



Folsom City Council Staff Report

MEETING DATE:	8/25/2020
AGENDA SECTION:	Consent Calendar
SUBJECT:	Ordinance No. 1307 – an Ordinance of the City of Folsom Amending sections 3.130.010(JJ) And 3.130.030(E)(1)(c) of the Folsom Municipal Code Pertaining to the Set-Aside Component of the Folsom Plan Area Specific Plan Infrastructure Fees (Second Reading and Adoption)
FROM:	Finance Department

RECOMMENDATION / CITY COUNCIL ACTION

Staff recommends the City Council adopt Ordinance No. 1307 – An Ordinance of the City of Folsom Amending sections 3.130.010(JJ) And 3.130.030(E)(1)(c) of the Folsom Municipal Code Pertaining to the Set-Aside Component of the Folsom Plan Area Specific Plan Infrastructure Fees.

BACKGROUND / ISSUE

On January 28, 2014, the Public Facilities Financing Plan (PFFP) for the Folsom Plan Area (FPA) was adopted by the City Council with Resolution No. 9298. The PFFP is an \$877 million plan that described the infrastructure and facility costs, presented a financing strategy, and estimated the time horizon for the development in the FPA. The PFFP proposed the establishment of several impact fees for the development of the backbone infrastructure including roadway improvements, potable and non-potable water systems, wastewater systems, storm drainage infrastructure and habitat mitigation to serve the FPA.

On September 8, 2015, the City Council adopted Ordinance No. 1235 adding Chapter 3.130 to the Folsom Municipal Code and established the Folsom Plan Area Specific Plan Infrastructure Fee (SPIF). Also, on September 8, 2015, the City Council adopted Resolution No. 9642 which approved the nexus study for the SPIF Fee and set the initial amount of the SPIF fee.

On June 11, 2019, the City Council adopted Ordinance No. 1293 amending sections 3.130.010(JJ) and 3.130.030(E)(1)(c) to the Folsom Municipal Code which changed the Off-Site Roadway Improvement fee to a Set-Aside Fee to be collected at building permit issuance rather than prior to final map approval.

On July 28, 2020, the City Council introduced and held the first reading of Ordinance No. 1307 amending certain provisions of the Folsom Municipal Code, sections 3.130.010(JJ) and 3.130.030(E)(1)(c) to include the collection of a Folsom Plan Area Specific Plan Infrastructure Fee (SPIF) for Off-Site Water Treatment Plant improvements. No changes have been made to the ordinance since first reading.

POLICY / RULE

General Plan Policy 11.6 – states that it is the policy of the City of Folsom to require new development to bear the cost of its increased demand on municipal services and facilities so as not to create a greater burden on existing residents.

Section 3.130.030(A) of the Folsom Municipal Code authorizes adoption of the SPIF Fee by Council Resolution.

ANALYSIS

Pursuant to the First Amended and Restated Tier 1 Development Agreement between the City of Folsom and Certain Landowners in the FPA, developers are responsible for the costs of the Infrastructure, Public Lands, and Community Parkland necessary to serve the development in the FPA. The SPIF Program includes a Set-Aside component to equalize the costs amongst all the FPA landowners for the Phase 1 Potable Water and Phase 1 Sanitary Sewer Infrastructure required to serve the first 2,500 dwelling units in the FPA. The Phase 1 Potable Water and Sanitary Sewer Improvements necessary to serve the initial development in the FPA have been completed and accepted by the City and are currently in City ownership and maintenance. In addition to potable water and sanitary sewer infrastructure, the SPIF Program was amended through Resolution No. 10300 by the City Council on June 11, 2019 to establish the Off-Site Roadway Fee as a Set-Aside Fee.

With concurrence of the FPA landowners, staff is requesting to further amend the SPIF Program to change the handling of SPIF Off-Site Water Treatment Plant Facility (listed in Nexus Study as Off-Site Water) costs to be included in a new set-aside fee. The Off-Site Water Treatment Plant Facility costs were included in the SPIF in order to reimburse the City for a portion of the FPA share of costs incurred by the City for changes at the water treatment plant to accommodate future citywide growth, including new Folsom Plan Area Specific Plan (FPASP) development.

SPIF Program backbone infrastructure improvements and public facility construction is the responsibility of the Folsom South Area Owners' Group (landowners) and affiliated constructing entities. The SPIF Set-Aside Fee is the mechanism to reimburse the landowners

the initial costs of constructing the Phase 1 Potable Water and Phase 1 Sanitary Sewer backbone infrastructure and to reimburse the City for certain Off-Site Roadway improvements as noted above. As FPA development moves forward, SPIF Program fees required for new FPA development are either reimbursed to the landowners and constructing entities or are being credited by the landowners and constructing entities for the infrastructure work they have completed. Unfortunately, the existing SPIF Program does not include a dedicated set-aside component for the FPA's share of the Off-Site Water Treatment Plant cost obligations. As development in the FPA increases, it is important to facilitate a mechanism to reimburse the City for the Off-Site Water Treatment Plant improvements constructed to serve developments in the FPA. Currently that mechanism does not exist.

As provided in the PFFP, the Off-Site Water Treatment Plant Set-Aside Fee will be implemented on new development based on the factors used in the City Council approved SPIF Nexus Study 2020-2021 Update.

In order to implement a mechanism to collect the SPIF Off-Site Water Treatment Plant Set-Aside Fee, Sections 3.130.010(JJ) and 3.130.030(E)(1)(c) of the Folsom Municipal Code will need to be amended to include the collection of such a fee after adoption.

The Off-Site Water Treatment Plant Set-Aside Fee component would be included in the SPIF Fees and this component would be collected at building permit issuance.

