CITY OF HAYWARD

Hayward City Hall
777 B Street
Hayward, CA 94541
www.Hayward-CA.gov

Agenda

Tuesday, April 18, 2023

7:00 PM

Council Chamber and Virtual Platform (Zoom)

City Council

CITY COUNCIL MEETING

NOTICE: The City Council will hold a hybrid meeting in Council Chambers and virtually via Zoom.

PUBLIC PARTICIPATION
How to observe the Meeting:

1. *Comcast TV Channel 15*
2. *Live stream https://hayward.legistar.com/Calendar.aspx*
3. *YouTube Live stream: https://www.youtube.com/user/cityofhayward*

How to submit written Public Comment:

1. Use eComment on the City's Meeting & Agenda Center webpage at: https://hayward.legistar.com/Calendar.aspx. eComments are directly sent to the iLegislate application used by City Council and City staff. Comments received before 3:00 p.m. the day of the meeting will be exported into a report, distributed to the City Council and staff, and published on the City's Meeting & Agenda Center under Documents Received After Published Agenda.

2. Send an email to List-Mayor-Council@hayward-ca.gov by 3:00 p.m. the day of the meeting. Please identify the Agenda Item Number in the subject line of your email. Emails will be compiled into one file, distributed to the City Council and staff, and published on the City's Meeting & Agenda Center under Documents Received After Published Agenda. Documents received after 3:00 p.m. through the adjournment of the meeting will be included as part of the meeting record and published the following day.

How to provide live Public Comment during the City Council Meeting:

Participate in the Council Chambers or click link below to join the meeting: https://hayward.zoom.us/j/85270817384?pwd=RlQ3UHNFVmRHZ01zb09hRklDTCszZz09

Meeting ID: 852 7081 7384
Password: CC4/18@7pm

or

Dial: +1 669 900 6833 or +1 646 931 3860

Meeting ID: 852 7081 7384
Password: 9130107304

CALL TO ORDER: Mayor Salinas

Pledge of Allegiance: Council Member Andrews

AB 2449 TELECONFERENCE NOTIFICATIONS AND CONSIDERATION

ROLL CALL

OATH OF AFFIRMATION

Swearing-In of Council Member Ray Bonilla Jr.

PRESENTATION

Earth Day Poster and Writing Contest Awards

PUBLIC COMMENTS

The Public Comment section provides an opportunity to address the City Council on items not listed on the agenda or Information Items. The Council welcomes comments and requests that speakers present their remarks in a respectful manner, within established time limits, and focus on issues which directly affect the City or are within the jurisdiction of the City. As the Council is prohibited by State law from discussing items not listed on the agenda, items will be taken under consideration and may be referred to staff.

CITY MANAGER'S COMMENTS

An oral report from the City Manager on upcoming activities, events, or other items of general interest to Council and the Public.

ACTION ITEMS

The Council will permit comment as each item is called for the Consent Calendar, Public Hearings, and Legislative Business. In the case of the Consent Calendar, a specific item will need to be pulled by a Council Member in order for the Council to discuss the item or to permit public comment on the item. Please notify the City Clerk any time before the Consent Calendar is voted on by Council if you wish to speak on a Consent Item.

CONSENT

1. CONS 23-208 Adopt an Ordinance Amending the Stormwater Management and Urban Runoff Control Ordinance (Chapter 11, Article 5 of the Hayward Municipal Code) in Response to the Municipal Regional Permit (MRP 3.0)

Attachments: Attachment I Staff Report
Attachment II Summary of Ordinance Published

2. CONS 23-170 Adopt a Resolution Authorizing the City Manager to Amend the Landscape Maintenance Contract with Los Loza Landscaping to Increase the FY 2023 Contingency Budget by $7,200, Include Maintenance of Linear Park in an Annual Amount of $175,200 and an Annual Contingency of $17,520, for a Total Contract Not-to-Exceed Amount of $2,071,860 and Appropriate $36,500 from the General Fund

Attachments: Attachment I Staff Report
Attachment II Resolution

3. CONS 23-190 Adopt a Resolution Authorizing the City Manager to Extend the Abandoned Vehicle Abatement Program with Alameda County Until May 31, 2033

Attachments: Attachment I Staff Report
Attachment II Resolution

4. CONS 23-196 Adopt a Resolution Authorizing the Procurement of a Skid-Steer from Peterson Caterpillar in an Amount Not-to-Exceed $130,000

Attachments: Attachment I Staff Report
Attachment II Resolution

WORK SESSION

Work Session items are non-action items. Although the Council may discuss or direct staff to follow up on these items, no formal action will be taken. Any formal action will be placed on the agenda at a subsequent meeting in the action sections of the agenda.

5. WS 23-013 Utility Rate Adjustments: Review Recommended FY 2024 and FY 2025 Water, Sewer, and Recycled Water Rates and Connection Fees (Report from Director of Public Works Ameri)

Attachments: Attachment I Staff Report
Attachment II Hayward 2023 Executive Summary

6. WS 23-012 Residential Design Study Work Session: Options and Recommendations Report for the Hayward Residential Design Study (Report from Acting Director of Development Services Buizer)

Attachments: Attachment I Staff Report
Attachment II Options and Recommendations Report

COUNCIL REPORTS AND ANNOUNCEMENTS

Council Members can provide oral reports on attendance at intergovernmental agency meetings, conferences, seminars, or other Council events to comply with AB 1234 requirements (reimbursable expenses for official activities).

COUNCIL REFERRALS

Council Members may bring forward a Council Referral Memorandum (Memo) on any topic to be considered by the entire Council. The intent of this Council Referrals section of the agenda is to provide an orderly means through which an individual Council Member can raise an issue for discussion and possible direction by the Council to the appropriate Council Appointed Officers for action by the applicable City staff.

ADJOURNMENT

NEXT SPECIAL MEETINGS, April 22, 2023 and April 24, 2023

PUBLIC COMMENT RULES

Any member of the public desiring to address the Council shall limit their address to three (3) minutes unless less or further time has been granted by the Presiding Officer or in accordance with the section under Public Hearings. The Presiding Officer has the discretion to shorten or lengthen the maximum time members may speak. Speakers will be asked for their name before speaking and are expected to honor the allotted time.

PLEASE TAKE NOTICE

That if you file a lawsuit challenging any final decision on any public hearing or legislative business item listed in this agenda, the issues in the lawsuit may be limited to the issues that were raised at the City's public hearing or presented in writing to the City Clerk at or before the public hearing.

PLEASE TAKE FURTHER NOTICE

That the City Council adopted Resolution No. 87-181 C.S., which imposes the 90-day deadline set forth in Code of Civil Procedure section 1094.6 for filing of any lawsuit challenging final action on an agenda item which is subject to Code of Civil Procedure section 1094.5.

****Materials related to an item on the agenda submitted to the Council after distribution of the agenda packet are available for public inspection in the City Clerk's Office, City Hall, 777 B Street, 4th Floor, Hayward, during normal business hours. An online version of this agenda and staff reports are available on the City's website. Written comments submitted to the Council in connection with agenda items will be posted on the City's website. All Council Meetings are broadcast simultaneously on the City website, Cable Channel 15 - KHRT, and YouTube. ****

Assistance will be provided to those requiring accommodations for disabilities in compliance with the Americans with Disabilities Act of 1990. Interested persons must request the accommodation at least 48 hours in advance of the meeting by contacting the City Clerk at (510) 583-4400 or cityclerk@hayward-ca.gov.

Assistance will be provided to those requiring language assistance. To ensure that interpreters are available at the meeting, interested persons must request the accommodation at least 48 hours in advance of the meeting by contacting the City Clerk at (510) 583-4400.

File #: CONS 23-208

DATE: April 18, 2023

TO: Mayor and City Council

FROM: City Clerk

SUBJECT

Adopt an Ordinance Amending the Stormwater Management and Urban Runoff Control Ordinance (Chapter 11, Article 5 of the Hayward Municipal Code) in Response to the Municipal Regional Permit (MRP 3.0)

RECOMMENDATION

That the Council adopts the Ordinance introduced on April 11, 2023.

SUMMARY

This item entails adoption of an Ordinance amending Article 5, Chapter 11 of the Hayward Municipal Code, introduced on April 11, 2023, by Council Member Goldstein.

ATTACHMENTS

Attachment I	Staff Report
Attachment II	Summary of Ordinance Published

DATE: April 18, 2023

TO: Mayor and City Council

FROM: City Clerk

SUBJECT: Adopt an Ordinance Amending the Stormwater Management and Urban Runoff Control Ordinance (Chapter 11, Article 5 of the Hayward Municipal Code) in Response to the Municipal Regional Permit (MRP 3.0)

RECOMMENDATION

That the Council adopts the Ordinance introduced on April 11, 2023.

SUMMARY

This item entails adoption of an Ordinance amending Chapter 11, Article 5 of the Hayward Municipal Code, introduced on April 11, 2023, by Council Member Goldstein.

BACKGROUND

The Ordinance was introduced by Council Member Goldstein at the April 11, 2023, meeting of the City Council with the following vote:

AYES:	COUNCIL MEMBERS: Andrews, Goldstein, Roche, Syrop, Zermeño MAYOR Salinas
NOES:	NONE
ABSENT:	NONE
ABSTAIN:	NONE

STRATEGIC ROADMAP

This agenda item is a routine operational item and does not relate to one of the priorities outlined in the Council's Strategic Roadmap.

FISCAL IMPACT

There is no fiscal impact associated with this report.

PUBLIC CONTACT

The summary of the Ordinance was published in the Daily Review c/o Bay Area News Group-East Bay on Friday, April 14, 2023. Adoption, at this time, is therefore appropriate.

NEXT STEPS

The Hayward Municipal Code and other related documents will be updated accordingly.

Prepared and Recommended by: Miriam Lens, City Clerk

Approved by:

Kelly McAdoo, City Manager

PUBLIC NOTICE OF AN INTRODUCTION OF AN ORDINANCE BY THE CITY COUNCIL OF THE CITY OF HAYWARD

AN ORDINANCE AMENDING THE STORMWATER MANAGEMENT AND URBAN RUNOFF CONTROL ORDINANCE (CHAPTER 11, ARTICLE 5 OF THE HAYWARD MUNICIPAL CODE) IN RESPONSE TO THE MUNICIPAL REGIONAL PERMIT (MRP 3.0)

THE CITY COUNCIL OF THE CITY OF HAYWARD DOES ORDAIN AS FOLLOWS:

Section 1. It is the purpose and intent of this ordinance to amend the City's Stormwater Management and Urban Runoff Control Ordinance in response to the trash control requirements in the Municipal Regional Permit (MRP 3.0).

Chapter 11 of the Hayward Municipal Code
(Public Utilities)

Chapter 11, Article 5 of the Hayward Municipal Code is hereby amended.

Section 11-5.12 - Purpose and Intent. This section is amended.
Section 11-5.13 - Definitions. This section is amended.
Section 11-5.14 - Responsibility for Administration. This section is amended.
Section 11-5.19 - Discharge of Pollutants. This section is amended.
Section 11-5.22 - Reduction of Pollutants in Stormwater. This section is amended.
Section 11-5.26 – Notification of Spills. This section is amended.
Section 11-5.33 – Violations Deemed a Public Nuisance. This section is amended.
Section 11.5.38 – Stormwater Treatment Measures Required. This section is amended.
Section 11.5-39 – Inspection and Maintenance of Stormwater Treatment Measures. This section is amended.

Section 2. Severability. The provisions of this Ordinance are severable, and if any clause, sentence, paragraph, provision, or part of this Ordinance, or the application of this Ordinance to any person, is held to be invalid or preempted by state or federal law, such holding shall not impair or invalidate the remainder of this Ordinance. If any provision of this Ordinance is held to be inapplicable, the provisions of this Ordinance shall nonetheless continue to apply with respect to all other covered development projects and applicants. It is hereby declared to be the legislative intent of the City Council that this Ordinance would have been adopted had such provisions not been included or such persons or circumstances been expressly excluded from its coverage.

Section 3. Effective Date. The provisions of this Ordinance shall become effective 30 days following adoption by the City Council.

Introduced at a regular meeting of the City Council of the City of Hayward, held the 11th day of April, 2023, by Council Member Goldstein.

This Ordinance will be considered for adoption at the regular meeting of the Hayward City Council, to be held on April 18, 2023, at 7:00 p.m. Please note the City Council will hold a hybrid meeting which will allow for participation in the Council Chamber and virtually via the Zoom platform. The full text of this Ordinance is available for examination by the public by contacting the City Clerk's office at cityclerk@hayward-ca.gov or (510) 583-4400.

Dated: April 14, 2023
Miriam Lens, City Clerk
City of Hayward

File #: CONS 23-170

DATE: April 18, 2023

TO: Mayor and City Council

FROM: Director of Maintenance Services

SUBJECT

Adopt a Resolution Authorizing the City Manager to Amend the Landscape Maintenance Contract with Los Loza Landscaping to Increase the FY 2023 Contingency Budget by $7,200, Include Maintenance of Linear Park in an Annual Amount of $175,200 and an Annual Contingency of $17,520, for a Total Contract Not-To-Exceed Amount of $2,071,860 and Appropriate $36,500 from the General Fund

RECOMMENDATION

That the City Council adopts a resolution (Attachment II), authorizing the City Manager to amend the landscape maintenance contract with Los Loza Landscaping (Los Loza) to increase the FY 2023 contingency budget by $7,200, include maintenance of Linear Park, a newly constructed park on Mission Boulevard between Blanche Street and Fairway Street, in an annual amount of $175,200 and an annual contingency of $17,520, for a total contract not-to-exceed amount of $2,071,860, and appropriating $36,500 from the General Fund to fund contract services for the current fiscal year.

SUMMARY

In December 2020, staff issued a request for quotes (RFQ) to solicit quotes for contracted landscape maintenance of the Route 238 Project (Phase 1 and 2) areas. Staff received and evaluated a total of five quotes. The contract was awarded to Los Loza in an annual amount of $270,000 with an annual contingency of $20,000 for a total five-year contract not-to-exceed amount of $1,450,000. Since then, the City has accepted the newly constructed Linear Park, also located along Route 238, which requires routine landscape maintenance. Based on the superb quality of service being provided on the original contract, and to ensure a continuity of maintenance standards on this ReScape California (formally Bay Friendly) certified landscape, staff recommends amending the current contract with Los Loza to increase it by $175,200 annually and increase the contingency budget by $17,520. Staff also recommends appropriating $36,500 from the General Fund to the Landscape Maintenance Division to fund the added Linear Park maintenance services through the remainder of FY 2023. Staff also requests an increase of the FY 2023 contingency budget by $7,200 to repair unexpected damage caused by vehicle accidents.

ATTACHMENTS

Attachment I	Staff Report
Attachment II	Resolution

DATE: April 18, 2023

TO: Mayor and City Council

FROM: Director of Maintenance Services

SUBJECT: Adopt a Resolution Authorizing the City Manager to Amend the Landscape Maintenance Contract with Los Loza Landscaping to Increase the FY 2023 Contingency Budget by $7,200, Include Maintenance of Linear Park in an Annual Amount of $175,200 and an Annual Contingency of $17,520, For a Total Contract Not-To-Exceed Amount of $2,071,860 and Appropriate $36,500 from the General Fund

RECOMMENDATION

That the City Council adopts a resolution (Attachment II), authorizing the City Manager to amend the landscape maintenance contract with Los Loza Landscaping (Los Loza) to increase the FY 2023 contingency budget by $7,200, include maintenance of Linear Park, a newly constructed park on Mission Boulevard between Blanche Street and Fairway Street, in an annual amount of $175,200 and an annual contingency of $17,520, for a total contract not-to-exceed amount of $2,071,860, and appropriating $36,500 from the General Fund to fund contract services for the current fiscal year.

SUMMARY

In December 2020, staff issued a request for quotes (RFQ) to solicit quotes for contracted landscape maintenance of the Route 238 Project (Phase 1 and 2) areas. Staff received and evaluated a total of five quotes. The contract was awarded to Los Loza in an annual amount of $270,000 with an annual contingency of $20,000 for a total five-year contract not-to-exceed amount of $1,450,000. Since then, the City has accepted the newly constructed Linear Park, also located along Route 238, which requires routine landscape maintenance. Based on the superb quality of service being provided on the original contract, and to ensure a continuity of maintenance standards on this ReScape California (formally Bay Friendly) certified landscape, staff recommends amending the current contract with Los Loza to increase it by $175,200 annually and increase the contingency budget by $17,520. Staff also recommends appropriating $36,500 from the General Fund to the Landscape Maintenance Division to fund the added Linear Park maintenance services through the remainder of FY 2023. Staff also requests an increase of the FY 2023 contingency budget by $7,200 to repair unexpected damage caused by vehicle accidents.

BACKGROUND AND DISCUSSION

In December 2020, staff released RFQ 2107-111920 to solicit quotes for contracted landscape maintenance along the Route 238 Project (Phases 1 and 2) and received five proposals. In March 2021, the Council adopted Resolution 21-029 awarding the contract to Los Loza in an annual amount of $270,000, subject to CPI increases, and an annual contingency of $20,000. The contract has a term length through FY 2023 with an option of three one-year extensions through FY 2026.

In April 2022, construction began on the approximately one-mile stretch of Linear Park along the eastern side of Route 238, roughly from Blanche Street to Fairway Street. The project includes reshaping a completely flat landscape area to echo the East Bay Hills, planting trees and native plants, using recycled concrete to expand pathways, adding seating using reclaimed wood and upcycled materials, and adding artworks to crosswalks, among numerous other improvements. Construction was completed and accepted in March 2023.

Staff recommends amending the current contract with Los Loza to include maintenance of Linear Park to provide continuity of landscape maintenance along Route 238. Los Loza is familiar with the level of service required to maintain Bay Friendly certification. The cost to maintain Linear Park is $175,200 annually, which is roughly 10% of the total project construction cost. Staff also recommends authorizing an additional yearly contingency budget of $17,520. Now that the new Linear Park's construction is complete, a prompt handoff from the project contractor to the City for contracted maintenance is especially important to support overall plant health, minimize weed growth and maintain this landscape's ReScape certification. Staff also recommends an appropriation from the General Fund to the Landscape Maintenance Division to fund Linear Park's maintenance costs through the end of FY 2023 in the amount of $36,500. Below is a table outlining annual contractual costs, excluding CPI increases.

Maintenance Costs	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total
Rte 238 Phase 1 & 2 Contractual Cost	$270,000	$270,000	$270,000	$270,000	$270,000	$1,350,000
Rte 238 Phase 1 & 2 Contingency	$20,000	$27,200	$20,000	$20,000	$20,000	$107,200
Linear Park Contractual Cost		$36,500	$175,200	$175,200	$175,200	$562,100
Linear Park Contingency			$17,520	$17,520	$17,520	$52,560
Total	$290,000	$333,700	$482,720	$482,720	$482,720	$2,071,860

ECONOMIC IMPACT

The Route 238 Project (Phases 1 and 2) and Linear Park provide positive economic benefits for nearby businesses and increased property values for residential areas. These projects also provide safety benefits to pedestrians, bicyclists, and vehicles with more efficient lighting, installation of medians, curb ramps, and bike lanes, and pavement improvement. Maintenance of these projects will continue providing environmental benefits, including water conservation, removal of blight, and beautifying the City.

FISCAL IMPACT

This item will be funded through the General Fund. Funding for this contract beyond FY 2023 will be dependent upon appropriated funds during the annual Operating Budget adoption process for FY 2024.

Staff is requesting an appropriation of $36,500 from the General Fund for contractual services through the remainder of this fiscal year for the addition of Linear Park . Staff is also requesting an increase of the FY 2023 contingency budget by $7,200. This contingency increase will have no impact on the General Fund, requires no additional funding appropriation and allows for the authority of an increased contingency.

SUSTAINABILITY FEATURES

This item will continue the sustainability features constructed in The Route 238 Project (Phase 1 and 2) and Linear Park, specifically:

1. Water – maintain drought tolerant plans and irrigation controllers to conserve water.
2. Environment – maintain native and climate appropriate plants.
3. Bicycle/Pedestrian Improvements – remove trash and debris within bicycle paths and walkways to provide safe alternatives to driving.

STRATEGIC ROADMAP

This item contributes to the following Strategic Priorities:

Invest in Infrastructure: Improve Mission Boulevard as a key 'Gateway to the City.'
Enhance Quality of Life: Optimize City services that support a clean and beautiful City.

NEXT STEPS

If Council approves this item, the City Manager will execute an amendment to the contract with Los Loza Landscaping in an annual amount of $175,200 and increase the contingency budget by $17,520. The annual contingency increase of $17,520 will be appropriated in the fiscal year where services are rendered. Staff will increase the current year contingency budget by $7,200. Staff will also appropriate $36,500 from the General Fund to the Landscape Maintenance Division (Fund 100) to fund the contract and contingency through the remainder of this fiscal year.

Prepared by: Manny Grewal, Management Analyst II
Richard Nield, Landscape Maintenance Manager

Recommended by: Todd Rullman, Director of Maintenance Services

Approved by:

Kelly McAdoo, City Manager

ATTACHMENT I

HAYWARD CITY COUNCIL

RESOLUTION NO. 23-____

Introduced by Council Member_____

RESOLUTION AUTHORIZING THE CITY MANAGER TO AMEND THE LANDSCAPE MAINTENANCE CONTRACT WITH LOS LOZA LANDSCAPING TO INCREASE THE FY 2023 CONTINGENCY BUDGET BY $7,200, INCLUDE MAINTENANCE OF LINEAR PARK IN AN ANNUAL AMOUNT OF $175,200 AND AN ANNUAL CONTINGENCY OF $17,520, FOR A TOTAL CONTRACT NOT-TO-EXCEED AMOUNT OF $2,071,860, AND APPROPRIATING $36,500 FROM THE GENERAL FUND

WHEREAS, in December 2020, RFP 2107-111920 was published by the City of Hayward Finance Department to solicit quotes for landscape maintenance along The Route 238 Project (Phases 1 and 2); and

WHEREAS, in March 2021, Council adopted Resolution 21-029 awarding the contract to Los Loza in an annual amount of $270,000, subject to CPI increases, and an annual contingency of $20,000 for a total five-year contract not-to-exceed amount of $1,450,000; and

WHEREAS, in April 2022, construction began on Linear Park, located on the easter side of Route 238, and was completed in March 2023; and

WHEREAS, to ensure a continuity of maintenance standards along Route 238 and the Bay Friendly certified landscape at Linear Park, staff recommend amending the existing contract with Los Loza Landscaping; and

WHEREAS, staff requests an increase of $7,200 in the current year's contingency budget to repair unexpected damage from vehicle damage; and

WHEREAS, staff recommends appropriating the prorated contract amount of $36,500 to fund contractual services through the current fiscal year from the General Fund.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hayward that the City Manager is hereby authorized to enter into an amendment with Los Loza, in a form to be approved by the City Attorney, as follows:

1. Amend the current contract to increase the FY 2023 contract amount by $36,500 and increase the contingency budget by $7,200; and
2. Amend the current contract scope to include the maintenance of Linear Park and increase the contract annual amount by $175,200, subject to CPI increases, and an annual contingency of $17,520 for a total contract not-to-exceed amount of $2,071,860; and
3. Appropriate $36,500 from the General Fund to the Landscape Maintenance Division (Fund 100) to fund contractual services through the end of FY 2023.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2023

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

_____
City Attorney of the City of Hayward

File #: CONS 23-190

DATE: April 18, 2023

TO: Mayor and City Council

FROM: Chief of Police

SUBJECT

Adopt a Resolution Authorizing the City Manager to Extend the Abandoned Vehicle Abatement Program with Alameda County Until May 31, 2033

RECOMMENDATION

That Council adopts a resolution (Attachment II) authorizing the City Manager to extend the Abandoned Vehicle Abatement (AVA) Program with Alameda County until May 31, 2033.

SUMMARY

The City of Hayward participates in the Abandoned Vehicle Abatement program created by Alameda County, which subsidizes the removal of abandoned vehicles from City neighborhoods. The City's participation was authorized through approved resolutions in 1993, 2003, and 2013. The current program is set to expire at the end of May 2023 and a renewed resolution will extend the City's participation in the program until May 2033.

ATTACHMENTS

Attachment I	Staff Report
Attachment II	Resolution

DATE: April 18, 2023

TO: Mayor and City Council

FROM: Chief of Police

SUBJECT: Adopt a Resolution Authorizing the City Manager to Extend the Abandoned Vehicle Abatement Program with Alameda County Until May 31, 2033

RECOMMENDATION

That Council adopts a resolution (Attachment II) authorizing the City Manager to extend the Abandoned Vehicle Abatement (AVA) Program with Alameda County until May 31, 2033.

SUMMARY

The City of Hayward participates in the Abandoned Vehicle Abatement program created by Alameda County, which subsidizes the removal of abandoned vehicles from City neighborhoods. The City's participation was authorized through approved resolutions in 1993, 2003, and 2013. The current program is set to expire at the end of May 2023 and a renewed resolution will extend the City's participation in the program until May 2033.

BACKGROUND AND DISCUSSION

In 1990, the California State Legislature enacted legislation allowing for the creation of county-based vehicle service authorities, pursuant to the provisions set forth in Section 22710 of the California Vehicle Code (VC). In 1993, the Alameda County Abandoned Vehicle Abatement Authority (ALCO AVA) was formed and imposed a one-dollar annual vehicle registration fee on vehicles registered to an owner with an address in the County of Alameda.

Vehicle registration fees are collected by the Department of Motor Vehicles and allocated to the ALCO AVA by the State Controller's Office pursuant to Section 9250.7 VC. Fees are then allocated to the ALCO AVA participating agencies based on an adopted formula involving their individual percentage of vehicles abated, population, and land area in relation to the totals for these factors in the ALCO AVA as a whole. The current participating agencies are the County of Alameda, and all the Alameda County cities *except* Albany and Emeryville. Since the inception of the program, the Alameda County AVA has received approximately $34.8 million, which has allowed staff in the participating agencies to abate approximately 465,000 abandoned vehicles.

Participation in this program was authorized through approved resolutions in 1993, 2003, and 2013. Continued participation through 2033 requires approval of the attached resolution.

California legislation allows local service authorities to extend the AVA program every ten years with the approval of the County and most of the cities comprising a majority of the population of the incorporated areas. Adoption of the attached resolution is the first step towards the extension of this important program, for another ten years, until May 31, 2033.

STRATEGIC ROADMAP

This agenda item is a routine operational item and does not relate to any of the priorities outlined in the Council's Strategic Roadmap.

FISCAL IMPACT

There is no impact to the General Fund. This agreement will result in the continuation of the City's participation in the Alameda County Abandoned Vehicle Abatement program to subsidize the removal of abandoned vehicles from City neighborhoods.

NEXT STEPS

With Council approval, staff will provide the approved resolution to Alameda County to continue participation in the Alameda County Abandoned Vehicle Abatement program.

Prepared by: Laura Gomez, Acting Senior Management Analyst

Recommended by: Bryan Matthews, Acting Chief of Police

Approved by:

Kelly McAdoo, City Manager

ATTACHMENT II

HAYWARD CITY COUNCIL

RESOLUTION NO. 23-____

Introduced by Council Member_____

RESOLUTION AUTHORIZING THE CITY MANAGER TO EXTEND THE ABANDONED VEHICLE ABATEMENT PROGRAM WITH ALAMEDA COUNTY UNTIL MAY 31, 2033

WHEREAS, the Alameda County Abandoned Vehicle Abatement Authority was formed in 1993; and,

WHEREAS, since 1993, the Alameda County Abandoned Vehicle Abatement Authority and Program has provided approximately $34.8 million county-wide which has supported the participating agencies in the abatement of approximately 465,000 abandoned vehicles in Alameda County: and,

WHEREAS, the Alameda County Abandoned Vehicle Abatement Program is set to expire May 31, 2023; and,

WHEREAS, legislation allows for an extension of the program with the approval of the County and a majority of the cities comprising a majority of the population of the incorporated areas; and,

WHEREAS, it is desirable to City of Hayward to have the program continue.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hayward that the City Manager is hereby authorized to extend the City of Hayward's participation in the Alameda County Abandoned Vehicle Abatement Program until May 31, 2033.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2023

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

_____
City Attorney of the City of Hayward

File #: CONS 23-196

DATE: April 18, 2023

TO: Mayor and City Council

FROM: Director of Maintenance Services

SUBJECT

Adopt a Resolution Authorizing the Procurement of a Skid-Steer from Peterson Caterpillar in an Amount Not-to-Exceed $130,000

RECOMMENDATION

That Council adopts a resolution (Attachment II) authorizing the City Manager to execute the procurement of a skid-steer from Peterson Caterpillar in an amount not-to-exceed $130,000.

SUMMARY

Maintenance Services' Streets and Landscape Divisions are tasked with various maintenance activities that include large scale defensible space vegetation management projects, weed and brush abatement, and debris removal in accordance with the California Fire Code Section 304.1-2 and the City's Municipal Code Article 1, Sec 4-1.55. To support these Divisions' efforts and to best utilize our complete inventory of industrial attachments, such as a forestry mulcher, staff is recommending the purchase of a rubber-tracked, off-road skid-steer from Peterson Caterpillar in an amount not-to-exceed $130,000.

ATTACHMENTS

Attachment I	Staff Report
Attachment II	Resolution

DATE: April 18, 2023

TO: Mayor and City Council

FROM: Director of Maintenance Services

SUBJECT: Adopt a Resolution Authorizing the Procurement of a Skid-Steer From Peterson Caterpillar in an Amount Not-to-Exceed $130,000

RECOMMENDATION

That Council adopts a resolution (Attachment II) authorizing the City Manager to execute the procurement of a skid-steer from Peterson Caterpillar in an amount not-to-exceed $130,000

SUMMARY

Maintenance Services' Streets and Landscape Divisions are tasked with various maintenance activities that include large scale defensible space vegetation management projects, weed and brush abatement, and debris removal in accordance with the California Fire Code Section 304.1-2 and the City's Municipal Code Article 1, Sec 4-1.55. To support these Divisions' efforts and to best utilize our complete inventory of industrial attachments, such as a forestry mulcher, staff is recommending the purchase of a rubber-tracked, off-road skid-steer from Peterson Caterpillar in an amount not-to-exceed $130,000.

BACKGROUND AND DISCUSSION

A rubber-tracked skid-steer is a compact piece of heavy equipment with lift arms that can attach to a variety of buckets and industrial attachments. The City's only current skid-steer has rubber tires and was purchased to primarily support pavement-related efforts, such as grinding and removing striping. Due to its compact wheelbase, it is unable to work effectively on locations with steep grades and uneven terrain, such as the former Route 238 properties and other remote City-maintained parcels. It is also unable to operate in adverse conditions, such as rain, mud, and silt.

Staff recommends purchasing a rubber-tracked, off-road skid-steer to access and operate in these difficult-to-reach locations more effectively as they require frequent maintenance and vegetation management to reduce fire risks and maintain a safe defensible space between city owned parcels and adjacent occupied dwellings. Additionally, as the City further prepares its disaster preparedness protocols, this piece of equipment could be utilized by other City personnel to respond to unplanned or emergency situations, especially when the Emergency Operations Center (EOC) is activated. Caterpillar offers the skid-steer with the

Department's required specifications. Fleet staff is knowledgeable and experienced in maintaining Caterpillar heavy equipment and it is the preferred manufacturer of staff due to its history of superior performance coupled with the fact that all maintenance parts are readily available locally at the Peterson Caterpillar warehouse in San Leandro. The procurement of the skid-steer will be done through the cooperative agreement with Sourcewell, a third-party administrator that completed the competitive bidding process.

ECONOMIC IMPACT

Purchase of the skid-steer will support weed and brush abatement and disaster preparedness, all which directly contribute to a safer City by mitigating risk, reducing fire hazards, and removing environmental blight.

FISCAL IMPACT

There is sufficient funding in the FY 2023 Adopted CIP to cover the cost of purchasing this equipment. There will be no impact to the General Fund.

STRATEGIC ROADMAP

This agenda item is a routine operational item and does not directly relate to any of the six priorities outlined in the Council's Strategic Roadmap.

SUSTAINABILITY FEATURES

Purchase of the skid-steer will enable the City to improve service delivery in areas with dense vegetation and reduce fire hazards.

NEXT STEPS

If Council approves staff's recommendation, the City Manager will execute the procurement of the skid-steer from Peterson Caterpillar in an amount not-to-exceed $130,000.

Prepared by: Manny Grewal, Management Analyst

Recommended by: Richard Nield, Landscape Manager
Todd Rullman, Director of Maintenance Services

Approved by:

_____
Kelly McAdoo, City Manager

ATTACHMENT II

HAYWARD CITY COUNCIL

RESOLUTION NO. 23-_____

Introduced by Council Member _____

RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE THE PROCUREMENT OF A SKID-STEER FROM PETERSON CATERPILLAR IN AN AMOUNT NOT-TO-EXCEED $130,000

WHEREAS, the Streets and Landscape Maintenance Divisions are tasked with various maintenance activities, including large scale defensible space vegetation management projects, weed and brush abatement, and debris removal in accordance with the City's Municipal Code Chapter 4, Article 1, Section 4; and

WHEREAS, staff recommends purchasing a steel-tracked, off-road skid-steer and transport trailer to easily access areas with steep grades and uneven terrain, regardless of adverse weather conditions; and

WHEREAS, this equipment will also support the City's Emergency Operations Center in the event of unplanned and emergency situations; and

WHEREAS, Caterpillar offers the skid-steer that meets the Department's required specifications; and

WHEREAS, the FY23 Adopted CIP Budget appropriated sufficient budget to the Maintenance Services Department for the procurement of this item.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hayward that the City Manager is hereby authorized to procure the skid-steer from Peterson Caterpillar in an amount not-to-exceed $130,000 and to execute any agreements, in a form approved by the City Attorney, necessary for the procurement.

