



CITY OF WHEATLAND

CITY COUNCIL MEETING STAFF REPORT

September 22, 2020

SUBJECT: Reconsideration by City Council to provide direction to staff to begin preparing a draft Development Agreement Amendment for Caliterra Ranch.

PREPARED BY: Tim Raney, Community Development Director

Recommendation

The Caliterra Ranch project applicant has requested that the City Council reconsider providing direction to city staff to begin preparing a draft development agreement amendment to reduce the required Caliterra Ranch development impact fees by 50 percent for the first 145 single-family units.

Background

At the September 8, 2020 Wheatland City Council meeting, the council considered the request to provide direction to staff to begin preparing a development agreement amendment in order to reduce impact fees by 50 percent of the first 145 units of the Caliterra Ranch subdivision. The applicant had assumed the \$10,000 per unit credit would also be applied further reducing the total unit impact fee to be collected. The vote of the council was a 2-2 tie which resulted in the direction to prepare a development agreement amendment being denied.

Discussion

The Caliterra Ranch representative contacted city staff on September 9th in order to seek a revised proposal that would allow the development agreement amendment to proceed. The representative indicated that they were able to enter into a contract with a home builder only if the 50 percent fee reduction was granted. The representative also indicated that the project site would likely be converted to orchards without the approval of the 50 percent fee reduction.

Based on the understanding of the discussion by the council members, City staff identified that the Caliterra Ranch would need to provide stronger performance standards to guarantee that homes would be constructed in a timely manner. In addition, staff informed the applicant that the impact fees paid per unit after the application of the \$10,000 per unit credit was insufficient to fund necessary capital costs.

Therefore, the applicant has proposed the following amendments to the previous proposal:

Specific Performance Standards:

- The Caliterra Ranch property owner would record the sale of the phase 1 site of 145 lots to a home builder by March 31, 2021.
- The home builder would enter into a new subdivision improvement agreement with the City of Wheatland and begin construction by December 31, 2021
- The subdivision improvements for the first phase 145 lots will be completed and accepted by the City by June 30, 2022.
- The home builder would receive approval and fund building permits for a minimum of 10 of the 145 units by December 31, 2022.

Increased Impact Fee Collection for Phase 1:

- The project applicant has agreed to deferring the \$10,000 per unit credit for the first phase of 145 units.
- The \$10,000 fee credit would begin with the 146th building permit and continue until extinguished at the 450th building permit (credits are available for 305 units).
- City would therefore collect 50 percent of the current impact fee at the time of the issuance of the building permit. The 2020 fee is \$39,690 and is subject to annual adjustments. This fee would continue to be increased each year by the published ENR rate.

The applicant will be in attendance to address any questions you may have about the request. City staff is requesting the city council provide direction to staff to begin preparing a draft development agreement amendment to provide a 50 percent reduction in development impact fees, deferral of the application of the \$10,000 fee credit for the first 145 single-family units of the Caliterra Ranch project, and the performance standards identified above. Amending the development agreement for Caliterra Ranch would require review and approval by both the Wheatland Planning Commission and City Council.

Fiscal Impact

Staff has provided a table below comparing the fiscal impacts of the project site converting to an orchard verses moving forward with the planned development. The chart estimates development impact fees as well as CSD annual receipts and annual property tax.

| Caliterra Ranch Fiscal Comparison Table | | | |
|---|--|--|---|
| | Orchard | Subdivision Phase 1 | Total Subdivision Buildout |
| Development Assumptions | <ul style="list-style-type: none"> Phase 1 = 34 acres \$20,000 value/acre Removal of 50 lot final map | <ul style="list-style-type: none"> 145 lots with 50% Fee reduction 2020 fee rates of \$19,845 Fee paid per lot \$10,000 Fee credit deferred to lots 146-450 | <ul style="list-style-type: none"> 552 lots Payment of full Impact fee in accordance with the development agreement for units 146 through 552 \$10,000 per unit credit applied to units 146 to 450 |
| Impact Fees to be Collected | \$0.00 | \$2,877,525.00 | \$16,513,830.00 (lots 146 – 552) + <u>\$2,877,525.00 (lots 1 – 145)</u> \$19,031,240.00 (Total) (does not include credit of \$3,050,000 prepaid fees) |
| CSD Annual Assessment to be Collected (\$848.26 per lot) | \$0.00 per year | \$122,998.00 per year | \$468,240.00 per year |
| Property Tax | | | |
| <u>Assessed Value</u> | 34 acres @\$20,000 per acre = \$680,000.00 | 145 lots @ \$450,000 per lot = \$65,250,000.00 | 552 lots @ \$450,000 per lot = \$117,234,864.00 |
| <u>Property Tax of 0.0855 % of Assessed Value to be Collected</u> | \$581.00 per year | \$55,789.00 per year | \$212,382.00 per year |

