

**RESOLUTION NO. 2022-007**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ELK GROVE  
SETTING A COST RECOVERY FEE FOR THE SOUTHEAST INDUSTRIAL AREA  
(NO FURTHER CEQA REVIEW REQUIRED)**

**WHEREAS**, the City of Elk Grove has prepared a Sphere of Influence Amendment and subsequent annexation of land south of Grant Line Road at the intersection with Waterman Road for an industrial business park known as the Southeast Industrial Area (SEIA, or Project); and

**WHEREAS**, a variety of planning tasks have been involved in preparation of the Sphere of Influence Amendment and annexation; and

**WHEREAS**, on January 27, 2021, the City Council certified a Supplemental Environmental Impact Report and adopted a General Plan Amendment, Specific Plan, and Rezoning for the Project; and

**WHEREAS**, the City has expended \$1,227,944.24, in completing this work; and

**WHEREAS**, the City has prepared a Nexus Study documenting these costs and the allocation of these costs on a per-gross-acre basis for land in the Project area; and

**WHEREAS**, the City desires to recover these costs through a fee on new development within the Project area; and

**WHEREAS**, on January 12, 2022, the City Council introduced an ordinance amending Section 16.95.022 of the Elk Grove Municipal Code (EGMC) establishing the Southeast Industrial Area Cost Recovery Fee, and EGMC Section 16.120.030 adding the Southeast Industrial Area Cost Recovery Fee to the list of those fees that may be deferred pursuant to EGMC Section 16.120.050.

**NOW, THEREFORE, BE IT RESOLVED**, that the City Council of the City of Elk Grove hereby adopts the Nexus Study for the Southeast Industrial Area Cost Recovery Fee (dated December 2021) attached hereto as Exhibit A and incorporated by reference. The staff report, Nexus Study, and any documents it references, or any supporting information provided now or subsequent to adoption establish the need, and a reasonable basis on which to establish the Cost Recovery Fee for the Southeast Industrial Area.

**AND, BE IT FURTHER RESOLVED**, that the City Council of the City of Elk Grove, after considering the information and determinations contained in the Nexus Study for the Southeast Industrial Area Cost Recovery (attached hereto as Exhibit A) and any comments received at the public hearing, hereby approves and adopts the Cost Recovery Fee at a rate of \$2,354.42 in Zone 1 and \$1,998.28 in Zone 2, for each gross acre of land as provided in the study, which Fee shall be collected prior to issuance of grading permit, based upon the following findings:

## California Environmental Quality Act (CEQA)

Finding: No further environmental review is required pursuant to State CEQA Guidelines Section 15162 (Subsequent EIRs and Negative Declarations)

Evidence: The proposed fee and accompanying fee will reimburse the City for its expenses relative to the Southeast Industrial Area. The Project includes amendment of the City's Sphere of Influence, Annexation, master plan preparation, and environmental review. Completion of these steps occurred after preparation and certification of an Environmental Impact Report and Supplemental Environmental Impact Report (SCH No. 2015102067) (EIR). None of the provisions of Section 15162, which specifies when a subsequent EIR is required, are applicable as there are no changes to the project, no changes to the circumstances under which the project was undertaken, and no new information of substantial importance. Therefore, this action is exempt and no further environmental review is required under CEQA.

## General Plan

Finding: The proposed project is consistent with General Plan.

Evidence: The proposed fee is the recovery of City expenses in the creation of the Southeast Industrial Area. There are no changes to the development densities or intensities identified in the General Plan or zoning. Therefore, the proposed action is consistent with the General Plan.

## AB 1600 Findings

Finding #1: There is a purpose to the fee.

Evidence: The Southeast Industrial Area Cost Recovery Fee (Fee) will be imposed upon development projects for the purpose of mitigating costs incurred by the City with amendment to the City's Sphere of Influence, annexation of the Southeast Industrial Area, master plan preparation, and environmental review.

Finding #2: There is a use to which the fee is to be put.

