

Work Program Stockton Development Financing Program

Task 1: Reform of Community Development Department Permit Fees and Charges

Two related products are envisioned, building upon ongoing efforts: 1) create a new CDD fee schedule that can be implemented as part of the City's FY 2014/15 Budget; and 2) propose a related CDD "budget policy" for funding the CDD, including fees, General Fund appropriations, and a Departmental reserve fund. The following sub-tasks are recommended for this effort.

Task 1.1 -- CDD Core Functions and Budget Priorities

The prior review of the CDD by Management Partners consulting group provides a guide for articulating CDD functions and priorities, level of effort, staffing, funding requirements, and funding sources. This budget information is the fundamental basis of cost allocation and the related decisions regarding setting permit fees and charges. A key topic in this regard is determining the functions that strictly benefit applicants (e.g., building permits) and those that provide a broader community benefit (e.g., comprehensive planning). From a fee-setting regard, CDD needs to refresh, update and distinguish between the functions that benefit applicants versus the broader community. CDD also needs to understand and delineate these functions as required by the MFA in relationship to the "cost recovery policy the City has had in the past." Going forward this policy must be informed by what is reasonable from a market perspective. It also will be valuable to consider the likely variation in permit activity year-to-year given historical trends and expected future levels of activity (referencing the economic forecast). A key challenge for the CDD is sustaining levels of service and core capacity through the economic cycles and associated variations in permit activity. This topic and mechanisms for providing desired level of service while minimizing costs will be explored.

Task 1.2 -- Technical and Policy Review of Permit Fees and Charges

EPS has begun, in cooperation with CDD pursuant to an earlier agreement, the process of review of the existing permit fees and charges. Results of this review in addition to prior cost allocation analysis and current staffing, level of effort, and permit activity provide a basis for considering changes to the existing fee schedule including eliminating certain fees, changing the fee amounts, and restructuring the manner in which certain fees are levied. Prior work, recommendations and involvement from each of the CDD Divisions will be a major contributor to this effort. EPS will assist CDD staff in preparing and evaluating the new CDD fee schedule.

Task 1.3 -- Recommend CDD Permit Fee and Charge Schedule

The foregoing technical tasks will inform the creation of a new permit fee and charge schedule. As a part of this effort the EPS, in cooperation with CDD staff, will prepare a FY 2014/15 CDD fee schedule that can be adopted by City Council Resolution and provide related policy and administrative recommendations. These recommendations will consider the appropriate basis for "cost recovery" in the CDD given all of the factors involved. In general, the cost recovery policy sought will involve some sustainable target for cost recovery, given the distribution of benefit for CDD functions (as noted above) and also a mechanism for dealing with the inevitable variations in CDD permit fee and charge revenues.

Task 1.4 -- Participate in Review and Adoption of the new CDD Permit Fee and Charge Schedule and Subsequent Implementation Efforts

A series of study sessions and formal hearings are envisioned to review the proposed changes to the CDD Permit Fees and Charges. EPS will assist staff with preparation for these meetings and also attend as directed (up to four meetings). The meetings include an initial Joint Workshop involving the Development Oversight Commission (DOC) and the City Council. Once direction is received a formal proposed fee schedule can be prepared and presented at a DOC Public Hearing and following that hearing the item will be brought to a City Council Public Hearing for their consideration and additional public review and comment. Following Council action EPS will assist CDD staff with implementation of the new schedule. A key aspect of this will be establishing interim procedures as well as anticipating integration with new "permit tracking system" software planned for implementation during FY 2014/15.

Task 2: Growth Potential and Monitoring Program

As part of the *Comprehensive Development Impact Fee Review* a regional forecast model was prepared to estimate future development activity in Stockton, given realistic projections of regional economic expansion. This model and forecasting capability could inform development of an ongoing monitoring tool that CDD staff (and other City departments) use on an ongoing basis in support of planning activities, budgeting, and capital improvement programming.

EPS will convert this econometric model into an "monitoring and forecasting program" that can be maintained by City staff going forward. EPS will establish this program and train staff to conduct periodic updates through references to available data sources and updating trend line analyses. The notion here is that all City departments will make reference to a single forecast for budgeting, capital programming, and financing purposes.

