



CITY OF WHEATLAND

CITY COUNCIL MEETING STAFF REPORT

August 23, 2016

SUBJECT: Request for Reduction of Development Impact Fees made by Applicant AKT Investments, Inc. for a new Walnut Huller at 2493 Spenceville Road, Wheatland

PREPARED BY: Greg Greeson, City Manager

Recommendation

Staff recommends Council consider information provided by AKT Investments, Inc. ("AKT") and analyses provided by staff and approve the attached resolution containing the necessary findings for, and adopting a reduction of, AKT's development impact fees for their new walnut hulling facility located at 2493 Spenceville Road from \$178,812 to \$15,622.81 (Attachment #1).

Background

In October of 2015, AKT submitted plans to the City for a 9,000 square foot on their property located at 2493 Spenceville Road. Pursuant to the Chapter 3.26 of the City's Municipal Code (Ordinance 400, adopted in April 2007), development impact fees of \$178,812 were assessed.

In mid-October of 2015, staff met with representatives from AKT regarding the assessment of those fees and discussed what appeared to both staff and AKT to be inordinately high fees for a project of such as theirs. Unfortunately, the City's nexus study, which is the basis for the setting of development impact fees, did not contemplate agricultural uses within the City. The fees were established in 2007, which was prior to the annexation of AKT's property at 2493 Spenceville Road. We discussed how their operation would function with the new facility and the process available to them to appeal the assessment of the development impact fees as established. We explained that staff did not have the authority to adjust established fees and that only Council could consider a reduction, based on an appeal request by AKT.

On October 27, 2015, AKT submitted the attached Request for Reduction of Fees, along with their analysis of what they believed to be an equitable assessment of fees (Attachment #2).

Discussion/Analysis:

Section 3.26.070 of the City's Municipal Code, details how deferrals, waivers and reductions in the application of development impact fees can be requested, to whom, and the criteria by which the City Council must use to grant those requests.

Specifically it reads as follows:

Upon written request filed by a property owner prior to the due date for payment of any development impact fee, the city council may grant deferral, waiver or reduction of any development impact fee. A deferral, waiver or reduction may be granted only after notice and hearing if, in the opinion of the city council, properly supported by specific findings and evidence, deferral would provide for a more fair and equitable financing arrangement to be developed and imposed, or a waiver or reduction is necessary or appropriate because imposition of the fee or fee in full would be unlawful or would result in substantial inequities. Findings must be based on written and other evidence submitted by the property owner substantiating the owner's contention that the fee should be deferred, waived or reduced. The owner shall bear the burden of proof to demonstrate that a deferral, waiver or reduction is necessary or appropriate. For a deferral, findings must include facts supporting the deferral including, without limitation, findings that: (1) alternative financing methods involving more than one owner will be implemented and justify the fee deferral; or (2) deferral of the fee will result in a more fair and equitable funding arrangement. In the case of waiver or reduction, findings must include facts supporting the waiver or reduction including, without limitation, findings that: (1) the owner will receive insufficient or no benefit from the fee imposed and would therefore be required, if the fee were imposed in full, to pay more than its fair share for the benefit received; or (2) imposition of the fee or full fee would be unlawful in the particular circumstances. The city by resolution of the city council may adopt a fee for the processing of an owner request for a fee deferral, waiver or reduction. (Ord. 400 § 5, 2007)

Staff conducted an analysis on the impacts of AKT's project, taking into consideration several factors:

1. As mentioned, the nexus study conducted prior to the adoption of the City Municipal Code establishing development impact fees did consider agricultural uses.
2. A few of the component impact areas the study identifies to collect fees for are not applicable to AKT's project. Specifically, storm drainage, water distribution, sewer collection and wastewater treatment are all provided by the property owner and are not City services provided, and, therefore has no impacts to that infrastructure.
3. The season for walnut hulling is limited each year to about 60 days, leaving the facility non-operational 10 months out of the year.
4. AKT's operation is an internal operation; meaning it is used only to hull walnuts on their property. In addition, it was constructed for that type of operation. To expand beyond their own hulling would require additions and/or revisions to their physical plant. As it is for their operation alone, it results in no additional truck traffic on City streets than currently exists.

In consideration of those factors, staff re-calculated the development impact fee formula from the nexus study to adjust for AKT providing their own storm drainage, water distribution, sewer collection and wastewater treatment and their limited annual operation of 60 days. Based on staff's review and analysis (Attachment #3), and keeping in mind the Council's obligation to make a finding pursuant to Section 3.26.070 of the City's Municipal Code, staff is recommending reducing the imposition of development impact fees on AKT's project from \$178,812 to \$15,622.81.