Evidence: Revenue from the Cost Recovery Fee will be used to reimburse the City for its costs in the creation of the Project. These include the amendment to the City's Sphere of Influence, annexation of the Southeast Industrial Area, master plan preparation, and environmental review. A breakdown of the costs associated with each activity can be found in the table entitled "SEIA Planning Cost by Task and Phase" on Page 6 of the Nexus Study.

Finding #3: There is a reasonable relationship between the fee's use and the type of development project on which the fee is imposed.

Evidence: Development of land within the Project area will benefit from the City's efforts, including the establishment of zoning, completion of the necessary review under the California Environmental Quality Act (CEQA), including the Water Supply Assessment, traffic analysis, water, sewer, and drainage master planning, annexation of the area into the service territory of Sacramento Area Sewer District and Sacramento Regional County Sanitation District, annexation in the City of Elk Grove, and other plan implementation efforts, as discussed in detail in the Planning Costs section of the Nexus Study. This benefit exists because development was not possible prior to Annexation because the County of Sacramento had designated the area for agricultural purposes. Further, the availability of urban infrastructure (e.g., water, sewer) and sizing and routing of on-site infrastructure within the Project area was not known prior to the City completing this work. Future development projects within the Project area shall utilize this information when planning and constructing. Having this information available streamlines the development planning and review process and provides certainty in development review. Revenues will be used to reimburse the City for its costs in these efforts.

Finding #4: There is a reasonable relationship between the need for the public facility and the type of development project on which the fee is imposed.

Evidence: Development in the Project area requires the establishment of appropriate zoning, consistent with the City's General Plan, infrastructure master planning, the completion of CEQA review, and other actions necessary to consider subsequent requests for subdivision, design review, and site improvements. The City's efforts to complete this planning and engineering work allows for the more efficient and legally sufficient review of these subsequent applications.

Finding #5: There is a reasonable relationship between the amount of the fee and the cost of the public facility or portion of the public facility attributable to the development on which the fee is imposed.

Evidence: A reasonable relationship between the amount of the Fee and the Project costs is established in this Nexus Study. The Fee is calculated based upon the City's costs to date in its efforts, which are attributable to the Project area and future development. Costs are allocated on a shared basis to the gross acreage of development within the Project area, attributable to the level of benefit received within the respective Zones. All properties pay a proportional share of the SOIA costs, which included development of the SOIA application and accompanying EIR, as well as other related processing costs. Additionally, all properties benefit from the infrastructure master plans and Supplemental EIR as these efforts support comprehensive master planning of the Project area. Only those properties within the Phase 1 Annexation Area benefit from the annexation and, therefore share those costs only among themselves. Thus, there is a Zone 1 that includes the annexed properties, and a Zone 2 that excludes the annexed properties.

**AND, BE IT FURTHER RESOLVED**, that the City Council hereby approves that the Cost Recovery Fee shall be automatically adjusted each calendar year beginning on January 1, 2023. The adjustment shall be based on a factor equal to the percentage increase if any, of the annualized Local Agency Investment Fund (LAIF) rate plus two percent (2%) to repay the interest cost of the General Fund Reserve loan. If there is a decrease in the LAIF rate, the fee will not be adjusted.

**AND, BE IT FURTHER RESOLVED**, that this Resolution shall be effective 60 days after adoption of the Ordinance No. \_\_\_\_-2022 amending EGMC Chapters 16.95 and 16.120.

**AND, BE IT FURTHER RESOLVED**, that the provisions of the Resolution are subject and subordinate to the provisions of the Ordinance establishing the Southeast Industrial Area Cost Recovery Fee and shall at all times be construed and applied consistent therewith as the same presently exists or may from time to time hereafter be amended.

**AND, BE IT FURTHER RESOLVED**, that if any section, phrase, sentence, or other portion of this Resolution for any reason is held or found to be invalid, void, unenforceable, or unconstitutional by a court of competent jurisdiction, such portion shall be deemed a separate, distinct, and independent provision, and such holding shall not affect the validity of the remaining portions of this Resolution.