Task 3: Financial Components of Ongoing Planning Efforts

The City is engaged in or has recently completed a number of ongoing planning efforts that require economic evaluation, financial analysis, and financial policy. Moreover, these efforts, which include a *Downtown Specific Plan* and the *Climate Action Plan*, have extensive implications for City planning and financing policy going forward. Earlier work on these efforts, in addition to the *Comprehensive Development Impact Fee Review*, provides a sound basis for this effort. This task will help assure that strong and consistent financial planning is brought to bear on the City's planning efforts. During 2014 EPS will advise CDD staff regarding each of the three planning programs (the specific plan, the CAP, and the General Plan), described below.

Task 3.1 -- Specific Plan Financing Policy Framework

The City is initiating a *Downtown Specific Plan* during FY 2014/15. The *Specific Plan* will be a staff-driven effort, drawing upon specialist consultants as may be necessary. The *Specific Plan* central to CDD's efforts to promote downtown development and economic vitality and also has implications for broader comprehensive planning efforts including the anticipated General Plan Update. As a part of this effort the EPS will assist staff with preparation of a prototypical "implementation and financing" components of a *Specific Plan* including articulation of financing requirements, drafting financing policies, and specifying related implementing mechanisms (e.g., financing districts, etc.).

Task 3.2 -- Growth Management Options

The Settlement Agreement underlying the *Climate Action Plan* includes reference to redirection of growth in Stockton from outlying areas to more central “infill” sites and redevelopment. In addition to the terms of the Settlement Agreement there may be a range of other merits to such redirection including providing higher density housing, addressing affordable housing needs, achieving comparatively reduced costs for municipal infrastructure and services, and improving the economic vitality of the downtown and existing City neighborhoods. From the infrastructure financing and budget perspective achieving a more compact urban form and minimizing the marginal cost of infrastructure and services needed to serve new growth are an essential part of re-establishing and sustaining the fiscal well-being and quality of life in Stockton. Growth management options will need to be viewed from policy, market, and existing capacity and development entitlement perspectives. Each of these factors will influence what growth management policy and measures may be possible and how what is possible can be achieved. Given determinations from these perspectives it seems reasonable to articulate short- and long-term measures that achieve growth management objectives including redirection of future growth and assuring financial and fiscal sustainability. These measures could include standard regulatory measures (urban limit lines, development spatial phasing priorities, infrastructure concurrency, etc.) and more incentive-based programs. As part of this task EPS will cooperate with CDD staff and other consultants as may be necessary to identify and evaluate growth management options available to the City.

Task 3.3 -- Review of General Plan Level of Service Standards and Policies

The existing *General Plan* contains policies and programs that have direct bearing on the need for and cost of municipal infrastructure and related operations and maintenance costs. These policies reflect City policy reaching back to the 1980s when it was determined that new development should “pay its own way.” As envisioned, this task will involve EPS conducting a review of these General Plan policies and programs with the intention of determining their current relevance and feasibility given planning policy and development commitments and new market realities. This review will result in options for amending these policy and related programs, in anticipation of an actual General Plan Amendment (specifically amending these policies and programs) or as part of the proposed broader comprehensive General Plan Update.

Task 4: Update Stockton’s Infrastructure Financing Framework

The *Comprehensive Development Impact Fee Review* determined that the City’s current “capital facilities fees” (development impact fees charged for a variety of municipal improvements including streets, parks and recreation, and other municipal facilities) while technically sound, were out-of-date from a variety of perspectives. Moreover, there are concerns regarding the level (cost) of aggregate development impact fees (combining the capital facilities fees with other development impact fees charged by the City and by other agencies (e.g., school districts) are high (by industry standards) given existing and even expected prices for new homes and commercial properties. As part of this task EPS will recommend a new infrastructure financing policy framework that will guide subsequent updating of the City’s capital facilities fees and related infrastructure financing efforts. While action on a comprehensive revision to the City’s development impact fees must be coordinated with resolution of the pending municipal bankruptcy process, this policy framework could lead to certain reforms during FY 2014/15.

