



City of Rialto

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Title: Discussion of options to provide sewer service for an industrial project proposed on Baseline Road, between Tamarind Avenue and Palmetto Avenue (CDRE Holdings 11 LLC).
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Attachments: 1. Exhibit A Location and Site Map.pdf, 2. Exhibit B CDRE Letter dated October 31, 2018.pdf, 3. Exhibit C CDRE Letter dated January 23, 2019.pdf, 4. Exhibit D Appeal of PC Determinations by CDRE.pdf

Date	Ver.	Action By	Action	Result
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For Economic Development Committee [January 30, 2019]

TO: Honorable Economic Development Committee Members

FROM: Robb R. Steel, Assistant CA/Development Services Director

Discussion of options to provide sewer service for an industrial project proposed on Baseline Road, between Tamarind Avenue and Palmetto Avenue (CDRE Holdings 11 LLC).

BACKGROUND:

CDRE Holdings 11 LLC ("Developer") proposes to develop a 100,000+ square foot industrial building on 5.1 acres on Baseline Road, immediately easterly of Palmetto Avenue (see **Exhibit A, Location and Site Map**). The site contains several deteriorated residential structures, and needs redevelopment to modern uses. The Development Review Committee approved conditions of approval as PPD #2018-0021. The Developer submitted building plans for plan check review at risk to expedite development and intends to commence construction shortly. The Developer acquired the Site hosting the project.

Conditions 131-133 of PPD #2018-0021 require the Developer to connect to the nearest sewer line, which is approximately 670 feet easterly at Tamarind Avenue. The Developer submitted letters dated October 31, 2018 and January 23, 2019 (**Exhibits B and C**) objecting to the condition for the following reasons:

1. RMC Section 12.08.050 requires that any structure within 200 feet of a public sewer make such connection. This provision is consistent with Section 713.4 of the California Plumbing Code. Beyond 200 feet, the RMC considers sewer service unavailable and the City allows private sewer systems upon certification that such systems would not create a health and safety hazard. The distance from the easterly property line of Site to the nearest sewer is 670

feet, well beyond the 200-foot limit. The Developer believes that a septic system meeting all health and safety requirements can serve the Site.

2. Under similar circumstances in South Rialto, the City waived the connection requirement. The City relieved Go2Logistics (PPD 2396) from the requirement to connect to the sewer because the nearest sewer line was 1,300 feet from the property. The Developer indicated that the line extension would render the 65,000 square foot project economically infeasible.
3. The Conceptual Sewer Plan for the Renaissance Specific Plan does not propose a sewer line for this location. However, the RSP sewer plan explicitly states that it is conceptual in nature and does not intend to show precise locations and alignments. The Sewer Master Plan also does not show this line extension.
4. Because of the location near the City limits on the west, Fontana homes on the south, and few remaining parcels within Rialto's jurisdiction for development, there is limited opportunity for reimbursement from future developers in the area. The Oakmont Industrial project on a corner lot immediately east of the site will connect to the sewer line in Tamarind and therefore the City cannot condition Oakmont to construct a sewer line along its frontage on Baseline Road. The only remaining developable parcel(s) lie to the west of the subject site, and the church property wedged in between the CDRE and Oakmont properties. Technically, the City could require these properties to connect to the public sewer when CDRE extends the line, as they will now be within 200 feet of an available sewer line.

On January 24, 2019 CDRE appealed the decision of the Planning Commission (January 23, 2019) with respect to the conditions of approval for both the CDRE and Oakmont projects. The purpose of the appeal was to either seek relief from the obligation to construct the sewer line at CDRE's sole expense, or to condition Oakmont to construct the sewer line for its approximately 600 feet of frontage on Baseline Road. The Developer estimated the cost of the sewer line construction at \$300,000, or approximately \$340 per front foot.

ANALYSIS/DISCUSSION:

The City Council has expressed a preference to serve all Rialto sewer customers. For a few recent projects involving long line extensions, the City entered into fee credit and reimbursement agreements that compensated the developer for the extraordinary stretch of sewer line. The developer receives a fee credit for its frontage and the City reimbursed the overage costs from previously collected sewer collection impact fees. However, the City substantially lowered its sewer connection fee in December 2018, rendering this approach problematic. The City reduced the sewer connection fee from \$78.99 per front foot to \$8.34 per front foot, producing significant savings for developers but radically reducing the City's capital for assistance with line extensions. CDRE will realize a savings of approximately \$24,000 due to the reduction in sewer collection fees.

The City can consider several options:

1. Permit CDRE to install a septic system or other private sewer system satisfying all health and safety standards, modifying conditions 131-133 for PPD 2018-0021 to reflect this requirement.
2. Require construction of the sewer line extension from Tamarind, a distance of approximately

885 lineal feet. The City would propose entering into a fee credit and reimbursement agreement that would apportion the costs between the City, CDRE, and the westernmost property owners (1/3 each). CDRE would advance the 1/3 for the westernmost property owners and recover the cost when those properties eventually develop and connect to the sewer. The City would use residual sewer collection fees for the 1/3 share the City would advance. The City would need to establish a special fee recovery program to capture the reimbursement.

3. Require construction of the sewer line extension from Tamarind, a distance of approximately 1,010 lineal feet to the westerly edge of the site to serve the westerly properties without damaging installed street improvements. Retain the same cost sharing allocations from #2 above.

If the cost of construction is \$300,000, the City would contribute \$100,000 toward the project cost and the Developer would contribute \$200,000 (after realized savings for recently reduced sewer collection fees, the Developer's net cost would be approximately \$176,000. The City would burden the church property and the 6 lots on the westerly city limits to reimburse \$100,000 on a fair share basis when they connect to the sewer line (within 3 years under the RMC).

If the City Council declares a policy that it wishes to connect all Rialto residents and businesses to the public sewer system, then we should develop a funding program to offset the costs of long line extensions. Otherwise, the City may be bound by the 200-foot standard in the absence of concurrence from the developer.

FINANCIAL IMPACT:

If the City allows the Developer to install a septic system, the City's foregoes ongoing monthly sewer collection fees. For a 100,000 square foot warehouse, the current rate is \$6.77 per HCF. Warehouses typically use minimal amounts of water. The City also forgoes the sewer collection development impact fee of approximately \$2,800 and the sewer treatment development impact fee of approximately \$19,000.

If the City and Developer enter into a reimbursement agreement consistent with the above-described terms, the City incurs an immediate capital cost of approximately \$100,000 from the fund balance of sewer collection fees (to the extent available). The City receives \$2,800 in sewer collection fees and \$19,000 in sewer treatment fees from the Developer.

RECOMMENDATION:

Consider options for providing sewer service to CDRE Holdings 11 LLC development of a 100,000 square foot warehouse on Baseline Road, east of Palmetto Avenue.