If any fee set by this Resolution for any reason is held or found to be invalid, void, unenforceable, or unconstitutional by a court of competent jurisdiction, such fee shall be deemed a separate, distinct, and independent fee, and such holding shall not affect the validity of the remaining fees set by this Resolution.

**PASSED AND ADOPTED** by the City Council of the City of Elk Grove this 12<sup>th</sup> day of January 2022




BOBBIE SINGH-ALLEN, MAYOR of the  
CITY OF ELK GROVE

ATTEST:

  
JASON LINDGREN, CITY CLERK

APPROVED AS TO FORM:

  
JONATHAN P. HOBBS,  
CITY ATTORNEY

City of Elk Grove

# Southeast Industrial Area

**Cost Recovery Program**



CITY OF  
**ELK GROVE**

PROUD HERITAGE. BRIGHT FUTURE.

City Council Draft  
January 4, 2022

## Introduction

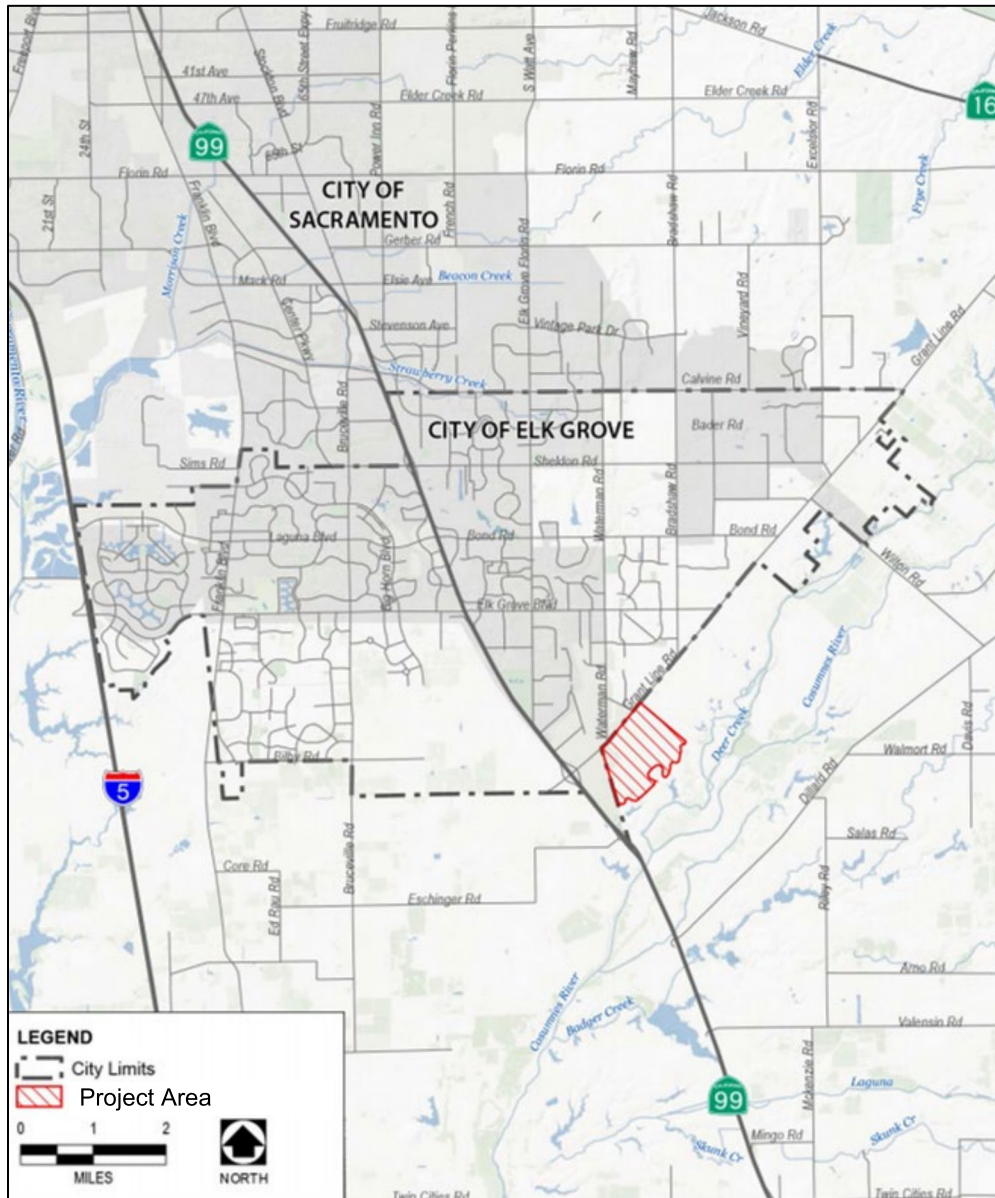
The purpose of the Southeast Industrial Area Cost Recovery Program Fee (Fee) is to recover the City's costs associated with amendment of the City's Sphere of Influence, Annexation, master plan preparation, and environmental review for the Southeast Industrial Area (collectively, the Project). Cost recovery planning fee programs are enabled by State law consistent with California Government Code Section 66000, et seq.

