

APPROVED
BOARD OF DIRECTORS

**SACRAMENTO COUNTY WATER AGENCY
CALIFORNIA**

By AUG 10 2010
Cyndi Lee
Clerk of the Board

For the Agenda of:
August 10, 2010
Timed: 10:30 a.m.

To: Board of Directors
From: Department of Water Resources
Subject: North Vineyard Station Supplemental Drainage Fee Update Policy
Supervisory District: Nottoli
Contact: George Booth, Senior Civil Engineer, 874-6484

Overview

The current North Vineyard Station (NVS) Supplemental Drainage Fee Plan of 2005 includes drainage right-of way land values of up to \$323,890 per acre. An updated land valuation study (2009) indicates that \$125,000 per acre is a more appropriate value for rights-of-way. The Vineyard Creek and North Vineyard Greens Unit No. 1 project proponents acquired some drainage land under the current (higher) fee plan; however, the economy stalled before the drainage interests could be transferred to the County. It is necessary to establish a "bright line" policy to clarify and to differentiate which drainage rights-of-way acquired under the NVS Supplemental Fee Plan will be assigned the higher credit values versus those which should reflect the updated lower values. This change will allow staff to process pending credit agreements and to return to the Board with an updated NVS Supplemental Drainage Fee Plan.

Recommendations

1. Approve the proposed land valuation policy for the NVS Supplemental Fee Plan, recognizing the reduction in land values for drainage right-of-way.
2. Direct staff to return to the Board with a proposed update to the NVS Supplemental Fee Plan which reflects that policy.

Measures/Evaluation

Not applicable to this agenda item.

Fiscal Impact

Establishing a policy to address the downward shift in land valuations will allow the NVS Supplemental Fee Plan to be revised accordingly, and it is expected that this fee revision would result in a lower NVS Supplemental Drainage Fee.

BACKGROUND

Land development in the NVS Plan area was required to obtain necessary rights-of-way for drainage and other infrastructure. Many of these acquisitions were made in advance of that

development, to ensure that offsite property owners would be approached and that needed lands could be acquired in a coordinated manner. Active development projects proceeded to acquire lands for drainage infrastructure early in the development process to ensure that the acquired land would be available for construction of the facilities required for the development projects.

The NVS Supplemental Drainage Fee (known as Zone 11N for accounting purposes) was established by Ordinance WA-2612 on September 13, 2005, adding chapter 2.81 to title 2 of the Sacramento County Water Agency Code (Code). Zone 11N was created specifically to fund those trunk drainage items not included in the Zone 11A Fee Plan, of which drainage right-of-way was a major component. At the time the Supplemental Drainage Fee was created, land values were increasing rapidly with values included in the Plan estimated as much as \$300,000 per acre. Subsequent annual construction cost inflators through 2008 (Engineering News Record) have increased that value to \$323,890 per acre.

DISCUSSION

In the subsequent period following the establishment of the NVS Supplemental Fee Plan, the economy began a significant downturn. Drainage rights-of-way which had been acquired by Vineyard Creek (Lennar) and North Vineyard Greens Unit No.1 (Daru Trust) when market values were high were being offered to the County for the higher credits, even though the 2009 land valuation study showed a significant decrease in land values. These acquisitions were well in advance of any improvement plans being submitted.

Under normal development scenarios, drainage credits are given at or just before the time improvement plans are submitted for approval. Title 2.81 of the Code allows for credits for the supplemental drainage rights-of-way conveyed to the County. Additionally, the Vineyard Creek (Lennar) and North Vineyard Green Unit No. 1 (Daru/Tres Piedras) projects are specified in their rezone conditions to receive compensation in the form of credits for land acquired for Master Plan Drainage Facilities.

Over the past several months there have been discussions regarding planned acquisition of drainage land and compensation between involved landowners, the Southgate Recreation and Park District and the Sacramento County Water Agency. Few mutually satisfactory agreements have resulted. Moreover, two landowners associated with the North Vineyard Greens Unit No. 1 development (El Dorado Corners LLC (Daru) and Tres Piedras LLC (Trumbley)) have recently filed suit against the County seeking to compel its entry into an agreement to accept offered drainage land and compensate them pursuant to the requirements of chapter 2.81 at the rates prescribed as of June, 2008, or alternatively, for damages for inverse condemnation.

In order to move forward on updating the NVS Supplemental Drainage Fee Plan, it is necessary to establish clarity on property valuation. Water Resources is proposing that the drainage rights-of-way associated with these two projects shown on Exhibit A be reflected in an update of the NVS Supplemental Fee Plan using the higher credit values from the 2005 land valuation study. These projects would also pay according to the drainage fee schedule associated with the higher land values. However, beyond those specified above, Water Resources is proposing to cease consideration of any further credit agreements at the higher credit values so that any subsequent credit agreements will be considered based on an updated NVS Supplemental Fee Plan.

Applying this policy to an NVS Supplemental Fee Plan update would result in an approximate reduction in the NVS Supplemental Drainage Fee from \$8,413 to \$6,520 per RD-5 lot. This policy will also allow staff to prepare credit agreements for those drainage rights-of-way already secured, to properly apply the lowered valuations to the remaining lands in the fee plan and then to return to the Board with a proposed revision to the NVS Supplemental Drainage Fee. This fee plan update may also reflect a contribution from development in the Florin Vineyard Gap area for those NVS drainage facilities which are of common benefit to both plan areas.