IN COUNCIL, HAYWARD, CALIFORNIA_____, 2023

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

_____
City Attorney of the City of Hayward

File #: WS 23-013

DATE: April 18, 2023

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT

Utility Rate Adjustments: Review Recommended FY 2024 and FY 2025 Water, Sewer, and Recycled Water Rates and Connection Fees

RECOMMENDATION

That Council reviews and comments on this report.

SUMMARY

Cost-of-service analyses have been prepared for providing water, sewer, and recycled water service to Hayward residents and businesses to calculate appropriate water, sewer, and recycled water rates and service charges for FY 2024 and FY 2025. This report provides an overview of cost-of-service issues, revenue requirements, and recommended FY 2024 and FY 2025 water, sewer, and recycled water service rates. The analyses were prepared by Raftelis Financial Consultants, Inc., (Raftelis), a consulting firm that specializes in financial advising for utilities and public agencies. Staff is bringing the proposed rates to Council to obtain comments. After receiving and addressing Council's comments, staff will implement appropriate and necessary public noticing procedures in accordance with state law prior to a public hearing, currently scheduled for June 20, 2023. If approved, the adopted rate adjustments would take effect on October 1, 2023 and 2024.

The Water Rate Study documents the City's water cost of service requirements for FYs 2024 and 2025, which will increase by a maximum of 10% in FY 2024 and are anticipated to increase by a maximum of another 10% in FY 2025. The recommended water rates for FY 2024 and FY 2025 include an overall 10% increase to both bi-monthly fixed service fees and commodity rates in each of the two years for both residential and non-residential customers. The proposed rate adjustments will allow the City to recoup some of the revenue losses and the use of reserves last year due to a 15.9% increase in the wholesale water rate from San Francisco Public Utilities Commission (SFPUC) and in anticipation of a further increase of 9.7% effective July 2023.

The Sewer Rate Study documents the City's sewer cost-of-service requirements for FYs 2024 and 2025,

which will increase by 7% in FY 2024 and are anticipated to increase by another 7% in FY 2025. Staff recommends an overall increase of 7% across all customer classes per year, including all commercial and industrial customers. The proposed rate adjustments will allow the City to keep pace with the cost of sewer service collection, treatment, and disposal, including developing reserves to pay for upcoming capital costs, and ensure that costs are recovered equitably.

The Recycled Water Rate Study documents the City's recycled water cost of service requirements for FYs 2024 and 2025, which will increase by 10% in FY 2024 and are anticipated to increase by another 10% in FY 2025. The recommended recycled water rates for FY 2024 and FY 2025 include a 10% increase to the uniform volume charge per year. Staff recommends that the service fee be the same as the water service fee for potable water in FY 2024 and FY 2025. The recommended recycled water commodity rate at $5.68 per CCF is 35% lower than the proposed potable water rate for irrigation at $8.80 per CCF for the first 170 CCF of usage.

Water, Sewer, and Recycled Water connection fee analyses have also been prepared by Raftelis. Connection fees are typically paid at the time a new development requests water, sewer, and recycled water service. The water connection fees (also known as Water Facilities Fees) have not been adjusted since 2012 and sewer connection fees were last adjusted in 2011. While the analyses recommend a 23% increase for water connection fee and a 102% increase for sewer connection fee, staff is recommending phase-in increases of 10% for water and 25% for sewer fees in the interest of maintaining the economic recovery and fostering business development. For the recycled water connection fee, staff recommends the fee to be the same as the recommended water connection fee, as the City plans for expansion of the recycled water system and adding more customers.

The executive summary prepared by Raftelis, included as Attachment II to this report, provides information regarding all the proposed rate and fee adjustments.

ATTACHMENTS

Attachment I	Staff Report
Attachment II	Executive Summary

DATE: April 18, 2023

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT: Utility Rate Adjustments: Review Recommended FY 2024 and FY 2025 Water, Sewer, and Recycled Water Rates and Connection Fees

RECOMMENDATION

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The executive summary prepared by Raftelis, included as Attachment II to this report, provides information regarding all the proposed rate and fee adjustments.

BACKGROUND

Water Rates
Water rates are established to pay for the costs of purchasing and delivering water to customers and are determined through an assessment of revenue requirements and anticipated water purchase volumes. Bi-monthly water bills consist of two parts: 1) the fixed service fee, which pays for services that do not vary with the volume of water purchased, such as meter maintenance, bill processing, maintenance of the Advanced Metering Infrastructure and customer portal, and debt service; and 2) the water usage fee, which pays for costs associated with water consumption, such as the purchase of water from the SFPUC, City operations and maintenance, and energy related expenses. The Council approved water rate adjustments in July 2021 for FY 2022 and FY 2023, which included adjustments to bi-monthly fixed service fees, along with modifications to tier rates to reflect new customer usage and improve equity. For an average single family residential customer, the adjustments resulted in a range of 0.8% to 1.5% in FY 2022, and a 3% increase in FY 2023.

Sewer Service Charges
Sewer service charges are established to pay for the cost of collecting, treating, and disposing of wastewater. Calculations are consistent with industry practices to ensure that sufficient

revenues are collected to operate and maintain the system and cover all obligations of the Wastewater Operating Fund. Sewer service charges are billed as standard fixed amounts for residential customers and as a cost per hundred cubic feet (ccf) of water consumed for non-residential customers, based on the strength of the discharged wastewater. The Council last adopted adjustments to sewer service rates two years ago, which resulted in a 3.8% increase in residential rates in FY 2022 and FY 2023, effective October 2021 and 2022, respectively.

Recycled Water Rates
Recycled water rates are established to pay for the costs of treatment and delivery of recycled water to customers and, similar to potable water rates, are determined through an assessment of revenue requirements and anticipated recycled water purchase volumes. The initial rate structure offered an incentive to recycled water customers while recovering costs over the life of the project. The Council adopted the initial recycled water rates four years ago, which included the same fixed bimonthly service fee as water and a commodity rate that was approximately 25% lower than the potable water rate at the time.

Connections Fees
Water, sewer, and recycled water connection fees are paid to connect a new development to the public water, sewer, and recycled water system, and are used to fund improvement and expansion of the systems to accommodate the development and to defray the expenses paid by customers over the recent years for development and improvement of the systems. The fees also cover an incremental cost of future expansion and improvements necessary to accommodate new developments. The connection fees are developed using standard procedures to ensure that costs are allocated fairly to new developments. Water connection fees were last adjusted in October 2012, with the assessment methodology modified to distribute the cost of infrastructure improvements more equitably among new customers and commensurate with demand they place on the water system. Sewer connection fees were last adjusted in October 2011. The initial recycled water connection fee was adopted in October 2019. This fee was set to be the same as the water connection fee, as a placeholder, until additional consumption and financial data became available for a more comprehensive analysis.

DISCUSSION

The City entered into an agreement with Raftelis to prepare the Water, Wastewater, and Recycled Water Rate Studies and Connection Fee Study, including development of a long-term financial plan, cost-of-service analysis, and rate recommendations consistent with industry standards and in compliance with Proposition 218, which, among other provisions, requires that property-related fees are commensurate with the cost of services received.

The work consisted of five main tasks:

1. Developing a long-term financial plan that documents the water, sewer, and recycled water utility's revenue requirements, including operations and maintenance (O&M) expenses and the capital improvement plan (CIP), while adequately funding reserves in accordance with industry best practices and the City's historical practices.
2. Conducting a cost of service (COS) analysis that establishes a nexus between the cost

to serve customers and the fees charged to each customer class, in compliance with Proposition 218 and based on industry standards.

3. Reviewing the current water, sewer, and recycled water rate structure and evaluating potential rate structure modifications, customer classes, and fixed and variable revenue recovery.
4. Developing five years of water, sewer, and recycled water rates that comply with Proposition 218 and ensuring financial sufficiency to fund operating, maintenance and capital costs over the study period.
5. Developing water, sewer, and recycled water connection fees to ensure new development fairly and adequately contributes to the cost of existing and planned infrastructure and compliance with Proposition 26.

The executive summary for the Studies, attached to this report, serves as a fuller discussion of the proposed utilities rates and connection fees for FY 2024 and FY 2025, including the current and proposed rates and fees for the next two years and comparisons with other water and wastewater agencies (Attachment II).

Water Rates

The high cost of purchasing wholesale water is the most significant issue impacting the Water Fund. Approximately two-thirds of the water revenue pays for the purchase of water. SFPUC's wholesale water rates increased by 15.9% in FY 2023 and a further increase of 9.7% is anticipated in FY 2024. A substantial amount of the Fund's working capital reserve has been spent down in FY 2023 in order to cushion the impacts of SFPUC's rate increases on City residents and businesses, and to not pass the increases on to ratepayers in the form of steep rate adjustments.

Cost of Service requirements are increasing by 10% in FY 2024 and anticipated to increase by another 10% in FY 2025. In addition, it is necessary to recover some of the revenue losses from FY 2023. Staff is recommending increases of 10% in fixed bimonthly service charges and water commodity rates across all customer classes in FY 2024 and FY 2025. As a result of these recommended changes, average residential users would see an overall increase of 10% in their water bills and non-residential users could see similar increases in their bills.

Staff is proposing to retain the low-income bi-monthly service fee for single-family residential customers who meet certain income thresholds, a policy that has long been supported by the Council. Customers that qualify for this discount are charged a reduced bi-monthly water service charge, equal to 35% of the service charge for the ⅝", ¾", and 1" meter sizes. Revenues that are not generated from rates, e.g., revenue from water installation fees, are discretionary funds that the City may use to provide these discounts.

Drought Surcharge

The Water Rate Study also includes a section on a drought surcharge in the event of a water supply shortage, or other local water use restriction. The purpose of the drought surcharge is to recover revenues that may be lost as a result of substantially reduced consumption or drought-related wholesale rate increases by SFPUC. Drought rates are not needed at this time as the reservoirs have been replenished from recent storms and the State has recently rescinded some of the water use restrictions. If such rates are required in the next two years,

staff will return to Council for a fuller discussion and recommendations.

Comparison with Other Agencies
Hayward customers continue to be among one of the lowest per-capita water users in the Bay Area. The median water consumption is 12 CCF per billing period, or 150 gallons per day. "Figure A – Average Residential Consumption per Household" compares the Hayward resident's median consumption with other neighboring agencies in FY 2022.

Figure A – Average Residential Consumption per Household

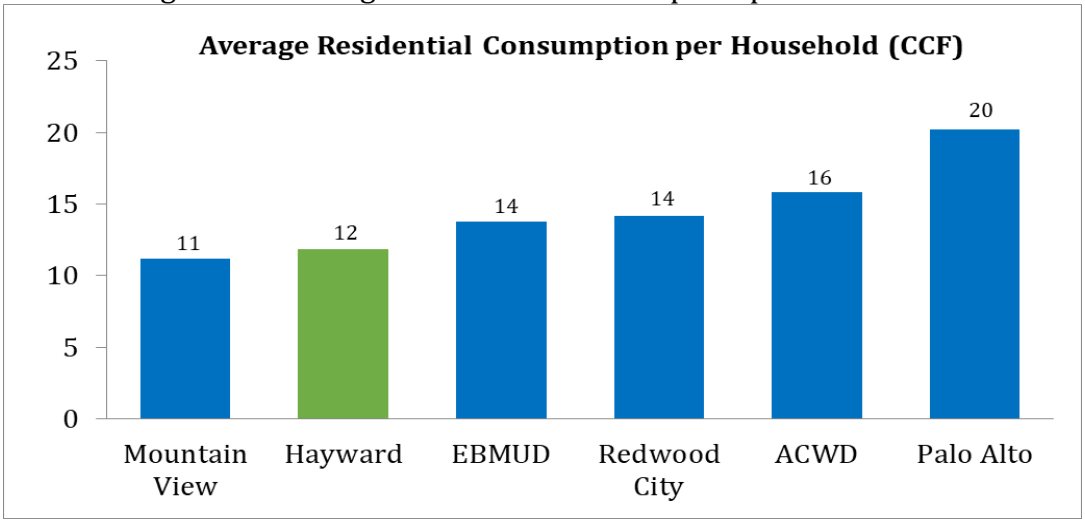


Figure B and Figure C below show how the City's current and proposed water rates compare to other nearby agencies. While this comparison is provided in keeping with a long-standing practice and the Council's desire to know how the City's rates compare with neighboring agencies, some factors should be kept in mind when considering this information. First and foremost, the agencies in "Figure A – Immediate Area Agencies" either use no SFPUC water as part of their water supply (e.g., East Bay Municipal Utility District or SFPUC comprises only a small fraction of their total supply (e.g., Alameda County Water District). Therefore they are unaffected, or affected to a lesser degree, by the significant wholesale water rate increases that have been and will continue to be implemented by SFPUC.

Immediate Area Water Agencies - Bimonthly Water Bill Comparison
Figure B1

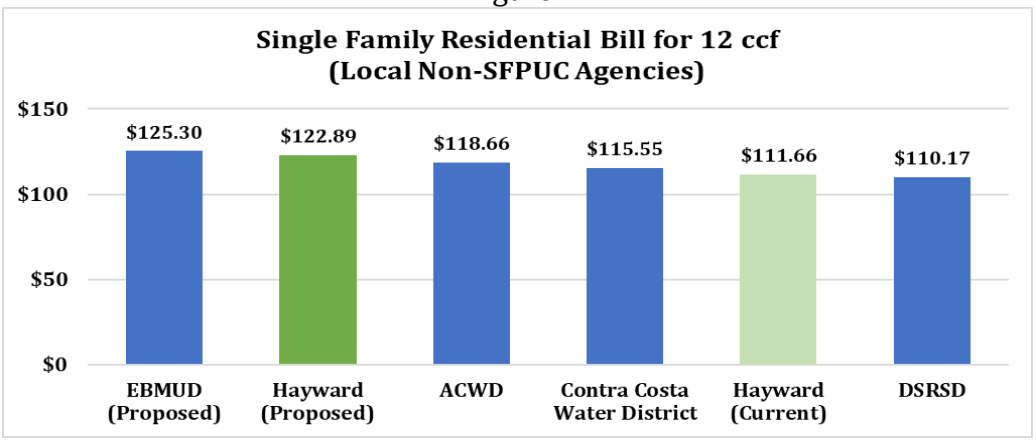
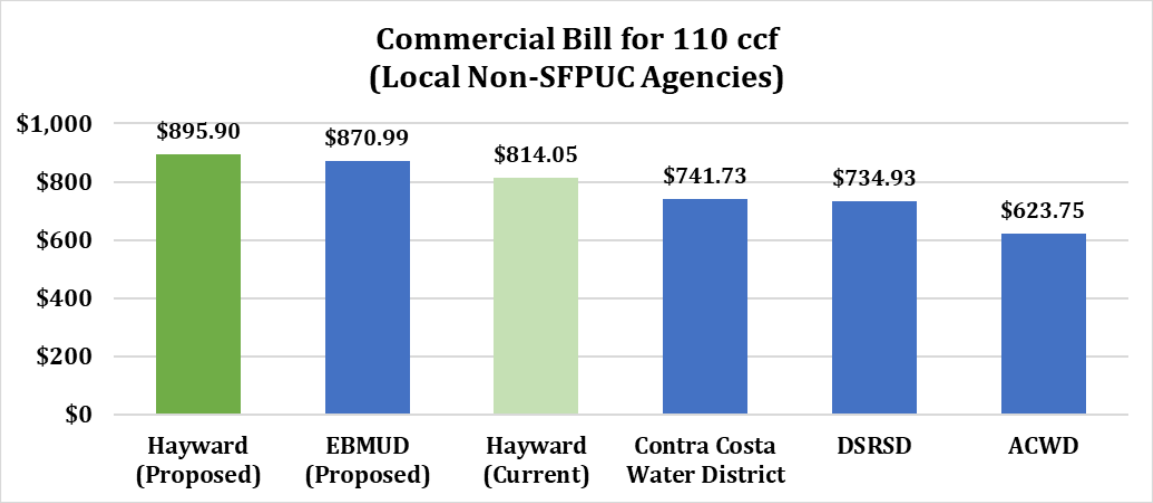


Figure B2



"Figure C – 100% SFPUC Wholesale Agencies" compares the City's water rates to those agencies with the same water supply conditions. System size also plays a role in rate setting since large agencies benefit from economies of scale. Offering discounts to low-income residents, as the City does, which is not common, also affects the rates. Finally, a water agency's rate should be considered in light of the system's performance, its operational robustness, and its flexibility to operate in both normal and emergency situations.

100% SFPUC Wholesale Agencies - Bimonthly Water Bill Comparison
Figure C1

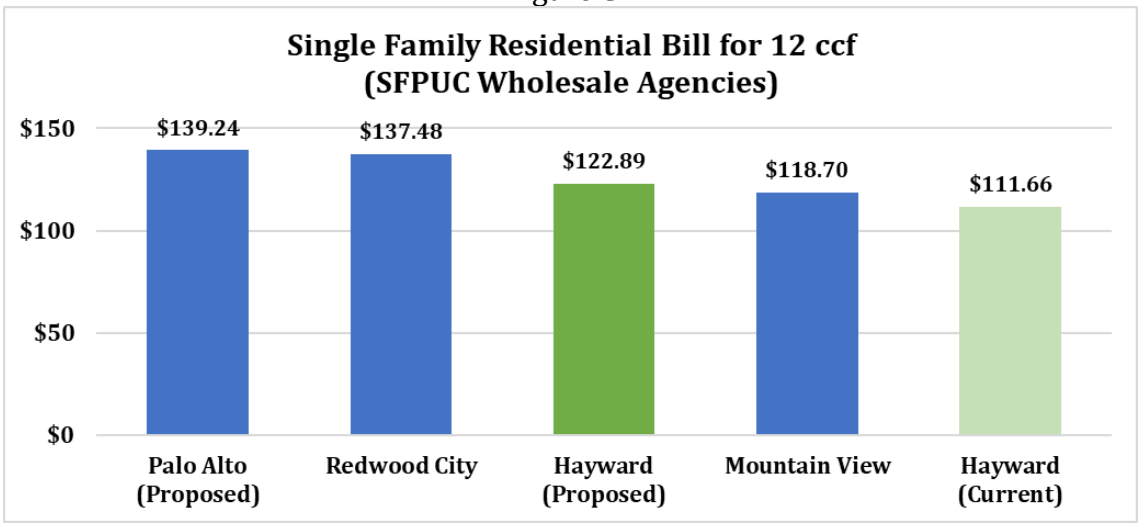


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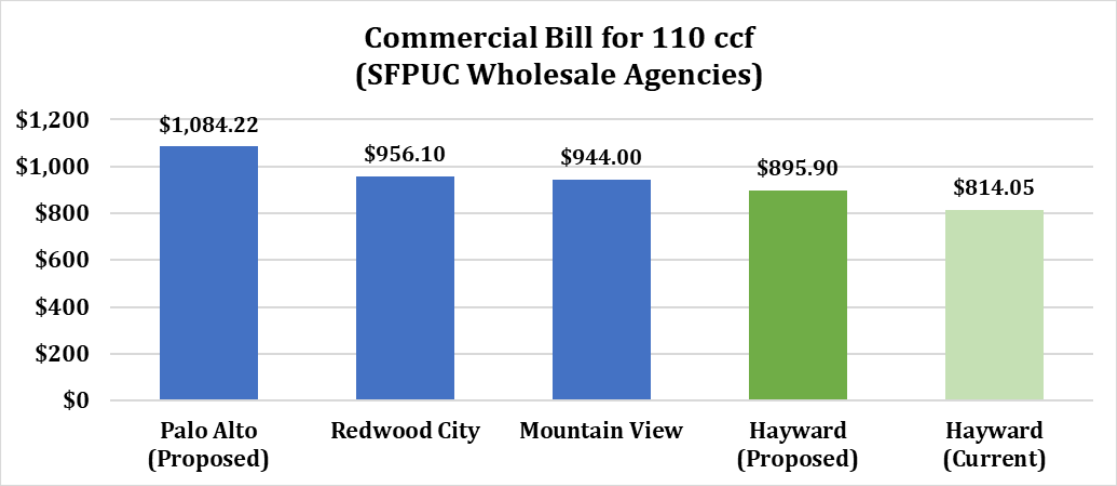
Figure C2



Sewer Service Charge

The recommended sewer rates for FY 2024 include a 7% increase in revenue requirements, which is in part attributed to the global supply chain issues and inflation, escalating the cost of supplies and services, such as chemicals for wastewater treatment. Staff is proposing increases of 7% in sewer rates for all customer classes in each of the two years.

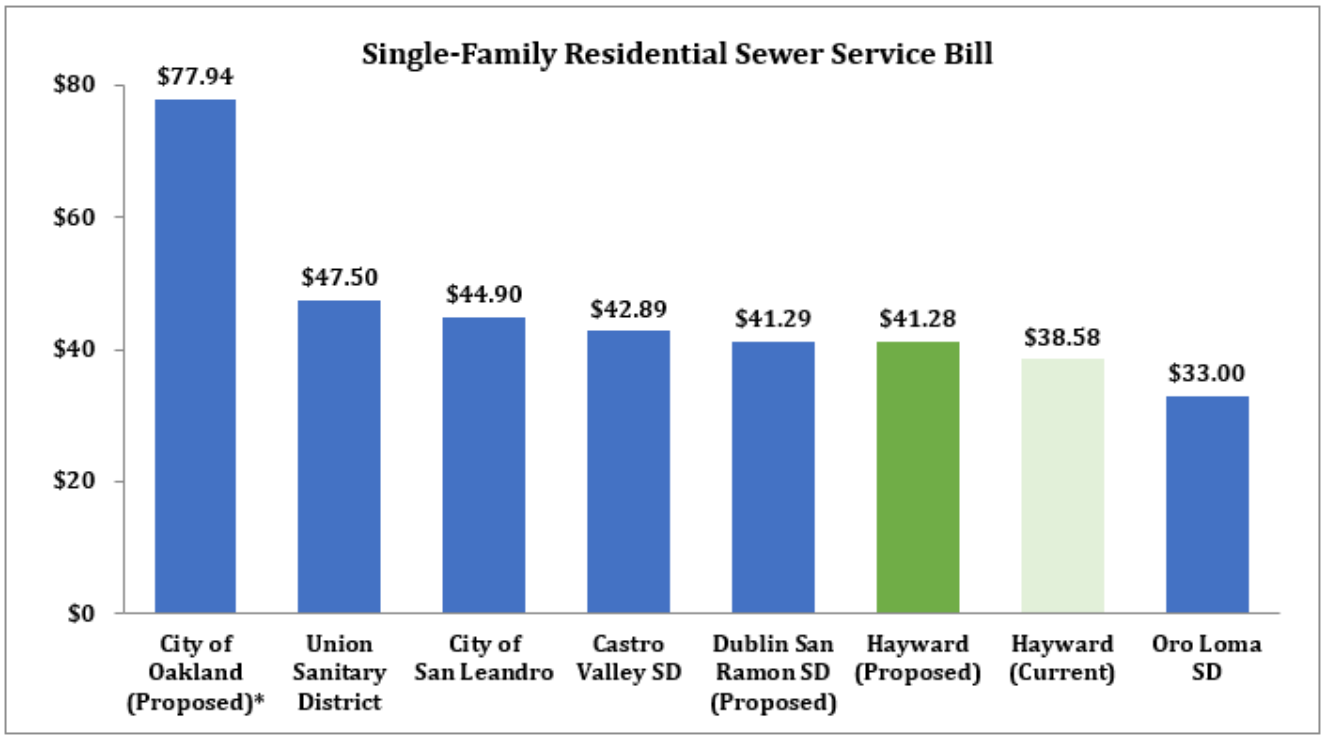
As a result of these proposed changes, average single-family residential users would see an overall increase of 7% in their sewer bills in FY 2024, and 7% in FY 2025. The same percent increases are proposed for multi-family and mobile home community customers, as well as Lifeline and Economy customers. As a reminder, the reduced Lifeline and Economy rates are applied automatically to single-family residential bills when water usage in a billing period is 0-4 ccf or 5-8 ccf, respectively, compared with an estimated average discharge of 12 CCF from single-family homes. These rates are intended to encourage water conservation and reward customers who use low amounts of water.

Non-residential customers would see an average of 7% increase per year. For large industrial users, staff uses actual and anticipated sampling data to measure their impact and calculates appropriate rates based on their contribution to the wastewater system. Appropriate fees for other business customers, such as restaurants, are based on water consumption and standard waste strengths. Examples of impacts on common businesses are illustrated in the table below.

Customer Type (without separate irrigation)	Current Rate/ CCF of Water	Proposed FY 2024	% Change	Proposed FY 2025	% Change
Restaurants (no grease interceptor)	$10.62	$11.37	7%	$12.17	7%
Restaurants (with grease interceptor)	$8.20	$8.78	7%	$9.39	7%
Commercial Laundry	$6.33	$6.78	7%	$7.26	7%
Offices and Retail Stores	$6.28	$6.72	7%	$7.19	7%

Comparisons with other Wastewater Agencies
As shown Figure D below, the proposed FY 2024 rates would continue to place Hayward in the low-range compared to other nearby agencies. It must be noted that unlike the overwhelming majority of other sewer agencies, the City not only provides a lower rate for multi-family and mobile home units, but also in effect offers tiered sewer rates to all single-family customers, based on water usage. While we compare the City's standard rate to the other agencies, the overall average payment by all customers in the City is always less than the top rate.

Figure D



**City of Oakland includes the City's sewer collection system fee and EBMUD's treatment service fee.*

Recycled Water Rates
Staff recommends continuing a rate structure that offers an incentive to utilize recycled water while adequately recovering costs over the life of the project. The cost-of-service analysis indicates increases of 35% in revenue requirements in FY 2024 and 10% in FY 2025, resulting in proposed adjustments to the fixed bimonthly service charges and the uniform tier commodity rate. Staff is proposing to charge the same bimonthly service charges as potable water. The recommended recycled water commodity rate at $6.76 per CCF is 23% lower than the proposed potable irrigation water rate at $8.80 per CCF for the first 170 CCF or 348 gallons per day, and 40% lower than proposed potable irrigation water rate at $11.20 for over 170 CCF.

Comparisons with Other Water Agencies
Figure E1 and E2 below show how Hayward's proposed recycled water usage rate compares to other nearby agencies. The proposed FY 2024 and FY 2025 rates would place Hayward in the mid to high-range of reduction from irrigation potable usage rate at 35% for the first 170 CCF and at 49% for over 170 CCF. Other nearby agencies reduction differences range from 0% to 44%, with an average reduction of 30%. It must be noted that most of the compared agencies charge the same fixed bimonthly service fee as potable water.

Usage Rate Difference between Potable and Recycled Water
Figure E1

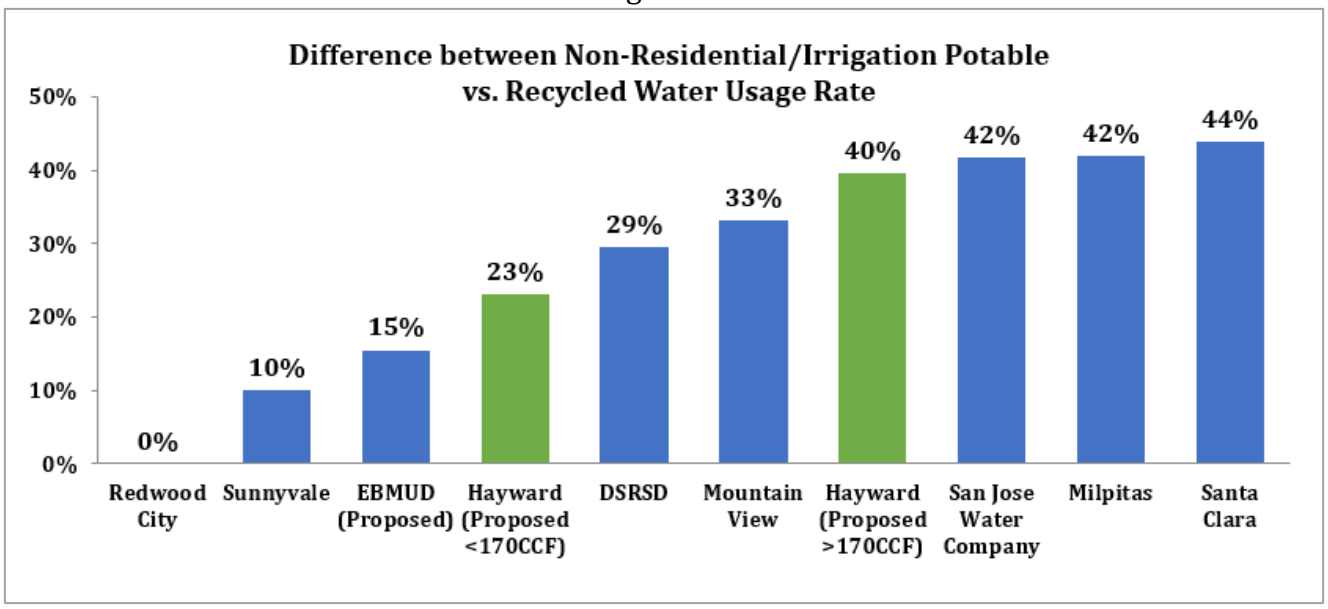
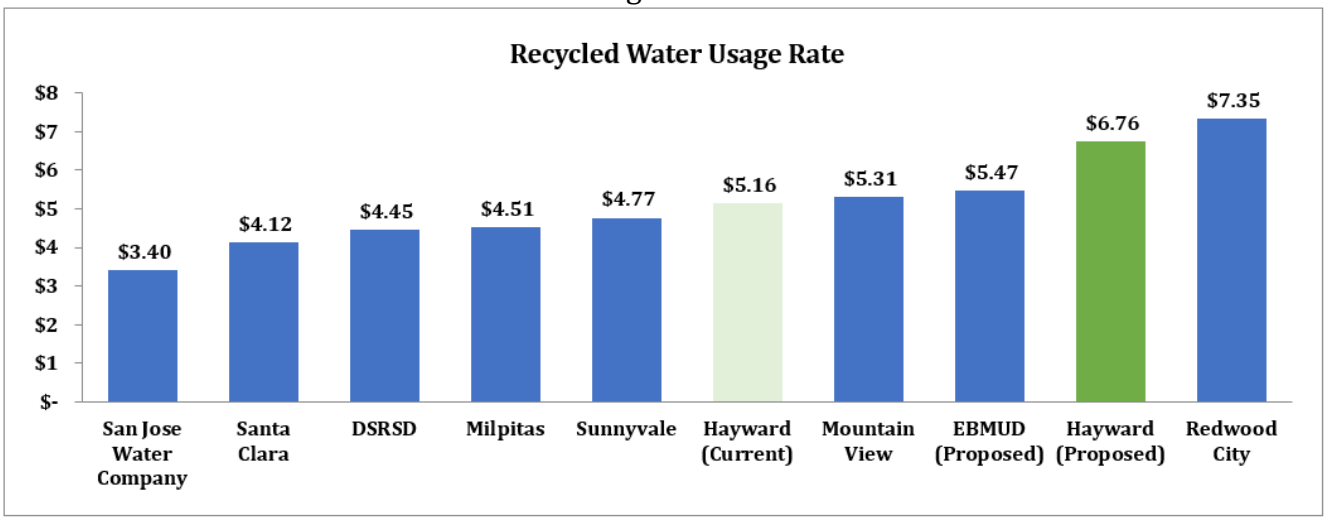


Figure E2



Water, Sewer, and Recycled Water Connection Fees

Capacity fee analyses have also been prepared for water, sewer, and recycled water connection fees, which are the fees typically paid at the time a new development requests water, sewer, and recycled water service. Water connection fees, also known as water system facilities fees, and sewer connection fees have not been adjusted for over a decade. While the recycled water connection fee was last adopted in 2019, the vast majority of recycled water customers, at the time, were existing water customers who were retrofitted to use recycled water at no upfront cost to the customer. Since then, no new recycled water customers have connected to the system due to the limitation of the distribution pipeline. At this time, there is limited opportunity for new customers to connect to the Recycled Water System. The CIP includes funding for preparation of a Recycled Water Master Plan in FY 2024 to determine the feasibility of expanding the System and adding customers.

The Connection Fee Study, prepared by Raftelis, indicates a 23% increase for water connection fee, a 102% increase for sewer connection fee, and a 425% increase for recycled water connection fee. Staff is recommending a phase-in approach for water and sewer connection fees, increasing 10% for water and 25% for sewer fees in the interest of maintaining the economic recovery and fostering business development. For recycled water connection fee, the calculated percentage of increase is high due to the significant capital investment and expenditures in recent years and near future over a small number of recycled water customers. Staff is proposing to use the same recommended water connection fee for the minimal number of new recycled water customers, as the City plans for expansion of the recycled water system and adding more customers. Appropriate connection fees will be calculated after development of Recycled Water Master Plan.