The Project area is located south of Grant Line Road at the intersection of Waterman Road. The Project area (Figure 1) has been designated for industrial and retail development. By completing this work as a City project, the City has provided a mechanism to jump-start development in the Project area. Consequently, the City's work was reasonably necessary to foster development of the Project area.

The Fee shall be imposed upon subsequent development projects. A breakdown of the costs associated with each activity can be found in Table 1 entitled "Southeast Industrial Area Cost by Task and Phase".

Fee revenues will be applied exclusively to the costs outlined herein, in accordance with California Government Code Section 66001(a)(2). Since revenues will only be applied for the benefit of the Project area, it is reasonable for the fee to be imposed on development projects in that area in accordance with California Government Code Section 66001(a)(3). There is a reasonable relationship between the fee amount and the portion attributable to each developable lot because fee revenues will be collected on a per gross acre basis in accordance with California Government Code Section 66001(a)(4). There are a total of 571 acres in the Project area that are subject to the fee, with two zones of 382 acres and 189 acres, respectively. Using the total cost expended of **\$1.228 million** and, including a 4% administrative fee for maintenance of this Cost Recovery Fee, the fee per gross acre is **\$2,354.42 in Zone 1** and **\$1,998.28 in Zone 2**. Additional details on how these values were derived are provided in this Nexus Study. Costs are allocated on a shared basis to the gross acreage of development within the Project area, attributable to the level of benefit received within the Zones, in accordance with California Government Code Section 66001(b).

Figure 1: Project Area



## Project Background

In August 2014, the City acquired an approximately 100-acre property at the southeast corner of Grant Line Road and Waterman Road for the development of a multi-sport park complex. The site was in unincorporated Sacramento County. In the fall of 2014, the City began the process of annexing the property into the City. This process requires the review and approval of a Sphere of Influence Amendment (SOIA) and, subsequently, Annexation, by the Sacramento Local Agency Formation Commission (LAFCo).

