of reinforced concrete pipe (RCP). Most of the larger diameter pipes within the Storm Drainage System are constructed from RCP, a material known to have a service life of 100 years per the United States Army Corps of Engineers. Just as with the evaluation of pipes, the determination of pump station depreciated value was based on age-related information.

		This valuation was established by applying depreciation based on the expected service life of a pump station according to industry standards. The calculated depreciated value exclusively took into account the pump station's concrete structures, as the mechanical and electrical components have already surpassed their service life.
36	Failure to provide a capacity analysis of the existing storm drain system. The lack of this analysis calls into question the need for new or expanded facilities.	Capacity of the existing Storm Drainage System is documented in approved master plans, if available. Specific criteria are documented in the City's Design and Procedures Manual and the Onsite Design Manual. The Onsite Design Manual identifies drainage allocation for each drainage basin.
37	Lack of detailed facility descriptions to determine if the needed facilities are mitigating existing deficiencies or funding replacement/rehabilitation needs.	The storm drain impact fee is based on a Buy-in approach, which requires development projects to buy into available capacity within the existing drainage basin. Revenue from the fees is limited to items stated in the Nexus Study. If a replacement/rehabilitation project increases capacity to support development, the proportional cost for the new capacity can be paid for with impact fees. Revenue from this impact fee will not be solely used to fund replacement/rehabilitation needs.
38	The average of the ISC for all customer classes was used to calculate the value per impermeable square foot. It would be more accurate to group ISC coefficients by land use, e.g., residential, etc. For example, the lowest customer class is agriculture, which has an ISC of 0.04, and the largest is industrial, which has an ISC of 0.86.	The methodology used calculates the cost per square foot to mitigate one square foot of impermeable surface regardless of land use class. Proportionality is more accurate under the approach used because the need for mitigation is more directly a function of impermeable square footage and not of a land use class. Any land use would be accessed the cost to mitigate its actual impermeable surface, the provision of which is a requirement of the entitlement process. Under the suggested approach, a land use class with an ISC of .04 would pay the same fee if the actual ISC was .04. If the actual ISC is more, or less, the fee should vary accordingly because the impact varies accordingly.