Comparisons with Other Agencies
Table 1 and 2 below show how Hayward's proposed water and sewer connection fees compare to other agencies.

Water Connection Fee Comparison
Table 1

Agency	Water Connection Fee (1" meter)
Palo Alto	$6,250
ACWD	$8,556
Mountain View	$12,206
Hayward (Current)	**$16,210**
Hayward (Proposed)	**$17,831**
EBMUD (1)	$41,580
Contra Costa Water District	$60,085
DSRSD (2)	$129,928

(1) EBMUD Water Connection Fee for Region 2, Castro Valley Area
(2) DSRSD Water Capacity Fee includes fees for both water distribution services and Zone 7 water treatment services.

Sewer Connection Fee Comparison
Table 2

Agency	Sewer Connection Fee (Single Family Residential)
EBMUD (1)	$2,950
City of San Leandro	$4,393
Hayward (Current)	**$7,700**
Hayward (Proposed)	**$9,625**
Union Sanitary District	$10,755
Castro Valley Sanitary District	$15,518
DSRSD	$17,669

(1) EBMUD Sewer Connection Fee for treatment services only

Environmental Review
The California Environmental Quality Act (CEQA) includes an exemption of environmental review for revisions to rates and charges that are for the purpose of 1) meeting operating expenses; 2) purchasing or leasing supplies, equipment, and materials; 3) meeting financial reserve requirements; or 4) obtaining funds for capital projects necessary to maintain services and system reliability within existing service areas. No additional CEQA review is required.

ECONOMIC IMPACT

The typical single-family residential customer, with average bi-monthly water use of 12 ccf (150 gallons per day), will see an increase of $5.60 per month in water cost in the first year and $6.20 in the second year. Monthly sewer increases for single family customers would be $2.70 in the first year, and $2.90 in the second year. The total for all increases of $8.30 per month in the first year and a total of $9.10 per month in the second year. Most commercial and industrial customers will likewise see increases in their utility bills. While staff recognizes that any rate increase will affect customers and should be minimized, it is critical that the City maintain reliable and robust utilities systems, in conformance with ever more stringent federal and state rules and regulations on the onset of the climate crisis, in the interest of economic viability, quality of life, and maintaining public health, and meeting increasingly stringent regulations.

FISCAL IMPACT

The Water, Wastewater, and Recycled Water Funds each maintain a working capital balance, or fund balance, in order to manage emergencies, maintain positive cash flows, the fund's credit worthiness and, at times, smooth out needed rate adjustments so that the City is not forced to implement a significant increase in a single year, which can result in customer discontent. Water and Sewer connection fees support Capital Improvement Program (CIP) projects in the Water Improvement Fund and Sewer Improvement Fund. There are no impacts on the General Fund related to water, sewer, and recycled water rate adjustments or connection fees. None of these fee adjustments have an impact on the General Fund.

Operating Fund Reserves
Water Fund
The Raftelis report includes a discussion of appropriate Water Fund reserves recommended to manage operating costs, capital expenditures and rate stabilization to protect customers from steep rate adjustments in the event of larger-than-anticipated increases in wholesale water rates. In general, it is recommended that the City maintains approximately one year of operating costs in reserve, with a target working capital balance of about $36 to $41 million (FY 2024 to FY 2028). As described in the report, the City will build these reserves over a 5-year planning horizon. As currently anticipated, proposed rate increases will range from 5% to 10% over the next five years, and the target reserve amount will be achieved in 2028.

Wastewater Fund
Given the stringent current and anticipated regulations, the onset of the impacts of the climate crisis, and the cost of operating and maintaining a wastewater treatment facility, it is also appropriate to achieve 100% of annual expenditures as a reserve target in the Wastewater

Fund. Staff anticipates that ongoing rate adjustments in the range of 7% will be needed to maintain sufficient working capital balances and keep the fund in a positive situation.

Recycled Water Fund
The Recycled Water Enterprise Fund is a separate enterprise with its own rate structure. Revenue and expense for delivering recycled water are tracked separately from water and sewer transactions. While the expenses and revenues in the Recycled Water Fund would be modest initially, they would increase as new customers are added and future project phases are implemented.

Capital Improvement Program
Water Improvement Fund
All revenues derived from Water Facilities Fees are deposited in the Water System Capital Improvement Fund and used only for planned existing and future capital projects related to improvement and expansion of the water system, such as the System Seismic Upgrades and New Emergency Well B2 projects.

Sewer Improvement Fund
Similarly, all revenues derived from Sewer Connection Fees are deposited in the Sewer Capital Improvement Fund and used only for planned existing and future capital projects related to expansion of the sewer system, such as the WPCF Nutrient Management Improvement and Main Electronical Distribution Rehabilitation projects.

The revenues derived from Recycled Water Connections Fees will be deposited into the Water or Sewer Improvement Fund, as appropriate, to fund projects related to expanding or improving the Recycled Water System.

STRATEGIC ROADMAP

The proposed rate adjustments align with the City's Strategic Priority of improved infrastructure by providing the funding necessary to maintain and improve the water distribution system, wastewater collection and treatment system, and recycled water treatment and distribution system. Reliable utility services support other priorities such as housing and economic growth.

SUSTAINABILITY FEATURES

Water conservation programs, such as the high efficiency fixture replacement and lawn replacement rebate programs, are funded through water rate revenue and provide customers with the tools to assist them in efficiently managing water usage. These, and other conservation programs, will continue to be funded in FY 2024 and FY 2025 (projected annual budget of $300,000).

The proposed sewer rates will allow the City to continue to operate and maintain the sewer collection system and WPCF in a manner to meet all legal and regulatory requirements to protect public health and the environment. This includes supporting the upcoming WPCF Nutrient Management Project, which will enhance the quality of the wastewater discharged, to bring positive impact on protecting the health of the San Francisco Bay. The revenue derived

from the proposed rates will also enable the City to continue funding the existing green and renewable energy generation systems at the WPCF and their expansion over time. The Lifeline and Economy Sewer Rates for low water use may contribute to sustainability by incentivizing water conservation and efficient water use.

The use of recycled water will reduce the demand for drinking water and improve the reliability and availability of drinking water, while providing a sustainable and drought-proof water supply for some irrigation and eventually industrial uses. It will also reduce the volume of wastewater and associated nutrients and residual pollutants discharged to San Francisco Bay, which is required to meet increasingly stringent discharge regulations.

PUBLIC CONTACT

Following Council's comments on the proposed rates, staff will incorporate any required modifications and implement the legal noticing requirements of Proposition 218, which mandates written notice of the proposed rates to all affected property owners at least forty-five days in advance of the public hearing, currently scheduled for June 20, 2023. In instances where a party other than the property owner, such as a tenant, is the account holder of record, notice will also be sent to that party. The notice describes the proposed adjustments and recommended rates for FY 2024 and FY 2025 and their impacts on various customer classes. Proposed sewer rates and impacts on residential and non-residential customers are also described. The notice will also discuss the property owners' right to protest the rates. Council may not take action on the rates if a majority of affected property owners file written protests. Staff will also post the information on the City's website and publish the required notice in the newspaper.

Capacity charges are one-time fees that were included in the connection fee study and are shown on Attachment II. They are not subject to Proposition 218 requirements and will not be included in the Proposition 218 notice, but staff will post the information on the City's website and publish notice of the proposed adjustment.

NEXT STEPS

Council is scheduled to consider the rate adjustments and hold a public hearing at its June 20, 2023 meeting. If adopted, the connection fee adjustments would be effective on September 1, 2023 and September 1, 2024, and utility rate adjustments would be effective on October 1, 2023 and October 1, 2024. Council has traditionally used October 1 as an effective date for the utility rates, rather than July 1 when the wholesale rate adjustment takes effect in order to avoid increasing rates during the summer period when water use is highest.

Prepared by: Elli Lo, Senior Management Analyst

Recommended by: Alex Ameri, Director of Public Works

Approved by:

Kelly McAdoo, City Manager

CITY OF HAYWARD

Water, Recycled Water, and Wastewater Rate Study

EXECUTIVE SUMMARY / APRIL 10, 2023

CITY OF HAYWARD
HEART OF THE BAY

RAFTELIS

RAFTELIS

April 10, 2023

Alex Ameri
Director of Public Works
City of Hayward
77 B Street
Hayward, CA 94541

Subject: Water, Recycled Water, and Wastewater Rate Study Report

Dear Alex Ameri,

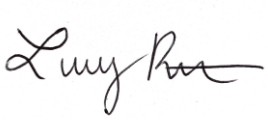
Raftelis Financial Consultants, Inc. (Raftelis) is pleased to provide this report for the City of Hayward's (City) Water, Recycled Water, and Wastewater Rate Study.

The major objectives of the Rate Study include:

- Developing a long-term financial plan that sufficiently funds operating expenses, capital replacement and improvement costs, and prudent reserve balances
- Calculating rates that fully recover costs to serve customers, while minimizing rate impacts, and promoting affordability for essential needs
- Preparing a Study Report, or administrative record, that clearly and comprehensively explains each step of the rate study process

This report details the long-term financial plan, cost of service analysis, and proposed rates for the City's water utility. The financial plan identifies the projected revenue needs and revenue adjustments over the next 10 years, which inform five years of proposed rates.

Sincerely,



Nancy Phan
Project Manager

Lindsay Roth
Consultant

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Los Angeles CA 90071

www.raftelis.com

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1. Executive Summary

1.1. Study Background

In 2022, the City of Hayward (City) contracted with Raftelis to conduct a Water, Recycled Water, and Wastewater Rate Study, which includes the development of a long-term financial plan and rate calculation. The study culminates in two years of rate recommendations based on the results of the financial planning exercise. This Executive Summary outlines the rate proposal and contains a description of the rate study process, methodology, and recommendations for the City's water, recycled water, and wastewater rates.

1.2. Rate Objectives

Raftelis worked with City staff to prioritize objectives for the proposed water, recycled water, and wastewater rates. These prioritized objectives include improving fairness and equity between customer classes and minimizing impacts on customers. The rates for all utilities were increased by the revenue adjustments recommended as a result of the financial planning results. While the study shows rate recommendations for five years, the City will be implementing two years of rates for each utility.

1.3. Current Rates

1.3.1. Water

The City's current water rates were implemented on October 1, 2022 and include a bi-monthly service charge based on meter size, a bi-monthly fire protection service charge based on fire line diameter (for only those customers requiring private fire service), and a tiered usage rate charged for every hundred cubic feet (ccf[1]) of water used. **Table 1-1** shows the current bi-monthly service charges by meter size.
Table 1-2 shows the current bi-monthly fire service charges by fire line diameter. Fire lines are designed to provide water in the volume and at the pressure required to operate private fire sprinklers. Larger fire line sizes require more capacity, thus the rates increase proportionally to the increased need in capacity.

Table 1-3 shows the current water usage rates by customer class and bi-monthly tiers.

[1] One ccf is equal to 748 gallons of water. The first "c" in ccf is the Latin word for hundred, "centum".

Table 1-1: Current Bi-Monthly Service Charges

Line	A Meter Size	B Bi-Monthly Charges
1	5/8" Low Income	$11.28
2	3/4" Low Income	$15.74
3	1" Low Income	$24.66
4	5/8"	$32.22
5	3/4"	$44.96
6	1"	$70.45
7	1 1/2"	$134.16
8	2"	$210.61
9	3"	$452.70
10	4"	$809.46
11	6"	$1,663.14
12	8"	$3,574.36
13	10"	$5,358.18

Table 1-2: Current Bi-Monthly Fire Service Charges

Line	Fire Line Diameter	Bi-Monthly Charges
1	Low Income	$6.85
2	5/8"	$6.85
3	3/4"	$6.93
4	1"	$7.14
5	1 1/2"	$7.89
6	2"	$9.20
7	3"	$13.90
8	4"	$21.99
9	6"	$51.01
10	8"	$101.08
11	10"	$176.39

Table 1-3: Current Water Usage Rates ($/ccf)

Line	A Customer Class	B Bi-Monthly Tiers (ccf)	C Usage Charges ($/ccf)
1	**Residential**		
2	Tier 1	8	$6.23
3	Tier 2	18	$7.40
4	Tier 3	18+	$9.09
5			
6	**Commercial / Industrial**		
7	Tier 1	110	$6.76
8	Tier 2	110+	$7.94
9			
10	**Irrigation**		
11	Tier 1	170	$8.00
12	Tier 2	170+	$10.18
13			
14	**Hydrant**	Uniform	$7.53

1.3.2. Recycled Water

The City's current recycled water rates were implemented on October 1, 2020 and include a bi-monthly service charge based on meter size and a uniform usage rate charged for every ccf of recycled water used. **Table 1-4** shows the current bi-monthly service charges by meter size. The bi-monthly service charges are the same as the water utility's bi-monthly service charges by meter size. **Table 1-5** shows the current water usage rates by customer class and bi-monthly tiers.

Table 1-4: Current Bi-Monthly Recycled Water Service Charges

Line	A Meter Size	B Bi-Monthly Charges
1	5/8"	$32.22
2	3/4"	$44.96
3	1"	$70.45
4	1 1/2"	$134.16
5	2"	$210.61
6	3"	$452.70

7	4"	$809.46
8	6"	$1,663.14
9	8"	$3,574.36
10	10"	$5,358.18

Table 1-5: Current Recycled Water Usage Rates ($/ccf)

	A	B	C
Line	Customer Class	Bi-Monthly Tiers	Usage Charge ($/ccf)
1	Recycled Water	Uniform	$5.16

1.3.3. Wastewater

The City's current wastewater rates were implemented on October 1, 2022 and include a bi-monthly service charge for residential customers, a usage rate for coded commercial customers charged for every ccf of water used, and a usage rate for critical commercial customers charged for every ccf of wastewater flow and for every pound of carbonaceous biochemical oxygen demand (cBOD) and every pound of total suspended solids (TSS). **Table 1-6** shows the current bi-monthly residential service charges by customer class. **Table 1-7** shows the current usage rates for coded commercial customers. **Table 1-8** shows the current usage rates for critical commercial customers for flow, cBOD, and TSS.

Table 1-6: Current Bi-Monthly Residential Wastewater Charges

	A	B
Line	Residential Customers	Current Charge
1	Standard Residential	$77.16
2	Multi-Family (charge per unit)	$68.68
3	Mobile Home (charge per unit)	$54.02
4	Economy (5 to 8 units of metered water usage)	$36.14
5	Lifeline (0 to 4 units of metered water usage)	$18.08

Table 1-7: Current Wastewater Usage Charges for Coded Commercial Customers

	A	B
Line	Coded Users	Current Rate ($/ccf)
1	**With Irrigation Meters**	
2	Meat Products	$13.42
3	Slaughterhouse	$15.44
4	Dairy Products Processor	$11.07
5	Canning & Packing	$7.88
6	Grain Mills	$10.39
7	Bakeries	$12.01
8	Fats & Oils	$7.48
9	Beverage Bottling	$7.11
10	Food Manufacturer	$26.49
11	Pulp & Paper Products Manufacturer	$9.12
12	Inorganic Chemicals	$12.67
13	Paint Manufacturer	$19.75
14	Leather Tanning	$26.01
15	Fabricated Metal	$3.76
16	Eating Places (w/o grease interceptor)	$11.80
17	Commercial Laundry	$7.04
18	Industrial Laundry	$10.94
19	Eating Places (w/ grease interceptor)	$9.11
20	Other Domestic Strength Users - Commercial/Institutional/Govt	$6.97
21	**Without Irrigation Meters**	
22	Meat Products	$12.08
23	Slaughterhouse	$13.90
24	Dairy Products Processor	$9.96
25	Canning & Packing	$7.09
26	Grain Mills	$9.35
27	Bakeries	$10.81
28	Fats & Oils	$6.73
29	Beverage Bottling	$6.40
30	Food Manufacturer	$23.84
31	Pulp & Paper Products Manufacturer	$8.20
32	Inorganic Chemicals	$11.41
33	Paint Manufacturer	$17.78
34	Leather Tanning	$23.40
35	Fabricated Metal	$3.39
36	Eating Places (w/o grease interceptor)	$10.62
37	Commercial Laundry	$6.33

38	Industrial Laundry	$9.84
39	Eating Places (w/ grease interceptor)	$8.20
40	Other Domestic Strength Users - Commercial/Institutional/Govt	$6.28

Table 1-8: Current Wastewater Usage Charges for Critical Commercial Customers

	A	B
Line	Critical Users	Current Rate ($/ccf or lb)
1	Volume – Cost per ccf	$3.32
2	cBOD – Cost per pound	$0.77
3	Suspended Solids – Cost per pound	$1.03

1.4. Process and Approach

Raftelis held several meetings with City staff to discuss and understand objectives, characteristics, and challenges of the City's water, recycled water, and wastewater utilities to provide the recommendations and results in this report. Raftelis confirmed various assumptions and inputs and used an iterative process to view several scenarios to determine the recommended financial plan and rates for service. City staff discussed capital project requirements and water purchase cost estimates over a 10-year horizon, which are two primary drivers of the future revenue needs of the utilities. Raftelis then designed and presented financial plans for each utility to analyze various rate scenarios to fully fund each utility's revenue requirements through fair, equitable, and defensible cost-based rates.

The proposed financial plans detailed in this report follow industry standards for long-term financial planning. The financial plans rely on reasonable assumptions based on industry indices, such as general inflation based on the Consumer Price Index (CPI), and input from City staff. Raftelis worked closely with City staff to determine the most accurate methodology to project future revenues and expenses to reinforce sound fiscal management practices.

The financial plans include the current fiscal year (FY) 2023 and the five-year period between FY 2024 to FY 2028. Each fiscal year begins on July 1 and ends on June 30. For example, FY 2023 is defined as the year beginning on July 1, 2022 and ending June 30, 2023. The proposed rates were developed for implementation on October 1, 2023 in FY 2024 and in October every year thereafter.

1.5. Legal Requirements[2]

1.5.1. California Constitution – Article XIII D, Section 6 (Proposition 218)

Proposition 218 was enacted by voters in 1996 to ensure, in part, that fees and charges imposed for ongoing delivery of a service to a property (property-related fees and charges) are proportional to, and do not exceed, the cost of providing service. Water, recycled water, and wastewater service fees and charges are property-

[2] Raftelis does not practice law, nor does it provide legal advice. The above discussion provides a general overview of Raftelis' understanding as rate practitioners and is labeled "legal framework" for literary convenience only. The City should consult with its legal counsel for clarification and/or specific guidance.

related fees and charges subject to the provisions of California Constitution Article XIII D, Section 6 (Proposition 218). The principal requirements, as they relate to public utility service fees and charges are as follows:

1. Revenues derived from the fee or charge shall not exceed the costs required to provide the property-related service.
2. Revenues derived by the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.
3. The amount of the fee or charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel.
4. No fee or charge may be imposed for a service unless that service is actually used or immediately available to the owner of property.
5. A written notice of the proposed fee or charge shall be mailed to the record owner of each parcel not less than 45 days prior to a public hearing, when the agency considers all written protests against the charge.

As stated in the M1 Manual, "water rates and charges should be recovered from classes of customers in proportion to the cost of serving those customers." Raftelis follows industry standard rate setting methodologies set forth by the AWWA M1 Manual to ensure that the results of this study meet Proposition 218 requirements and create rates that do not exceed the proportionate cost of providing water service.

1.5.2. California Constitution – Article X, Section 2

Article X, Section 2 of the California Constitution states the following:

> *"It is hereby declared that because of the conditions prevailing in this State the general welfare requires that the water resources of the State be put to beneficial use to the fullest extent of which they are capable, and that the waste or unreasonable use or unreasonable method of use of water be prevented, and that the conservation of such waters is to be exercised with a view to the reasonable and beneficial use thereof in the interest of the people and for the public welfare."*

Article X, Section 2 of the State Constitution establishes the need to preserve the state's water supplies and to discourage the waste or unreasonable use of water by encouraging conservation. Public agencies are constitutionally mandated to maximize the beneficial use of water, prevent waste, and encourage conservation.

In addition, Section 106 of the California Water Code declares that the highest priority use of water is for domestic purposes, with irrigation water secondary. To meet the objectives of Article X, Section 2 and the California Water Code, a water purveyor may utilize its water rate design to incentivize the efficient use of water. The City established tiered water rates (also known as "inclining tier" or "inclining block") water rates to incentivize customers to use water in an efficient manner. The inclining tier rates (as well as rates for uniform rate classes) need to be based on the proportionate costs incurred to provide water to, and within, each customer class to achieve compliance with Proposition 218.

Tiered water rate structures, when properly designed and differentiated by customer class, allow a water utility to send conservation price signals to customers while proportionately allocating the costs of service. Due to a necessity in reducing water waste and increasing efficiency, tiered water rates are ubiquitous,

especially in relatively water-scarce regions like California. Tiered rates meet the requirements of Proposition 218 if the tiered rates reflect the proportionate cost of providing service within each tier.

1.6. Financial Plan Results and Recommendations

1.6.1. Water

1.6.1.1. Factors Affecting Revenue Requirements

The following items affect the water utility's revenue requirement (i.e., costs) and thus its water rates. The utility's expenses include O&M expenses, capital projects, debt service, and reserve funding.

- **Water Supply Costs**: The City purchases all of its potable water from the San Francisco Public Utilities Commission (SFPUC). For FY 2024, the estimated cost of purchasing water from SFPUC is $36.7 million, approximately 65% of the City's water operating budget. This purchase cost is expected to increase to $45.2 million by FY 2032. SFPUC costs are projected to increase on average by 3.5% per year during the study period. However, rate increases implemented by SFPUC can be unpredictable. Since the cost of purchasing water from SFPUC makes up most of the City's annual water operating budget, an unexpected rate increase has the potential to significantly impact the City's ratepayers and financial position.
- **Capital Funding**: The water utility has approximately $47.7 million in planned capital expenditures from FY 2024 through FY 2028 and $86.7 million over the study's financial planning horizon (through FY 2032). Planned capital project costs are anticipated to be entirely funded through net rate revenues and existing and future reserves.
- **Reserve Funding**: The City's current reserve policy consists of a reserve target equal to approximately 25% of annual O&M expenses, 100% of the rolling average of five years of rate-funded CIP, and 25% of commodity rate revenues. **Table 1-9** shows a summary of the existing reserve policy and the reserve target for FY 2024.

Table 1-9: Existing Reserve Policy and FY 2024 Targets

	A	B	C
Line	Reserve Targets	Recommended Target Policy	FY 2024 Target
1	Operating	25% O&M Expenses	$14,387,534
2	Capital	One Year of 5-year Average CIP	$9,549,009
3	Rate Stabilization	25% of Commodity Revenues	$11,973,031
4	**Total**		**$35,909,573**
5			
6	*Days Cash on Hand*		*191*

1.6.1.2. Financial Plan Results

Table 1-10 shows the proposed revenue adjustments that allows the City to maintain financial sufficiency, fund operating and capital expenses, and achieve recommended cash reserves for the water utility. The proposed adjustments apply to the City's rate revenues, which were projected for future years assuming no growth in customer accounts or demand during the study period. Water demand in FY 2022 represents the estimated baseline use for the City's customers, which has stabilized after the last multi-year drought. Other

agencies throughout California have observed similar stabilization and hardening of water demand in recent years. We assume no growth in customer demand throughout the period in order to conservatively project future rate revenues.

The proposed revenue adjustments represent the increase to total rate revenues required to recover the water utility's costs. The proposed water rates are based on an across-the-board increase in the City's existing rates, so the revenue adjustments also represent the expected impact to each customer.

Table 1-10: Proposed Water Revenue Adjustments

	A	B	C	D	E	F
Line	Revenue Adjustments	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
1	Effective Month	October	October	October	October	October
2	Percent Adjustment	10%	10%	5%	5%	5%

Figure 1-1 shows the five-year financial plan for FY 2024 through FY 2028. The stacked bars represent the costs of the water utility: O&M expenses, which include SFPUC costs, make up the largest portion (blue bars). Debt service (orange bars) are minimal, and CIP costs (yellow bars) represent the costs of the rate funded capital program. Net cash flow (green bars) is negative in FY 2024 and FY 2025 and is therefore not shown on the figure during those years. This means that the City will draw from reserves to fund a portion of expenses in those years. Current revenues (solid line) equal the projected revenues at the City's existing water rates and proposed revenues (dotted line) equal the projected revenues with the proposed revenue adjustments in **Table 1-10** applied.

Figure 1-1: Water Financial Plan

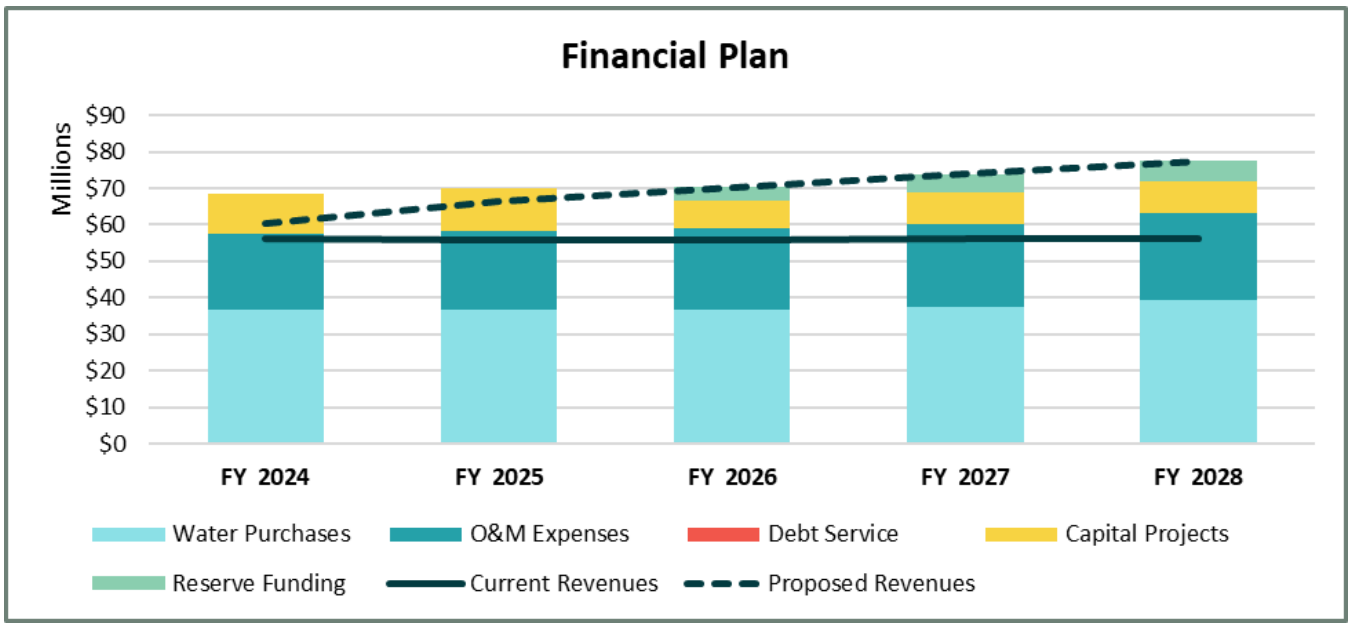


Figure 1-2 shows the combined ending fund balances (green bars) for two of the City's water funds (Operating and Capital Replacement) from FY 2023 to FY 2032. Although the study period and resulting rate schedule is projected for five years, the City plans to build its reserves over a longer planning horizon to

minimize customer impacts. The reserve target (dark blue line) is determined based on the recommended reserve policy targets in **Table 1-9**. The ending fund balances fall slightly below the reserve target from FY 2024 through FY 2027 but increase to target by FY 2028.

Figure 1-2: Water Fund Balances

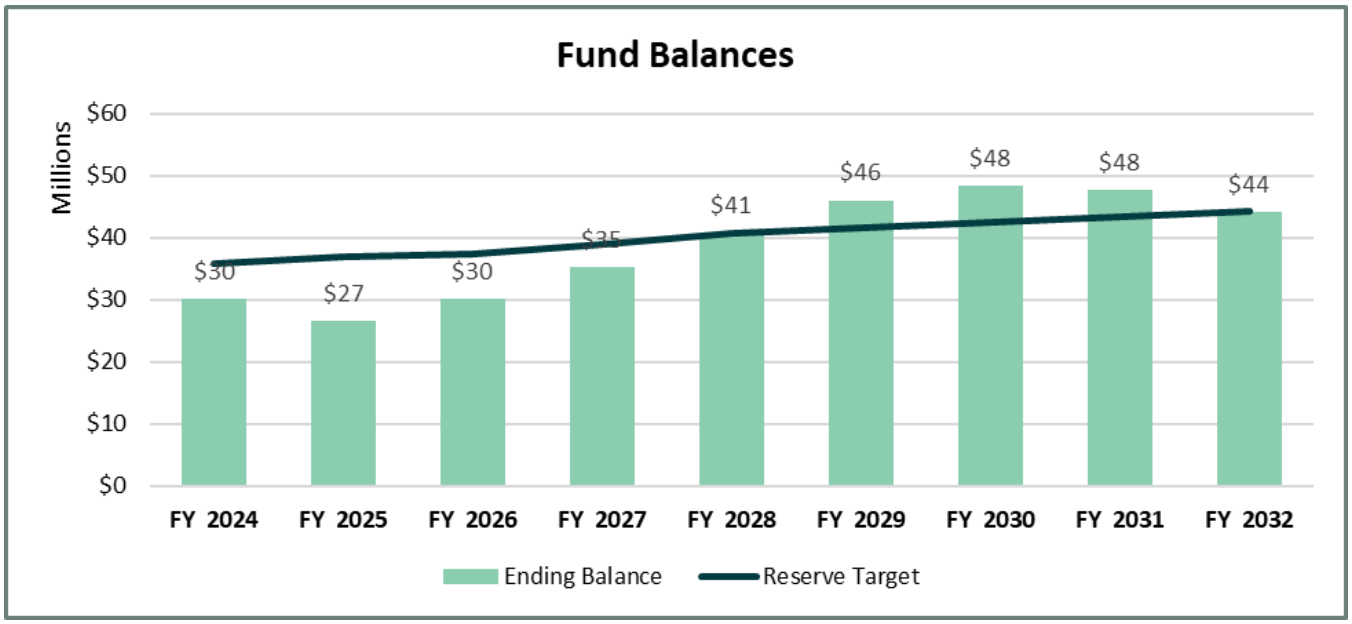
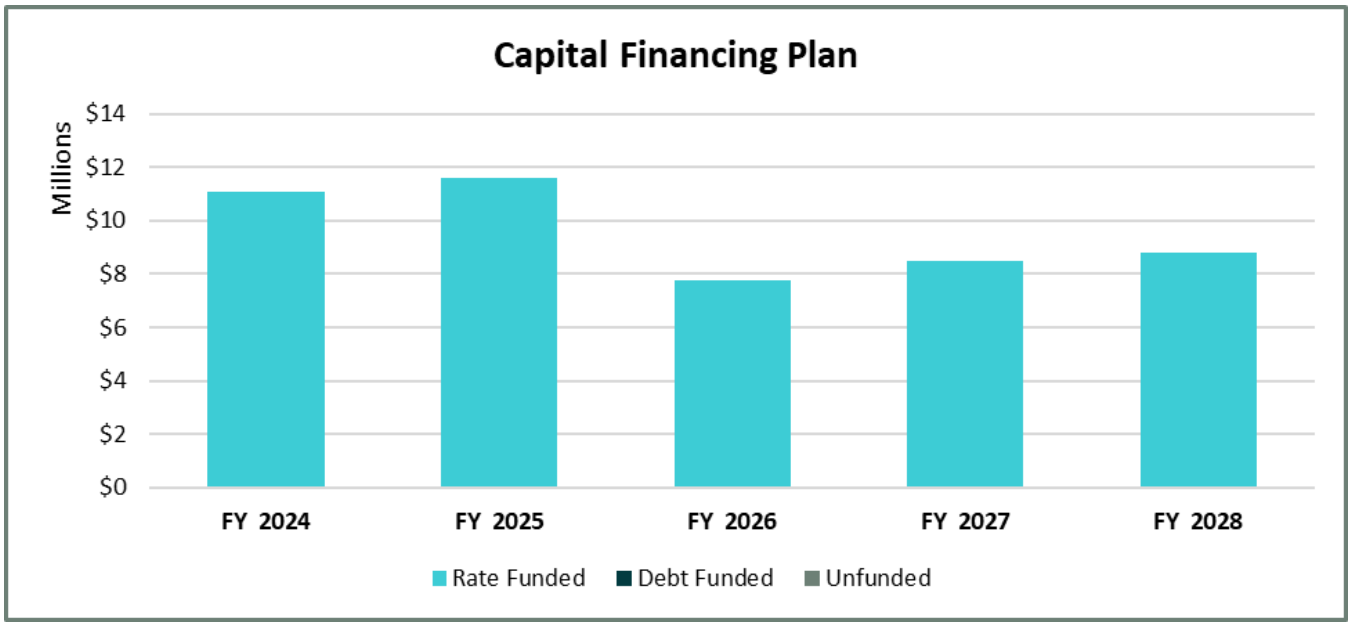


Figure 1-3 shows the five-year CIP expenditures from FY 2024 through FY 2028. All planned CIP expenses for the five-year period are anticipated to be entirely cash funded through rate revenues and existing capital reserves.

