



# DRAFT

## INFORMAL STAFF REPORT

### MEMORANDUM

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**To:** Ron L. Olson, City Manager

**Thru:** Oscar Martinez, Assistant City Manager

**From:** Valerie H. Gray, P.E., Director, Storm Water & Street Operations

**Date:** February 20, 2013

**Subject:** City Council Concern - Street Maintenance Fee Rate Design

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#### Issue/Problem

During the February 19, 2013 City Council Work Session *Street Maintenance Fee* presentation and discussion, council requested a memo addressing three issues regarding the proposed rate design. The issues are as follows:

1. **Cap of Building Square Footage** – The current cap of 30,000 square feet extends benefit to a number of accounts (currently 504 out of a total of approximately 87,000 records); what would be the impact of adjusting the cap by increasing or decreasing the square footage of the cap?
2. **Master Metering of Commercial Residential Class** – Some apartment complexes may be considered to receive a benefit by charging the Fee based on square footage per meter as a result of being master metered. A number of Commercial Residential property owners (144) are affected by the 30,000 SF cap and, the consequence is that individual apartment units are charged less than a single family residential account. What are some policy considerations regarding this issue?
3. **Equity in Commercial Class** – The inability to access the data that identifies specific land uses within the Commercial class of accounts leads to an assignment of the median 4.60 Trip Factor to businesses which, in some cases, is more than the actual ITE trip factor for a specific land use. What would be the cost of performing the research to determine accurate and specific land uses as well as loading this information into the City's data base in order that more specific Trip Factors may be applied?

#### Background & Findings

1. **Cap of Building Square Footage** – It is possible to lower the cap on non-residential square footage per meter. Lowering the cap reduces the number of billable units available for achieving the \$15 million revenue target. As a result, the cost to all other accounts which do not experience the cap benefit will increase. For example, lowering the cap to 20,000 square feet per meter (779 accounts affected) will increase the proposed base rate of \$7.00 to \$7.44. Similarly, lowering the cap even further to 10,000

square feet (1,481 accounts affected) will cause the rate to change to \$8.56. Increasing the cap from 30,000 square feet to 40,000 square feet decreases the proposed base rate from \$7.00 to \$6.66 (398 accounts affected) while a cap of 50,000 square feet results in a base rate of \$6.45 (317 accounts affected).

As a reminder, the cap of 30,000 square feet cap is proposed in response to the fact that as the square footage of a business increases relative to other businesses in the Commercial category, the disparity between the group average and larger business increases substantially.

2. **Master Metering of Commercial Residential Class** – Two options to resolve the concerns expressed by Council are:

- a. Move all Commercial Residential accounts to the Residential sector and charge each dwelling unit the same flat fee as a Single Family Residence (\$7.00).
- b. Move all Commercial Residential accounts to the Residential class and charge each dwelling unit the Residential Rate times a Trip Factor of 0.48 (\$3.36). An advantage of this option is that it continues to utilize the trip factor for Commercial Residential property as a factor in calculating the amount billed to apartment dwellers.

In either option several issues apply: the number of units for each apartment complex in the City is currently not known and would need to be determined before billing can take place; apartment complex office space will be ignored in the calculation; and hotels/motels will remain in the Commercial class and will continue to be billed on a square foot per meter basis. There may be sources of data which would allow determination of the number of apartment units in a complex. However, if the complex is master metered, it would be the responsibility of the landlord to distribute the individual bills or charges to each unit. Also, incorporation of the number of units per apartment complex into our billing system would create additional administrative costs. The exact costs are unknown at this time.

3. **Equity in Commercial Class** – There are two options available to develop more specificity in land use categories:

- a. Issue a contract for an outside entity to research and identify the specific land use for each of the Commercial properties and populate the City's data base with this information. The preliminary estimated initial cost of such a contract is between \$290,000 and \$380,000. It is assumed that this effort would take approximately 90 days plus contract negotiation and award processing time.
- b. Provide an appeal process whereby properties in the Commercial class receiving the 4.60 Trip Factor would provide a Certificate of Occupancy which reflects the actual land use. Certificates of Occupancy issued before 1992 will not be accepted and new Certificates must be issued in order to ensure greater accuracy. In the event a new Certificate of Occupancy is required, the property owner will not be charged a fee by Development Services.

The ITE Trip Generation manual recognizes 150 categories of land use. Of those, approximately 51 categories reflect land uses that meet Texas Land Use Code "**Real Commercial**" definitions. The City used 24 (these had sufficient information to be able to apply a trip factor based on square footages) of the 51 categories to determine the 4.60 median Trip Factor that is proposed. The Nueces County Appraisal District does not have information which to this degree of specificity; however, the district is working toward developing an estimated cost that would be passed on to the City.

Any option for acquiring more accurate land use information for greater equity through more specific trip factors will also need a system of maintaining that information as it changes. The cost for such a system must be budgeted.

**Conclusion**

Staff will be prepared to discuss during the Council meeting scheduled on Tuesday, February 26 any options reflected in the above memorandum and the City Attorney will review the memorandum and will be prepared to respond any legal issues associated with the options mentioned in the memorandum.