Staff met with representatives from AKT on July 13, 2016, and discussed staff's analysis and recommendation on the reduction of their development impact fees. AKT was agreeable to staff's recommendation for a reduction to \$15,622.81 and submitted a letter dated August 11, 2016 to that effect (Attachment #4).

Attachments

1. Resolution of the City Council of the City of Wheatland Approving Reduction of Development Impact Fee Amount for AKT Investment, Inc.'s Walnut Huller Facility Located at 2493 Spenceville Road
2. Correspondence from AKT dated October 27, 2015 requesting a reduction of development impact fees
3. City of Wheatland Proposed development impact fee calculation sheet dated July 6, 2016
4. Correspondence from AKT dated August 11, 2016 stating their agreement to the reduction of the development impact fees to \$15,622.81

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF WHEATLAND
APPROVING REDUCTION OF DEVELOPMENT IMPACT FEE AMOUNT
FOR AKT INVESTMENT, INC'S WALNUT HULLER FACILITY
LOCATED AT 2493 SPENCEVILLE ROAD

BE IT RESOLVED by the City Council of the City of Wheatland as follows:

1. **Authority.** This resolution is adopted pursuant to California Constitution, article 11, section 7, Government Code sections 66000 to 66008, Wheatland Municipal Code section 3.26.070, and other applicable law.

2. **Findings.** The City Council hereby finds and determines as follows:

(a) The City has adopted a development impact fee program, codified in chapter 3.26 of the Wheatland Municipal Code ("Code"), to mitigate impacts on public services and facilities that arise from development within the City and which services and facilities are necessary to protect the health, safety, and welfare of the City's residents and businesses.

(b) AKT Investments, Inc. ("AKT") is the owner of the property located at 2493 Spenceville Road, Wheatland, CA, and operates a walnut hulling operation at that location ("Property").

(c) Following the submission of building plans for a new 9,000 square foot walnut huller located at the Property and after reviewing the building plans, City staff informed AKT that, pursuant to chapter 3.26 of the Code, they would have to pay \$178,812 in development impact fees for the new Walnut Huller facility, which amount is based on the applicable fee type and amounts currently in effect.

(d) On October 27, 2015, AKT submitted a request to reduce the applicable development impact fees on the Property pursuant to section 3.26.070 of the Code, which sets forth the procedures for requesting a deferral, waiver, or reduction of development impact fees.

(e) On August 23, 2016, the City Council held a publicly noticed hearing to consider AKT's waiver request as required by section 3.26.070 of the Code and considered the staff report dated August 23, 2016 concerning this matter as well as all written and oral testimony for and against AKT's request.

(f) The City Council finds that imposition of the \$178,812 development impact fee amount would be unfair because the benefits received by AKT from the new Walnut Huller would not be proportional to the amount imposed, and would require AKT to pay more than their fair share of the costs of City services attributable to their Property.

(g) The City Council finds that a reduction of the development impact fee amount from \$178,812 to \$15,622.81 is fair, necessary, and appropriate for the reasons stated in the staff report.

3. **Reduction of Development Impact Fee Amount.** The City Council hereby approves AKT's request for a reduction of development impact fees applicable to the new Walnut Huller facility, and approves a reduction of this fee in the amount recommended by City staff. The City Council hereby directs AKT to pay to the City the amount of \$15,622.81 to fulfill his development impact fee payment obligations for the new Walnut Huller in compliance with chapter 3.26 of the Code.

4. **CEQA Exemption.** The City Council finds that this reduction in development impact fees for the new Walnut Huller facility does not have the potential to cause a significant impact on the environment and therefore is exempt from the California Environmental Quality Act ("CEQA") and section 15061(b)(3) of the CEQA Guidelines.

5. **Enforcement.** The City Manager, or his designee, is authorized and directed to process AKT's reduced development impact fee payment consistent with the City's laws and regulations.