Figure 1-3: Water Capital Financing Plan



1.6.1.3. Proposed Water Rates

Table 1-11, **Table 1-12**, and **Table 1-13** shows the proposed bi-monthly service charges, bi-monthly fire service charges, and water usage rates, respectively, for FY 2024 through FY 2025 based on the above recommendations. Rates are all determined by increasing the current rates by the proposed revenue adjustments.

Table 1-11: Proposed Bi-Monthly Water Service Charges

	A	B	C
Line	Meter Size	Proposed FY 2024	Proposed FY 2025
1	5/8" Low Income	$12.41	$13.66
2	3/4" Low Income	$17.32	$19.06
3	1" Low Income	$27.13	$29.85
4	5/8"	$35.45	$39.00
5	3/4"	$49.46	$54.41
6	1"	$77.50	$85.25
7	1 1/2"	$147.58	$162.34
8	2"	$231.68	$254.85
9	3"	$497.97	$547.77
10	4"	$890.41	$979.46
11	6"	$1,829.46	$2,012.41
12	8"	$3,931.80	$4,324.98
13	10"	$5,894.00	$6,483.40

Table 1-12: Proposed Bi-Monthly Fire Service Charges

	A	B	C
Line	Fire Line Diameter	Proposed FY 2024	Proposed FY 2025
1	5/8"	$7.54	$8.30
2	3/4"	$7.63	$8.40
3	1"	$7.86	$8.65
4	1 1/2"	$8.68	$9.55
5	2"	$10.12	$11.14
6	3"	$15.29	$16.82
7	4"	$24.19	$26.61
8	6"	$56.12	$61.74
9	8"	$111.19	$122.31
10	10"	$194.03	$213.44

Table 1-13: Proposed Bi-Monthly Water Usage Rates ($/ccf)

Line	A Customer Class	B Bi-Monthly Tiers (ccf)	C Proposed FY 2024	D Proposed FY 2025
1	**Residential**			
2	Tier 1	8	$6.86	$7.55
3	Tier 2	18	$8.14	$8.96
4	Tier 3	18+	$10.00	$11.00
5				
6	**Commercial / Industrial**			
7	Tier 1	110	$7.44	$8.19
8	Tier 2	110+	$8.74	$9.62
9				
10	**Irrigation**			
11	Tier 1	170	$8.80	$9.68
12	Tier 2	170+	$11.20	$12.32
13				
14	**Hydrant**	Uniform	$8.29	$9.12

1.6.1.4. Rate Survey

The City prepared a survey of bi-monthly Single Family Residential and Commercial customer bills for several local agencies and agencies that also purchase 100% of their potable water from SFPUC.. **Figure 1-4** and **Figure 1-5** shows the Single Family bill comparison for a 5/8" meter using 12 ccf of water per bi-monthly billing period.

Figure 1-4: Single Family Water Bill Comparison with Non-SFPUC Agencies

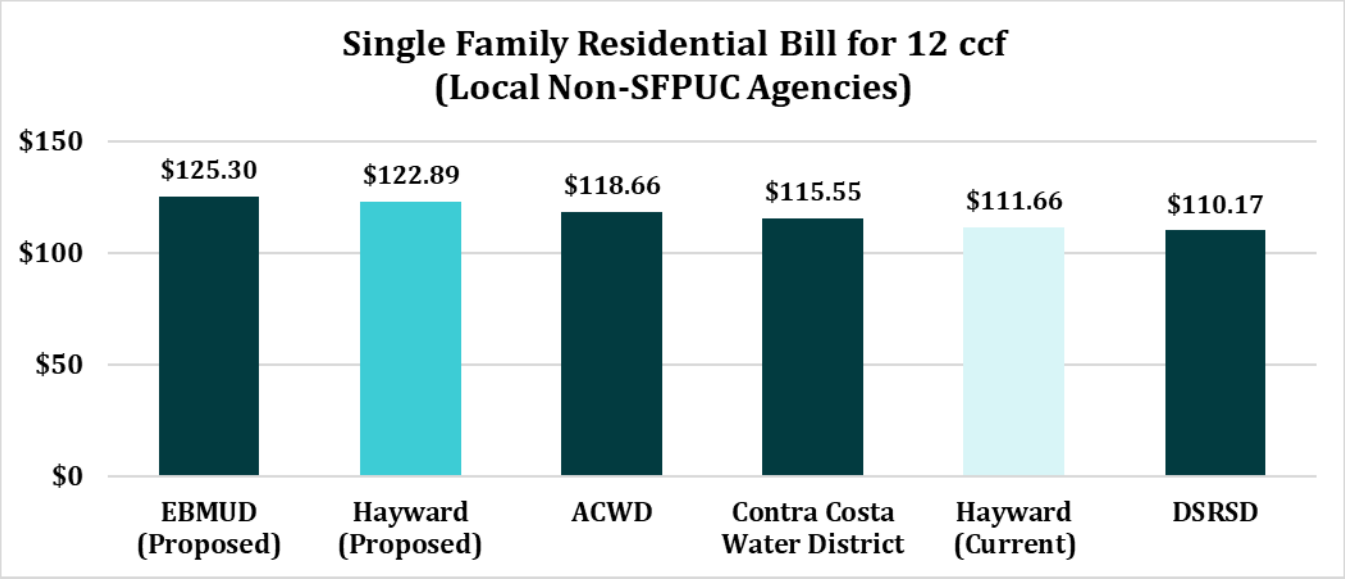


Figure 1-5: Single Family Water Bill Comparison with SFPUC Agencies

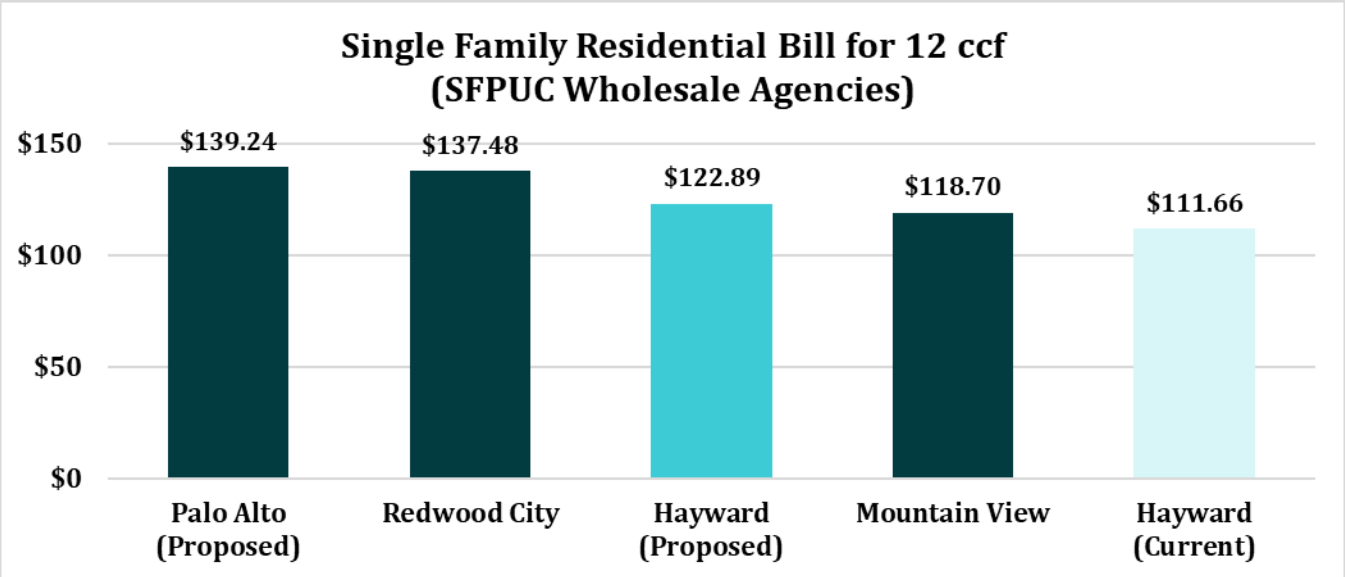


Figure 1-6 and **Figure 1-7** show the Commercial bill comparison for a 1" meter using 110 ccf of water per bi-monthly billing period. Water bills for the City's customers are generally higher than those of local agencies. However, this is mainly due to the cost of purchasing SFPUC water. Compared to the agencies in the area that also deliver SFPUC water, the City's water bills are at the lower end.

Figure 1-6: Commercial Water Bill Comparison with Local Non-SFPUC Agencies

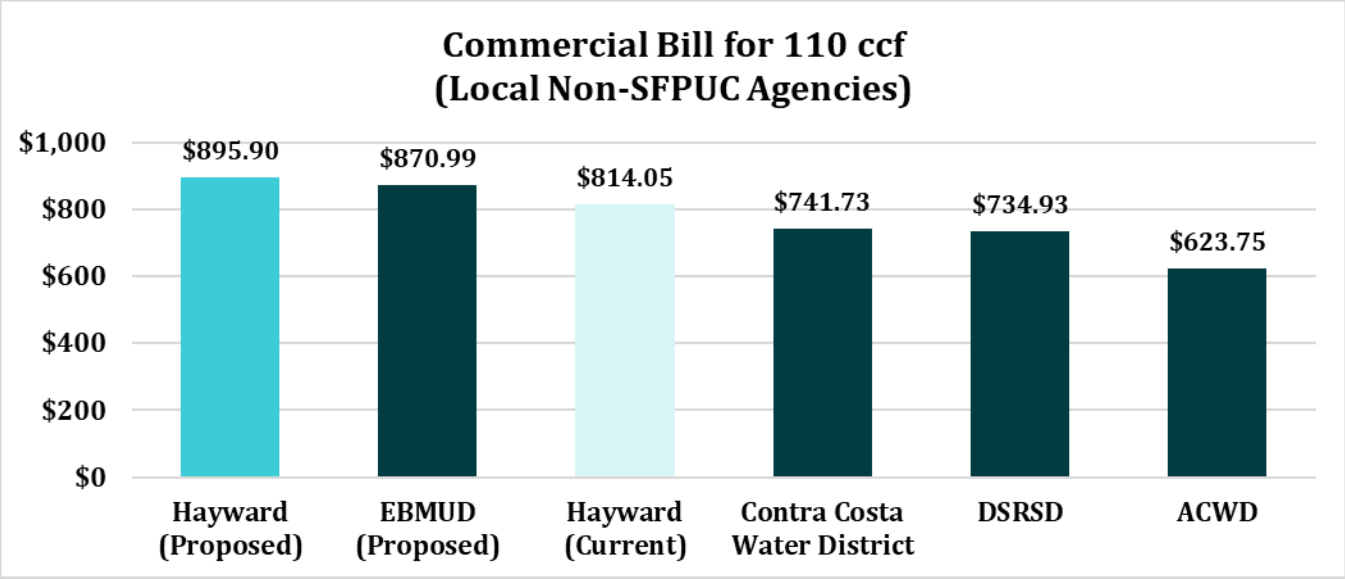
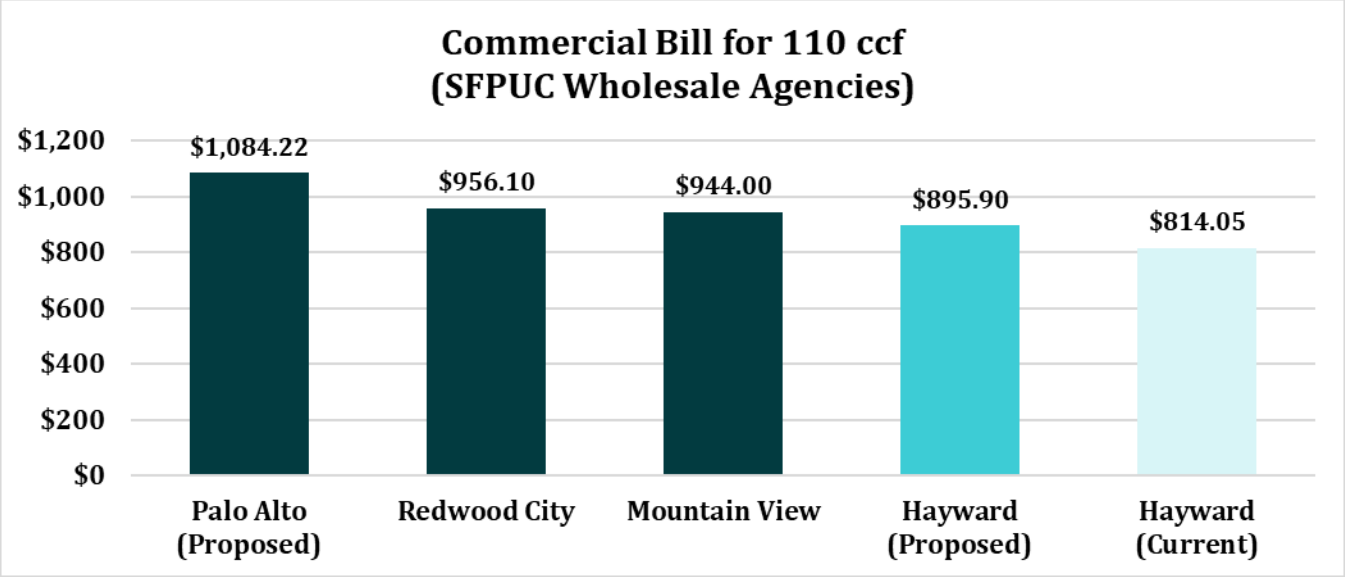


Figure 1-7: Commercial Water Bill Comparison with SFPUC Agencies



1.6.2. Recycled Water

1.6.2.1. Factors Affecting Revenue Requirements

The following items affect the recycled water utility's revenue requirement (i.e., costs) and thus its rates. The utility's expenses include O&M expenses, debt service, and reserve funding.

- **Debt Service Payments**: The recycled water utility currently spends 56% of its total expenses on annual debt service payments for their 2021 SRF Loan. While the payments remain constant, they will continue well past the end of the 10-year financial planning horizon. It is important for the recycled water utility to recover sufficient rate revenue to maintain sufficient debt service coverage into the future.

- **Reserve Funding**: As a new utility, the recycled water funds will need to build up reserves over time. The recycled water utility does not have a formally adopted reserve policy. Reserves targets are adopted to ensure enough cash on hand to meet routine cash flow needs, navigate emergencies in the event of asset failure or natural disaster, and to protect ratepayers from rate spikes. The recommended reserve policy is discussed in the following section.

1.6.2.2. Recommended Reserve Policy

Raftelis worked with City staff to understand the needs of the recycled water utility and to develop a recommendation for the reserve policy, which is listed in Table 1-14. Our recommendation includes the following:

- **Operating**: The City bills customers on a bi-monthly billing cycle, which can impact cash flows since revenues are collected six times, while expenses may be incurred twelve times per year (monthly). The recommended operating reserve target allows the City to maintain adequate cash flow throughout the year and to fund planned O&M expenses, as well as any unexpected operating costs that may arise. Because recycled water revenues are more volatile, the operating reserve target is set higher than the operating reserve target for water and wastewater.
- **Rate Stabilization**: While recycled water expenses are expected to remain fairly stable for the financial planning period, a rate stabilization reserve would create a financial safety net in the event of facility failure or natural disaster. The recommended rate stabilization reserve target will help reduce the need for unreasonable rate increases and smooth out water rates. Similarly, the reserve target for recycled water is higher since recycled water usage, which is primarily for irrigation purposes, is typically more volatile than that of water or wastewater consumption.

In total, the recommended reserve policy calls for a target balance of approximately $758k in FY 2024.

Table 1-14: Recommended Recycled Water Reserve Policy

	A	B	C
Line	Reserve Targets	Recommended Target Policy	FY 2024 Target
1	Operating	60% O&M Expenses	$308,727
2	Rate Stabilization	60% of Commodity Revenues	$449,614
3	**Total**		**$758,342**

1.6.2.3. Financial Plan Results

Table 1-15 shows the proposed revenue adjustments that allows the City to maintain financial sufficiency, fund operating expenses, and achieve recommended cash reserves for the recycled water utility. The proposed adjustments apply to the City's rate revenues, which were projected for future years assuming no growth in customer accounts or demand during the study period. Recycled water demand in FY 2022 represents estimated baseline use for the City's customers. We assume no growth in customer demand throughout the period in order to conservatively project rate revenues and to consider the potential of near-term drought conditions.

Table 1-15: Proposed Recycled Water Revenue Adjustments

Line	A Revenue Adjustments	B FY 2024	C FY 2025	D FY 2026	E FY 2027	F FY 2028
1	Effective Month	October	October	October	October	October
2	Percent Adjustment	35%	10%	5%	5%	0%

Figure 1-8 shows the five-year financial plan for FY 2024 through FY 2028. The stacked bars represent the costs of the recycled water utility: O&M expenses are the blue bars and debts service is the orange bars. Net cash flow (green bars) falls below zero in FY 2026, meaning that the City will draw from reserves to fund a portion of expenses in those years. Current revenues (solid line) equal the projected revenues at the City's existing recycled water rates and proposed revenues (dotted line) equal the projected revenues with the proposed revenue adjustments in **Table 1-15** applied.

Figure 1-8: Recycled Water Financial Plan

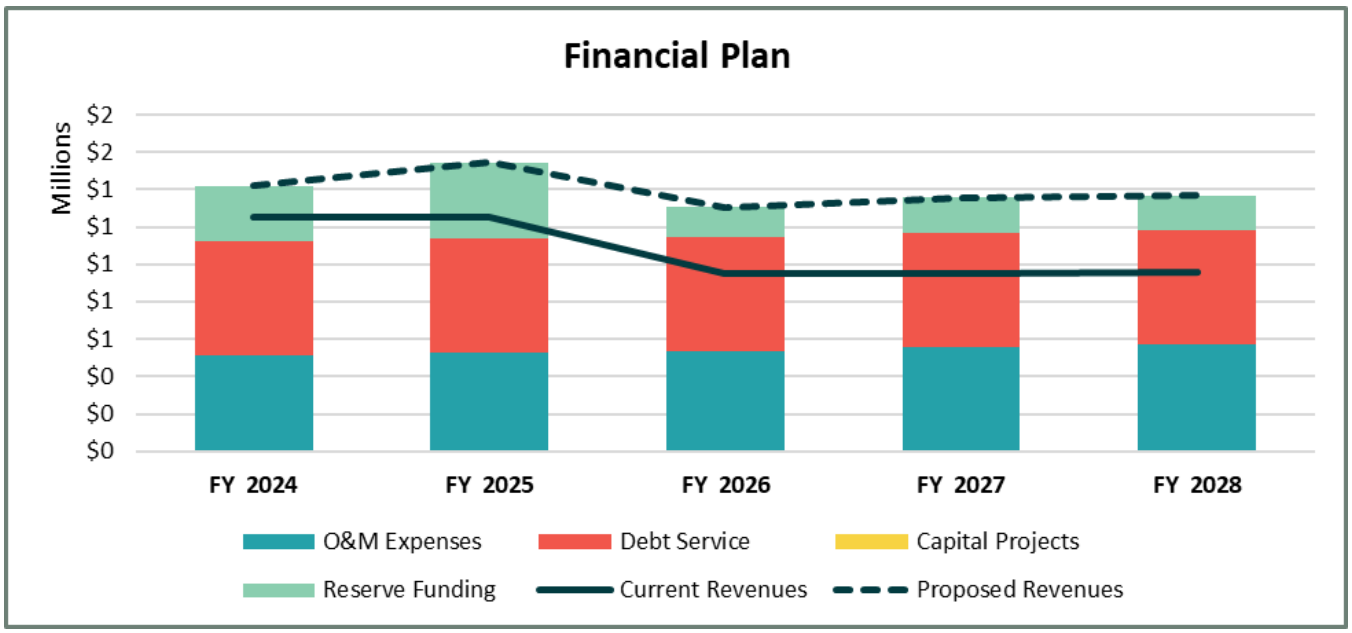
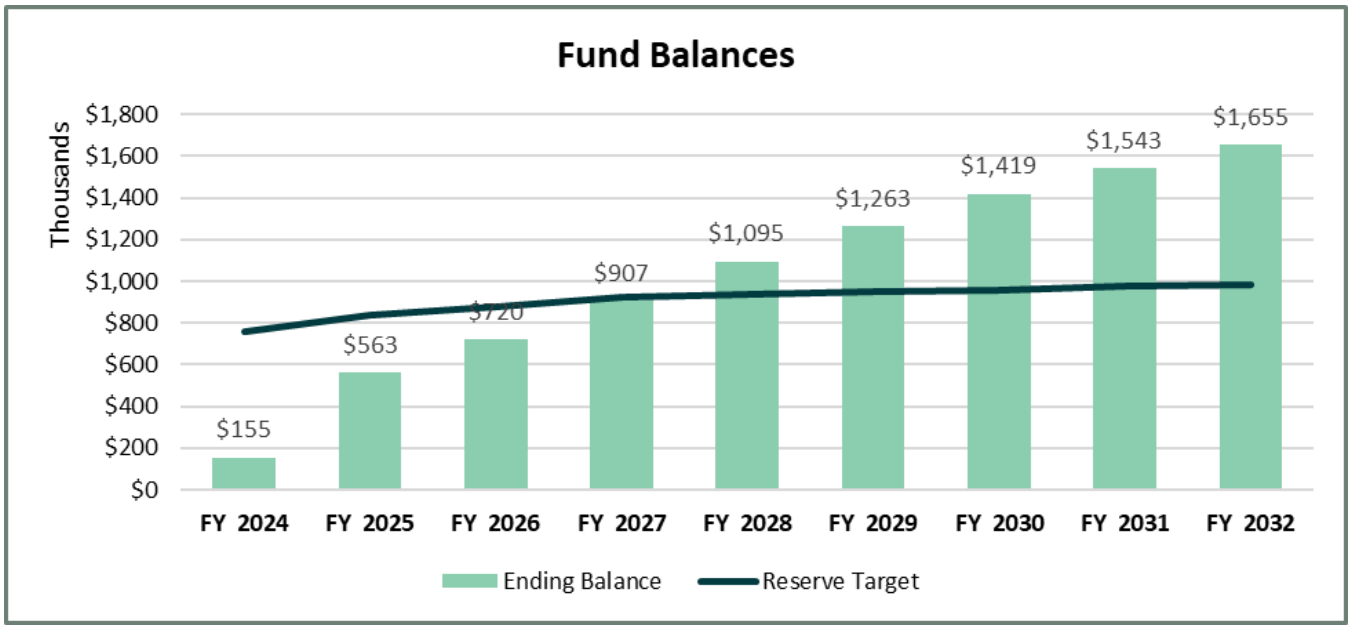


Figure 1-9 shows the combined ending fund balances (green bars) for the City's Recycled Water fund from FY 2024 to FY 2032. Although the study period and resulting rate schedule is projected for five years, the City plans to build its reserves over a longer planning horizon to minimize customer impacts. The reserve target (dark blue line) is determined based on the recommended reserve policy targets in **Table 1-14**. The ending fund balances fall below the reserve target in each year from FY 2024 through FY 2027 but will increase to achieve the target in FY 2028. The City will be able to build its reserves in the out years to establish and operate the recycled water utility independently of the water and wastewater utilities.

Figure 1-9: Recycled Water Fund Balances



1.6.2.4. Proposed Recycled Water Rates

Table 1-16 and **Table 1-17** show the proposed bi-monthly service charges and recycled water usage rates, respectively, for FY 2024 through FY 2025 based on the above recommendations. Rates for all years are increased based on the corresponding revenue adjustments in **Table 1-15**. Because the current rates were increased by the proposed revenue adjustments, all customer impacts will be equal to that year's revenue adjustment.

Table 1-16: Proposed Bi-Monthly Recycled Water Service Charges

Line	A Meter Size	B Proposed FY 2024	C Proposed FY 2025
1	5/8"	$35.45	$39.00
2	3/4"	$49.46	$54.41
3	1"	$77.50	$85.25
4	1 1/2"	$147.58	$162.34
5	2"	$231.68	$254.85
6	3"	$497.97	$547.77
7	4"	$890.41	$979.46
8	6"	$1,829.46	$2,012.41
9	8"	$3,931.80	$4,324.98
10	10"	$5,894.00	$6,483.40

Table 1-17: Proposed Recycled Water Usage Rates ($/ccf)

Line	A Commodity Rates ($/ccf)	B Proposed FY 2024	C Proposed FY 2025
1	Recycled Water	$6.76	$7.44

1.6.2.5. Rate Survey

The City prepared a survey of bi-monthly Recycled Water customer bills for several local agencies. Since not all agencies have recycled water utilities, the City also compared their recycled water rate to other local agencies' non-residential or irrigation rates for potable water, which would be used for the same purpose. **Figure 1-10** shows the comparison to other recycled water rates, and **Figure 1-11** shows the comparison to non-residential and irrigation rates.

Figure 1-10: Recycled Water Usage Rate Comparison

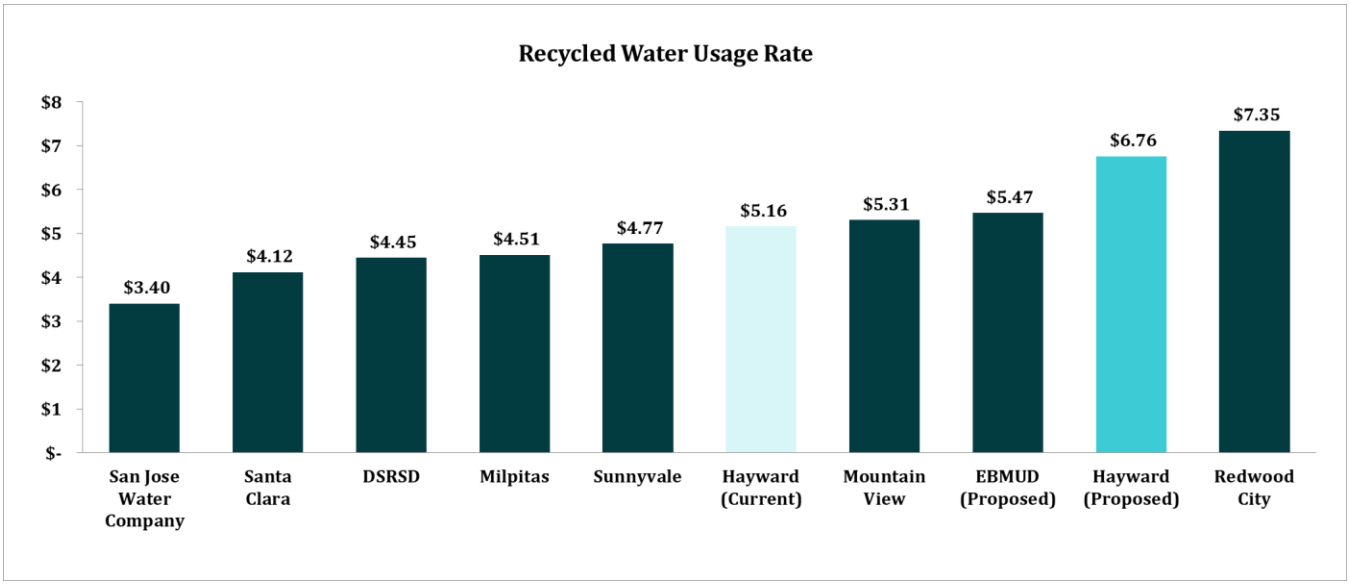
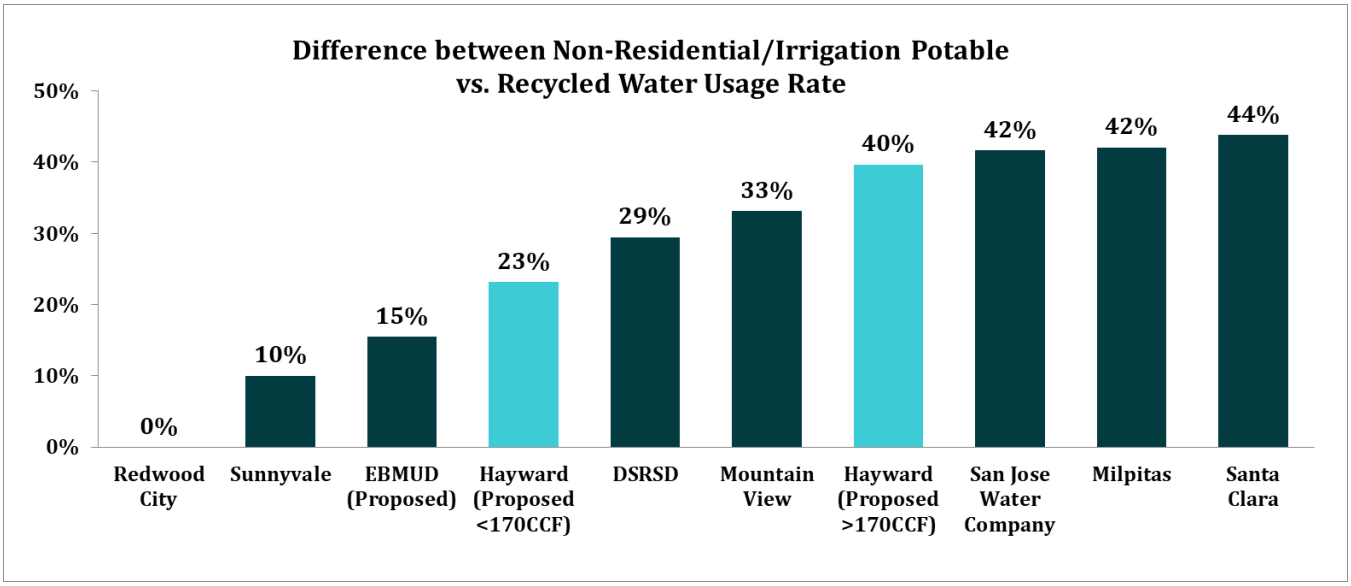


Figure 1-11: Non-Residential/Irrigation Potable Rate Comparison



1.6.3. Wastewater

1.6.3.1. Factors Affecting Revenue Requirements

The following items affect the wastewater utility's revenue requirement (i.e., costs) and thus its wastewater rates. The utility's expenses include O&M expenses, capital project costs, debt service, and reserve funding.

- **Capital Funding**: The wastewater utility has approximately $97.5 million in planned capital expenditures from FY 2024 through FY 2028 and $137.2 million over the study's financial planning horizon (from FY 2024 through FY 2032). Much of the planned CIP expenditures is for the new Water Pollution Control Facility (WPCF) project, with $54.1 million being funded from the Sewer Replacement Fund from FY 2025 to FY 2028. Planned capital project costs are anticipated to be funded by a mix of State Revolving Fund (SRF) loan proceeds, Water Infrastructure Finance and Innovation Act (WIFIA) loan proceeds, and rate revenue.
- **Reserve Funding**: Reserve targets are adopted to ensure enough cash on hand to meet routine cash flow needs, provide adequate funding for planned repairs and replacements (R&R) CIP, navigate emergencies in the event of asset failure or natural disaster, and to protect ratepayers from rate spikes. The recommended reserve policy is discussed in the following section.

1.6.3.2. Recommended Reserve Policy

Raftelis worked with City staff to understand the needs of the wastewater utility and to develop a recommendation for the reserve policy, which is listed in **Table 1-18**. Our recommendation includes the following components:

- **Operating**: The City bills customers on a bi-monthly billing cycle, which can impact cash flows since revenues are collected six times, while expenses may be incurred twelve times per year (monthly). The recommended operating reserve target allows the City to maintain adequate cash flow throughout the year and to fund planned O&M expenses, as well as any unexpected operating costs that may arise.
- **Capital**: Capital expenditures over the planning horizon represent a significant portion of the City's annual costs. However, capital spending can often be unpredictable and subject to changing schedules and costs estimates. Since the City is expecting to cash fund a large portion of the wastewater CIP, maintaining adequate reserves is even more critical. The recommended capital reserve target provides the City with cash on hand to adequately fund each year's planned rate funded capital projects.
- **Rate Stabilization**: The recommended rates stabilization reserve target will help reduce the need for unreasonable rate increases and smooth out wastewater rates, even in the instance of unexpected increases in operating or capital costs.

In total, the recommended reserve policy calls for a target balance of approximately $21.1 million in FY 2024. The recommended policy matches the current water reserve policy.

Table 1-18: Recommended Wastewater Reserve Policy

	A	B	C
Line	Reserve Targets	Recommended Target Policy	FY 2024Target
1	Operating	25% O&M Expenses	$5,298,440
2	Capital	One Year of 5-year Average CIP	$8,672,738
3	Rate Stabilization	25% of Service Charges	$7,128,638
4	**Total**		**$21,099,815**
5			

6 *Days Cash on Hand* *419*

1.6.3.3. Financial Plan Results

Table 1-19 shows the proposed revenue adjustments that allows the City to maintain financial sufficiency, fund operating and capital expenses, and achieve recommended cash reserves for the wastewater utility. The proposed adjustments apply to the City's rate revenues, which were projected for future years assuming no growth in customer accounts or demand during the study period. We assume no growth in customer demand throughout the period in order to conservatively project future rate revenues. The proposed revenue adjustments are applied across all existing charges for each year of the rate study.

