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City Council
City of San Luis Obispo
990 Palm St.
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Subject: AB 1600 Update, Water and Wastewater Developer Impact Fee Program

Dear Mayor and City Council Members,

We would like to take this opportunity to share our comments regarding the capital facilities fee and water and wastewater development impact fee programs, developed by volunteers with the San Luis Obispo Chamber of Commerce after months of analysis of the draft nexus studies, staff reports and numerous in-person presentations and exchanges with city staff.

We have been anticipating updates to these programs as part of the City's Economic Development Strategic Plan, due to the importance that our communitywide infrastructure has in serving the needs of local employers, employees and residents. Our organization has long urged that the costs of infrastructure maintenance and improvements be fair and broad based and that impact fees shouldn't be imposed disproportionately on new development to address pre-existing community needs.

We believe progress has been made since last October and in more recent months, since the City Council reiterated its request for staff to reevaluate the capital improvement program, incentivize workforce housing and to "make fees more feasible". We have some concerns that we still think need to be addressed in order to make sure all uses are feasible. Through our task force work, we have the following recommendations:

Ensure Feasibility

It is critical that the fees established include all fee costs to be borne by a developer to ensure predictability, and to avoid leveraging incremental additions of fees and infrastructure costs to a developer over time. Often, a developer has been required to pay impact fees, and then is subsequently requested to pay for additional infrastructure or additional impact fees. Therefore, in order for fees to be feasible, with Housing as a Major City Goal – and not knowing what the existing fees are compared to the proposed fees - we suggest that all residential impact fees need to be less than the 15% threshold for there to be movement in the market, and we agree with staff and the City's consultants that the infrastructure load resulting from the City's current fees and requirements should be pegged at a level a few percentage points below that to allow for cost increases in the facilities, market and price fluctuation.

Fees Should Be Easy to Administer

We support the concept of an “all in”, one city/one fee structure for greater assurance for anticipated project costs during the planning process. Clarity on the resulting project/fee allocations in the Specific Plan Areas would be beneficial as stated by the City Council in previous study sessions. The fees ought to be easily administered and consistently applied by staff at the front counter for even greater surety early in the process.

Make Costs Reasonable

While the original cost estimates have been reduced by ~\$40 million, we recommend continuing to work on the project lists to reduce the General Fund obligations and to continue to right-size the fees to these lists. The General Fund Projects and Transportation Impact Fees (TIF) improvement lists should reflect clarity on how the assumed costs were determined as well as a prioritization of the most critical projects that should be implemented by 2035. With a budget gap that needs to be closed, pension obligations that are being addressed and an uncertain economic future, there may need to be hard choices made by the community, staff and City Council in what we are realistically able to afford to build out of our “wish lists”. We also anticipate that if the city's ambitious goals for multi-modal use are successful, along with its significant investment in non-vehicular modes of transportation, many of the infrastructure improvements will be deferred as more projects are mixed use and pedestrian and bike-friendly, therefore reducing the levels of our existing commuter traffic.

Create a Progressive Fee Structure

In previous discussions with city staff, we have suggested establishing a fee structure that aims at future development - higher density and greater affordability - by making smaller units more viable to build. Fees could be structured in a progressive manner, through use of marginal rates (cost per square foot) and tiers (stair steps of marginal rates). Each tier would have a corresponding price per square foot and the same could be done with water and sewer fees for smaller houses on smaller lots, taking into consideration that newer housing also has specific water conservation features that reduce water usage. The City's proposed fee structure for water and wastewater appears to address this, and more "granularity" may be possible and appropriate if supported by projected water usage. The new fee structure also recognizes lower trip generation for smaller units. We feel that city staff has responded to these concepts in a substantive way.

Continue to Seek Other Funding Options

We encourage the city to continue to pursue additional funding opportunities when available such as through allocations from the General Fund, matching funds from regional, state or federal resources, adding dollars to its Capital Investment Infrastructure Fund and through grants and/or private contributions.

Our Chamber supports many of the aspirational goals that are in the City's various planning documents. We have consistently marshaled our forces to support the completion of these goals in the 2035 LUCE, Housing Element, Downtown Concept Plan, Two-Year Financial Plans and the successful passages of Measures Y and G. We share these ideals and visions for the type of community we want to be.

In conclusion, we appreciate staff's engagement with us and Council's work towards taking a realistic look about how its vision will be paid for. As noted above, there is more to be done on refining the Transportation Improvement List in order to craft a comprehensive fees program that is truly feasible. To achieve the objectives in the City's various plans, the City needs to right size its current fees program and adopt one that will support its long-term growth and does not provide a barrier to communitywide benefits due to continued unfeasible costs.

Sincerely,



Charlene Rosales
Director of Governmental Affairs