

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, JULY 26, 2016**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, July 26, 2016, commencing at 7:00 a.m.

Present: Council Member Johnson, Council Member Mounce, Mayor Pro Tempore Kuehne, and Mayor Chandler

Absent: Council Member Nakanishi

Also Present: City Manager Schwabauer, City Attorney Magdich, and City Clerk Ferraiolo

B. Topic(s)

B-1 Receive Presentation on Growth and Development in Lodi (CD)

City Planner Craig Hoffman provided a PowerPoint presentation regarding 2016 Lodi development summary. Specific topics of discussion included population, General Plan, Rose Gate, Vintner Square, Van Ruiten, Reynolds Ranch, Reynolds Ranch Apartments, Reynolds Ranch Senior Development, Eden Housing - Tienda, Lodi Shopping Center, Wal-Mart property re-use, Reynolds Ranch commercial use, LaQuinta Hotel, extended stay hotel, and industrial use. Mr. Hoffman stated that the City is seeing an increase in projects, many of which are less conservative, such as apartments and senior housing.

Mayor Pro Tempore Kuehne reminded that Council, at its goal-setting session, discussed having infrastructure in place for commercial and industrial development east of Highway 99 and questioned whether any progress was made on that. City Manager Schwabauer stated that Lodi has not constructed additional water, wastewater, or electrical capacity in that area because such projects would require significant capital and would be beyond Lodi's capacity at this time.

Council Member Johnson questioned if the City has a list of properties that are available for immediate occupancy that could be circulated throughout the community to generate greater exposure to interested parties, to which Mr. Schwabauer responded in the affirmative. Business Development Manager Adam Brucker stated he would send the list to Council, adding there are existing properties available for lease or sale that are ready to develop, including two on Guild Avenue and one near the retention basin.

In response to Mayor Pro Tempore Kuehne, Mr. Schwabauer stated there still appears to be interest in bringing a hotel to the downtown area. One project is in the works with the developer finalizing a financing package, which is likely to move forward; the other project is less solid and may or may not happen.

Ed Miller questioned if staff calculated the economic impact the growth has had on Lodi, how it affects the City's revenue stream, and where the City goes from here.

B-2 Discussion Regarding Elimination of Reduced Residential Development Impact Fee Structure (PW)

Public Works Director Charlie Swimley provided a PowerPoint presentation regarding possible elimination of reduced Residential Impact Fee Structure. Specific topics of discussion included overview, Residential Low-Density, Residential Medium-Density, Residential High-Density, fee comparison per single-family unit, impacts on development, options, and schedule. Mr. Swimley stated it appears the reduced fee program accomplished the goal of encouraging development,

adding that the brisk activity occurring at this time has not been seen in many years.

Council Member Mounce stated she supports ceasing the reduced fee program with the exception of in-fill and high-density projects to promote more multi-family units in the community.

Ed Miller questioned what the City's objective is regarding this matter because, during the goal-setting session, the conclusion was there was inadequate revenue to pay for services and at the last meeting, Council discussed raising the sales tax to generate additional revenue; however, he has not seen an analysis on the economic benefit of growth to date and what would be lost if the City returned to the original impact fee amounts.

City Manager Schwabauer responded that the fee program is for construction of regional parks and expansion of facilities that serve the community, such as police, fire, water, and other utilities, all of which have an assumed cost of growth. If the City discounts the fee program, it loses the ability to construct elements of the fee program at the rate anticipated. If the discounts are tied to growth, the City gains revenue from Community Facilities District (CFD) fees, property tax, and sales tax generated by the growth. He used the example that, if 1,000 homes were constructed, the City would realize \$500,000 in CFD fees and \$400,000 in property taxes, along with another \$100,000 in revenue from the other residential structures -- hotels, senior housing, and apartment complexes -- for a total of \$1 million annually. CFD and property tax revenue are realized annually, but impact fees are one-time dollars and can only be used to expand programs. Impact fees could not be used to repair or enhance features at Lodi Lake; the dollars could only be used to increase Lodi Lake by purchasing additional land and expanding the park. Those dollars could also not be used to address the California Public Employees Retirement System issue. Only revenue from CFD fees and property taxes can be applied toward those types of projects, but many of the developments will not be completely built out for a number of years and will not solve the long-term problem Lodi faces. Mr. Schwabauer stated that the current level of growth indicates the discounted fee program is no longer necessary and that Lodi's fees are still lower than many of the surrounding cities' impact fees. He pointed out there are in-kind requirements built into Lodi's impact fees, which is not shown in the rate, but even with that component, Lodi's rates are in line with those of Manteca and Lathrop and are still competitive.