Table 1-19: Proposed Wastewater Revenue Adjustments

Line	A Revenue Adjustments	B FY 2024	C FY 2025	D FY 2026	E FY 2027	F FY 2028
1	Effective Month	October	October	October	October	October
2	Percent Adjustment	7%	7%	7%	7%	7%

Figure 1-12 shows the five-year financial plan for FY 2024 through FY 2028. The stacked bars represent the costs of the wastewater utility: O&M expenses (gray bars), debt service (orange bars), and rate-funded CIP costs (yellow bars). Net cash flow (green bars) falls below zero in all years of the rate study, meaning that the City will draw from reserves to fund a portion of expenses in those years. Current revenues (solid line) equal the projected revenues at the City's existing water rates and proposed revenues (dotted line) equal the projected revenues with the proposed revenue adjustments in **Table 1-19** applied.

Figure 1-12: Wastewater Financial Plan

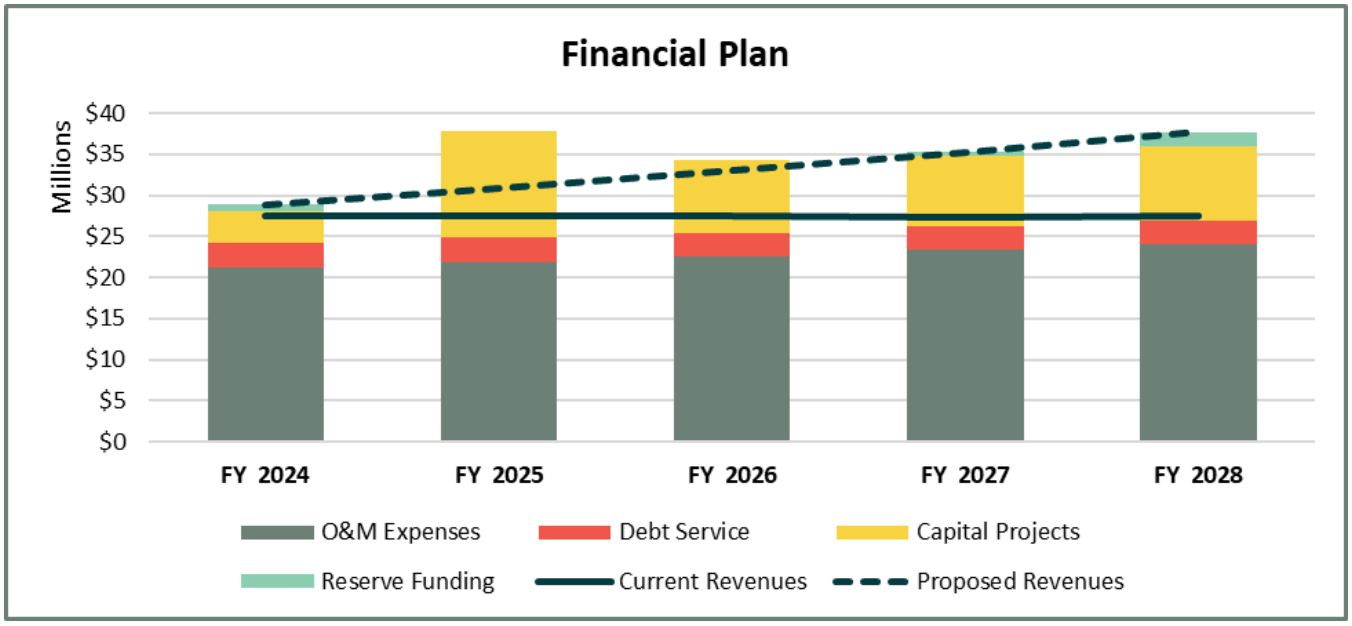


Figure 1-13 shows the combined ending fund balances (green bars) for the City's Wastewater Operating Fund and Wastewater Replacement Fund from FY 2024 through FY 2032. Although the study period and resulting

rate schedule is projected for five years, the City plans to build its reserves over a longer planning horizon to minimize customer impacts. The reserve target (dark blue line) is determined based on the recommended reserve policy targets in **Table 1-18**. The ending fund balances fall slightly below the reserve target in each year from FY 2025 through FY 2028, but will increase to achieve the target in FY 2029. The City will build its wastewater reserves in preparation for the WIFIA and SRF loan debt service later on in the planning period.

Figure 1-13: Wastewater Fund Balances

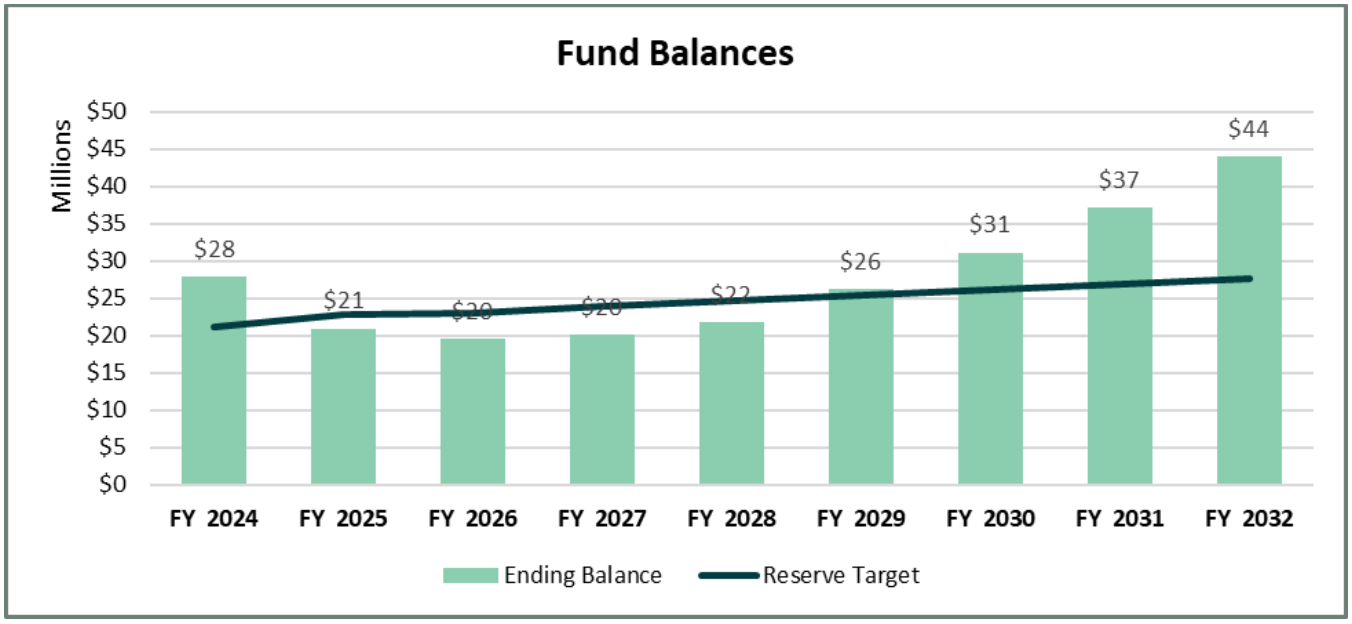
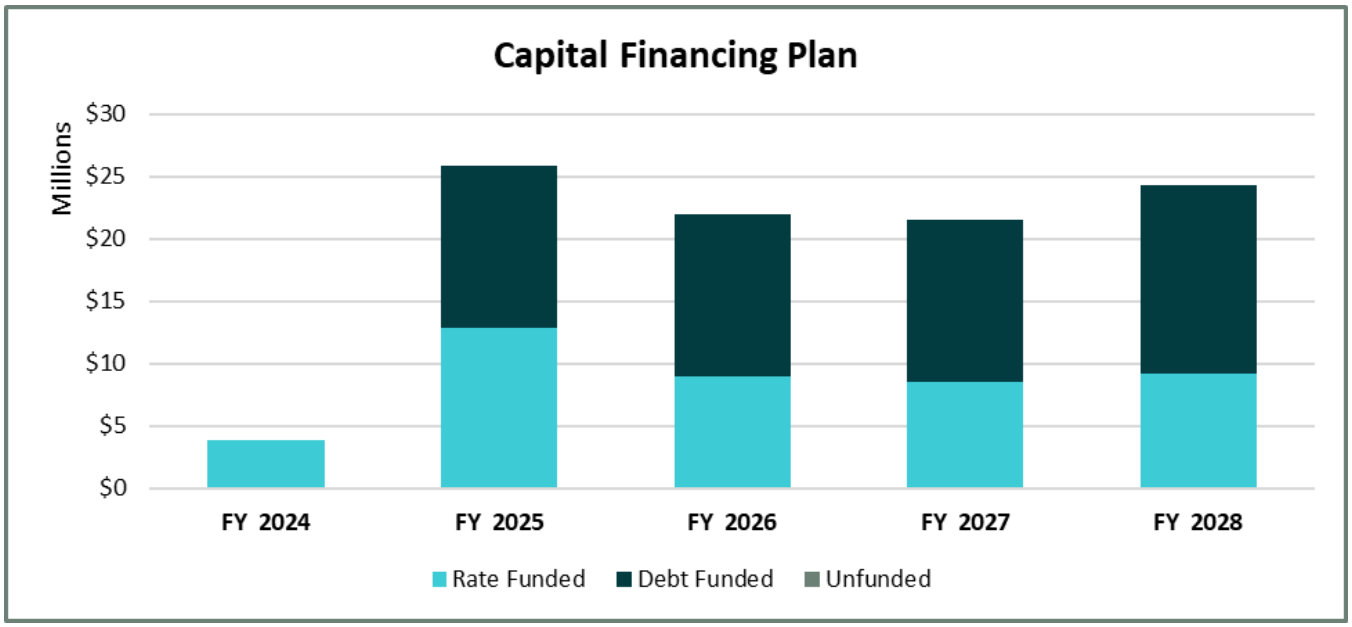


Figure 1-14 shows the five-year CIP expenditures from FY 2024 though FY 2028. CIP expenditures will be funded by a combination of debt proceeds and rate revenue and existing capital reserves

Figure 1-14: Wastewater Capital Financing Plan



1.6.3.4. Proposed Wastewater Rates

Table 1-20, **Table 1-21**, and **Table 1-22** show the proposed bi-monthly charges, coded user usage charges, and critical user usage charges, respectively, for FY 2024 though FY 2025 based on the above recommendations. Rates for all years are determined by increasing current rates by the corresponding revenue adjustments in **Table 1-19**. Since the current wastewater rates are being increased by the revenue adjustments, all bill impacts will mirror the proposed revenue adjustments.

Table 1-20: Proposed Bi-Monthly Residential Wastewater Charges

	A	B	C
Line	Residential Customers	Proposed FY 2024	Proposed FY 2025
1	Standard Residential	$82.58	$88.38
2	Multi-Family (charge per unit)	$73.50	$78.66
3	Mobile Home (charge per unit)	$57.82	$61.88
4	Economy (5 to 8 units of metered water usage)	$38.68	$41.40
5	Lifeline (0 to 4 units of metered water usage)	$19.36	$20.72

Table 1-21: Proposed Wastewater Usage Charges for Coded Commercial Customers

	A	B	C
Line	Coded Users	Proposed FY 2024	Proposed FY 2025
1	**With Irrigation Meters**		
2	Meat Products	$14.36	$15.37
3	Slaughterhouse	$16.53	$17.69
4	Dairy Products Processor	$11.85	$12.68
5	Canning & Packing	$8.44	$9.04
6	Grain Mills	$11.12	$11.90

7	Bakeries	$12.86	$13.77
8	Fats & Oils	$8.01	$8.58
9	Beverage Bottling	$7.61	$8.15
10	Food Manufacturer	$28.35	$30.34
11	Pulp & Paper Products Manufacturer	$9.76	$10.45
12	Inorganic Chemicals	$13.56	$14.51
13	Paint Manufacturer	$21.14	$22.62
14	Leather Tanning	$27.84	$29.79
15	Fabricated Metal	$4.03	$4.32
16	Eating Places (w/o grease interceptor)	$12.63	$13.52
17	Commercial Laundry	$7.54	$8.07
18	Industrial Laundry	$11.71	$12.53
19	Eating Places (w/ grease interceptor)	$9.75	$10.44
20	Other Domestic Strength Users - Commercial/Institutional/Govt	$7.46	$7.99
21	**Without Irrigation Meters**		
22	Meat Products	$12.93	$13.84
23	Slaughterhouse	$14.88	$15.93
24	Dairy Products Processor	$10.66	$11.41
25	Canning & Packing	$7.59	$8.13
26	Grain Mills	$10.01	$10.72
27	Bakeries	$11.57	$12.38
28	Fats & Oils	$7.21	$7.72
29	Beverage Bottling	$6.85	$7.33
30	Food Manufacturer	$25.51	$27.30
31	Pulp & Paper Products Manufacturer	$8.78	$9.40
32	Inorganic Chemicals	$12.21	$13.07
33	Paint Manufacturer	$19.03	$20.37
34	Leather Tanning	$25.04	$26.80
35	Fabricated Metal	$3.63	$3.89
36	Eating Places (w/o grease interceptor)	$11.37	$12.17
37	Commercial Laundry	$6.78	$7.26
38	Industrial Laundry	$10.53	$11.27
39	Eating Places (w/ grease interceptor)	$8.78	$9.40
40	Other Domestic Strength Users - Commercial/Institutional/Govt	$6.72	$7.20

Table 1-22: Proposed Wastewater Usage Charges for Critical Commercial Customers

	A	B	C
Line	Critical Users	Proposed FY 2024	Proposed FY 2025
1	Volume – Cost per 100 cubic feet	$3.45	$3.69
2	CBOD – Cost per pound	$0.82	$0.88
3	Suspended Solids – Cost per pound	$1.11	$1.18

1.6.3.5. Rate Survey

The City prepared a survey of bi-monthly Single Family Residential and Restaurant with grease interceptor customer bills for several local agencies, shown respectively in **Figure 1-15** and **Figure 1-16**.

Figure 1-15: Single Family Wastewater Bill Comparison with Local Agencies

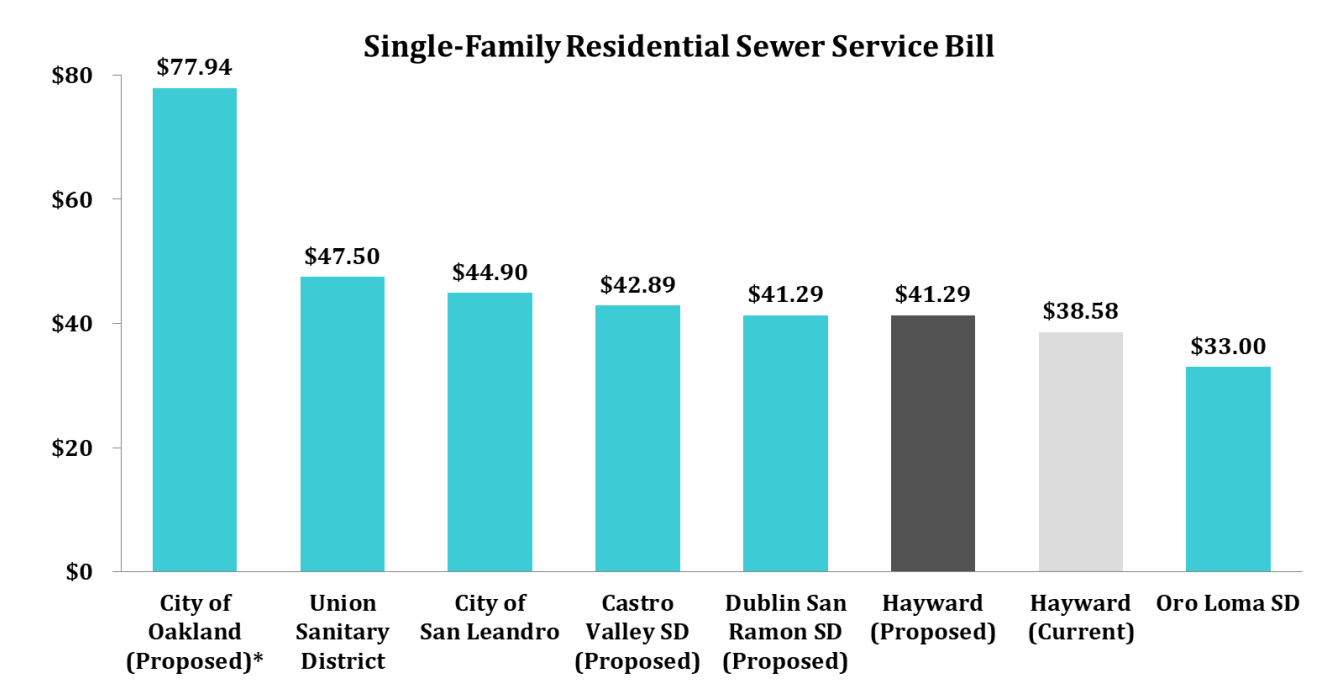
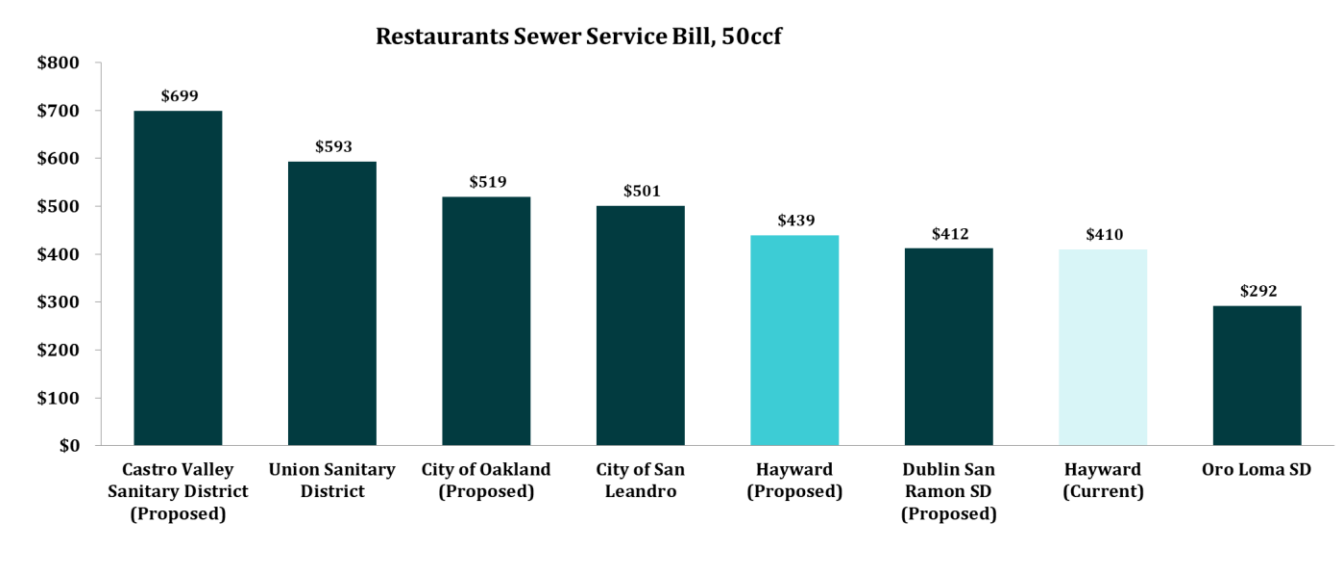


Figure 1-16: Restaurant with Grease Interceptor Wastewater Bill Comparison with Local Agencies



1.7. Connection Fees

In addition to the rate study, the City engaged Raftelis to conduct an analysis of its water, recycled water, and wastewater connection fees. Connection fees are one-time fees, collected as a condition of establishing a new connection to the City's water, recycled water, and/or wastewater system or the expansion of an already existing connection. The purpose of these fees is to pay for development's share of the costs of utility facilities. These fees are designed to be proportional to the demand placed on the system by the new or expanded connection. The recommended connection fees for the service area do not exceed the estimated reasonable costs of providing the facilities for which they are collected and are of proportional benefit to the property being charged. This report documents the data, methodology, and results of the capacity fee study.

1.7.1. Economic and Legal Framework

For publicly owned water systems, most of the assets are typically paid for by the contributions of existing customers through rates, charges, and taxes. In service areas that incorporate new customers, the infrastructure developed by previous customers is generally extended towards the service of new customers. Existing customers' investment in the existing system capacity allows newly connecting customers to take advantage of unused surplus capacity. To enhance economic equality among new and existing customers, new connectors will typically buy-into the existing and pre-funded facilities effectively putting them on par with existing customers. In other words, the new users are buying into the existing system through a payment for the portion of facilities that has already been constructed in advance of new development.

1.7.1.1. Economic Framework

The basic economic philosophy behind connection fees is that the costs of providing service should be paid for by those that are served by the utility. To affect fair distribution of the value of the system, the charge should reflect a reasonable estimate of the cost of providing capacity to new users, and not unduly burden existing users through a comparable rate increase. The philosophy that service should be paid for by those that receive utility from the system is often referred to as "growth-should-pay-for-growth." Accordingly, many utilities make this philosophy one of their primary guiding principles when developing their capacity fee structure. For water utilities, the principal is summarized in the American Water Works Association (AWWA) Manual M1, Water Rates and Related Charges:

- A critical step in developing System Development Charges (SDC s) is to identify the objectives to be achieved by the SDC program, which might include some or all of the following: Require new development to pay its own way—that is, "growth pays for growth."
- Equitably recover capacity-related capital costs from current and future customers to achieve equity between the different generations of ratepayers (intergenerational equity).

1.7.1.2. Legal Framework

In establishing connection fees, it is important to understand and comply with local laws and regulations governing the establishment, calculation, and implementation of connection fees. The following sections summarize the regulations applicable to the development of connection fees for the City.

1.7.1.2.1. California Government Code Requirements

Connection fees must be established based on a reasonable relationship to the needs and benefits to the development or growth. Courts have long used a standard of reasonableness to evaluate the legality of development charges. The basic statutory standards governing connection fees are embodied by California

Government Code Sections 66013, 66016, 66022 and 66023. Government Code Section 66013, in particular, contains requirements specific to determining utility development charges:

> "Notwithstanding any other provision of law, when a local agency imposes fees for water connections or sewer connections, or imposes capacity charges, those fees or charges shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed, unless a question regarding the amount the fee or charge in excess of the estimated reasonable cost of providing the services or materials is submitted to, and approved by, a popular vote of two-thirds of those electors voting on the issue."

1.7.2. Methodologies

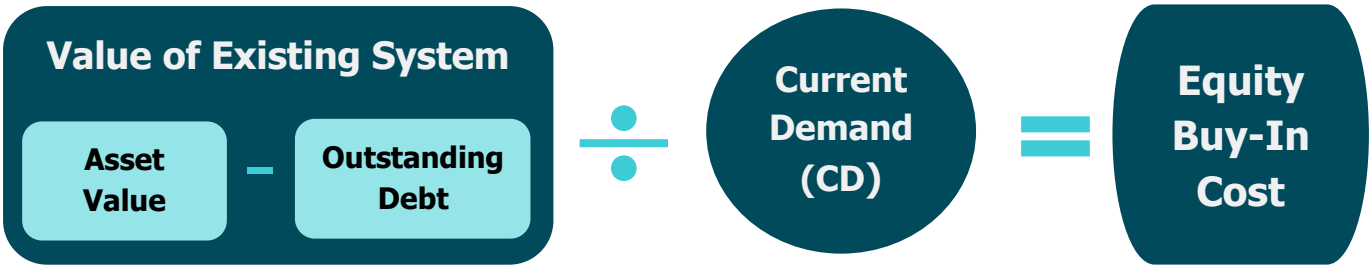
Raftelis utilizes four general methodologies that are widely accepted to calculate connection fees: the equity buy-in, capacity buy-in, incremental cost, and hybrid methods. The appropriate method is determined based on the unique circumstances of each local agency or district. In addition to addressing the local needs of the City, the method is intended to address any legal requirements and current public policy in the state of California. The following methodologies will detail how Raftelis will evaluate the cost of capital to provide service capacity and allocate these costs equitably to various service connections.

1.7.2.1. Equity Buy-In Approach

The equity buy-in method focuses on total value and current demand of the existing system. This method is utilized when existing users have developed and maintained a utility system that can accommodate further growth. Since existing customers have already financed the costs associated with developing the current system new customers will pay their respective portion of the net investment. The net equity investment, or value of the existing system, is then divided by the current demand (CD) of the system to determine the buy-in cost per unit of capacity (UOC).

For example, if the current system has 1,000 units of usage in a typical year and the new connection would average an equivalent additional unit of usage, the new connection will cost 1/1000 of the total value of the existing system. By following this method, the new customer has bought into the current system by paying their portion of the overall system based on their strain or capacity access of the system. This places them in an equal financial position to the preexisting customers. The process for this method is shown in **Figure 1-17**.

Figure 1-17: Equity Buy-In Method



As shown, the value of the system typically includes asset value less any outstanding debt principal. Reserves are included because they increase the value to the system and are typically used to pay for upgrades or maintenance to the system. Likewise, debt obligations are secured by the value of the system and used to pay

for the assets of the system. Once the value of the existing system is determined, this is divided by the current demand (CD) and the buy-in cost is determined for various connection types.

An important step in this method is to determine the value of the assets. System valuation is typically determined using one of four methods shown below: Original Cost, Original Cost Less Depreciation, Replacement Cost, and Replacement Cost Less Depreciation.

Original Cost (OC). Original cost is the amount paid when initially purchased. The main advantage of using this method is its simplicity as it is held constant from the date of purchase of assets regardless of changing costs throughout its useful life. The drawback of this method is that it does not accurately reflect current financial costs to repair or replace these assets due to factors such as inflation. Considering that the current existing system is developed over a long-term time horizon to serve the needs of a service area as it grows, it will be difficult or misleading to properly assess the value of the system based on costs at the time of purchase.

Replacement Cost (RC). Changes in the value of the dollar over time, at least as considered by the impacts of inflation, can be recognized by replacement cost asset valuation. The replacement cost represents the cost of duplicating the existing utility facilities (or duplicating its function) at current prices. Unlike the original cost approach, the replacement cost method recognizes price level changes that may have occurred since plant construction. The most accurate replacement cost valuation would involve a physical inventory and appraisal of system components in terms of their replacement costs at the time of valuation. However, with original cost records available, a reasonable approximation of replacement cost system value can most easily be ascertained by trending historical original costs. This approach employs the use of cost indices to express actual capital costs experienced by the utility in terms of current dollars. An obvious advantage of the replacement cost approach is that it considers changes in the value of money over time.

Original Cost Less Depreciation (OCLD) or Replacement Cost Less Depreciation (RCLD). Considerations of the current value of utility facilities may also be materially affected by the effects of age and depreciation. Depreciation takes into account the anticipated losses in system value caused by wear and tear, decay, inadequacy, and obsolescence. To provide appropriate recognition of the effects of depreciation on existing utility facilities, both the original cost and replacement cost valuation measures can also be expressed on an OCLD and RCLD basis. These measures are identical to the aforementioned valuation methods, with the exception that accumulated depreciation is computed for each asset account based upon its age or condition and deducted from the respective total original cost or replacement cost to determine the OCLD or RCLD measures of plant value.

1.7.2.2. Capacity Buy-In Approach

The capacity buy-in approach is based on the same premise as that for the equity buy-in approach – that new customers are entitled to service at the same rates as existing customers. The difference between the two approaches is that for the capacity buy-in approach, for each major asset, the value is divided by its capacity. This approach has a major challenge as determining the capacity of each major asset is problematic, as different components of the system may have differing capacities. **Figure 1-18** shows the framework for calculating the capacity buy-in fee.

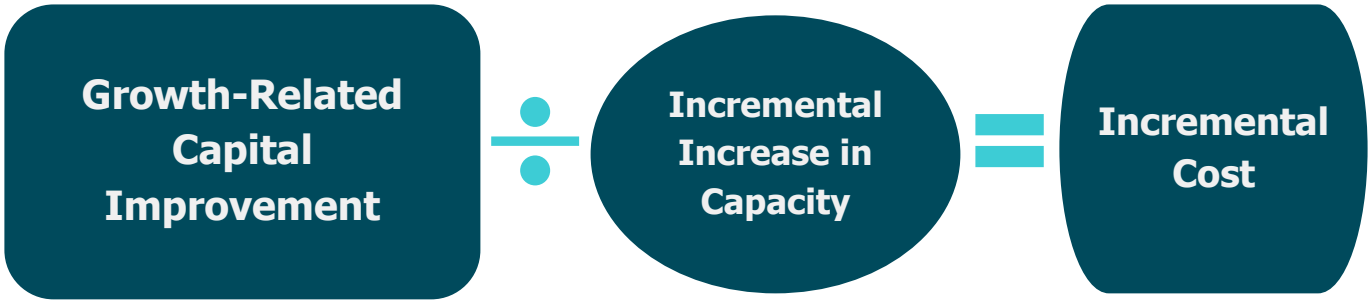
Figure 1-18: Capacity Buy-In Method

1.7.2.3. Incremental Cost Approach

The incremental method is based on the premise that new development (new users) should pay for the additional capacity and expansions necessary to serve the new development. This method is typically used where there is little or no capacity available to accommodate growth and expansion of the existing system is needed to service the new development. Under the incremental method, growth-related capital improvements are allocated to new development based on their estimated usage or capacity requirements, irrespective of the value of past investments made by existing customers.

For instance, if it costs X dollars ($X) to provide 100 additional units of capacity of average usage and a new connector uses one of those units of capacity, then the new user would pay $X/100 to connect to the system. In other words, new customers pay the incremental cost of capacity. As with the equity buy-in approach, new connectors will effectively acquire a financial position that is on par with existing customers. Use of this method is generally considered to be most appropriate when a significant portion of the capacity required to serve new customers must be provided by the construction of new facilities. **Figure 1-19** shows the framework for calculating the incremental cost fee.

Figure 1-19: Incremental Cost Method



1.7.2.4. Hybrid Approach

The hybrid approach is typically used where some capacity is available to serve new growth, but additional expansion is still necessary to accommodate new development. Under the hybrid approach the capacity fee is based on the summation of the existing capacity and any necessary expansions that benefit new users.

In utilizing this methodology, it is important that system asset costs are not double counted when combining costs of the existing system with future costs from expanding the system. Asset costs that are included in the incremental costs should be excluded from the existing system. Capital Improvement Program (CIP). CIP

costs that expand system capacity to serve future customers may be included proportionally to the percentage of the cost specifically required for expansion of the system.

1.7.3. Proposed Methods

For the water and wastewater utilities, the City decided upon using the hybrid methodology. This is because these systems have some capacity available, but there is additional expansion anticipated that will be necessary to accommodate new growth. The recycled water connection fees are calculated using the capacity buy-in method. As recycled water is a new utility with a new system, this methodology accounts for anticipated growth and increased use of the system. Additionally, the recycled water Master Plan will be published next year, allowing for more insight when updating the connection fees in the future.

1.7.4. Water Connection (or Facilities) Fees

For the buy-in component of the water connection fee, the total buy-in costs included the replacement cost of the fixed assets and cash balance for FY 2023 minus the outstanding debt principal for the water utility. The total system value was divided by the existing system capacity per equivalent meter units The incremental component costs included the total of 10 years of expansion CIP from FY 2023 to FY 2032. The weighted facilities value was divided by the existing system capacity per equivalent meter units (EMUs) to determine the facilities fee by EMU. The City staff recommended water connection fees increase the current connection fees by 10%. This is so that the City can phase in the connection fees over several years to reach the calculated fees and prevent large fee increases to customers. **Table 1-23** shows the current water connection fees, the proposed calculated water connection fees, and the staff recommended water connection fees.

Table 1-23: Proposed Water Connection Fees

	A	B	C	D
Line	Connection Fees	Current	Calculated	Staff Recommended
1	5/8"	$6,484	$7,964	$7,133
2	3/4"	$9,730	$11,946	$10,703
3	1"	$16,210	$19,910	$17,831
4	1 1/2"	$32,420	$39,820	$35,662
5	2"	$51,870	$63,712	$57,057
6	3"	$103,740	$139,370	$114,114
7	4"	$162,100	$250,866	$178,310
8	6"	$324,200	$517,660	$356,620
9	8"	$518,720	$1,114,960	$570,592
10	10"	$745,660	$1,672,440	$820,226

1.7.5. Recycled Water Connection Fees

The total buy-in costs for the recycled water utility include all capital investments to date. The total system value is divided by the capacity per EMU to calculate the connection fee. Since recycled water system has initial high costs and relatively few customers, and thus calculated fee would have been very high. The City staff recommended recycled water connection fees match the staff recommended water connection fees. **Table 1-24** shows the current recycled water connection fees, the proposed calculated recycled water connection fees, and the staff recommended recycled water connection fees.

Table 1-24: Proposed Recycled Water Connection Fees

Line	A Connection Fees	B Current	C Calculated	D Staff Recommended
1	5/8"	$6,484	$34,056	$7,133
2	3/4"	$9,730	$51,084	$10,703
3	1"	$16,210	$85,140	$17,831
4	1 1/2"	$32,420	$170,280	$35,662
5	2"	$51,870	$272,448	$57,057
6	3"	$103,740	$595,980	$114,114
7	4"	$162,100	$1,072,764	$178,310
8	6"	$324,200	$2,213,640	$356,620

1.7.6. Wastewater Connection Fees

For the buy-in component of the wastewater connection fee, the total buy-in costs included the replacement cost of the fixed assets and cash balance for FY 2023 minus the outstanding debt principal for the wastewater utility. The total system value was divided by the existing system capacity per equivalent meter units The incremental component costs included the total of 10 years of expansion CIP from FY 2023 to FY 2032. The weighted facilities value was divided by the estimated wastewater flow per EMU to determine the facilities fee by EMU. The City staff recommended wastewater connection fees increase the current wastewater connection fees by 25%. **Table 1-25** shows the current wastewater connection fees, the proposed calculated wastewater connection fees, and the staff recommended wastewater connection fees.

