



City of Rialto

Legislation Text

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For City Council Meeting and Rialto Utility Authority [December 12, 2017]

TO: Honorable Mayor and City Council

APPROVAL: Michael Story, City Administrator

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

Request City Council and Rialto Utility Authority Consideration and Approval of Joint **Resolution No. 7261** Temporarily Reducing Sewer Connection Fees for Hotels with and without Restaurants until June 30, 2018.

(ACTION)

BACKGROUND:

The City seeks to attract limited service and full-service hotels to the City. Currently, two hotel operators are considering locations along the 210 Freeway. The hotel operators expressed concerns regarding the cost for sewer connections, and the City initiated a survey to determine Rialto's competitive posture in the marketplace. The results of that study are summarized below.

On May 9, 2017, the City Council and the Rialto Utility Authority approved Resolution 7125 temporarily reducing sewer connection fees for full service and fast service restaurants.

On October 11, 2017, the Economic Development Committee recommended to the City Council a temporary reduction in sewer connection fees for hotels with and without restaurants until June 30, 2018.

ANALYSIS/DISCUSSION:

Agencies use a variety of approaches to establish the sewer connection fees for various categories of businesses. The rate is based on the volume of sewage that is expected to be generated by the type of business and its impact on both the collection and treatment systems. Agencies will calculate the rates using either an Equivalent Development Unit (EDU) which is the equivalent sewage volume from a single family unit or by generation volumes based on the number of waste fixtures in the building, the number of seats, the square footage of the proposed business, or the estimated volume of services provided. The rate includes consideration of the volume of sewage generated, as well as the strength of the sewage measured by Biological Oxygen Demand (BOD) and Suspended Solids (SS) within the stream.

In 2002, the City retained Black and Veatch to prepare a Wastewater Connection Fee study (**Exhibit A**). This study included Table 2 "Wastewater Connection Fees" that identified the expected flow, BOD and SS generated by various businesses served by the City's sewer operation. The following table is from that study:

Group III Commercial Medium Strength						
Gas Station - 4 Bays max	per station	430	0.65	1.00	1.87	\$4,063
Manufacturing (domestic)	1000 sq ft	80	0.10	0.10	0.31	\$669
Hotels-Motels (w/o restaurants)	Room	130	0.34	0.13	0.55	\$1,202
Manufacturing	1000 sq ft	200	0.68	0.70	1.10	\$2,385
Manufacturing (industrial)	Flow		0.00	0.00	-	\$0
Repair and Service Stations	1000 sq ft	100	0.15	0.23	0.44	\$945

Over the last 15 years, the City has used an escalation factor based on a variety of factors and are currently escalating at 5% per year. Because of these escalations, the following table shows the current rates for hotels:

Group III - Commercial (Medium Strength)						
Gas Station - 4 Bays Max	per station	\$ 6,215.58	\$ 273.48	\$ 6,489.04	Reso. 8089	12/27/2011
Manufacturing (domestic)	tsf	\$ 1,023.38	\$ 45.03	\$ 1,068.41	Reso. 8089	12/27/2011
Hotels/Motels (w/o restaurants)	room	\$ 1,838.22	\$ 80.88	\$ 1,919.10	Reso. 8089	12/27/2011
Manufacturing	tsf	\$ 3,848.50	\$ 160.53	\$ 3,809.03	Reso. 8089	12/27/2011
Repair and Service Stations	tsf	\$ 1,445.85	\$ 63.62	\$ 1,509.47	Reso. 8089	12/27/2011

The City is currently working with at least two hotels with at least 100 rooms each. Both project proponents expressed concern that the sewer connection fees were extraordinary. The City thereupon undertook a market survey of sewer connection fees for hotels. The table below summarizes the results:

Hotels/Motels w/o dining							
City	Sewer Agency	Price/ Unit			Rooms	Sewer Connection Fee	
Current Methodologies							
Loma Linda	City of San Bern	\$ 3.51	gpd	100 gpd/room	100	\$	35,100.00
Colton	City of Colton	\$ 3.57	gpd	100 gpd/room	100	\$	35,700.00
Redlands	City of Redlands	\$ 4.83	gpd	100 gpd/room	100	\$	48,300.00
San Bernardino	City of San Bern	\$ 5.49	gpd	100 gpd/room	100	\$	54,900.00
Moreno Valley	Eastern MWD	\$ 5,015.00	EDU	15 EDU	100	\$	75,225.00
Fontana	IEUA	\$ 6,009.00	EDU	15 EDU	100	\$	90,135.00
Ontario	IEUA	\$ 6,009.00	EDU	15 EDU	100	\$	90,135.00
Rancho Cucamonga	Cucamonga VWD	\$ 6,009.00	EDU	15 EDU	100	\$	90,135.00
Rialto (Current)	City of Rialto	\$ 1,919.00	room		100	\$	191,900.00