Staff is requesting confirmation of this policy and the Board's direction in order to proceed with assignment of appropriate drainage land credits. Water Resources will return to the Board with an NVS Supplemental Fee Program update.

FINANCIAL ANALYSIS

The NVS Supplemental Drainage Fee is a developer impact fee in the NVS Specific Plan area only. Any change to the fee plan will only affect the developers in that area. This program does not affect any other funds of the County or the Water Agency.

Respectfully submitted,

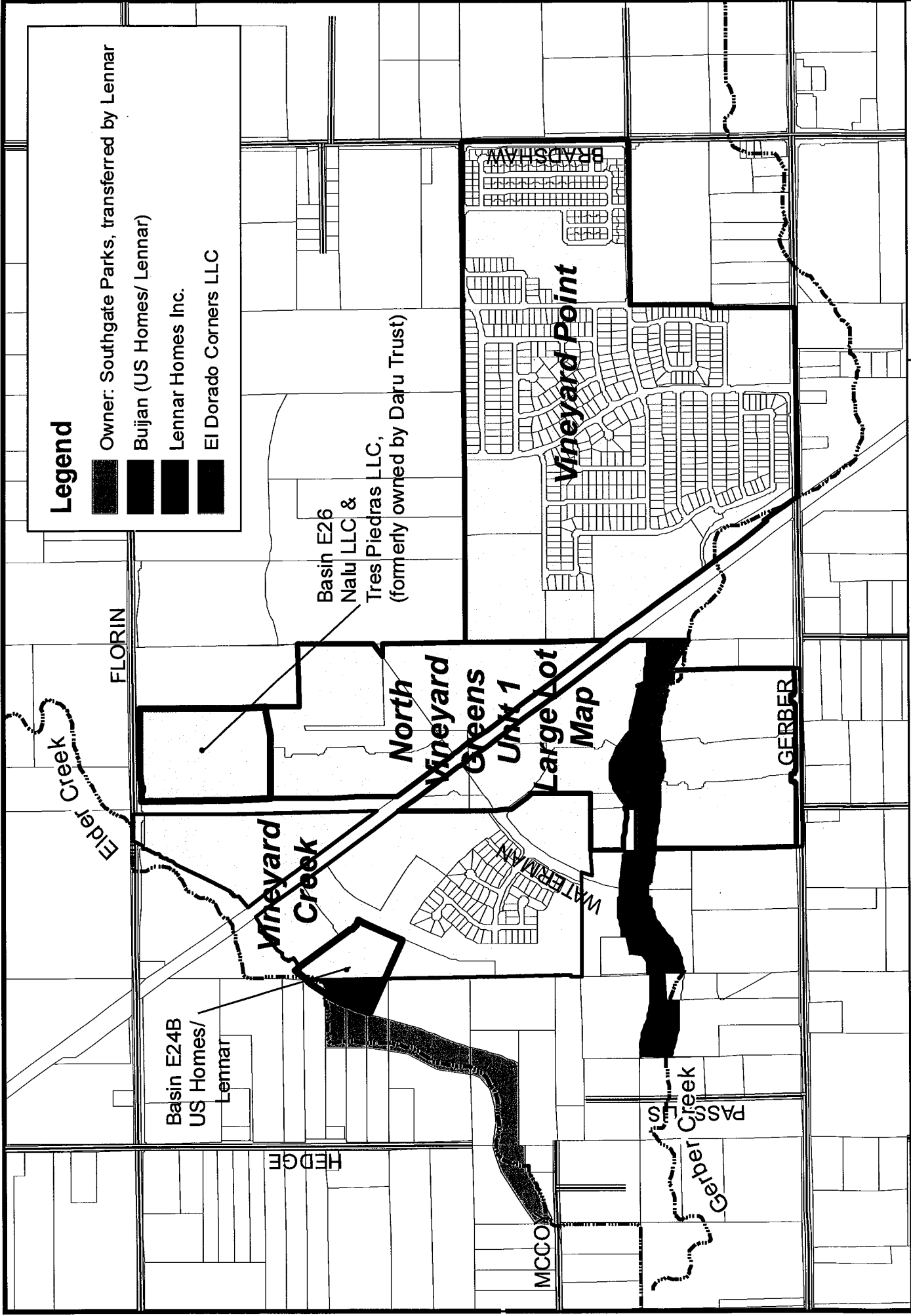
APPROVED:
STEVEN C. SZALAY
Interim County Executive

KEITH DEVORE, Director
Department of Water Resources





By: _____
PAUL J. HAHN, Administrator
Municipal Services Agency

Attachment: Exhibit A – North Vineyard State Land Value Map

cc: Herb Niederberger, Michael Peterson, Mike Johnson – Water Resources 01-301
Lisa Travis – County Counsel



Legend

-  Owner: Southgate Parks, transferred by Lennar
-  Buijan (US Homes/ Lennar)
-  Lennar Homes Inc.
-  EI Dorado Corners LLC

Basin E26
Nalu LLC &
Tres Piedras LLC,
(formerly owned by Daru Trust)

Basin E24B
US Homes/
Lennar

North
Vineyard
Greens
Unit 1
Large Plot
Map

Vineyard Point

Elder Creek

Vineyard
Creek

WATERMAN

Gerber
Creek

PASS

MCCO

HEDGE

FLORIN

GERBER

7 July, 2010

1 inch = 1,000 feet

Exhibit A - North Vineyard Station Land Value Policy Discussion