Task 4.1 – Interdepartmental Development Financing Program

A key aspect of this overall CDD reform effort will be promoting a new and essential level of interdepartmental cooperation related to fiscal affairs and infrastructure financing. A new interdepartmental committee, the Interdepartmental Management and Oversight Committee, should be created for this purpose. As a part of this task EPS will assist in the creation of this Committee and the related Development Financing Program to promote effective interdepartmental cooperation regarding all matters that touch on the financing of development in the City. This effort will begin by organizing a standing committee that includes representatives of the City Manager, City Attorney, Finance, Public Works, Municipal Utilities, and Community Development. Each of these departments plays an important role in regulating development financing and a higher level of interaction and cooperation will assure efficient and effective development financing efforts.

EPS will engage each of these departments regarding this interdepartmental effort, to gain a better understanding of their individual responsibilities, issues, and resources. An initial organizing meeting will be held, facilitated by EPS, to discuss organizational efforts and to set the agenda for future efforts and meetings. This effort will build upon the substantial ongoing efforts related to the bankruptcy, development impact fee review, and related reorganization efforts. Initially, during developmental efforts it is envisioned that bi-weekly standing meetings will be held; following these organizing efforts monthly meetings should suffice.

Task 4.2 -- Evaluation of Capital Facilities Requirements

The existing technical reports that have been prepared in support of the existing community development impact fees provide a sound basis for review of capital facilities requirements and also the assumptions and policies underlying the definition of these requirements. These technical reports were obtained, cataloged, and reviewed as part of the *Comprehensive Development Impact Fee Review*. This effort will begin by EPS, in conjunction with City staff, assembling an initial capital facilities data base (a "line-item" listing of all planned capital projects building on prior technical efforts). Using this database the respective City departments can then evaluate these individual line-items and determine how they relate to existing and emerging infrastructure policy and programs as well as capital improvement and municipal budget priorities.

Task 4.3 -- Infrastructure Financing Options and Alternatives

The City of Stockton evolved its current development impact fee framework over the past 25 years in an era of economic expansion during which increasing costs in the form of impact fees, were placed on new construction as part of the policy of having development "pay its own way." The economic downturn, with its substantial reduction in real estate pricing, resulted in costs in excess of what can reasonably be expected to be paid while assuring financially feasible development. While economic conditions are improving along with the ability to pay fees, it is in the City's interest to manage fees to assure that desired development occurs over time. At the same time it is necessary to provide adequate infrastructure and municipal services. This effort will involve EPS identifying infrastructure financing options and specifically, alternatives to funding infrastructure through development impact fees. These alternatives may include use of various land secured financing districts, expansion and use of general revenue sources (e.g., general tax measures including utility users taxes, real estate transfer taxes and sales tax measures) and financing mechanisms including special revenue or general obligation bonds. EPS

has been preparing similar analyses for other Cities and will build upon these efforts to assess and prioritize options available to Stockton.

Task 4.4 -- Capital Facility Fee Recommendations

Consistent with the objectives of the *Comprehensive Development Fee Review* and the body of previously completed technical work and new efforts described above, EPS, in cooperation with the Interdepartmental Management and Oversight Committee and the Development Oversight Committee, will recommend a new policy framework for development-related infrastructure financing. This policy could include amended General Plan policies and programs, instigation of alternative infrastructure financing mechanisms, and recommendations for a related interim update to the City's capital facilities fees. While it is understood that the ongoing bankruptcy process may deter action on any major reforms, it does make sense to articulate reforms as a basis for subsequent action. Such actions could establish "interim" (FY 2014/15) capital facilities fees (interim because of bankruptcy-related constraints and the additional technical work required following the proposed *General Plan Update* and related analysis of infrastructure requirements and financial capacity). EPS will assist staff with assembly of these interim recommendations and related technical efforts.

Cost of Services

The EPS budget for this engagement is up to \$80,000 on a time and materials basis. The project will be staffed by:

Walter Kieser, Principal	\$300/hour
Benjamin Sigman, VP and Project Manager	\$215/hour
Clerical Staff	\$85/hour