The City established a sample 100-unit hotel to perform the comparison. Other cities use a variety of formulas to calculate the sewer development impact fees (including 100 gallons per day per room and Equivalent Dwelling Units (EDU)). For comparison purposes, the table above table calculates the appropriate Development Impact Fee.

The comparison demonstrates that Rialto has the highest sewer connection cost of \$191,900 for a 100-room hotel of the nine cities surveyed. Three cities share the second highest cost (Rancho Cucamonga, Ontario, and Fontana) at \$90,135. The higher cost adversely affects Rialto's marketability to expand and attract hotels. Staff recommends temporarily reducing the sewer connection fees for hotels until the City completes the comprehensive fee study currently underway.

The average cost for the other eight cities is \$64,954 or 34% of the Rialto's current rate. Staff recommended to EDC a temporary rate reduction of 60% that resulted in a rate reduction from \$1,919.00 per room to \$768 per room costing \$76,800 for a 100-room hotel. The EDC recommended that the City Council temporarily reduce the sewer connection fee from \$1,919.00 per room to a flat rate of \$500.00 per room, a 74% reduction costing \$50,000 for a 100-room hotel.

The following table shows the net effect of this reduction:

Hotels/Motels w/o dining							
City	Sewer Agency	Price/ Unit			Rooms	Sewer Connection Fee	
Current Methodologies							
Loma Linda	City of San Bern	\$ 3.51	gpd	100 gpd/room	100	\$	35,100.00
Colton	City of Colton	\$ 3.57	gpd	100 gpd/room	100	\$	35,700.00
Redlands	City of Redlands	\$ 4.83	gpd	100 gpd/room	100	\$	48,300.00
Rialto (Recommended)	City of Rialto	\$ 500.00	room		100	\$	50,000.00
San Bernardino	City of San Bern	\$ 5.49	gpd	100 gpd/room	100	\$	54,900.00
Moreno Valley	Eastern MWD	\$ 5,015.00	EDU	15 EDU	100	\$	75,225.00
Rialto (Proposed)	City of Rialto	\$ 768.00	room		100	\$	76,800.00
Fontana	IEUA	\$ 6,009.00	EDU	15 EDU	100	\$	90,135.00
Ontario	IEUA	\$ 6,009.00	EDU	15 EDU	100	\$	90,135.00
Rancho Cucamonga	Cucamonga VWD	\$ 6,009.00	EDU	15 EDU	100	\$	90,135.00
Rialto (Current)	City of Rialto	\$ 1,919.00	room		100	\$	191,900.00

ENVIRONMENTAL IMPACT:

The requested action is not a "Project" as defined by the California Environmental Quality Act (CEQA). Pursuant to Section 15378(a), a "Project" means the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. According to Section 15378(b), a Project does not include: (5) Organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

GENERAL PLAN CONSISTENCY:

This action is consistent with Guiding Principle 3A in the General Plan:

Our City government will lead by example, and will operate in an open, transparent, and responsive manner that meets the needs of the citizens and is a good place to do business.

LEGAL REVIEW:

The City Attorney has reviewed and approved the staff report and Resolution.

FINANCIAL IMPACT:

The two hotels under consideration represent approximately 250 rooms. The foregone Sewage Treatment Facilities revenue would be approximately \$354,750 (\$1,919 minus \$500 = \$1,419 per room times 250 rooms). However, it is unlikely that the project proponents will construct any of the

hotel rooms under the current fee structure. Staff anticipates that the fee study underway will substantiate reductions to the rates for hotels. The new hotels will produce significant financial impact for the City General Fund, with new property, sales, utility, and transient occupancy taxes.

RECOMMENDATION:

Staff recommends that the City Council and the Rialto Utility Authority adopt a Resolution (**Exhibit B**) implementing a temporary rate reduction of 74% effective December 1, 2017 until June 30, 2018 for Hotels with and without restaurants. The recommended new rate is \$500.00 per room.