Table 1-25: Proposed Wastewater Connection Fees

Line	A Connection Fees	B Current	C Calculated	D Staff Recommended
1	Single Family	$7,700	$15,530	$9,625
2	Multi-Family (89% of SFR)	$6,853	$13,822	$8,567
3	ADU (40% of SFR)	$6,853	$6,212	$3,850
4	Commercial, Industrial, All Other			
5	Per gpd of discharge	$21.508	$43.380	$26.885
6	Per lb per year of cBOD	$8.527	$17.198	$10.659
7	Per lb per year of SS	$9.173	$18.501	$11.467
8	Minimum	$7,700	$15,530	$9,625

File #: WS 23-012

DATE: April 18, 2023

TO: Mayor and City Council

FROM: Acting Development Services Director

SUBJECT

Residential Design Study Work Session: Options and Recommendations Report for the Hayward Residential Design Study

RECOMMENDATION

That the City Council provides feedback on the recommendations contained within the Options and Recommendations Report for the Hayward Residential Design Study.

SUMMARY

The Hayward Residential Design Study is a long-range planning project that will result in the development of objective residential design standards as well as zoning amendments that ensure General Plan and Zoning Ordinance consistency. As part of this effort, an Options and Recommendations Report (Attachment II) was prepared to evaluate the City's current residential design standards and provide options and recommendations for updates.
Specifically, the Report recommends the following:

- **Site Development.** Establish site development standards based on lot size, lot width, and the surrounding context.
- **Building Height.** Update the building height standards of the Medium Density Residential and High Density Residential zoning districts to allow for four or five story buildings and to be more consistent with the Mission Boulevard Code.
- **Building Massing.** Require building step-backs for upper stories on two-story single -family homes and multifamily residential development taller than two stories.
- **Building Frontage.** Adopt standards for building frontage design that address ground floor and façade treatments, window size and placement, roofline variation, front yard treatment, and fencing.
- **Architectural Styles.** Allow for a diversity of architectural styles and building types by limiting prescriptive design standards around any particular architectural style.
- **Open Space.** Make open space requirements easy to understand and provide clear definitions of the different types of open spaces. Ensure that open space requirements do not limit the feasibility

of achieving the maximum allowable density and/or lot coverage.

- **Landscaping and Lighting.** Adopt objective standards around lighting and landscaping.

At this work session, staff is requesting specific feedback from the City Council on the following questions related to the Options and Recommendations Report for the Hayward Residential Design Study:

- Which of the recommendations and related options are not right for Hayward?
- Are there any other residential design issues not discussed in this report that should be considered when preparing the updated standards?

ATTACHMENTS

Attachment I	Staff Report
Attachment II	Options and Recommendations Report

DATE: April 18, 2023

TO: Mayor and City Council

FROM: Acting Development Services Director

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- **Site Development.** Establish site development standards based on lot size, lot width, and the surrounding context.
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- **Building Massing.** Require building step-backs for upper stories on two-story single family homes and multifamily residential development taller than two stories.
- **Building Frontage.** Adopt standards for building frontage design that address ground floor and façade treatments, window size and placement, roofline variation, front yard treatment, and fencing.
- **Architectural Styles.** Allow for a diversity of architectural styles and building types by limiting prescriptive design standards around any particular architectural style.
- **Open Space.** Make open space requirements easy to understand and provide clear definitions of the different types of open spaces. Ensure that open space requirements do not limit the feasibility of achieving the maximum allowable density and/or lot coverage.

- **Landscaping and Lighting.** Adopt objective standards around lighting and landscaping.

At this work session, staff is requesting specific feedback from the City Council on the following questions related to the Options and Recommendations Report for the Hayward Residential Design Study:

- Which of the recommendations and related options are not right for Hayward?
- Are there any other residential design issues not discussed in this report that should be considered when preparing the updated standards?

BACKGROUND

In 2019, the City of Hayward was awarded an SB 2 Planning Grant by the California Department of Housing and Community Development (HCD) for various housing projects, including the Hayward Residential Design Study. The Hayward Residential Design Study is an update to the City's zoning regulations to support and streamline the review and development of quality housing. The Study aims to make the requirements for residential projects objective, predictable, and easy to understand; to resolve inconsistencies between various planning documents; and, to eliminate ambiguity that may pose as a barrier to residential development. The Study will primarily focus on establishing objective development and design standards that can be applied to single family, multifamily and mixed-use developments.

Summary of Recent State Legislation. In response to California's housing crisis, the State legislature has passed several laws removing barriers for residential development**,** protecting existing housing inventory, and expediting permit processing. These laws include Senate Bill 9 (SB 9), Senate Bill 35 (SB 35), and Senate Bill 330 (SB 330).

Under these State laws, residential development must be approved if the project meets all objective development and design standards. Objective standards are defined as "standards that involve no personal or subjective judgment by a public official and are uniformly verifiable by reference to an external and uniform benchmark or criterion available and knowable by both the development applicant or proponent and the public official before submittal". In other words, an objective standard must be written in such a way that anyone reading it would have the same understanding as to what the standard requires. The recommendations provided at the end of the Options and Recommendations report focus on ways to update the City's residential standards to make them "objective" by including measurable, enforceable, and understandable parameters.

To assist local jurisdictions with developing objective standards, the Department of Housing and Community Development (HCD) published an Objective Design Standards Toolkit, which is included as an appendix of Attachment II. This toolkit focuses on how to regulate design objectively and presents approaches and considerations for adopting objective design standards. It emphasizes that local jurisdictions should include flexibility and predictability in their standards while also minimizing constraints for housing development.

Additionally, under SB 330, local jurisdictions are prohibited from adopting development standards that would effectively reduce the allowable residential density that is currently permitted by the General Plan and Zoning Ordinance. Thus, this Study must ensure that all new standards and/or the standards collectively do not prohibit residential development from being built at the current allowable densities.

Kickoff Meeting Joint Session. On February 1, 2022,[1] the Council and Planning Commission held a joint work session to provide initial guidance and feedback on the Hayward Residential Design Study. The Council and Planning Commission provided significant feedback during this session, including that new standards should address building massing, height and setback standards, frontage treatments including landscaping, aesthetics, relationship to existing development, and the development of missing middle housing.

Public Outreach. To date, outreach efforts for the Hayward Residential Design Study have included an online community survey, an online interactive mapping tool, in-person "walkshops" (walking workshops) and various in-person community events. These efforts were promoted through the City's e-newsletter, social media platforms, Permit Center, libraries, and community-based organizations. The community survey and promotional materials were provided in Spanish, Mandarin, and English.

Through these efforts, staff gathered both quantitative and qualitative data that will be used to inform the development of objective residential standards and zoning amendments. Key findings from the outreach thus far include a range of community priorities, including allowing for a variety of architectural styles, avoiding bulky buildings, creating a relationship between buildings and the street, ensuring well designed landscaping and open spaces, and taking into consideration existing neighborhood characteristics. A full summary and analysis of public outreach to date is available on the City's website.[2]

Informational Reports. On October 11, 2022[3] and October 27, 2022,[4] the City Council and Planning Commission respectively, received Informational Reports from staff providing a status update on the Hayward Residential Design Study. The reports and their attachments provide a detailed overview of community outreach conducted to date, a project vision statement and objectives, and background information related to relevant State legislation, the City's current regulations for residential development, and best practices from surrounding communities. As these items were included on the meeting agendas as Informational Reports, no discussions were held or actions taken.

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[1] Joint Session of City Council and Planning Commission, February 1, 2022:
https://hayward.legistar.com/LegislationDetail.aspx?ID=5397460&GUID=B175606F-4591-4D2E-B41A-328BD292B038
[2] Project Webpage on City of Hayward Website:
https://www.hayward-ca.gov/your-government/departments/planning-division/residential-design-study
[3] Informational Report to the City Council, October 11, 2022:
https://hayward.legistar.com/LegislationDetail.aspx?ID=5866918&GUID=894C7C53-DC5C-4221-B088-0EBF8B2AEA96
[4] Informational Report to the Planning Commission, October 27, 2022:
https://hayward.legistar.com/LegislationDetail.aspx?ID=5892998&GUID=7857C30F-1A87-4B4B-9E5E-A8B0339C69FF

Parking Analysis Work Sessions. On January 24, 2023[5] and February 9, 2023[6], the City Council and Planning Commission respectively, held work sessions to provide feedback on the Parking Analysis associated with the Hayward Residential Design Study. The Council and Planning Commission provided clear guidance during these sessions, including a desire to maintain the existing parking requirements within Downtown Hayward, the Mission Boulevard corridor and conduct additional research on Transportation Demand Management (TDM) strategies and the unbundling of parking to help reduce parking demand.

Interested Parties Interviews. In late March and early April, the project team held interviews with eight small groups to gather feedback on the recommendations outlined within the Options and Recommendations Report. The small groups included market-rate housing developers, affordable housing developers, architects, community and housing advocates, neighborhood group representatives and "walkshop" attendees. To date, the interested parties' feedback is summarized below:

- Support for increasing current structure height limits as it is a constraint to meeting density requirements.
- Support for step-back requirements that address architectural monotony but do not result in the substantial loss of developable square footage. Strong preference to see step-back requirements beginning on the third or fourth floor and having no requirements for single-family dwellings.
- Support for larger setbacks for garages or entirely reorient garages to the back of the home for single-family dwellings.
- Preference for small front porches and variation in form for single-family dwellings.
- Prioritize landscaping, balconies, and windows that consider interior function and exterior aesthetic for multi-family dwellings.
- Support for common and private open spaces with an emphasis and greater square footage dedicated to common open spaces. There was wide support for allowing developers to choose which amenities to install based on approved City list.
- Conceal parking facilities behind landscaping, building or structural elements for multi-family dwellings.

Planning Commission Work Session. On April 13, 2023, the project team held a work session with the Planning Commission to obtain similar feedback on the recommended design standards. Staff will provide a verbal update during the Council work session regarding the Commission's feedback.

To inform the Options and Recommendations Report for the Hayward Residential Design Study, the project team evaluated relevant State legislation and the City's regulations. A summary of relevant State legislation and existing regulations are described below but additional details are provided in Attachment II.

[5] Work Session of the City Council, January 24, 2023: https://hayward.legistar.com/MeetingDetail.aspx?ID=1067802&GUID=1C292A3B-F528-43B6-BE57-6258FAD071AF&Options=info|&Search=

[6] Work Session of the Planning Commission, February 9, 2023: https://hayward.legistar.com/MeetingDetail.aspx?ID=1079506&GUID=73806132-61F2-40A7-ABB7-FE0E8074DF34&Options=info|&Search=

Summary of Current Residential Development Standards. Current residential development standards are described within Chapter 10 of the Hayward Municipal Code[7] and the *Hayward 2040 General Plan*[8]. Key regulations including density, setbacks, height, and lot standards are summarized in Table 1 and Table 2 below.

Table 1: Allowable Density and Use by General Plan Land Use Designation

Land Use Designation	Allowed/Supported Uses	Density (du/acre)
Rural Estate Density	Detached single-family homes, second units	0.2 to 1.0
Suburban Density	Detached single-family homes, second units	1.0 to 4.3
Low Density	Detached single-family homes, second units	4.3 to 8.7
Limited Medium Density	Detached & attached single-family homes, multi-family homes, second units	8.7 to 12.0
Medium Density	Detached & attached single-family homes, multi-family homes, second units	8.7 to 17.4
High Density	Attached single-family homes, multi-family homes	17.4 to 34.8

[7] Chapter 10 of the Hayward Municipal Code: https://library.municode.com/ca/hayward/codes/municipal_code?nodeId=HAYWARD_MUNICIPAL_CODE_CH10PLZOSU
[8] Hayward 2040 General Plan: https://www.hayward2040generalplan.com/

Table 2: Summary of Key Development Standards by Zoning District

	Single Family Residential (RS)	Medium Density Residential (RM)	High Density Residential (RH)
Min. Lot Size	Interior: 5,000 sq. ft. Corner: 5,914 sq. ft.	Interior: 5,000 sq. ft. Corner: 5,914 sq. ft. Townhouse lot: consistent with building footprint	7,500 sq. ft.
Min. Front Setback	20'	20'	20'
Min. Rear Setback	20'	20'	20'
Min. Street Side Setback	10'	10'	10'
Min. Side Setback	5' or 10% of the lot width at front setback line (whichever is greater) up to a max. of 10'	5' or 10% of the lot width at front setback line (whichever is greater) up to a max. of 10'	5' or 10% of the lot width at front setback line (whichever is greater) up to a max. of 10'
Max Lot Coverage	40%	40%	65%
Building Height	30'	40'	40'
Open Space	N/A	Open Space: 350 sq. ft./DU *Dedicated Common Open Space: 100 sq. ft./DU*	Open Space: 350 sq. ft./DU *Dedicated Common Open Space: 100 sq. ft./DU*
Min. Parking Requirements	2 Covered in Enclosed Garage	• Studio Unit: 1 Covered and 0.5 Uncovered • One Bedroom Unit: 1 Covered and 0.7 Uncovered • Two or More Bedroom Unit: 1 Covered and 1.10 Uncovered	• Studio Unit: 1 Covered and 0.5 Uncovered • One Bedroom Unit: 1 Covered and 0.7 Uncovered • Two or More Bedroom Unit: 1 Covered and 1.10 Uncovered

There are additional regulations related to landscaping[9], subdivisions[10], and parking[11] which are not included in the tables above. There are also State Laws, such as ADU law and SB 9, that require certain development standards that supersede local regulations. For example,

[9] Chapter 10 of the Hayward Municipal Code: https://library.municode.com/ca/hayward/codes/municipal_code?nodeId=HAYWARD_MUNICIPAL_CODE_CH10PLZOSU

ADU law requires cities to allow ADUs on single family and multifamily properties to have four-foot rear and side setbacks. Collectively, these standards impact the development potential of sites throughout the city.

DISCUSSION

Analysis of Existing Standards. The Options and Recommendations Report identified sample sites in the RS, RM, and RH zoning districts to test the impact of the City's current residential standards on project design and feasibility. This analysis resulted in the following findings. Additional analysis, including massing diagrams and summary tables are provided in Attachment II.

- **Single Family Residential (RS) Zoning District**
  - Projects are generally able to meet the maximum density allowed (8.7 dwelling units/acre) and maximum lot coverage allowed (40 percent).
  - Limited massing standards (beyond setbacks) can result in bulky and boxy buildings.
  - Garages are allowed at the front setback line, which can dominate the building façade on narrow lots, resulting in a less than ideal street environment.

- **Medium Density Residential (RM) Zoning District**
  - Apartment buildings were able to meet the maximum density allowed (17.4 dwelling units per acre) but not the maximum lot coverage allowed (20 percent achieved of 40 percent allowed). Setback, open space, and parking standards are preventing projects from making use of the full maximum lot coverage allowed.
  - The parking requirement of 2.1 spaces per unit for units with two or more bedrooms is resulting in large surface parking lots that take up a large portion of the site area.
  - The maximum height limit of 40 feet effectively restricts building heights to three stories.
  - Achieving the maximum allowable density for a townhome project is challenging due to restrictive site design standards, such as setbacks and maximum lot coverage.
  - Open space standards are difficult to understand and apply.

- **High Density Residential (RH) Zoning District**
  - Apartment building projects cannot achieve the maximum allowed density (34.8 dwelling units per acre). They also can't achieve the maximum allowable lot coverage (65 percent) on lots smaller than 18,000 square feet. This is due to restrictive parking, setback, and open space standards.
  - Buildings with podium or subterranean parking may be cost prohibitive, especially for smaller projects.

[10] Subdivision Ordinance:
https://library.municode.com/ca/hayward/codes/municipal_code?nodeId=HAYWARD_MUNICIPAL_CODE_CH10PLZOSU_ART3SUOR
[11] Off-Street Parking Regulations:
https://library.municode.com/ca/hayward/codes/municipal_code?nodeId=HAYWARD_MUNICIPAL_CODE_CH10PLZOSU_ART2OREPARE

- Large front yard setbacks (20 feet) and side setbacks (up to 10 feet) create a site constraint that hinders project feasibility, especially on smaller sites.
- The maximum height limit of 40 feet effectively restricts building heights to three stories.
- Open space standards are difficult to understand and apply.

Recommendations. In response to the analysis above, the project team has developed a series of recommendations to refine and enhance the City's residential design standards while ensuring objectivity in accordance with State law. The recommendations and related options are summarized below. Additional discussion and illustrative photos and diagrams are provided in Attachment II.

- **Site Development.** Establish site development standards based on lot size, lot width, and the surrounding context. Options to consider include reducing the front and rear setback requirements for multifamily zones and/or reducing the front setback in single family zones if certain architectural features are included.
- **Building Height.** Update the building height standards of the Medium Density Residential and High-Density Residential zoning districts to be more consistent with the Mission Boulevard Code. Options to consider include increasing the maximum allowable building height to 50 feet to allow for four story buildings and/or 60 feet to allow for five story buildings.
- **Building Massing.** Require building step-backs for two-story single-family homes and multifamily residential development taller than two stories to help control bulk and mass.
- **Building Frontage.** Adopt standards for building frontage design that address ground floor and façade treatments, window size and placement, roofline variation, front yard treatment, and fencing. Options to consider include requiring a ground floor height of 14 feet to allow for lobbies, fitness rooms, or community rooms; requiring a percentage of the ground floor to have a transparent façade to encourage "eyes on the street"; establishing a vertical rhythm of bays that are at least 15 feet wide but no more than 50 feet wide; and/or setting standards for the orientation of building entrances, lighting, and site amenities.
- **Architectural Styles.** Allow for a diversity of architectural styles and building types by not making design standards too prescriptive around any particular architectural style.
- **Open Space.** Make open space requirements easy to understand and provide clear definitions of the different types of open spaces. Ensure that open space requirements do not limit the feasibility of achieving the maximum allowable density and/or lot coverage. Options to consider include reducing the open space requirement to 150 square feet per unit for buildings up to three stories; reducing the open space requirement to 75 square feet per unit for buildings over three stories; allowing setbacks to count toward open space if "usable"; reducing the front setback to create more space for usable common open space elsewhere on the property; allowing increased building heights for rooftop garden structures; and/or establishing a minimum private open space requirement of 50 square feet per unit.
- **Landscaping and Lighting.** Adopt objective standards around lighting and landscaping. Options to consider include codifying lighting standards; limiting the

amount of impervious surfaces on a site; requiring bioswales and other stormwater systems in parking lots; and/or requiring landscaping that provides privacy for ground floor units.

Questions. At this work session, staff is requesting specific feedback from the City Council on the following questions related to the Options and Recommendations Report for the Hayward Residential Design Study:

- Which of the recommendations and related options do you think are not right for Hayward?
- Are there any other residential design issues not discussed in this report that should be considered when preparing the updated standards?

STRATEGIC ROADMAP

This agenda item supports the Strategic Priority of Preserve, Protect and Produce Housing for All. Specifically, this item relates to the implementation of the following project (s):

Project 4, Part 4d: Implement housing incentives and production work plan in accordance to state housing limits; Develop an Overlay Zoning District to allow RS zoned properties (single family residential) to develop into a variety of housing types at densities permitted under the applicable General Plan designation.

FISCAL IMPACT

The approved contract and funding with Mintier Harnish totals $234,910. The approved contract is funded through the previously approved and appropriated HCD SB2 Planning Grant. There is no additional fiscal impact associated with the parking analysis for the Residential Design Study.

NEXT STEPS

Using the feedback received from decision makers and the community at all the project public meetings and outreach events to date, draft objective standards and zoning amendments will be brought forth in early summer with the goal of adopting final standards in August.

Prepared by: Taylor Richard, Assistant Planner
Elizabeth Blanton, AICP, Senior Planner

Recommended by: Sara Buizer, AICP, Acting Development Services Director

Approved by:

Kelly McAdoo, City Manager

HAYWARD
RESIDENTIAL DESIGN STUDY

OPTIONS AND RECOMMENDATIONS TECHNICAL REPORT

March 2023

WRT
Prepared BY WRT
For City of Hayward

Contents

Overview

Purpose of the Report

The purpose of this report is to set the stage for Draft Residential Design Standards by:

- Evaluating if the current standards promote a diversity of housing options and achieve target density and the desired neighborhood environment.
- Identifying standards that need to be updated.
- Giving decision makers and community stakeholders options for possible approach(es) for making standards "objective".

This report incorporates findings from the Hayward Residential Design Study Background Report (September 2022), the Outreach and Engagement Summary Report (September 2022), Vision and Objectives (October 2022), and General Plan and Zoning Discrepancy Memo (March 2023).

City's Objectives for the Hayward Residential Design Study

Despite the multitude of State laws aimed at increasing affordable housing stock, the housing crisis has prompted many communities to find their own innovative solutions. Through its Zoning Ordinance and existing residential development standards, the City of Hayward has a unique opportunity to revisit existing residential development regulations that may not be resulting in the type of housing development the community would like and create new regulations that increase the feasibility of housing production and further enhance the City's character. The City's objectives for the Hayward Residential Design Study are to:

- Update the Zoning Ordinance to allow single-family zoned properties the ability to develop in compliance with their underlying 2040 General Plan designations to simplify and streamline the development of these properties.
- Analyze the City's current objective standards for residential development and determine whether these are sufficient to meet the City's goals for development.
- Explore options for and adopt new objective standards that address design, massing, neighborhood compatibility, parking, setbacks, and/or other topics identified as important by the community, stakeholders, decision makers, and City staff.
- Engage a wide range of community members and stakeholders, including communities that have limited or no access to technology, homeowners, renters, housing advocates, developers, architects, and community members who are hard to reach and/or do not typically participate in City processes.

This report presents findings and approaches for residential design standards, with consideration to the goals described above.

Key Takeaways from Outreach & Engagement

The following themes that emerged from the outreach and engagement efforts, directly inform the residential design standards.

- **Front yard setbacks:** Front yard setbacks and their treatment (with high-quality landscaping or lack thereof) directly impacts the street environment. On single-family parcels, inadequate front setbacks can cause cars parked in the driveway to hang over the sidewalk. On multi-family parcels with bigger buildings, front yard treatment with landscaping

and planting can create an inviting environment and balanced transition to adjacent buildings.

- **Building step-backs**: Upper floor "step-backs" create an attractive variation in the building mass and façade and a balanced transition to adjacent smaller scaled buildings.
- **Second story additions to single family homes:** Second story additions to single family homes that are well-articulated and scaled appropriately in relation to the first floor, result in a better building design, create a pleasing street environment, and avoid boxy buildings.
- **Porches, patios, and balconies:** Porches, patios, and balconies on street-fronting facades and overlooking interior courtyards create an engaging relationship with the street and ensure designated outdoor space in multi-family residential development.
- **Building frontage – windows:** Windows are an important building feature, not only because they provide direct access to light, but the scale and quantity of windows can impact the aesthetic of the building façade. Privacy of habitable spaces can be impacted by window placement and orientation.
- **Diversity of architectural styles:** Encouraging a diversity of architectural styles with a variety of tastefully coordinated building materials, and details will prevent cookie-cutter development and allow new development to respond better to specific neighborhood needs and enhance character.
- **Common outdoor spaces:** Common outdoor spaces in multifamily residential developments are important for providing access to outdoor space. Spaces must be designed to be inviting and usable.
- **Parking ratios and parking design:** A balanced supply of parking is important to maintain the overall scale and massing of a building and result in a development compatible with its context. Too much parking requires either large surface lots or parking garages leaving less usable space for residential development. Design and visibility of a parking lot or garage is critical in creating an inviting street environment.
- **Landscaping:** Well-designed and well-maintained landscaping is important to create a pedestrian- friendly and pleasing street environment, to buffer residences and larger scale development from the street, and to maintain privacy.
- **Fencing:** Fence height, fencing material and fence treatment are important characteristics for an engaging and attractive street environment.
- **Universal design:** Universal design features are important for accessibility and allowing residents to age in place.
- **Development feasibility:** Development standards have a direct impact on the ability to develop affordable and market rate housing.

Key Takeaways from General Plan and Zoning Discrepancy Memo

There are several single-family zoned parcels that are inconsistent with their underlying General Plan Land Use designations of Limited Medium Density Residential (LMDR), Medium Density Residential (MDR), and High Density Residential (HDR); primarily due to a discrepancy between allowed density ranges, and in some cases, allowed land uses. The development feasibility of individual parcels is also impacted by the cumulative effect of other development standards applicable to that parcel, such as setback requirements, maximum lot coverage, building heights, parking ratios, etc.

Evaluation of Current Standards

The Hayward Residential Design Study will focus primarily on three residential zoning districts: RS (Residential Single Family), RM (Residential Medium Density), and RH (Residential High Density). An example site was selected for each zoning district and current development standards were applied to each residential type that is allowed in the respective zoning districts.

Example Sites

Test Site 1: Lynn Street

Zoning: RS (Single Family Residential)

General Plan Land Use Designation: LDR (Low Density Residential)

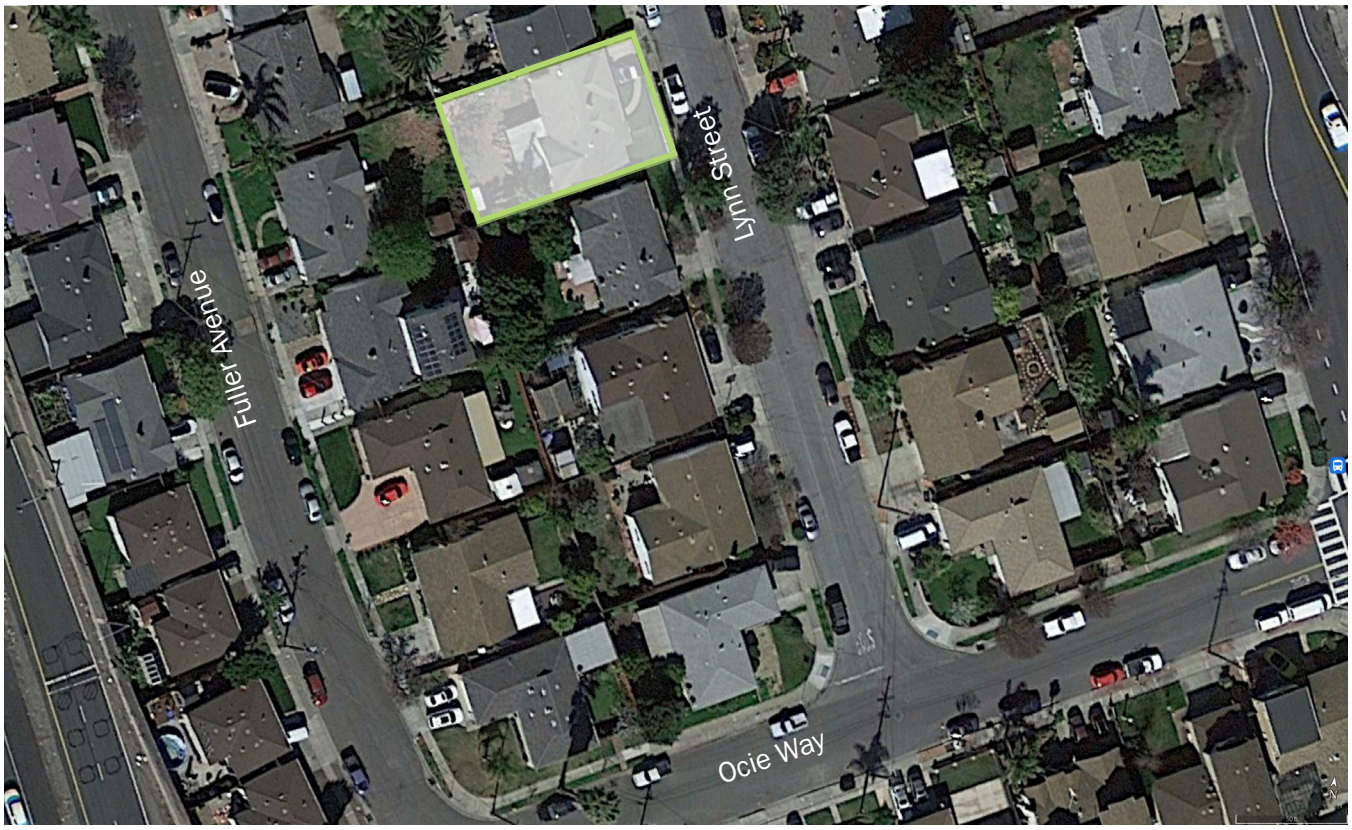
Lot Size: 5,035 square feet

Lot Features: Flat lot, interior lot

Existing Context: This site is located in a single-family residential neighborhood with most of the lots approximately the same size as the test lot. Most houses are single story with two car garages and consistent front setbacks.

Permitted Residential Types by current zoning standards and State Law:

- Detached single-family homes
- Accessory dwelling units as secondary use
- Up to four residential units (attached/detached) allowed under SB 9 with lot splits, where each lot is a minimum of 1,200 square feet and approximately equal size



RS - Single Family Residential Zoning District

Existing Development Standards

Test Site 1: Lynn Street

Lot Area - 5,035 Sq. Ft (Interior Lot)

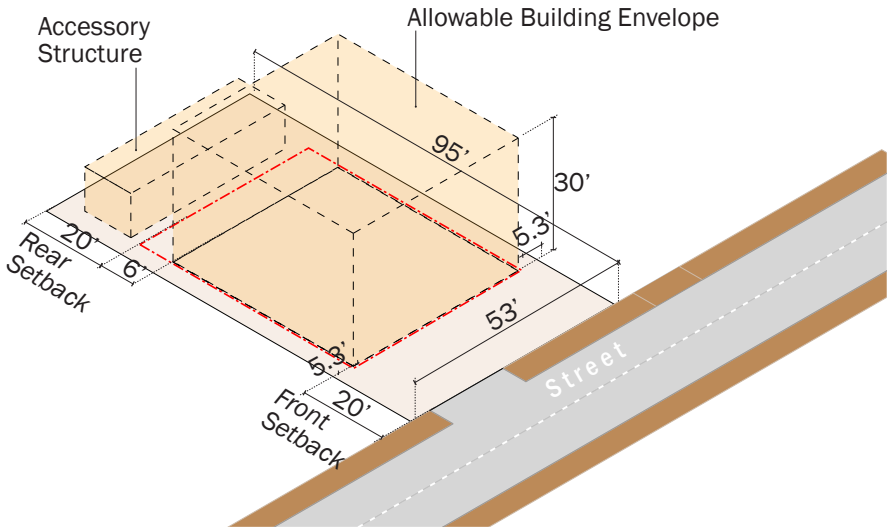


Fig 1: Building Envelope per Existing Standards

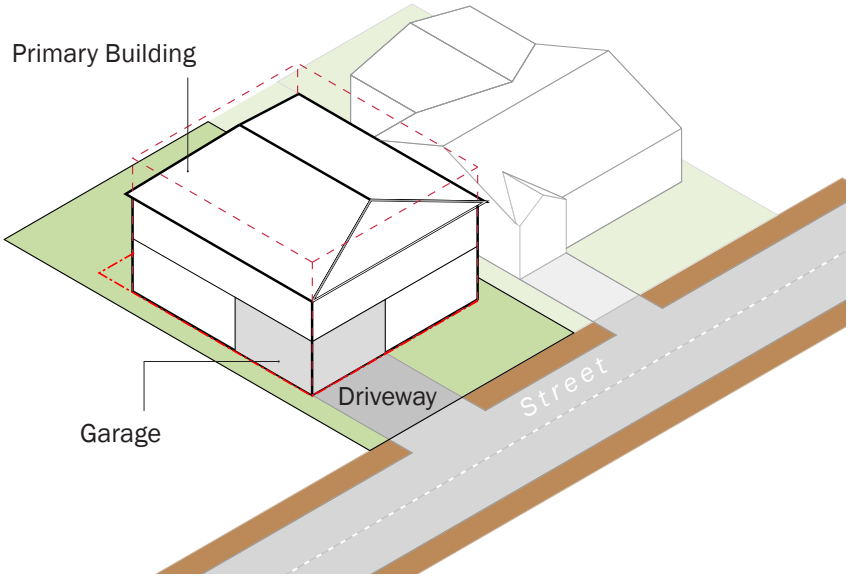


Fig 2: Test with 1 Primary Unit

RS - Single Family Residential Zoning District

Existing Development Standards

Test Site 1: Lynn Street

Lot Area - 5,035 Sq. Ft (Interior Lot)

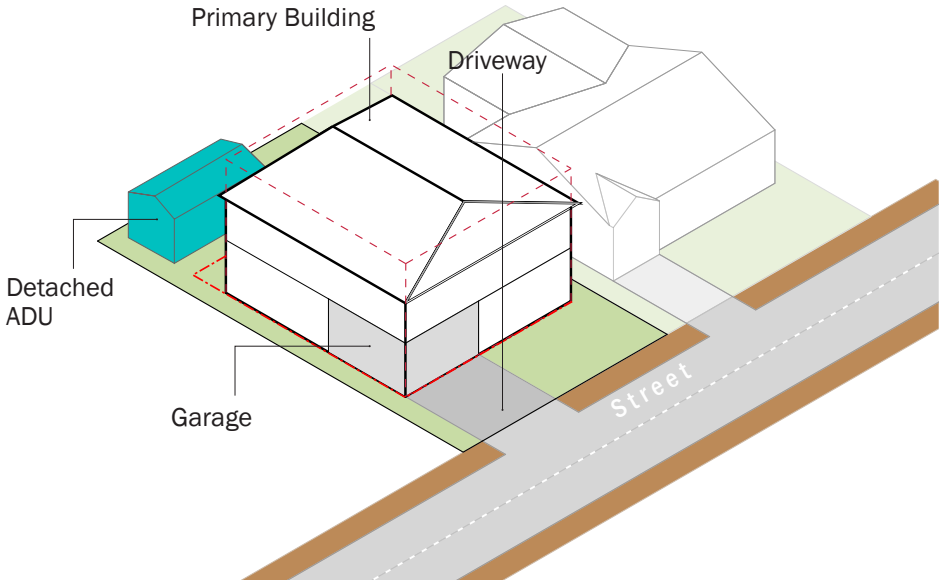


Fig 3: Test with 1 primary unit + 1 Detached ADU (Conversion of Accessory Structure)

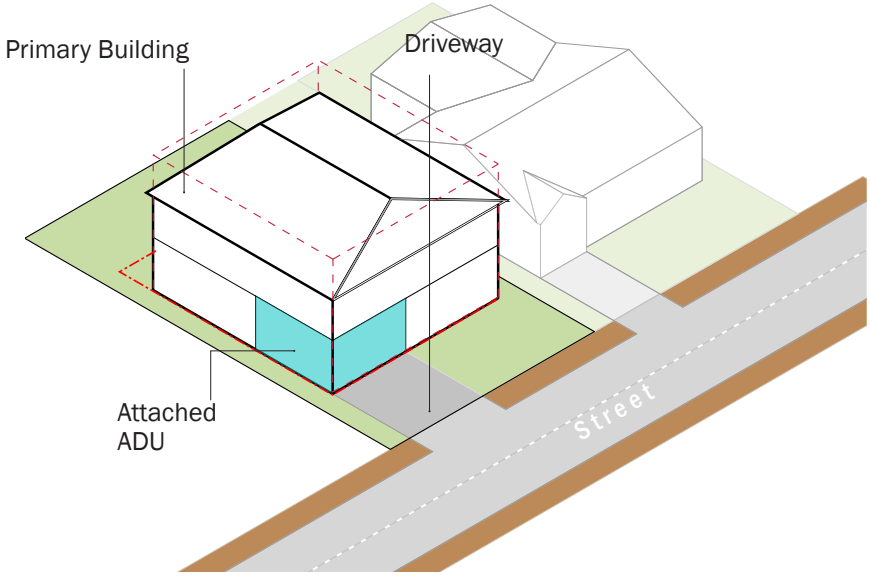


Fig 4: Test with 1 primary unit + 1 Attached ADU (Garage Conversion)

Standards	Requirements	Test Results (Fig. 2)
Min. Lot Size	5,000 sq. ft.	
Min. Yard Setbacks	Front - 20' Rear - 20' Side - 5' or 10% of lot width at front setback, whichever is greater	Front - 20' Rear - 20' Side - 5'3"
Max. Lot Coverage	40%	40% (Achieved)
Density	4.3 to 8.7 DU/Acre	8.6 DU/Acre
Building Height	30'	26'
Open Space	No requirements	
Min. Parking	2 spaces per single family unit (tandem or side-by-side)	2 spaces (side-by-side parking)
ADU (max. unit size)	• 850 sq. ft for 1 bedroom and studios • 1,000 sq. ft. for 2 or more bedrooms • Shall not exceed 50% of total floor area of primary units or 1,200 sq. ft. whichever is less	750 sq. ft.