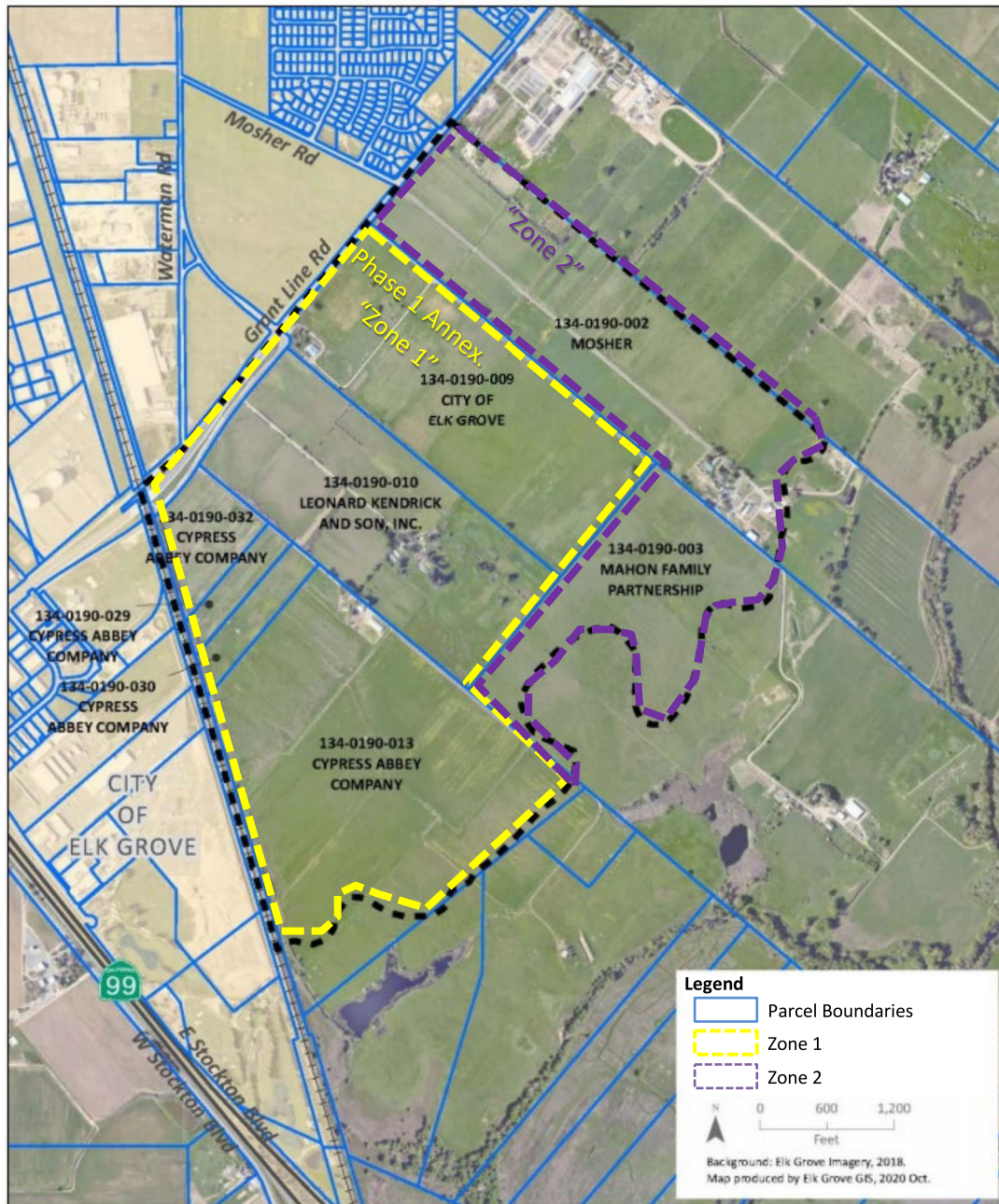
Upon the recommendation and request of LAFCo, as well as neighboring landowners, the Project area was expanded from the City's property to adjoining lands to the northeast, south, and southwest by the Elk Grove City Council at the April 8, 2015, City Council meeting. The total area of the SOIA became 571 acres. Formal application for the SOIA was made by the City in July 2015. The City and LAFCo coordinated on the joint production of an Environmental Impact Report (EIR) to support not only the SOIA, but also future annexation and development of the Project area. The EIR was certified by LAFCo in May 2019 and, concurrently, LAFCo approved the SOIA, subject to certain conditions of approval. Staff worked with the landowners to identify land uses for their properties; this information was incorporated into the analysis in the EIR.

Following approval of the SOIA, the City began preparation of various infrastructure master plans (water, sewer, drainage, transportation), a specific plan, a Plan for Service and Public Facilities Financing Plan. On January 27, 2021, the City Council adopted a General Plan Amendment, the Specific Plan, and rezoning for the site. A Supplemental Environmental Impact Report (SEIR) was also prepared and certified by the City Council. The infrastructure master planning, specific plan, and SEIR cover the entirety of the SOIA (571 acres). The rezoning only applied to a smaller Zone 1 Annexation, which only covered 382 acres of the approved SOIA. The balance of the SOIA (189 acres) was not included in the Zone 1 annexation because the subject properties are within Williamson Act contracts that limit the ability to develop them. These additional properties are referred to as the Zone 2 Area. The extents of Zones 1 and 2 are illustrated in **Figure 2**.

