

TO: JAMES L. APP, CITY MANAGER

FROM: BOB LATA, COMMUNITY DEVELOPMENT DIRECTOR

SUBJECT: QUAIL RUN MOBILE HOME PARK: REQUEST FOR REIMBURSEMENT OF SEWER AND WATER CONNECTION FEE INCREASE

DATE: JANUARY 7, 2003

Needs: For the City Council to consider a request filed by Fred Strong, on behalf of Mike Pender, developer of Quail Run Mobile Home Park, for a reimbursement of increased amounts of sewer and water connection fees.

Facts:

1. Attached is a letter from Fred Strong explaining the request for reimbursement and the reasons therefore.
2. At its meeting of December 18, 2001, the City Council adopted Resolution No. 01-266 to increase the amounts for the City's sewer and water connection fees. A copy of that resolution is attached.
3. The increases in sewer and water fees enacted by Resolution No. 01-266 became effective on March 1, 2002
4. Quail Run is a condominium project, and all of the units in the park would pay the rates for mobile home subdivision lots.
5. The table below shows the differences between the sewer and water connection fee rates for mobile home subdivision lots before and after March 1, 2002.

Fee	Per Resolution 3120 effective 7/01/86	Per Resolution 01-266 effective 3/01/02	Difference
Sewer Connection	\$2,017/lot	\$4,319/lot	\$2,302/lot
Water Connection	\$817/lot	\$3,606/lot	\$2,789/lot
Total	\$2,834/lot	\$7,925/lot	\$5,091/lot

6. According to City records, since March 1, 2002, 35 units in Quail Run paid the new sewer and water connection fees. The total amount of increased fees, therefore, would be \$178,185 (=35 x \$5,091). A list of addresses for which fees were paid on or after March 1 is attached.
7. A chronology of facts about the public meetings, notices and contacts with the Home Builders Association regarding the fee increase is attached.
8. The City does not issue building permits for the mobile home units in Quail Run—the California Department of Housing and Community does. Therefore, the Building Division did not have developers of Quail Run in their database from which the mailing list for the courtesy notice was prepared.

Analysis and
Conclusion:

Mr. Strong's letter raises several points, and a detailed response is attached. The following is a summary of the main points.

- Prior to adoption of the increased water and sewer fees on December 18, 2001, the City held several public meetings and workshops that were given public notice in the *Tribune* and covered in newspaper articles and on the radio.
- Prior to adoption of the increased water and sewer fees, the City worked extensively with the Home Builders Association, which is not limited to the "stick built housing industry".

During that time, the City did not provide notices to any individual developer or contractor. If the developer did not belong to the Home Builders Association, it would have been that developer's choice not to do so.

- On January 9, 2002, nearly one month after the new fees were adopted, the Building Division did mail a courtesy notice to those contractors and developers that had been regularly applying for building permits in that period of time to inform them that the fees had been increased and that the increase would become effective on March 1, 2002.
- Since, by State Law, building permits for mobile homes are issued by the Department of Housing and Community Development, and not the City, the Building Division did not have the address for the developer for Quail Run among their regular list of contractors and developers, and the developer for Quail Run was not mailed a courtesy notice.
- Condition #50 of Planning Commission Resolution No. 90-186 by which Tentative Tract 1892 was approved reads: "All future units shall pay City Standard sewer and water connection fees." (A copy of this resolution is attached.)
- A letter from the City Manager to CGC Enterprises (agents for Quail Run's developer), dated May 14, 1999, established the understanding that CGC Enterprises would pay the usual City sewer and water connection fees. Camille Politte of CGC Enterprises signed to confirm that she had received and understood the facts and information contained in the City Manager's letter.
- None of the mobile home units or lots in Quail Run were reserved or restricted (via recorded covenant) to occupancy by persons or households that qualify under state law as being of "lower income" or "moderate income". The City did help some residents obtain financial assistance offered by the State for lower income residents.
- During the fee increase hearings, it was noted that sewer and water connection fees had not been updated in over 14 years. The City hired a consultant to prepare the fee increase and employed a scientific process to determine the nexus between fee amount and impact to the systems by type of housing.

The developer had the same opportunity to participate in, and be aware of, the public meetings for the fee increase, as did all other developers and contractors. There does not appear to be any valid basis for the developer's request, and providing relief to the Quail Run developer would be inconsistent with the fees paid by all other developers in Paso Robles.

Policy

Reference: Resolution No. 01-266

Fiscal

Impact: If the developer's request were approved, the impact to the sewer and water funds would total \$178,185. A reimbursement would create a shortfall in infrastructure funding, and/or shift the financial burden to other developers. The City has already had to absorb the loss of \$725,552 for bridge, signalization, or development impact fees for this project.

