

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: CHUCK REGALIA, ASSISTANT CITY MANAGER
CITY MANAGER'S OFFICE

SUBJECT: CONTRACT FOR PROFESSIONAL SERVICES
AGREEMENT WITH URBAN ECONOMICS ON THE
IMPACT FEE / NEXUS STUDY AND UPDATE

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the City Manager's Office that the Council, by resolution, approve the Professional Services Agreement with Urban Economics of Oakland, CA, in the amount of \$227,200 to prepare the Impact Fee / Nexus Study and Update.

EXECUTIVE SUMMARY

The purpose of this contract is to complete the Impact Fee / Nexus Study and Update for four existing impact fees and one new fee. The challenges to this project include, (1) outdated nexus analyses; (2) underfunded and outdated capital project lists; and (3) uncertain development demand and capacity. This project will help to address Council priority Tier 1, project 3, to create a plan to address infrastructure and deferred maintenance throughout the community.

BACKGROUND

Santa Rosa's development impact fees were created and updated periodically over the past 20 years. The last detailed update of fees is now over 20 years old. A range of issues affecting future fee updates have arisen, including:

- Funding needs for key City infrastructure projects
- Continuing weakness in housing market and production
- Potential impacts of any fee increases on real estate project development feasibility

After conducting a series of education study sessions in August and September of 2015, the Council directed that four existing fees and one new fee be included as part of this update program. These fees include the following:

1. Capital Facilities Fee
2. Southwest Area Development Impact Fee
3. Southeast Area Development Impact Fee
4. Park and Recreation Land and Fees
5. The Commercial Linkage Fee.

A request for proposal was prepared and issued. Only one proposal was received, and it was determined that this response was not sufficient. The request for proposal was revised and reissued on February 29, 2016. Two qualified firms submitted proposals.

A staff / Council evaluation panel rated the proposals and considered interviews of each firm. This process resulted in the recommendation that the proposal submitted by Urban Economics, including team members Strategic Economics and Kittelson & Associates, be selected.

PRIOR CITY COUNCIL REVIEW

On August 18, 2015 the City Council conducted a study session to review impact fee basics, to review the existing fee programs and to review development feasibility.

On September 22, 2015, the City Council conducted a study session to review stakeholder concerns, to review impact fee program options and to obtain direction from the Council.

ANALYSIS

Previous City Council actions have approved a budget for this project and provided direction for this update. The issues and challenges identified above, will be addressed through a comprehensive program update. This presents a valuable opportunity to incorporate best practices in impact fee programs along with a thorough update of all technical information. Such an effort will provide the City with a range of policy options, including:

- Merging fee zones and facility types to improve flexibility in the use of funds and the ability to construct new facilities sooner.
- Re-sizing the capital improvement program based on more reasonable growth forecasts, fee revenue projection, and the potential for alternative funding sources.
- Adjusting fee levels, possibly including a new commercial impact fee, to the maximum amount possible given current market conditions without inhibiting project feasibility.

FISCAL IMPACT

Approval of this action does not have a fiscal impact on the General Fund because funds were previously budgeted for this project.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

None

NOTIFICATION

Not applicable at this time.

ATTACHMENTS

- Attachment 1 – Contract / Scope
- Resolution/Exhibit A (Agreement)

CONTACT

Chuck Regalia, City Manager's Office cregalia@srcity.org