On June 2, 2021, LAFCo considered and approved the annexation of the 382 acres of Zone 1. The annexation was effective July 9, 2021.



Figure 2: Project and Zone Areas



Note: In September 2021, the City sold a portion of its property to Kubota for their Western Distribution Center Project. The County parcel layer has not been updated to reflect this transaction.

## Planning Costs

The City has incurred numerous Project costs in completing the SOIA and annexation, including development of master plans and environmental review, which have involved the use of outside consultant assistance. These incurred Project costs have been accounted for and are recoverable by imposing a fee on development projects in the Project area. The following specific planning tasks/activities would be recovered through the Fee:

- **SOIA Process**
  - Initial scoping of the SOIA with LAFCo in late 2014 and early 2015.
  - Preparation of the SOIA application, including drafting the required Municipal Service Review.
  - Submission of the SOIA application to LAFCo.
  - Preparation and adoption of a Memorandum of Understanding for the joint preparation of an Environmental Impact Report (EIR) for the SOIA.
  - LAFCo staff and consultant time in reviewing the EIR and related materials, and preparing the staff report, resolutions, conditions, and conducting the public hearing.
- **2019 EIR**
  - Preparation of the EIR, including the notice of preparation, scoping meeting, Administrative Draft EIR, Public Draft EIR, Administrative Draft Final EIR, Final EIR, Findings of Fact and Statement of Overriding Consideration, and Mitigation Monitoring and Reporting Program.
  - Preparation of biological and traffic analysis studies to inform the EIR.
- **Infrastructure Master Planning**
  - Preparation of the infrastructure master plans, including the on-site Water Master Plan, the update to the Zone 40 Water Infrastructure Master Plan, the Level 2 Sewer Study, the Drainage Master Plan (and related technical memorandums(s)), and the Transportation Master Plan.
- **SEIR**
  - Preparation of a Supplemental EIR (SEIR), which provided updated land use assumptions for several properties and incorporated the information from the infrastructure master plans. This included the notice of preparation, scoping meeting, Administrative Draft SEIR, Public Draft SEIR, Administrative Draft Final SEIR, Final SEIR, Findings of Fact and Statement of Overriding Consideration, and Mitigation Monitoring and Reporting Program.
  - Preparation of updated traffic analysis to inform the SEIR and the Transportation Master Plan.

- Preparation of a Baseline Biological Inventory to satisfy the SOIA conditions of approval and EIR mitigation measure(s).
- **Annexation**
  - Preparation of a Market Study for the Zone 1 Annexation.
  - Preparation of the Specific Plan for Zones 1 and 2.
  - Preparation of a Plan for Service and Public Facilities Financing Plan.
- **Implementation**
  - Preparation of a Water Supply Assessment for the Zone 1 area and accompanying Addendum to the SEIR.
  - Payment of air quality mitigation for reactive organic gases.

The total cost for the planning work is \$1.228 million. This total excludes any overhead costs (e.g., City staff time) on the SOI Amendment, Annexation, and other related efforts for the Project, and the City is not including these costs in the Fee. These costs are shown in **Table 1** and are listed in the six tasks defined above. The tasks can be grouped into phases of effort as follows:

- Phase 1: SOIA
  - SOIA Process
  - 2019 EIR
- Phase 2: Master Planning
  - Infrastructure Master Plans
  - 2021 SEIR
- Phase 3: Annexation
  - Annexation Process
  - Implementation

These costs are attributable to the Project area on a proportional basis depending on the Phase. Costs associated with Phases 1 and 2 apply to both Zones 1 and 2 because these work tasks further the ability to develop these properties. Costs specific to Phase 3 are solely attributable to Zone 1 because only Zone 1 was annexed in 2021.

