



Capital Facilities Capacity Charge (CFCC) Reduction Request – The Atchison

Finance Committee
March 17, 2021



Background

District Code (CFCC Adjustment)

- Section 2.16.070: Board of Directors may reduce CFCCs by 75% for a new development if one or more of the following conditions have been satisfied:
 1. Property is used exclusively for physically or mentally [disabled] persons
 2. Property has received a **density bonus** or other incentive from the public agency with land use jurisdiction, or will be used for **low-income housing**
 3. Property will consist of senior citizen housing
 4. Property will be used by a non-profit association as a child day care facility

Background

The Atchison CFCC Reduction Request

- 2575 Railroad Ave., L.P. (Developer) is developing The Atchison in Pittsburg
 - 200 units for low-income, affordable family housing
 - City of Pittsburg approved development application, draft Density Bonus Agreement, and construction drawings
- Developer has paid full CFCC amount (\$877,701.20), but has requested a 75% reduction and refund (\$651,085.20) as allowed by District Code for qualified developments

The Atchison CFCC Reduction Request Budget Impact Analysis



- If 75% reduction (\$651,085.20) is approved by the Board, District would retain a total CFCC amount of \$226,616.00, which equates to 12% of the total CFCC revenue budgetary assumption (\$1,840,000) for FY20/21
- AB 1600 and GC Section 66013 disallow cross-subsidy or use of rate/fee revenue received for one customer to subsidize fee reductions for another customer class
 - CFCC reduction programs are typically funded by **Ad Valorem Tax** revenue or other revenue not subject to this restriction
 - District needs to make Wastewater Expansion Fund (collected CFCCs associated with development in service area) whole if CFCC revenue is refunded

The Atchison CFCC Reduction Request Budget Impact Analysis (cont'd)



- In FY19/20, District received \$3.1 million in Ad Valorem Tax revenue, which was \$1.1 million higher than the \$2.0 million budget assumption
- FY20/21 Budget assumes \$2.0 million in Ad Valorem Tax revenue is received and allocated to Wastewater Capital Asset Replacement (WW CAR) Fund
 - Excess Ad Valorem Tax revenue above budget assumption is assumed for FY20/21, but uncertain magnitude
- If approved by the Board, staff recommendation is to reallocate \$651,085.20 in **excess** Ad Valorem Tax revenue for FY20/21 from WW CAR to restore lost CFCC revenue in the WW Expansion Fund

Implementation

Developer Agreement

- District Code Section 2.16.070 requires developer to execute an agreement with District to limit development use commensurate with CFCC reduction assumptions
- Developer (2575 Railroad Ave., L.P.) to pay District additional CFCC revenue if planned use assumptions change
 - Difference between CFCCs paid today and future value of CFCCs applicable to new development
- Developer has agreed to execute agreement with District

Recommendations

- Receive comments and input from Finance Committee Chair
- Recommend submitting item for consideration at March 25, 2021 Board Meeting:
 - Authorize General Manager to execute an agreement with 2575 Railroad Ave., L.P. allowing a 75% reduction (\$651,085.20) in CFCCs
 - Authorize budget adjustment transferring \$651,085.20 in Ad Valorem Tax revenue from WW CAR Fund to reimburse WW Expansion Fund for reduction in CFCC revenue
 - (May combine with Sewer Service Charge refund request from The Atchison)