Mike Lusk stated he was not opposed to development, but he wants to see citizens protected against rate increases or subsidization of growth. He provided a handout expanding on the example Mr. Schwabauer used during the July 6, 2016, Council meeting regarding property taxes to the City and impact mitigation fees. He stated that Lodi loses money on the reduced fee schedule and it would take over ten years to break even on the advanced subsidy to developers. Mr. Lusk believed that, under Proposition 218, the full impact of development must be collected and distributed to the enterprise fund rather than reducing fees and stated he was in support of returning to the regular fee schedule and potentially even increasing the fees.

John Beckman with the Building Industry Association thanked Council for the visionary thought it put into this when adopting the plan, stating he was proud of the results, especially at Rose Gate, Reynolds Ranch, and Van Ruiten, none of which would have happened without the temporary fee reduction program. Because of this program, development is once again occurring. He stated the developers understood there would need to be an end to the program and he believed this was an appropriate time to do so; although, he was pleased to see the vested developments were locked in with the reduced fees.

Myrna Wetzel questioned, with the recent water problems, if Lodi has an adequate water supply to meet the demand of new growth, to which Mr. Swimley stated that Lodi has a robust water supply thanks to the construction of the water treatment facility. He stated there is ample water to satisfy growth and maintain the safe groundwater yield from extraction.

In response to Council Member Mounce, Mr. Swimley stated Lodi is showing a bump in its groundwater elevations. With the growth, Lodi is dependent upon outlying areas and how those communities handle their groundwater management practices, but with the aquifer, Lodi should maintain its groundwater elevation. Council Member Mounce stressed that the aquifer is regional and the concern is that other communities could overdraft Lodi.

Mr. Schwabauer provided clarification on Ms. Wetzel's question, stating water restrictions were imposed on homeowners last year as a result of the drought, which is different from water supply. Lodi has a strong water supply; however, it must still comply with the State's regulations on how much water homeowners can use, as well as the Governor's restrictions during a drought. Mr. Schwabauer explained that Lodi has two water sources: groundwater that can be pumped and 6,000 acre feet annually of banked water. Both supplies are in excess of the amount needed today, but eventually Lodi will grow to a size where the banked water may need to be utilized. He stated that other communities must stop pulling more water out of the ground than can be replenished, adding there will be rules in the near future as a result of Groundwater Sustainability Agency requirements. As of today, Lodi is more than sustainable and it would take roughly 4,000 new dwelling units to draw down the excess supply.

Mike Lusk questioned if it was possible to renegotiate the agreement on the first Astoria project to reduce the contract amount, to which Electric Utility Director Elizabeth Kirkley responded in the negative. Ms. Kirkley stated that Lodi Electric Utility (LEU) had opportunities for other contracts, but because the renewable requirement date was fast approaching, LEU could wait no longer and entered the contract. She stated the Utility has a diversified portfolio and will have the opportunity for cost savings. Mr. Schwabauer added that power purchase contracts are market driven by conditions at the time. When the Astoria project was negotiated, construction costs were higher, but prices fell since then, making project costs less expensive.

Mayor Chandler summarized that it appears Council consensus, with agreement from the development community, is to proceed with the schedule to eliminate the reduced fee schedule, with the exception of in-fill and high-density projects.

Council Member Johnson stated he would like to study the matter further because he was concerned about eliminating the discount prematurely and potentially negatively affecting the recent surge in development; although, he was not opposed to proceeding with the hearing. Mr. Swimley stated staff can include a phased-in approach as well when the matter comes back to Council for decision.

C. Comments by Public on Non-Agenda Items - None

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:54 a.m.

ATTEST:

Jennifer M. Ferraiolo
City Clerk