To calculate the cost per acre for Zones 1 and 2, the costs for Phases 1 and 2 are divided by the total Project acreage (571 acres), and the costs for Phase 3 are divided by only the Zone 1 acreage (382 acres). The cost per acre for Phases 1, 2, and 3 are added together to generate a cost per acre for Zone 1. The costs per acre for Phases 1 and 2 are added together to generate a cost for Zone 2. This calculation process is illustrated in Table 2.

**Table 1: SEIA Planning Cost by Task and Phase**

Vendor <sup>1</sup>	Task						Total
	SOIA Process	2019 EIR	Infrastructure Master Planning	SEIR	Annexation Process	Implementation	
AECOM		\$285,271.19		\$98,389.00			\$383,660.19
Board of Equalization					\$2,000.00		\$2,000.00
Economic and Planning Systems					\$14,578.75		\$14,578.75
Element Markets						\$28,200	\$28,200.00
Fehr & Peers				\$14,767.16			\$14,767.16
Herberger (Noticing)				\$624.00			\$624.00
Hunting Environmental		\$10,617.00					\$10,617.00
LAFCo	\$58,339.50				\$2121,974.50		\$80,314.00
Michael Baker International		\$82,055.69					\$82,055.69
Pacific Municipal Consultants	\$27,029.03	\$92,886.21					\$119,915.24
Sacramento County Recorder		\$52.00		\$100.00	\$50.00	\$50.00	\$252.00
Sacramento County Water Agency			\$11,081.05			\$29,601.00	\$40,682.05
Wood Rodgers						\$34,357.50	\$34,357.50
Willdan			\$415,920.66				\$415,920.66
<b>TOTAL</b>	<b>\$85,368.53</b>	<b>\$470,882.09</b>	<b>\$427,001.71</b>	<b>\$113,880.16</b>	<b>\$38,603.25</b>	<b>\$92,208.50</b>	<b>\$1,227,944.24</b>
<b>Phase</b>	<b>Phase 1: SOIA</b>		<b>Phase 2: Master Planning</b>		<b>Phase 3: Annexation</b>		
	<b>\$556,250.62</b>		<b>\$540,881.87</b>		<b>\$130,811.75</b>		<b>\$1,227,944.24</b>

Notes:

<sup>1</sup> Includes sub-consultant charges, as applicable.

**Table 2: Phase Costs For Applicable Acres**

Phase	Total Cost	Applicable Zones	Applicable Acres	Cost Per Acre
Phase 1: SOIA	\$556,250.62	1 & 2	571	\$974.17
Phase 2: Master Planning	\$540,881.87	1 & 2	571	\$947.25
Phase 3: Annexation	\$130,811.75	1	382	\$342.44

## Administration Fee

The City will charge an administration fee that equals 4.0% of the total costs. Calculations performed by City staff for other City fee programs show that expenditures for program administration equal and often exceed 4.0% of the fee program’s expenditures. Costs included in the administration of the program include, but are not limited to, preparation of the nexus study; preparation of updates to the nexus study; preparation of annual reports for the fee; and administration costs for maintaining the fee fund. The City should monitor its costs in the following years and adjust the rate, as necessary.

## Cost Recovery Fee

Initial funding for the Project came from the General Fund and the City’s Capital Improvement Program. This fee will repay these expenses. The fee is collected on a per gross acre basis (inclusive of existing or planned rights-of-way and other infrastructure, including basins and ditches) and will be collected prior to issuance of grading permit. The fee is collected in the two Zones (Zone 1 and Zone 2) based upon the geographic limits of the zones as shown in Figure 2. The total fee, including the Administrative Fee, is shown in Table 3.

**Table 3: Cost Recovery Fee**

Zone	Applicable Phase Costs (per acre)				Admin Fee (4%)	Total Fee
	Phase 1	Phase 2	Phase 3	Sub-Total		
1	\$974.17	\$947.25	\$342.44	\$2,263.86	\$90.55	\$2,354.42
2	\$974.17	\$947.25	\$0	\$1,921.42	\$76.86	\$1,998.28

Note: Totals have been rounded

The fee will be adjusted annually (every January). The rate of adjustment will be the annualized increase, if any, in the Local Agency Investment Fund (LAIF) rate plus two percent to repay the interest cost to the General Fund. This represents the City’s base costs plus long-term financing costs for the expenditure of funds towards the development of the Project. If there is a decrease in the LAIF rate the fee will not be adjusted.