Attachments

Reconsideration request dated September 9, 2020 from Rick Langdon, project applicant

September 9, 2020

Mr. Rick West
Mayor
City of Wheatland
111 C Street
Wheatland, CA 95692

Re: Caliterra Ranch

Dear Mr. Mayor,

I probably don't have to tell you how disappointed we are with the 2 - 2 vote to not proceed with the amendment of the Development Agreement and fee reduction for Caliterra Ranch. Sometimes we think something that makes perfect sense to us is not always translated in such a manner that everyone understands and agrees with the logic.

While we believe all of the councilmembers want to get this project going, it was apparent that one or two of the councilmembers looked at our request as simply a method of enriching the developer which could not be further from the truth. The reality is that we have spent the last year and a half trying to make this project economically feasible and have been unsuccessful for basically one reason. We have been told numerous times by various builders that the development costs and fees are so high that the residual land value is below the costs Dale Investments has into the project. With this discouraging fact in mind, we worked with the city staff to identify any possible cost savings that could be realized in the first development phase infrastructure and feel there is nothing more we can do there and, unfortunately, that was still not enough to make the project work.

There are only so many variables when building a project like Caliterra Ranch. The first variable is what a home will sell for and how many can we sell in a year. The second variable is the cost to construct the home. The third variable is the costs to construct the lots and the fourth and fifth variables are the land costs and impact fees.

We have no control over what the homes will sell for as that is controlled by the market conditions. We cannot just set an arbitrary price on the homes based on our costs. In fact, it is quite the opposite. The homes will sell for a certain price regardless of what our costs are. The costs to build the homes continues to rise and, again, we have no control over that. There can be as many as thirty different subcontractors/suppliers building a home and all of them need to be able to make enough money to stay in business. The land development costs also continue to increase for many different reasons including very cumbersome regulations. Just one example is the costs for the installation of PG&E have gone from about \$5,000 four years ago to over \$10,000 per lot today.

The only variable that we have left that any adjustments can be made to is the Development Impact Fees. These fees are usually set to help pay for anticipated future impacts of development throughout a city/county. The challenge with this is that, if fees are raised too high, making a project work economically becomes nearly impossible and, when that happens, developers chose

to develop elsewhere. The result of that is that there is no development in the community therefore no fees are collected as is the current situation in the city of Wheatland.

As stated above, Dale Investments is looking at every option to create a beautiful new home project on the Caliterra Ranch and, along with that the city will collect fees from every home as they are constructed.

As you can see on the exhibit, and making certain assumptions on absorption, the total fee income to the city over the life of the project would be approximately \$26,651,763. We would propose to reduce the fee burden by 50% for the first 145 lots and, by doing this, we would anticipate a total fee impact of \$23,575,582 which is a substantial amount of income for the city. We feel this would be an incredibly positive step for the city to take to help get the Caliterra Ranch project up and running. It is also a way to help with the project without the city paying any money out of its budget. We strongly believe that the first phase will establish a new home market for Wheatland which will continue for years to come. Dale Investments has been willing to take the risk and make the investment to get the project where it is today and would be investing another \$9,000,000 to develop the lots for home construction once a builder is contracted to build homes.

To summarize, Dale Investments has a lot of time and has spent in excess of \$5,000,000 to get the project and its entitlements to where they are now and is willing to continue pursuing the completion of what is now the only residential project in the city with any sort of chance of building homes by 2021 or 2022. Dale investments feels strongly enough about this that they are willing to commit to starting homes by 2022 with actual home closings by 2023. To help achieve that goal, we feel it would be beneficial to the success of the project if the city would agree to work with us by granting a reduction in fees and would like you to consider this letter a formal request to re-consider a reduction in the development impact fees for the project per the attached exhibit. If we are not able to get the reduction in fees for the first 145 lots this project, for all intents and purposes, is dead and no fees will be collected which benefits no one.

Please feel free to call me to discuss or we can set up a meeting at your convenience.