Options:

- a. Reject the request for reimbursement of increased amounts for sewer and water connection fees for Quail.
- b. Amend, modify or reject the above option.

Attachments:

1. Letter from Fred Strong, received November 18, 2002
2. Detailed responses to points in Fred Strong's Letter, received November 18, 2002
2. Resolution No. 01-266
3. List of Quail Run Addresses for Which Fees Were Paid on or After March 1, 2002

4. Chronology for Water and Sewer Fee Increase
5. January 9, 2002 Courtesy Notice
6. Resolution No. 91-115
7. Planning Commission Resolution No. 90-186
8. Letter from CGC Enterprises to Ed Gallagher, dated April 14, 1999
9. Letter from Ed Gallagher to CGC Enterprises, dated April 15, 1999
10. Letter from James App to CGC Enterprises, dated May 14, 1999

ED\QUAIL RUN\CCR FEE REIMBURSEMENT 010703

**DETAILED RESPONSES TO POINTS IN FRED STRONG'S LETTER
RECEIVED NOVEMBER 18, 2002**

1. The resolution referred to in the letter is Resolution No. 91-115 (copy attached), by which the Council accepted and approved an amendment to the Subdivision Improvement Agreement for Tract 1892. It was not the resolution by which the tentative map was approved. The fees referred to in that resolution were drainage and parks fees, which are, by ordinance, collected at the time of approval of a final subdivision map. Water and sewer connection fees are not collected at the time of approval of a final subdivision map.
2. None of the mobilehome units or lots were reserved or restricted (via recorded covenant) to occupancy by persons or households that qualify under state law as being of "lower income" or "moderate income". The City did help some residents obtain financial assistance offered by the State for lower income residents.
3. Condition #52 of Planning Commission Resolution No. 90-186 (copy attached) by which Tentative Tract 1892 was approved required the subdivider to pay their fair share cost for the upgrading of the downstream improvements known as the Meadowlark Sewer project. Those fees have been paid. Installation of water meters by developers is a standard condition for tracts; however, the payment of water connection fees is in addition to such installation.
4. Payment of water and sewer connection fees is a requirement of Title 14 of the Municipal Code for issuance of building permits, and is not normally a condition of approval of a tentative tract. However, since the City does not issue building permits for mobilehomes within mobile home parks, Condition #50 of Planning Commission Resolution No. 90-186 reads: "All future units shall pay City Standard sewer and water connection fees."
5. The letter from CGC Enterprises (former agents for the developer) referred to was dated April 14, 1999, 2.5 years prior to the increase in fees enacted via Resolution No. 01-266. A copy of CGC Enterprises' letter is attached. The fees being referred to as not being mentioned are discussed in item #7, below.
6. A copy of Ed Gallagher's letter of April 15, 1999 is attached. Also attached is a letter from the City Manager to CGC Enterprises, dated May 14, 1999, establishing the understanding that CGC Enterprises would pay the usual City sewer and water connection fees. Camille Politte of CGC Enterprises signed to confirm that she had received and understood the facts and information contained in the City Manager's letter.
7. The \$725,552 in "additional, undisclosed fees" corresponds to bridge, development impact and signalization fees that the City had earlier tried to collect for the new mobilehome units. The City's legal counsel had advised that the record for Tract 1892 did not appear to fully support the City's ability to collect those fees. However, the City was advised that its ability to collect sewer and water connection fees was firmly established.
8. Please see the attached "Chronology for Water and Sewer Fee Increase" for a summary of efforts the City made to keep the home building industry aware of the sewer and water fee increase. Prior to adoption of the fee increase, the City's notices were made to the Home Builders Association and via public notices published in the *Tribune*. No mailing to individual developers or contractors was made until after the fee increase had been adopted.
9. The City worked with the Home Builders Association, which is not limited to the "stick built housing industry". If the developer did not belong to that organization, it would have been that developer's choice not to do so.
10. The only "uniqueness" for Quail Run's is the fact that the City does not issue building permits to mobile home units. As mentioned previously, no mailing to individual developers or contractors was made until after the fee increase had been adopted.

Regarding the "concept of low and moderate income housing", see item #2, above.

During the fee increase hearings, it was noted that sewer and water connection fees had not been updated in over 14 years. The City hired a consultant to prepare the fee increase and employed a scientific process to determine the nexus between fee amount and impact to the systems by type of housing.

It is not clear how a fee increase of \$5,091 per unit equates to 5% of the cost of a unit if the goal was to sell the unit in the \$175,000 range. \$5,091 is 5% of \$102,000.

11. It is not clear how a \$5,091 increase in fees generates an increase in home prices from \$175,000 to \$200,000. The Council may want to be aware that units in Quail Run did not pay bridge, signalization, or development impact fees, as do all other residences in the City (which would have totaled \$725,552).