## Nexus Findings

Development in the Project area will benefit from the City’s prior work. The Southeast Industrial Area Cost Recovery Program shall reimburse the City for its expenses in establishment of the Project. The Fee, as calculated in this Nexus Study, meets the Mitigation Fee Act nexus requirements, as outlined below.



**Purpose of Fee**

The purpose of the Fee is to reimburse the City's cost in establishment of the Project, which is necessary to develop the area.

**Use of Fee**

Revenue from the Fee will be used to reimburse the City for its costs in the establishment of the Project. These costs are identified in Table 1.

**Reasonable Relationship Between the Fee's Use and the Types of Development**

Development of land within the Project area will benefit from the City's efforts, including the establishment of zoning, completion of the necessary review under the California Environmental Quality Act (CEQA), including the Water Supply Assessment, traffic analysis, water, sewer, and drainage master planning, annexation of the area into the service territory of Sacramento Area Sewer District and Sacramento Regional County Sanitation District, annexation in the City of Elk Grove, and other plan implementation efforts, as discussed in detail in the Planning Costs section. This benefit exists because development was not possible prior to Annexation because the County of Sacramento had designated the area for agricultural purposes. Further, the availability of urban infrastructure (e.g., water, sewer) and sizing and routing of on-site infrastructure within the Project area was not known prior to the City completing this work. Future development projects within the Project area shall utilize this information when planning and constructing. Having this information available streamlines the development planning and review process and provides certainty in development review. Revenues will be used to reimburse the City for its costs in these efforts.

**Reasonable Relationship Between the Need for the Project and the Type of Development**

Development in the Project area requires the establishment of appropriate zoning, consistent with the City's General Plan, infrastructure master planning, the completion of CEQA review, and other actions necessary to consider subsequent requests for subdivision, design review, and site improvements. The City's efforts to complete this planning and engineering work allows for the more efficient and legally sufficient review of these subsequent applications.

**Reasonable Relationship Between the Amount of the Fee and the Cost of the Project**

A reasonable relationship between the amount of the Fee and the Project costs is established in this Nexus Study. The Fee is calculated based upon the City's costs to date in its efforts, which are attributable to the Project area and future development. Costs are allocated on a shared basis to the gross acreage of development within the Project area, attributable to the level of benefit received within the respective Zones. All properties pay a proportional share of the SOIA costs, which included development of the SOIA application and accompanying EIR, as well as other related processing costs. Additionally, all properties benefit from the infrastructure master plans and Supplemental EIR as these efforts support comprehensive master planning of the Project area. Only those properties within the Phase 1 Annexation Area benefit from the annexation and, therefore share those costs only among themselves. Thus, there is a Zone 1 that includes the annexed properties, and a Zone 2 that excludes the annexed properties.

**CERTIFICATION  
ELK GROVE CITY COUNCIL RESOLUTION NO. 2022-007**

STATE OF CALIFORNIA        )  
COUNTY OF SACRAMENTO    )        ss  
CITY OF ELK GROVE         )

*I, Jason Lindgren, City Clerk of the City of Elk Grove, California, do hereby certify that the foregoing resolution was duly introduced, approved, and adopted by the City Council of the City of Elk Grove at a regular meeting of said Council held on January 12, 2022 by the following vote:*

**AYES:           COUNCILMEMBERS: Singh-Allen, Suen, Hume, Spease, Nguyen**

**NOES:           COUNCILMEMBERS: None**

**ABSTAIN:       COUNCILMEMBERS: None**

**ABSENT:        COUNCILMEMBERS: None**

  
\_\_\_\_\_  
**Jason Lindgren, City Clerk  
City of Elk Grove, California**