Sincerely,

Rick Langdon
Authorized Representative
Dale Investments, LLC
559-804-9691

Exhibit A

Caliterra Ranch Development Impact Fees

| Year | ENR Const. Index Per Development Agreement | Development Fees* | Homes Built | Total Fees | Cumulative |
|------|---|----------------------|----------------|-------------|--------------|
| 2017 | 3.10% | \$36,374.00 | 0 | \$0 | \$0 |
| 2018 | 3.10% | \$37,501.59 | 0 | \$0 | \$0 |
| 2019 | 3.10% | \$38,664.14 | 0 | \$0 | \$0 |
| 2020 | 3.10% | \$39,862.73 | 0 | \$0 | \$0 |
| 2021 | 3.10% | \$41,098.48 | 45 | \$1,849,431 | \$1,849,431 |
| 2022 | 3.10% | \$42,372.53 | 50 | \$2,118,626 | \$3,968,058 |
| 2023 | 3.10% | \$43,686.08 | 50 | \$2,184,304 | \$6,152,362 |
| 2024 | 3.10% | \$45,040.35 | 50 | \$2,252,017 | \$8,404,379 |
| 2025 | 3.10% | \$46,436.60 | 50 | \$2,321,830 | \$10,726,209 |
| 2026 | 3.10% | \$47,876.13 | 50 | \$2,393,807 | \$13,120,016 |
| 2027 | 3.10% | \$49,360.29 | 50 | \$2,468,015 | \$15,588,030 |
| 2028 | 3.10% | \$50,890.46 | 50 | \$2,544,523 | \$18,132,553 |
| 2029 | 3.10% | \$52,468.06 | 50 | \$2,623,403 | \$20,755,956 |
| 2030 | 3.10% | \$54,094.57 | 50 | \$2,704,729 | \$23,460,685 |
| 2031 | 3.10% | \$55,771.51 | 50 | \$2,788,575 | \$26,249,260 |
| 2032 | 3.10% | \$57,500.42 | 7 | \$402,503 | \$26,651,763 |

552

| Year | ENR Const. Index Per Development Agreement | Development Fees* | Adjustment | Net Fee | Homes Built | Total Fees | Cumulative |
|------|---|----------------------|------------|-------------|-------------|-------------|--------------|
| 2017 | 3.10% | \$36,374.00 | | | 0 | \$0 | \$0 |
| 2018 | 3.10% | \$37,501.59 | | | 0 | \$0 | \$0 |
| 2019 | 3.10% | \$38,664.14 | | | 0 | \$0 | \$0 |
| 2020 | 3.10% | \$39,862.73 | | | 0 | \$0 | \$0 |
| 2021 | 3.10% | \$41,098.48 | 50% | \$20,549.24 | 45 | \$924,716 | \$924,716 |
| 2022 | 3.10% | \$42,372.53 | 50% | \$21,186.26 | 50 | \$1,059,313 | \$1,984,029 |
| 2023 | 3.10% | \$43,686.08 | 50% | \$21,843.04 | 50 | \$1,092,152 | \$3,076,181 |
| 2024 | 3.10% | \$45,040.35 | 100% | \$45,040.35 | 50 | \$2,252,017 | \$5,328,198 |
| 2025 | 3.10% | \$46,436.60 | 100% | \$46,436.60 | 50 | \$2,321,830 | \$7,650,028 |
| 2026 | 3.10% | \$47,876.13 | 100% | \$47,876.13 | 50 | \$2,393,807 | \$10,043,835 |
| 2027 | 3.10% | \$49,360.29 | 100% | \$49,360.29 | 50 | \$2,468,015 | \$12,511,849 |
| 2028 | 3.10% | \$50,890.46 | 100% | \$50,890.46 | 50 | \$2,544,523 | \$15,056,372 |
| 2029 | 3.10% | \$52,468.06 | 100% | \$52,468.06 | 50 | \$2,623,403 | \$17,679,775 |
| 2030 | 3.10% | \$54,094.57 | 100% | \$54,094.57 | 50 | \$2,704,729 | \$20,384,504 |
| 2031 | 3.10% | \$55,771.51 | 100% | \$55,771.51 | 50 | \$2,788,575 | \$23,173,080 |
| 2032 | 3.10% | \$57,500.42 | 100% | \$57,500.42 | 7 | \$402,503 | \$23,575,582 |

552