PASSED AND ADOPTED by the City Council of the City of Wheatland on the 23rd day of August 2016 by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

By: _____
James Pendergraph, Mayor

Attest:

Lisa J. Thomason, City Clerk



7700 College Town Drive Suite 101
Sacramento, CA 95826-2303
(916) 383-2500 FAX (916) 383-0552

October 27, 2015

City of Wheatland
Attn.: Greg Greeson
111 C Street
Wheatland, Ca 95692

Re: AKT Huller Project Impact Fee Request for Reduction
Permit # 3484-15
2493 Spenceville Road, Wheatland, CA

Dear Greg,

Upon application of our new walnut huller project, we were informed that the project would be subjected to substantial impact fees now that our agricultural parcel lies within the city limits. As you are aware, the general city fee determination does not account for agricultural operations conducted within city limits. Given the remoteness of our facility in regards to the typically provided municipal services, which the fees are assessed, and the time-of-use of our facility, we are requesting an impact fee reduction as allowed by Section 3.26.070 of City Ordinance. We recognize the need for impact fees for the municipality however; we must provide some of those services ourselves, others are not applicable, and the balance should be pro-rated as the structure will be unoccupied for 10 months out of the year. We understand that the granting of this request is a standard practice of similar conditions in nearby municipalities, and feel that our request is warranted.

Reviewing the City of Wheatland's Development Impact Fee, as Adjusted January 1, 2015, which you and your staff were kind enough to provide, we have calculated the proposed applicable impact fees for our project. The attached calculations are based upon the municipal services that would still be provided to our distant project, pro-rated for the time-of-use.

If you would like to discuss the validity of our proposed impact fee determination, I'd be happy to meet with you or discuss it greater over the phone. I can be reached at (916) 383-2500.

Thank you for your consideration,

A handwritten signature in black ink, appearing to read "Chris Donnelly".

Chris Donnelly

AKT Wheatland Ranch, LLC CFO

**AKT Walnut Hulling
Fee Reduction Calculation**

	per 1/1/15	
Applicable Fee Description	Employ.	Uses
Law Enforcement	\$ 0.203	\$/sf.
Fire Protection Facilities (<i>Light Load</i>)	\$ 1.120	\$/sf.
Bridges, Signals, Thoroughfares	\$ 5.479	\$/sf.
Highway 65 Expressway Acquis. And Construct	\$ 2.655	\$/sf.
General Government Facilities	\$ 0.486	\$/sf.
Bear River North Levee Rehab. Project	\$ 0.369	\$/sf.
	\$ 10.312	\$/sf.

Building Size	9,000	sq.ft.
Impact Fee per above for Continual Yearly Occupancy	\$ 92,808.00	for year
Impact Fee per above per Single Day of Occupancy	\$ 254.27	per day
AKT's Occupation of Building per Original Letter of Intent	60	days

Pro-Rated Impact fee for for Time-of-Use, sub-total	\$ 15,256.11	
Administration Fee	\$ 152.56	1%

Total Pro-Rated Impact Fees \$ 15,408.67

CITY OF WHEATLAND
 PROPOSED DIF CALCULATION
 AKT WALNUT HULLER - 2015

	2015 Rates Employment Uses Per Sq. Ft.	Proposed Calculation Per Sq. Ft.
Police	0.203	0.203
Bridges, Signals, Thoroughfares	5.479	5.479
Hiway 65 Expressway	2.655	2.655
Storm Drainage	2.511	0.000
Water Distribution	1.520	0.000
Sewer Collection	0.778	0.000
Wastewater Treatment	4.550	0.000
General Government	0.486	0.486
Bear River North Levee	0.369	0.369
Sub-Total	<u>18.551</u>	<u>9.192</u>
Fire	1.120	1.120
Sub-Total	<u>19.671</u>	<u>10.312</u>
Administration Fee	0.197	0.103
TOTAL	<u>19.868</u>	<u>10.415</u>
	9000 Sq. Ft.	9000 Sq. Ft.
TOTAL	178,812.00	93,735.00
Prorated to 60 day annual use		15,622.81

Proposed Fees Exclude: Storm Drainage, Water Distribution, Sewer Collection, Waste Water Treatment

7/6/2016



INVESTMENTS, INC.

7700 Colleton Town Drive Suite 101
Sacramento, CA 95826-2303
(916) 383-2500 FAX (916) 383-0542

August 11, 2016

City of Wheatland
111 C Street
Wheatland, Ca 95692

Attn: Greg Greeson

Re: AKT Huller Cover Project Impact Fee Reduction
Permit # 3484-15
2493 Spenceville Road, Wheatland, CA

Dear Greg,

We have reviewed the fee schedule dated 7/6/2016 and agree with the proposed calculation. We understand that proposed fees for storm drainage, water distribution, sewer collection and waste water treatment are not included at this time.

We appreciate you taking the time to review and reduce the impact fees for this project. If you have any questions or need additional information please feel free to contact me.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Chris Donnelly', is written over a light blue horizontal line.

Chris Donnelly
AKT Wheatland Ranch, LLC CFO

CITY OF WHEATLAND
 PROPOSED DIF CALCULATION
 AKT WALNUT HULLER - 2015

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7/6/2016