Analysis Findings

- The test parcel was able to achieve the upper range of maximum allowed density of 8.7 DU/Acre; and the maximum lot coverage of 40% after fulfilling setback requirements.
- While RS zoned parcels have a maximum lot coverage requirement of 40%, there are no standards for the second story in the form of maximum square footage or as a percentage of the total area of the first story. This **results in bulky and boxy buildings without variation in massing.**
- Current development standards allow parking garages to be built up to the front setback line, which results in a significant length of the **street facing facade to be blank** (especially on narrow lots where the overall width of the building is also limited) **creating an less than ideal street environment.**

Test Site 2: Mohr Drive

Zoning: RM (Residential Medium Density)

General Plan Land Use Designation: MDR (Medium Density Residential)

Lot Size: 36,892 square feet

Lot Features: Flat lot, corner lot

Existing Context: This site is located in a predominantly residential neighborhood with neighborhood retail and community uses such as churches. The majority of the houses on the street are one to two story, with two-car garages. The neighborhood has a mix of single family residential, townhouses, and low-rise apartments.

Permitted Residential Types per current zoning standards:

- Detached single-family homes
- Attached single-family homes (townhomes and rowhouses)
- Multi-family dwellings
- Second units
- Accessory dwelling units as secondary use

RM - Medium Density Residential Zoning District

Existing Development Standards - with Apartments

Test Site 2: Mohr Drive

Lot Area - 36,892 Sq. Ft (Corner Lot)

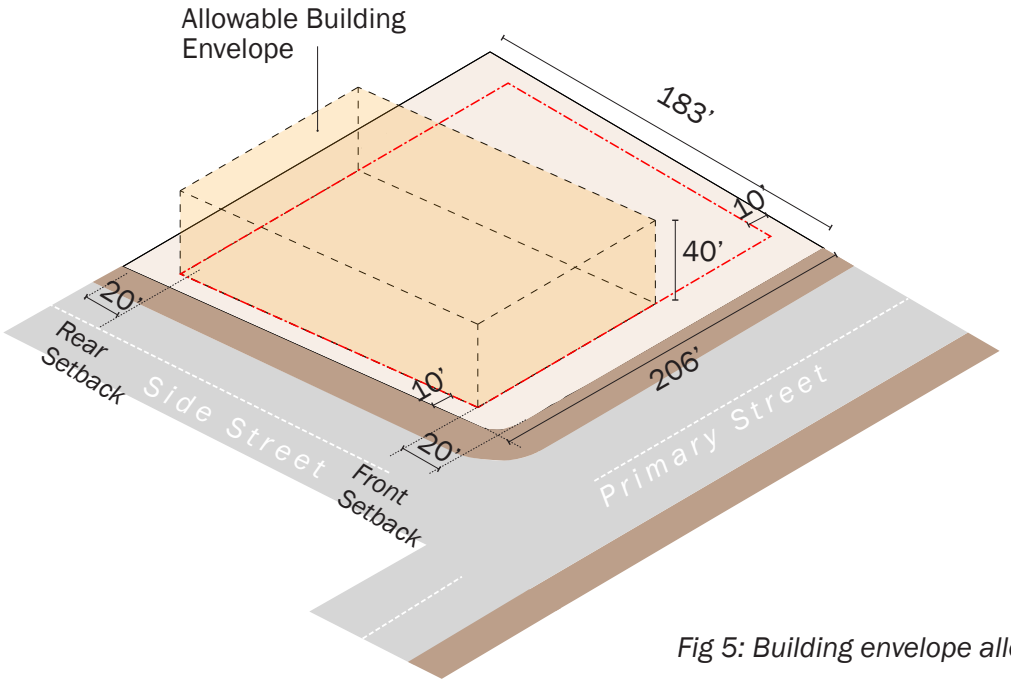


Fig 5: Building envelope allowed by existing standards

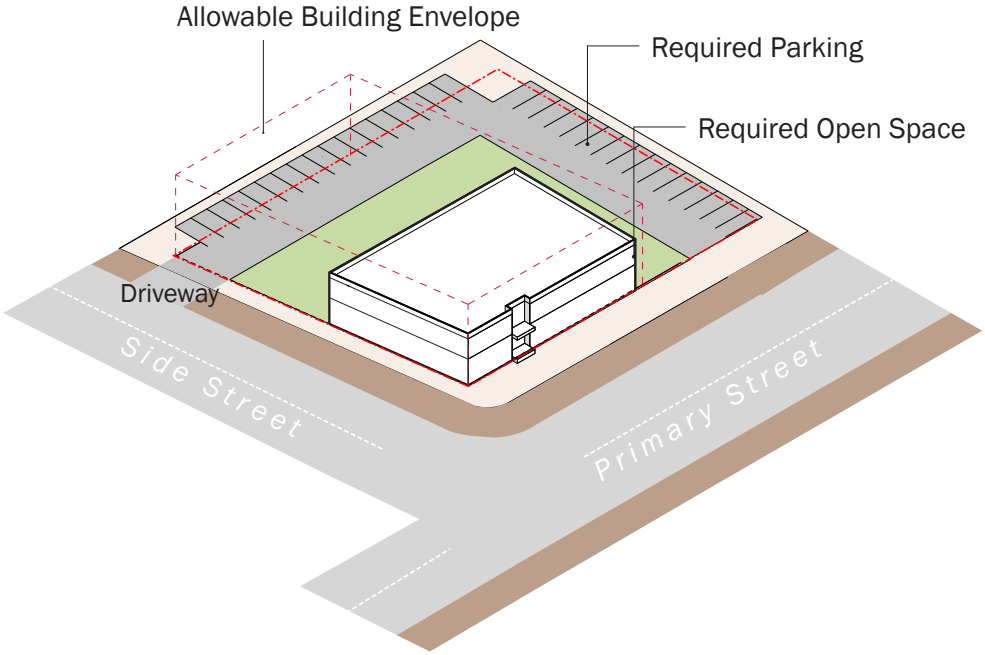


Fig 6: Test with apartments

RM - Medium Density Residential Zoning District

Existing Development Standards - with Townhomes

Test Site 2: Mohr Drive

Lot Area - 36,892 Sq. Ft (Corner Lot)

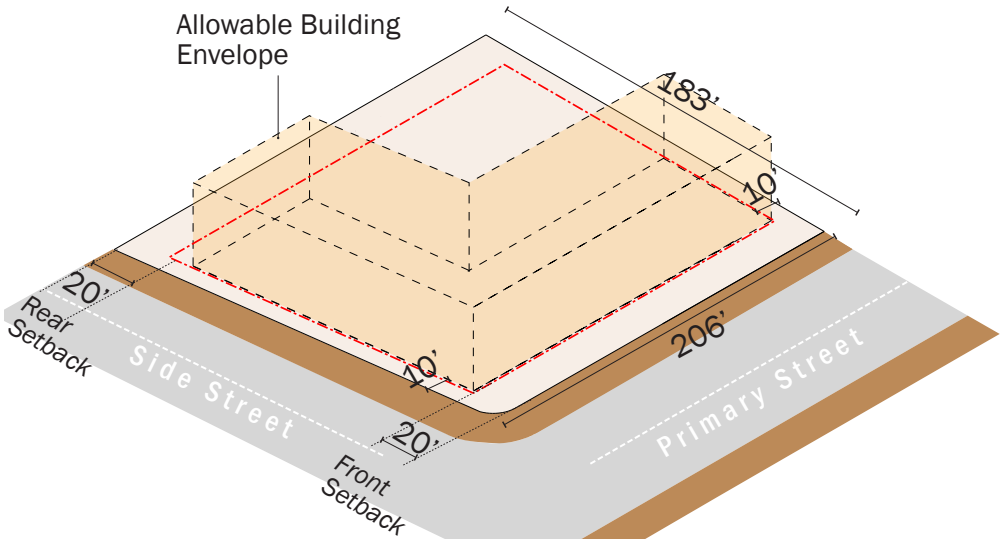


Fig 7: Building envelope as per existing standards

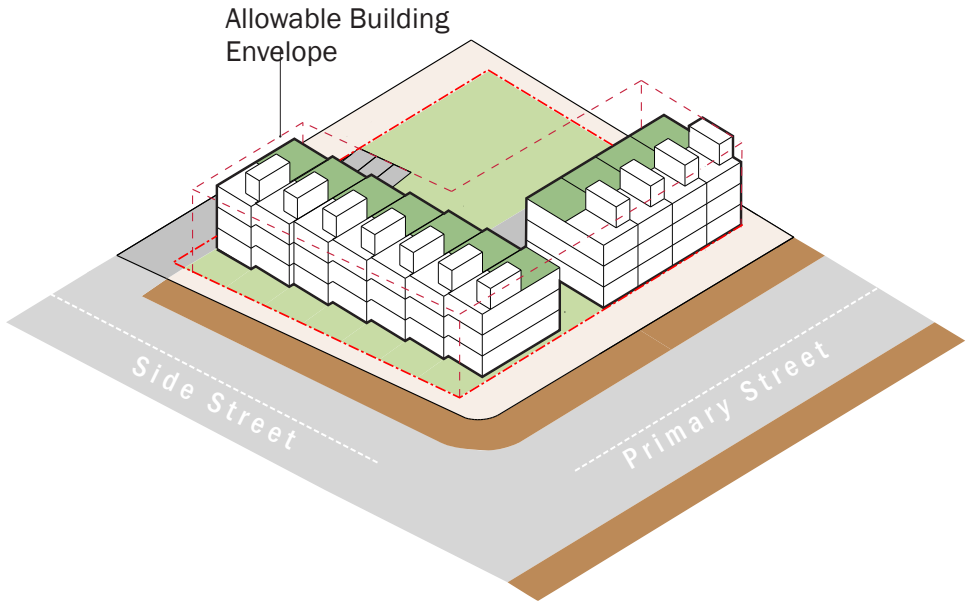


Fig 8: Test with townhomes

Standards	Requirements	Test Results with Apartments (36,892 sq. ft.)	Test Results with Townhomes (36,892 sq. ft.)
Min. Lot Size	5,000 sq. ft.		
Min. Yard Setbacks	• Front yard- 20' • Rear yard - 20' • Side Street yard - 10' • Interior side yard - 5' or 10% of lot width at front setback, whichever is greater, up to a maximum of 10'	Front yard - 20' Rear yard - 20' Side yard - 10'	Front yard - 20' Rear yard - 20' Side yard - 10'
Max. Lot Coverage	40%	20% (Achieved)	30% (Achieved)
Density	8.7 to 17.4 DU/Acre	17.4 DU/Acre (assumes avg. unit size at 900 sq.ft. gross area)	13 DU/Acre
Building Height	40'	23' (2 stories)	40' (3 stories + roof top open space)
Open Space per dwelling unit	Open Space - 350 sq. ft. Dedicated Common Open Space - 100 sq. ft./DU	Common Open Space - 600 sq. ft/DU. (outdoor at grade)	Common Open Space - 550 sq. ft/DU. (outdoor at grade)
Min. Parking	1 space per unit (covered) 1.1 spaces per unit (open to sky)	1 space per unit (covered) 1.1 spaces per unit (open to sky)	2 spaces (tuck under parking)

Analysis Findings

- Apartment buildings with surface parking were able to achieve the maximum allowed density of 17.4 DU/acre, however the **building footprint occupies only 20% of the lot area**. The lot has capacity to accommodate more dwelling units within the allowable building height limit.
- The **parking requirement of 2.1 spaces per unit, is restrictive in achieving maximum density** in an apartment typology, because parking takes up a large portion of the site. This also results in a large surface with impervious paving creating a heat island effect, and does not contribute to an active street environment.
- Limiting building heights to 40 feet results in apartment buildings with nine feet floor heights which is less than ideal. With an optimal floor height of 10 feet, only 3 stories will be feasible considering the ground floor should be at least three feet above grade for privacy.
- **Achieving maximum allowed density with a townhome typology is challenging** due to site design standards such as setback requirements and maximum lot coverage.
- **Open space standards are difficult to understand**, as clear definitions of general open space, group open space, and private open space are not available. It is also not clear if yard setbacks can be applied towards open space.
- The standards don't clearly explain whether general and group open spaces are required to be outdoor and at grade, or can also include indoor spaces, rooftop spaces, balconies and patios.

Test Site 3: Alice Street

Zoning: RH (High Density Residential)

General Plan Land Use Designation: HDR (High Density Residential)

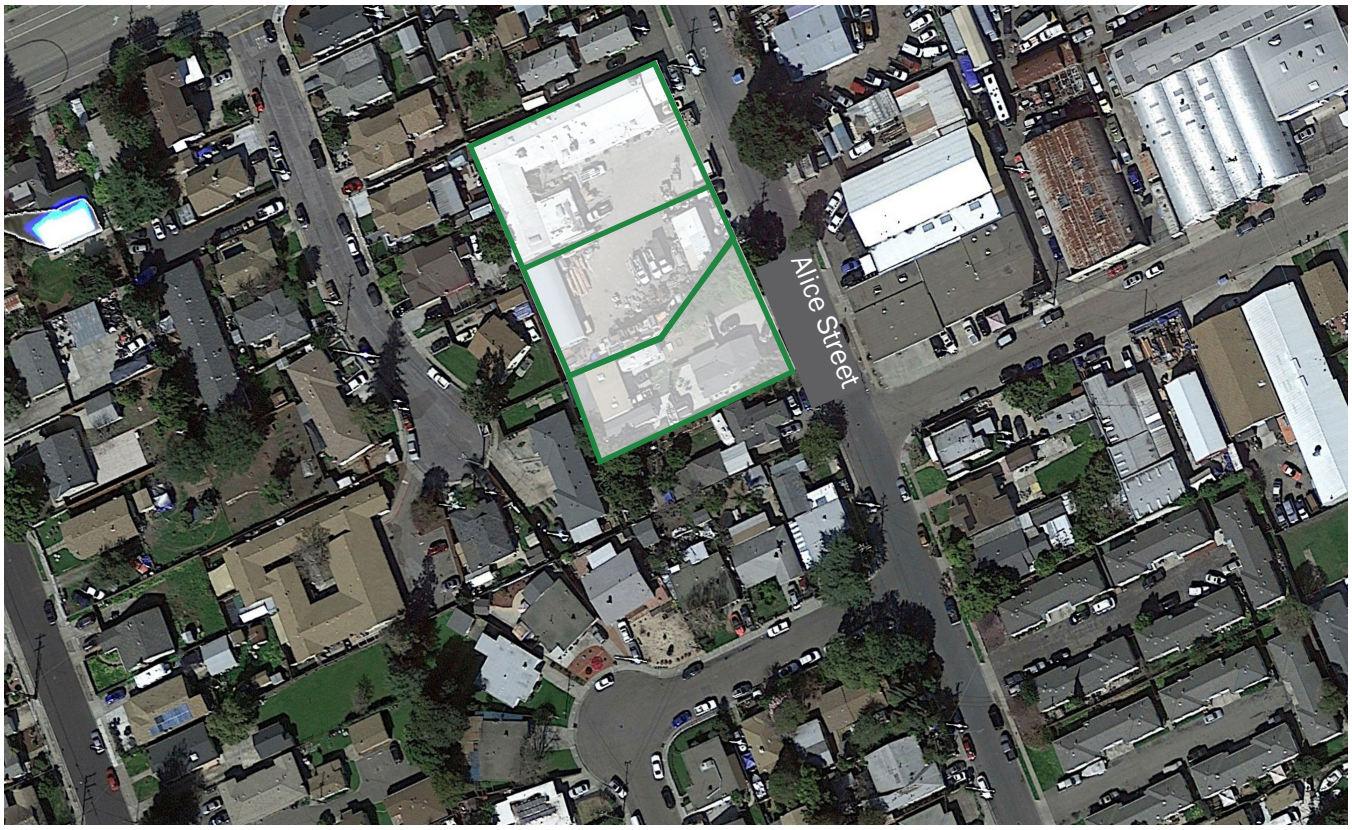
Lot size: 16,968 square feet (single parcel) & 42,300 square feet (3 aggregated parcels)

Lot features: Flat lot

Existing context: This site is in a predominantly residential neighborhood with some commercial uses. Building types in the neighborhood consist of detached and attached single family residences, multiplexes, and multi-family.

Permitted Residential Types per current zoning standards:

- Attached single-family homes (townhomes and rowhouses)
- Multi-family dwellings
- Small group homes
- Accessory dwelling units as secondary use



RH - High Density Residential Zoning District

Existing Development Standards - on a small site | single parcel

Test Site 3: Alice Street

Lot Area - 16,968 Sq. Ft (Interior Lot)

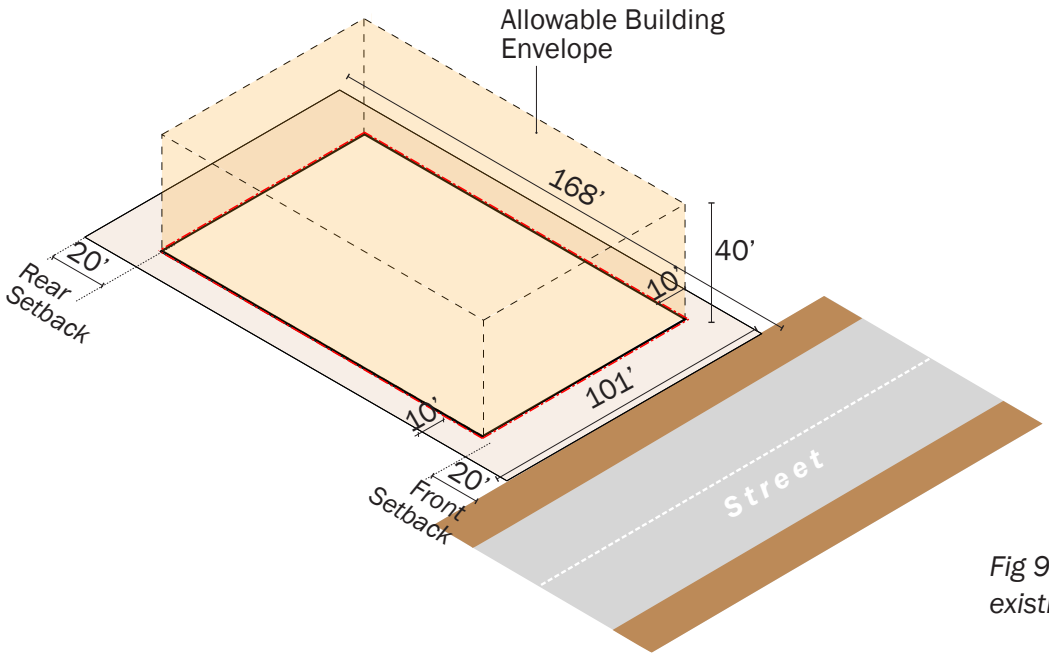


Fig 9: Building envelope per existing standards

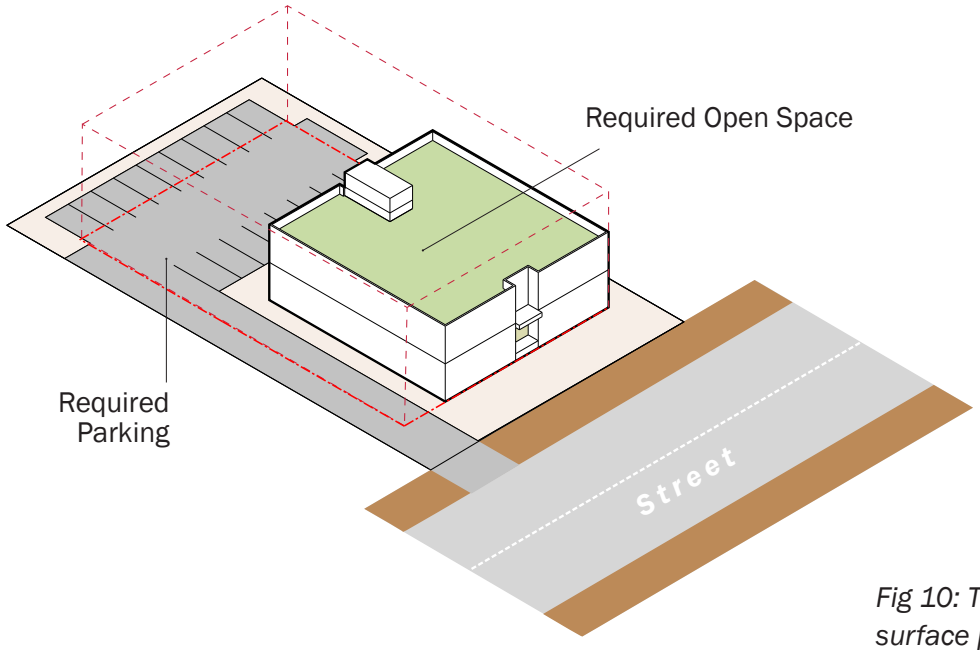


Fig 10: Test with apartments + surface parking

RH - High Density Residential Zoning District

Existing Development Standards - on a large site / aggregated parcels

Test Site 3: Alice Street

Lot Area - 42,300 Sq. Ft (Interior Lot)

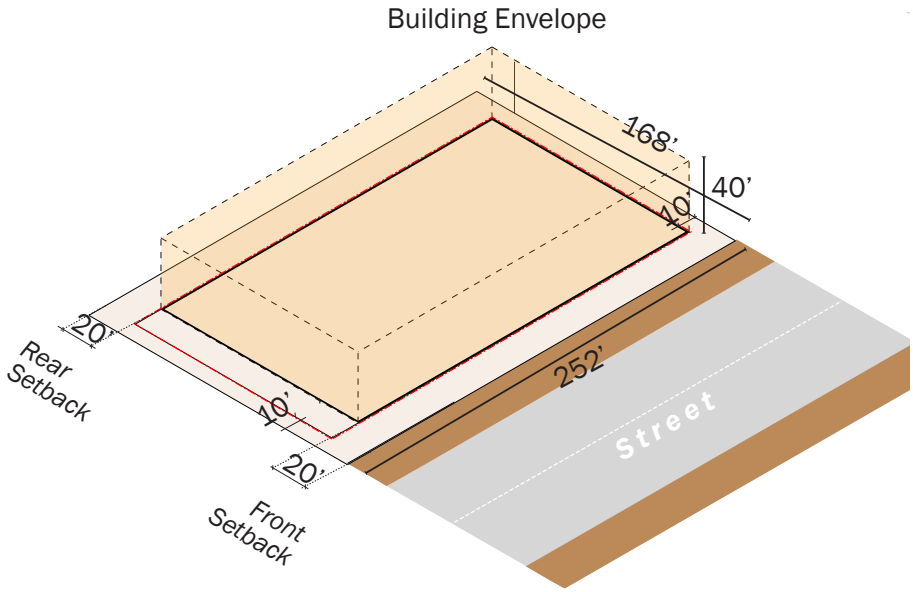


Fig 11: Building envelope per existing standards

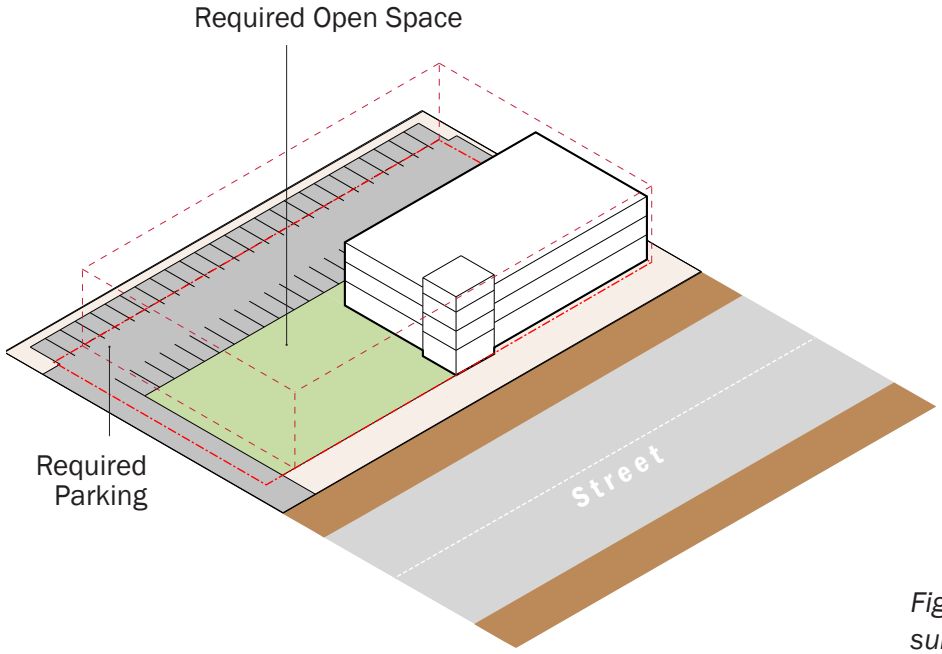


Fig 12: Test with apartments + surface parking

RH - High Density Residential Zoning District

Existing Development Standards

Test Case for minimum required lot size in RH Zoning District

Lot Area - 7,500 Sq. Ft (Interior Lot)

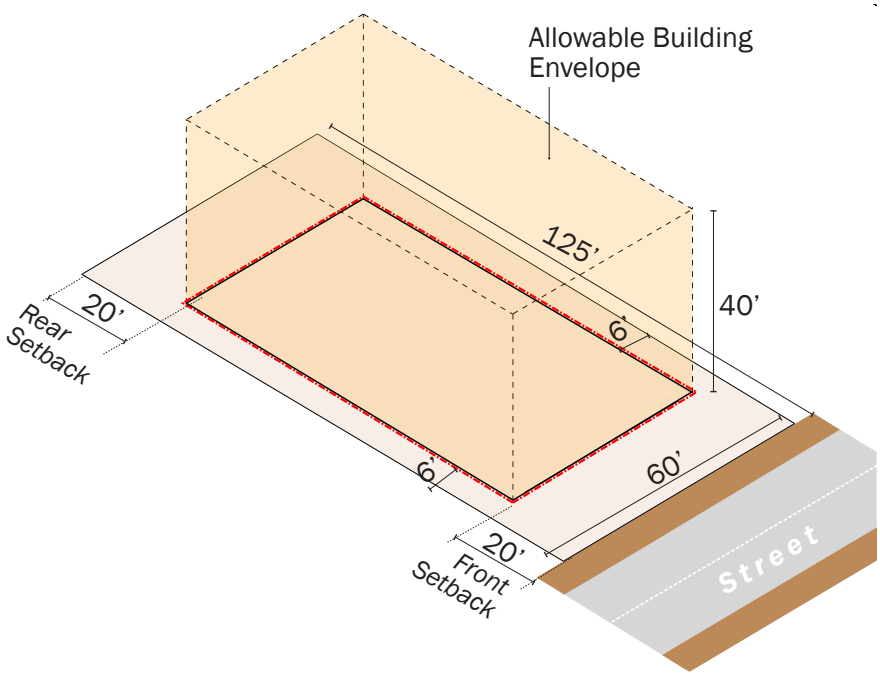


Fig 12: Building envelope per existing standards

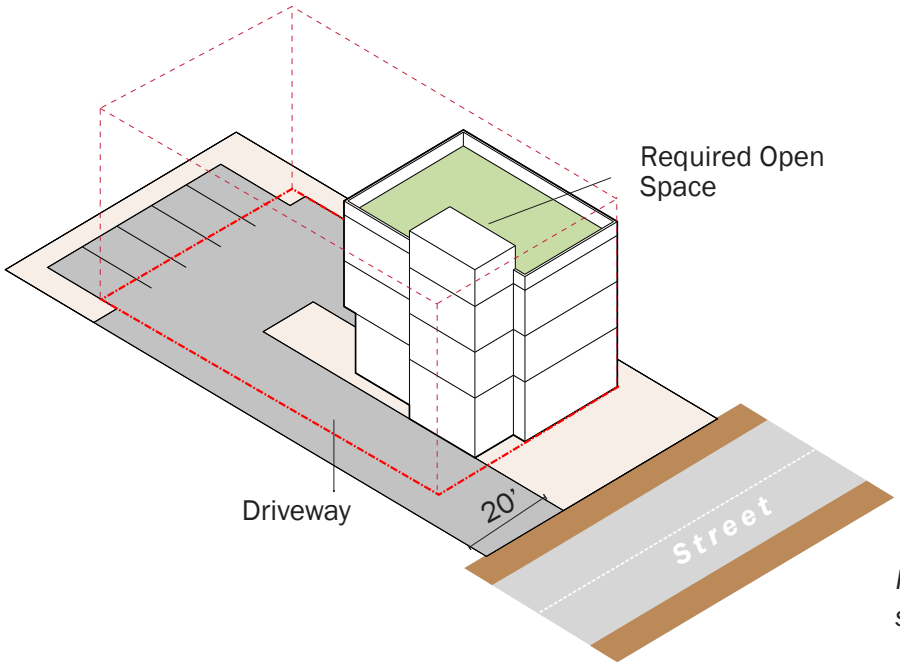


Fig 13: Test apartments + surface parking

Standards	Requirements	Test Results with Apartments (single parcel - 16,968 sq. ft.)	Test Results with Apartments (three aggregated parcels - 42,300 sq. ft)	Test on minimum required lot size (7,500 sq. ft.)
Min. Lot Size	7,500 sq. ft.			
Min. Yard Setbacks	• Front yard- 20' • Rear yard - 20' • Side Street yard - 10' • Interior side yard - 5' or 10% of lot width at front setback, whichever is greater, up to a maximum of 10'	Front yard - 20' Rear yard - 20' Side yard - 10'	Front yard - 20' Rear yard - 20' Side yard - 10'	Front yard - 20' Rear yard - 20' Side yard - 6'
Max. Lot Coverage	65%	25% (Achieved)	17% (Achieved)	16% (Achieved)
Density	17.4 to 34.8 DU/Acre	20.5 DU/Acre (assumes avg. unit size at 900 sq.ft. gross area)	24.7 DU/Acre (assumes avg. unit size at 900 sq.ft. gross area)	17.4 DU/Acre (assumes avg. unit size at 900 sq.ft. gross area)
Building Height	40'	23' (2 stories)	33' (3 stories)	33' (3 stories)
Open Space per dwelling unit (DU)	General Open Space - 350 sq. ft. Dedicated Common Open Space - 100 sq. ft./DU	Common Open Space 420 sq. ft./DU (rooftop)	Common Open Space - 370 sq.ft/DU (outdoor space at grade)	Common Open Space 350 sq.ft/DU (Rooftop)
Min. Parking	1 space per unit (covered) 1.1 spaces per unit (open to sky)	1 space per unit (covered) 1.1 spaces per unit (open to sky)	1 space per unit (covered) 1.1 spaces per unit (open to sky)	1 space per unit (covered) 1.1 spaces per unit (open to sky)

Analysis Findings

- **Maximum allowed density for apartment buildings with surface parking, cannot be achieved** due to the parking requirement of 2.1 spaces per dwelling unit, because parking takes up a large portion of the site. This also results in a large surface with impervious paving creating a heat island effect, and does not contribute to an active street environment.
- Buildings with podium or subterranean parking may be able to achieve maximum allowed density but would likely be cost prohibitive for many projects.
- Development on **lot sizes less than 18,000 sq.ft. cannot achieve maximum allowable lot coverage** with current setback requirements.
- Large front yard setbacks (same as RS zone) make feasibility of high density residential challenging.
- Side setbacks of 10 feet on sites with narrow frontage pose a constraint for achieving an efficient floor plate size for residential development.
- Limiting building heights to 40 feet results in apartment buildings with nine feet floor heights which is less than ideal. With an optimal floor height of 10 feet, only 3 stories will be feasible.
- **Open space standards are difficult to understand**, as clear definitions of general open space, group open space, and private open space are not available. It is also not clear if yard setbacks can be applied towards open space.
- The standards don't clearly explain whether general and group open spaces are required to be outdoor and at grade, or can also include indoor spaces, rooftop spaces, balconies and patios.