FINANCIAL IMPACT

The Nexus Study for the FPA identified the cost for the SPIF-funded off-site water to be \$7,665,000 (2017 \$). Several final small lot subdivision maps have been approved up to this point and the SPIF fee obligations have been satisfied for those final small lot maps. The amount of the SPIF Off-Site Water Treatment Plant Set-Aside funding that would have been paid by new development on those final small lots will be collected through a reimbursement of future SPIF – Infrastructure Fees collected by the City. The infrastructure constructing entities in the FPA will be the entities to receive reimbursements from future SPIF fees collected from new development and will be reimbursed on a first-in, first-out basis based on a calendar-year priority. With concurrence of the landowners, staff proposes to include the City on parity with each of the original constructing entities (each with a calendar-year priority of 2017). Reimbursements to the City and two constructing entities would be paid to each party based on a percentage basis equal to the outstanding reimbursement amounts owed to a party as compared to the total amount owed to all parties with the same calendar-year priority.

ENVIRONMENTAL REVIEW

This action is exempt from the California Environmental Quality Act under 15061(b)(3) of the CEQA Guidelines.

ATTACHMENT

1. Ordinance No. 1307 – An Ordinance of the City of Folsom Amending Sections 3.130.010(JJ) and 3.130.030(E)(1)(c) of the Folsom Municipal Code pertaining to the SPIF Set-Aside Component of the Folsom Plan Area Specific Plan Infrastructure Fee (Second Reading and Adoption)

Submitted,



Stacey Tamagni, Finance Director

ORDINANCE NO. 1307

**AN ORDINANCE OF THE CITY OF FOLSOM
AMENDING SECTIONS 3.130.010(JJ) and 3.130.030(E)(1)(c) OF THE FOLSOM
MUNICIPAL CODE PERTAINING TO THE SPIF SET-ASIDE COMPONENT
OF THE FOLSOM PLAN AREA SPECIFIC PLAN INFRASTRUCTURE FEE**

The City Council of the City of Folsom hereby does ordain as follows:

SECTION 1 PURPOSE

The purpose of this Ordinance is to amend the definition of “SPIF set-aside component” in Section 3.130.010(JJ) and the operation of said SPIF set-aside component in Section 3.130.030(E)(1)(c) of the Folsom Municipal Code in order to provide for a mechanism to collect the SPIF set-aside fee to reimburse the City for certain off-site water treatment plant improvements in the Folsom Plan Area Specific Plan Public Facilities Financing Plan adopted by the City Council in Resolution No. 9298 on January 28, 2014.

SECTION 2 AMENDMENT TO CODE

The definition of “SPIF set-aside component” in Subsection JJ of Section 3.130.010, “Definitions,” of the Folsom Municipal Code is hereby amended to read as follows:

3.130.010 Definition.

JJ. “SPIF set-aside component” means the component of the infrastructure fee component to be collected from the first two thousand five hundred residential building permits within the Folsom Plan Area to fund certain initial water and sewer improvements, the component of the infrastructure fee component to be collected from residential and commercial developments in the Folsom Plan Area to pay to the City for certain off-site roadway improvements, as well as the component of the infrastructure fee component to be collected from residential and commercial developments in the Folsom Plan Area to reimburse the City for certain off-site water treatment plant improvements benefitting the Folsom Plan Area, as determined in accordance with the study and as updated and adjusted annually.

SECTION 3 AMENDMENT TO CODE

Section 3.130.030(E)(1)(c) of the Folsom Municipal Code is hereby amended to read as follows:

3.130.030 Specific plan infrastructure fee – Adoption, adjustment and payment.

E. The SPIF fee shall be comprised of the following components:

1. Infrastructure Fee Component.

c. Notwithstanding any provision to the contrary: (i) the SPIF set-aside component of the SPIF fee for the purpose of funding certain initial water and sewer improvements shall be collected from the first two thousand five hundred residential building permits within the Folsom plan area (or on account of any of the first two thousand five hundred residential building permits within the Folsom plan area paid in connection with final small-lot maps prior to issuance of no building permits) and deposited into the SPIF set-aside component of the fund for the sole purpose of funding certain initial water and sewer improvements; (ii) the SPIF set-aside component of the SPIF fee for the purpose of funding certain off-site roadway improvements shall be collected from residential and commercial developments in the Folsom Plan Area at the time of building permit and paid to the City; and (iii) the SPIF set-aside component of the SPIF fee for the purpose of reimbursing the City for certain off-site water treatment plant improvements shall be collected from residential and commercial developments in the Folsom Plan Area at the time of building permit issuance and paid to the City, as determined in accordance with the study and as updated and adjusted annually.

SECTION 4 SCOPE

Except as set forth in this ordinance, all other provisions of the Folsom Municipal Code shall remain in full force and effect.

SECTION 5 SEVERABILITY

If any section, subsection, clause, phrase, or portion of this ordinance is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this ordinance. The City Council hereby declares that it would have adopted this ordinance and each section, subsection, sentence, clause, phrase or portion thereof, irrespective of the fact that any one or more sections, subsections, clauses, phrases or portions be declared invalid or unconstitutional.

SECTION 6 EFFECTIVE DATE

This ordinance shall become effective thirty (30) days from and after its passage and adoption, provided it is published in full or in summary within twenty (20) days after its adoption in a newspaper of general circulation in the City.

This ordinance was introduced and the title thereof read at the regular meeting of the City Council on July 28, 2020, and the second reading occurred at the regular meeting of the City Council on August 25, 2020.

On a motion by Council Member _____, seconded by Council Member _____, the foregoing ordinance was passed and adopted by the City Council of the City of Folsom, State of California, this 25th day of August, 2020 by the following vote, to wit:

AYES: Council Member(s):

NOES: Council Member(s):

ABSENT: Council Member(s):

ABSTAIN: Council Member(s):

Sarah Aquino, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK

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