Possible Approaches for Updating Residential Design Standards

This section suggests key considerations for updating the residential design standards so that they support the City's goals in achieving density targets and responding to community concerns, while ensuring that the criteria are objective.

Site Development

Site development standards such as minimum setbacks, maximum lot coverage, etc. together with maximum building heights and parking requirements affect the feasibility of achieving maximum allowed densities and the building to street relationship. Large setbacks for multi-family residential can make it difficult to develop a project that can achieve the maximum density allowed, especially on smaller parcels.

Recommendation: The City should consider establishing site development standards based on the size of the parcels, lot widths, and context such as street width and adjacencies.

Some options to consider for building setbacks would be:

- Reduce front and rear setbacks for multifamily zones.
- Reduce front setback in single family zones if certain architectural features are included .

Building Height

Existing standards for both RM and RH allow small scale multi-family residential, 3 to 4 stories tall with surface parking. But current height standards and site development standards restrict large-format apartment buildings with podium parking.

The Mission Boulevard Code (MBC) allows a maximum of 4 stories and 5 stories with major site plan review. A 5-story allowance makes podium parking feasible especially on larger sites, making the land available for common outdoor open space which would otherwise be taken up by a surface parking lot. It also offers opportunity to provide common indoor space on the ground floor or upper floor without the need to reduce residential units.

The MBC also allows an overall height of 57 feet, compared to the maximum height of 40 feet in RM and RH zoning standards.

Recommendation: Update building height and other site development standards of RM and RH parcels to be more consistent with building heights in the Mission Boulevard Code (MBC).

Increase maximum allowable height (measured up to highest finished floor) for residential only buildings of four stories to 50 feet to allow generous floor to ceiling heights of 10 feet or more, raised plinths with stoops for privacy, a sub-basement for amenities and/or parking, and taller ground floor height to accommodate common use amenities without reducing the ability to achieve maximum allowable density.

Increase maximum allowable height (measured up to highest finished floor) for residential only buildings of five stories to 60 feet. to allow generous floor to ceiling heights of 10 feet or more, raised plinths with stoops for privacy, a sub-basement for amenities and/or parking, taller ground floor height to accommodate common use amenities and mechanically stacked parking, without reducing the ability to achieve maximum allowable density.

Legacy / Hayward, CA. Building height is about 44 feet for 4 stories, with an allowance for some areas to be taller than 44 feet to accommodate architectural elements.

The Mix / Hayward, CA. Building height to the highest roof plane is 46' for 4 stories and to the highest parapet is 55'

Building Massing

Building massing, modulation of form and facade articulation all help to break the monotony of a continuous building edge and to create a visually rich street environment. Especially in larger buildings they help to break down the mass and create a transition that is appropriately scaled to the street or adjacent buildings.

Step-backs and step-downs are particularly effective to create a better transition between taller, bigger buildings to smaller scale buildings on adjacent parcels. Step-backs are also a good tool to ensure privacy and daylight access to the upper floors.

Recommendation: Update standards to include building step-backs for new two-story single family homes or second story additions to single family homes or for multifamily residential development taller than two stories, to break the mass and bulk of the building and create a visually pleasing street environment due to variation in building form.

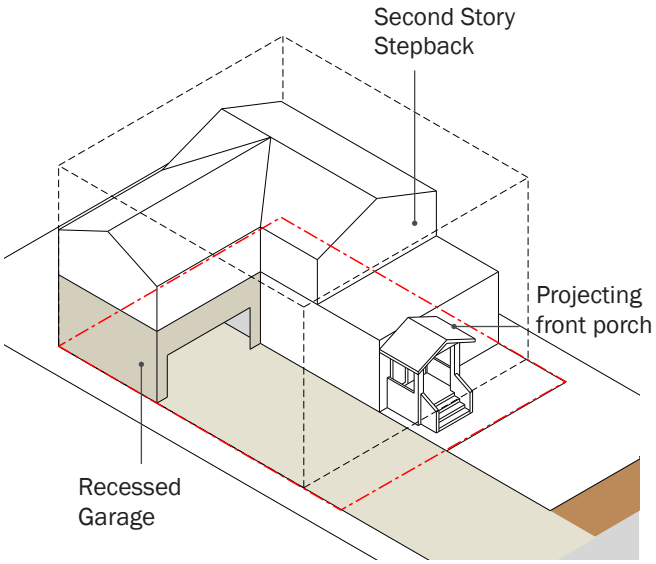


Illustration of a two story Single-family residence with upper story step-back, projecting front porch and a recessed garage that creates a visually pleasing building form by articulation building mass.

Four story multi-family residential building with upper story step-back, a step-down towards single family home, and recessed and projecting facade elements creates a visually pleasing street environment and a well-scaled transition to adjacent buildings.

Building Frontage

Building facades which incorporate architectural treatments such as windows, balconies and terraces, roof articulation, overhangs, shallow projections and recesses, and material changes create a visually rich frontage along the street.

Recommendation: The City should consider updating current standards for building frontage, ground floor treatment, facade treatment, fenestration, roof variation, front yard treatment, and fencing.

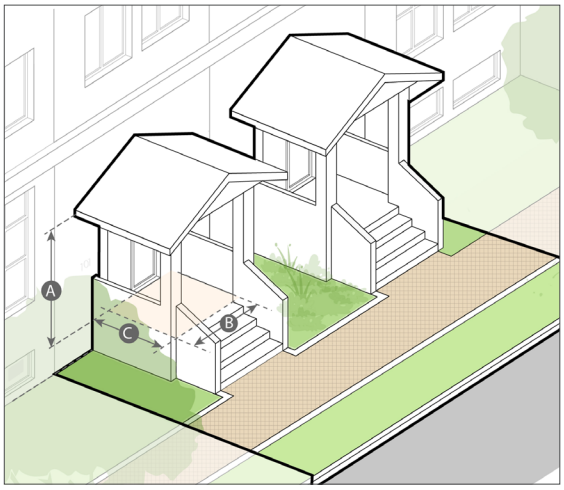
Options for quantifiable standards would be:

- Require minimum ground floor height of 14 feet (finished floor to finished ceiling) for non-residential uses such as community rooms, fitness room, lobby, gallery, etc.
- Require minimum 50% of the ground floor to have a transparent facade to encourage “eyes on the street”.
- Establish a vertical rhythm of bays at least 15 feet wide, and no more than 50 feet wide.

Options for qualitative standards would be:

- orientation of the entrance (multifamily),
- lighting,
- seating.

Example of ground floor articulation, focusing on entrances, materials, transparency, facade articulation, fenestration, etc. to strengthen the building-to-street relationship



Example illustration for standards on ground floor treatment, focusing on entrances, porches and stoops, to create an engaging street environment.

Architectural Styles

Recommendation: Allow a diversity of architectural styles and building types by not making design standards too prescriptive around any particular architectural style.

Basic design characteristics such as site development, building massing, height, frontage and landscaping are applicable to all buildings irrespective of the architectural style used, and when regulated appropriately for different building types, will yield desired outcome.

Open Space Requirements

Recommendation: Update standards to make open space requirements easy to understand and apply to projects. Provide clear definitions of the different types of open spaces desired to ensure good quality shared spaces such as outdoor open space, rooftop or podium top landscaped area, indoor common use spaces, and private open spaces such as balconies, patios and terraces.

Open space requirements should ideally not limit the feasibility of achieving maximum allowed density. The higher the open space requirement, the smaller the building footprint, and lesser the units achieved. This can be balanced by either lowering the open space requirements or increasing allowable building height.

Some options for consideration would be:

- Reduce open space requirement to 150 s.f./unit for 1-3 story buildings;
- Reduce open space requirement to 75 s.f./unit for 4+ story buildings.
- Allow some setbacks to count toward open space if “usable”.
- Reduce front setback to create more space for usable common open space elsewhere on the parcel.
- Allow increased building height for roof garden structures.
- Minimum private open space requirement of 50 square feet per dwelling.

Landscaping and Lighting

Landscape reduces stormwater run-off, improves privacy, and creates an aesthetic transition between the building and the street. Well-lit buildings contribute to a sense of security.

Recommendation: Codify lighting standards.

Limit area of impervious surface on the parcel by establishing maximum square footage or percentage of paved area.

Require surface parking lots to have stormwater systems such as bioswales along with landscaping and trees.

Require front setbacks to have landscaping and planting for privacy of ground floor residential units.

Parking Standards

Tests on example sites illustrate that the current parking standards are quite high and occupy a lot of developable land, resulting in a lower unit yield. If current parking standards are to be maintained, then other standards such as building height, setbacks, maximum coverage, and open space requirements need to be adjusted to make sure maximum allowed density can be achieved on a parcel, and cost of a podium or sub-terranean garage can be recovered.

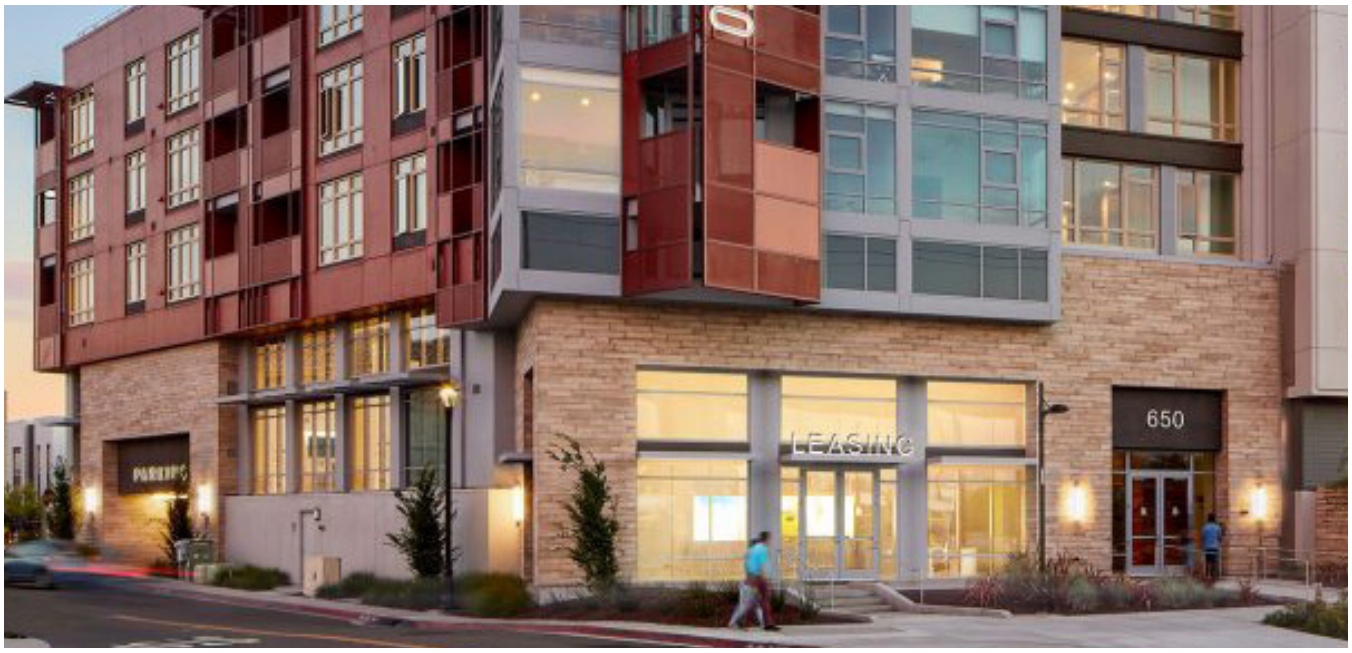
Parking Garage Design

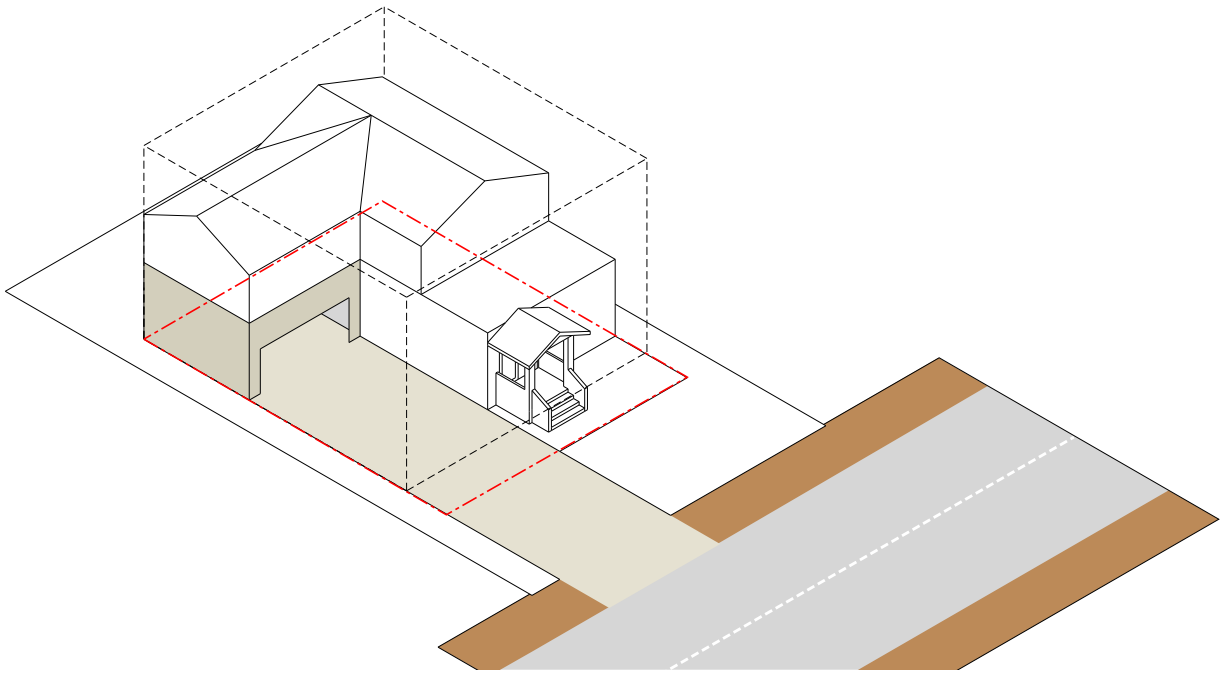
Recommendation: Include design standards for parking garages to avoid blank facades and long garage walls or parking lots along the street. For single family homes, require garages to be set back from the primary building.

Some options for consideration would be:

- For single family homes, garage must be setback 20', but reduce the front setback of primary building to 10 feet (This may be allowed only if an architectural treatment from a list is incorporated into the facade design such front porch, dormers, bay windows, etc.)
- Keep front yard setback at 20', but increase setback for garage to 25 or 30'.
- For multifamily residential, limit garage entrances to 22' width.
- Limit the length of blank garage walls facing the street.

Example of garage design of a multi-family residential building. Non-parking uses fronting the garage and use of building materials creates a less hostile street environment.





Example illustration of a garage of a single family home setback further from the primary building.

Example of of a single family home with the garage setback further from the primary building.

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APPENDIX: REFERENCE MATERIALS

HCD Guide for Objective Development Standards

January 2021

Approaches and Considerations for

OBJECTIVE DESIGN STANDARDS

INTRODUCTION

To address the housing shortage, recent State legislation, including Senate Bill (SB) 35 and SB 330, requires projects to be reviewed against objective standards. Objective standards include a **broad set of standards used by an agency to regulate development,** including "objective zoning standards," "objective subdivision standards," and "objective design review standards." Objective standards are the only basis a local agency may use to deny or reduce the density of certain eligible projects.

This toolkit focuses on how to regulate design objectively and presents approaches and considerations for adopting objective design standards. There is no one-size-fits-all approach to objective design standards, and each community should consider different options for implementing such standards. Although there are a range of approaches, it is important to balance flexibility and predictability while minimizing constraints on the development of new housing.

WHAT ARE OBJECTIVE DESIGN STANDARDS?

Objective design standards are intended to make the requirements that apply to certain eligible residential projects more predictable and easier to interpret for all stakeholders, including decision makers, staff, applicants, and members of the public. The purpose of objective design standards is for applicants to know beforehand what requirements apply to a proposed development and for the applicant to be able to design a project that meets those requirements before submittal. Objective design standards are defined in Government Code Sections 65913.4 and 66300(a)(7) as standards that:

> *involve no personal or subjective judgment by a public official and are uniformly verifiable by reference to an external and uniform benchmark or criterion available and knowable by both the development applicant or proponent and the public official before submittal.*

Objective design standards may include portions of general plans, specific plans, zoning codes, overlay zones, subdivision requirements, and landscaping and other land development regulations.

Provided as Part of HCD's SB 2 Technical Assistance Program

The Building Homes and Jobs Act (SB 2, 2017) provides funding and technical assistance to all local governments in California to help cities and counties prepare, adopt, and implement plans and process improvements that streamline housing approvals and accelerate housing production. The California Department of Housing and Community Development (HCD), in coordination with the Governor's Office of Planning and Research (OPR), has developed this toolkit as part of a technical assistance program to accelerate housing production and streamline the approvals of housing.

SB 2 Planning Grants Technical Assistance

https://www.hcd.ca.gov/community-development/planning-grants-ta.shtml

Contents

PLACEWORKS ASCENT PROVOST& PRITCHARD

OVERVIEW OF GUIDING LEGISLATION

Affordable Housing Streamlined Approval Process (SB 35, 2017)

SB 35 creates an opt-in program for developers that allows a streamlined ministerial approval process for developments in localities that have not yet made sufficient progress toward meeting their regional housing need allocation (RHNA). Eligible developments must include a specified level of affordability; be on an infill site; comply with existing residential and mixed-use general plan or zoning provisions; and comply with other requirements such as, locational and demolition restrictions. The streamlined, ministerial entitlement process created by SB 35 relies on objective design standards.

Housing Crisis Act (SB 330, 2019)

SB 330 allows a housing developer to submit a "preliminary application" to a local agency for a housing development project. Submittal of a preliminary application allows a developer to provide a specific subset of information on the proposed housing development before providing the full amount of information required by the local government for a housing development application. Upon submittal of a preliminary application and payment of the permit processing fee, a housing developer is allowed to "freeze" the applicable fees and development standards that apply to a project while the rest of the material necessary for a full application submittal is assembled. After an application is deemed complete, local agencies cannot "disapprove" an eligible housing development project or condition its approval at a "lower density," as defined in Government Code Section 65589.5(g), if the project is consistent with objective standards. SB 330 also places additional limitations on an "affected" agency's ability to limit development, and requires HCD to develop a list of cities ("affected cities") and census designated places (CDPs) within the unincorporated county ("affected counties") that are prohibited from taking certain zoning-related actions, including, among other things:

- Downzoning or actions resulting in lesser intensification
- Imposing a moratorium on development
- Imposing design standards that are not objective

The law also requires jurisdiction-wide housing replacement when housing affordable to lower-income residents is demolished. Most of these provisions sunset on January 1, 2025, unless extended by the legislature and governor.

Streamlined Ministerial Approval Process Guidelines prepared by HCD are available at: https://www.hcd.ca.gov/policy-research/docs/sb-35-guidelines-final.pdf

SB 35 Statewide Determination Summary
A summary of which jurisdictions are subject to the streamlined ministerial approval process (SB 35 streamlining) is available on HCD's website (Statutory Determinations for Limiting Jurisdictions' Abilities to Restrict Development): https://www.hcd.ca.gov/community-development/accountability-enforcement/statutory-determinations.shtml

Preliminary Application for Development
SB 330 requires HCD to develop a standardized form that applicants for housing development projects may use for the purpose of satisfying the requirements for submittal of a preliminary application if a local agency has not developed its own application form. HCD has also provided a template that local governments may use to develop their own preliminary application form.

- Preliminary Application Form for use by Developers (PDF)
- Preliminary Application Template for use by Local Governments (Word)

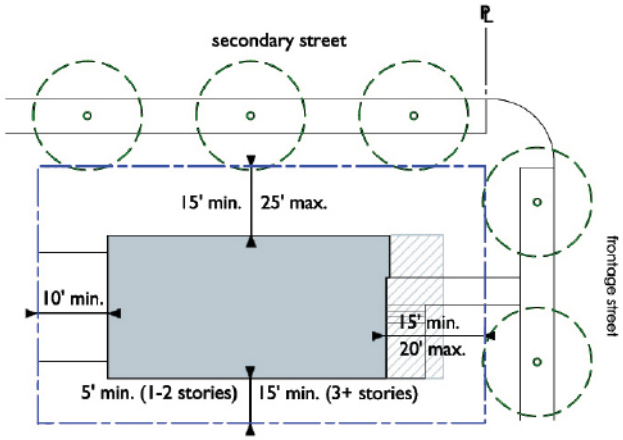
Designated Jurisdictions Prohibited from Certain Zoning-Related Actions
A list of "affected cities" and "affected counties" can be found on HCD's website (Statutory Determinations for Limiting Jurisdictions' Abilities to Restrict Development). Visit: https://www.hcd.ca.gov/community-development/accountability-enforcement/statutory-determinations.shtml

HOW DO YOU MEASURE DESIGN OBJECTIVELY?

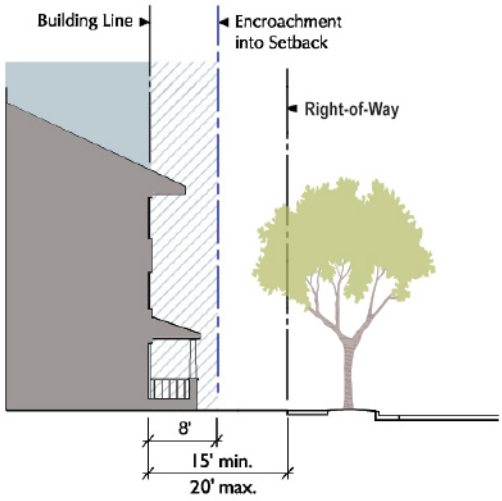
Developing objective design standards for sites and buildings is challenging. On the one hand, standards should provide a predictable outcome for a wide variety of contexts and scenarios; on the other hand, standards must avoid being restrictive and producing monotonous or undesirable development. Furthermore, design may be considered subjective, and preferences can vary among community groups, places, and time periods, so today's standards will need to adapt to changes in preference, evolutions in technology, and changing design solutions.

Objective design standards must be measurable and verifiable.

Objectivity requires that a standard can be measured and be verifiable (i.e., no "gray area" for interpretation). Objective design standards should have a predicable input: knowing what the requirements are and how they are measured. Objective standards should also result in a predicable output: a determination of consistency that can be validated. The result should be the same consistency determination no matter who is reviewing the project, and there should be no dispute between applicants and staff as to whether a project is consistent.



Plan View



Building Section

Example graphics illustrating setbacks and allowable encroachments.

HOW IS A DESIGN GUIDELINE DIFFERENT FROM A DESIGN STANDARD?

Many jurisdictions use design guidelines as a tool to shape the design of sites and buildings. Design guidelines provide direction to applicants and staff when reviewing projects but are often vague and open to interpretation, which adds uncertainty to the development process. Guidelines and standards are distinguished by their level of enforceability. In general, objective standards are requirements (e.g., "shall" or "must"), and guidelines are recommendations (e.g., "should" or "may").

Typical Characteristics of Guidelines Versus Standards

Design Guidelines	Design Standards
Subjective	Objective
Recommendations, which may not be enforceable or have the "teeth" of regulations	Requirements, which are enforceable as regulations
Open to interpretation, difficult to measure or verify	Measurable and verifiable
Use words such as "should" or "may"	Use language such as "shall," "must," or "is required to"
Adopted by resolution	Adopted by ordinance

Examples of Guidelines and Standards

Design Guidelines	Design Standards
Provide articulation to reduce the apparent mass and scale of the building and to be sensitive to the neighborhood.	At intervals of at least 100 feet of building length, there shall be a plane break along the facade composed of an offset of at least 5 feet in depth by 25 feet in length. The offset shall extend from grade to the highest story.
Rooftop mechanical equipment *should be* screened from public view by a parapet wall, decorative equipment screen, or other architectural treatment.	Rooftop mechanical equipment *shall* be screened from public view by a parapet wall, decorative equipment screen, or other architectural treatment.
Provide ample width and design for universal access along pathways and walks.	The paved section of sidewalks shall be at least 8 feet in width.

A VARIETY OF APPROACHES

The use of objective design standards does not require that everything be quantifiable and presented with a numeric value. The following differing approaches can be used to craft objective design standards:

- True/False
- Counts and Measurements
- Ratios and Calculations
- Lists
- Scorecards
- Benchmarks and Performance Measures

These and other approaches can be used to create effective objective standards that are measurable and verifiable. Descriptions of these basic approaches are presented below, along with examples of objective design standards that demonstrate use of each approach. Of course, it is possible, if not required, to mix and match approaches to develop solutions that achieve a balance between predictability and flexibility.

True/False

A true/false standard can be used to evaluate whether a proposed development has satisfied a criterion that is specified in an objective standard. A true/false standard can be useful for criteria that cannot be measured or counted.

Example of Objective Design Standards

Street-facing building facades shall include building entrances that front the street.

Automobile and pedestrian access points shall not be gated or otherwise closed off to the public.

Counts and Measurements

Numeric values, including counts and measurements, are a clear and direct way to structure objective design standards, especially when a standard is based on a minimum value, a maximum value, or an acceptable range of values. Counts represent a number of specified elements, and measurements represent the size of design features. Many zoning and subdivision standards that are fundamental to land use and development regulation, such as those related to lot size, height, setbacks, and stepbacks, may already be built around measurements.

Example of Objective Design Standards

Any development that includes 10 or more units shall provide a minimum of 10% of the total number of units as three-bedroom dwelling units.

Walls adjacent to streets shall not run in a continuous plane for more than 48 feet without incorporating at least two of the following design features:

1. A minimum 2-foot change in plane for at least 10 feet;
2. A minimum 18-inch raised planter for at least 10 feet;
3. A minimum 18-inch change in height for at least 10 feet;
4. Use of pilasters at 48-foot intervals and at changes in wall planes and height; or
5. A section of open grillwork a minimum 4 feet in height for at least 10 feet.

Ratios and Calculations

Ratios and calculations can be used to create standards that are linked to the scale of a project. Many common planning tools, including density, floor area ratio, parking, private and common open space, and landscaping requirements, rely on ratios and calculations. Ratios and calculations are also well suited for objective design standards because they can be used to address design features that are directly related to the scale of a development. Ratios and calculations often require additional standards to clarify how to satisfy the requirement of the ratio. For example, if a minimum area of 300 square feet of common open space is required per unit, a designer may try to make that space 3 feet wide and 100 feet long in the setback in front of the parking stalls. This technically meets the standard but would appear to fall short of the intent of the common open space. A design standard that refers not only to 300 square feet of open space per unit but to a minimum of a 10-foot width is more likely to result in a usable lawn than in perimeter landscaping.

Example of Objective Design Standards

The common open space area shall be at least 300 square feet or 25 square feet per dwelling unit, whichever is greater. Common open space must have a minimum width of 10 feet on any side.

For ground-floor commercial uses in mixed-use buildings, exterior walls facing a street shall include windows, doors, or other openings for at least 75 percent of the building wall area.

Lists

Where flexibility is desired, consider including a list of options. Lists can be structured by specifying a range of acceptable options ("Any of the following…") or by requiring compliance with a minimum ("At least one of the following…") or a maximum ("No more than three of the following…") number of elements. Lists work well with design elements like color where a palette of choices may be acceptable, including main color, trim, and accent. They also work well for variations of a typical architectural element.

Example of Objective Design Standards

1. All primary entryways shall incorporate at least four of the following elements:
   a. The entryway shall be recessed at least 2 feet from the building facade to create a porch or landing area.
   b. The doorway shall be recessed at least 3 inches from the building facade.
   c. The entryway shall be designed with an overhead projection of at least 6 inches, such as an awning or other architectural design features, so as to distinguish the front door from the rest of the building facade.
   d. The entryway shall be clearly marked with a side light window panel, adjacent window, or a door with a window.
   e. The entryway shall be raised or sunken at least one stair step from the pedestrian pathway.
   f. The landing area shall be enhanced with a unique paving material, texture, pattern, or color that is differentiated.

Scorecards

Scorecards require applicants to select from a menu of options. Each option is assigned a point value, and the combined point total of the options selected by the applicant must meet or exceed a specified target. Each requirement must be an objective standard in and of itself, and similar types of requirements are often grouped together. Scorecards expand on the list approach but differ in their ability to provide more specificity and control over a larger range of possible options. A scorecard can also be used to incentivize development projects to provide exceptional design and include features beyond the bare minimum, in exchange for additional "bonuses" as part of the entitlement.

Example of Objective Design Standards

The required landscape area must provide the type of plants necessary to achieve a total of at least 35 points per square foot of landscape area according to the table shown below.

Plant Type	Plant Container Size	Points
Shrub	1-gallon container	1.0
	5-gallon container	2.0
	15-gallon container or larger	10.0
Tree	5-gallon container	5.0
	15-gallon container	10.0
	24-inch box	20.0
	36-inch box	50.0
	48-inch box or larger	100.0

Benchmarks and Performance Measures

External benchmarks can provide a strong foundation for creating objective design standards because they are accepted performance measures and are verifiable and well documented. In particular, many transportation-related development regulations are well suited as a foundation for objective design standards. Trip generation, vehicle miles traveled calculations, parking ratios, and minimum design standards for roads and parking are often already quantifiable. Similarly, landscape standards can be tied to external benchmarks for native species or water use.

Example of Objective Design Standards

Development must meet the California Green Building Standards Code (CALGreen) by achieving CALGreen Tier I or II as adopted by the State of California; Tier II is a higher level of performance than Tier I.

The landscaped area of single-family residential, multifamily residential, mixed-use, and institutional type projects shall be designed with no more than 20% of the landscaped area planted in turf or plants that are not water-wise plants. Water-wise plants are defined as plants that are evaluated as needing "low" (10–30% reference evapotranspiration [ETo]) or "very low"(<10% ETo) amounts of irrigation water as defined and listed by Water Use Classifications of Landscape Species (WUCOLS) at http://ucanr.edu/sites/WUCOLS or other sources of water-wise plant water use classifications as verified by a licensed landscape architect.

BEST PRACTICES

The following best practices demonstrate ways to make objective design standards more effective.

Use Simple, Clear Language

Avoid using "terms of art" and technical terms that are not universally understood. When such terms are used, explain how the standard can be measured or verified.

Examples of "Terms of Art" to Avoid

- Respond to adjacent residential uses with a sensitive transition in scale and massing.
- Design buildings to fit with the context of their surroundings.
- Use street trees to delineate a public street.

Group Similar Topics Together

Group similar topics together to highlight that multiple objective design standards are related. Limit each standard to one topic or idea to distinguish individual criteria and simplify verification during approval or implementation.

Examples of Standards Grouped under Topical Headers

Residential Frontages

1. Multifamily building frontages shall include a terrace or porch.
2. Terraces or porches shall measure at least 6 feet in depth and 8 feet in width.
3. Terraces or porches shall be raised up 2–3 feet from the adjacent grade.
4. Fences or walls defining and/or retaining the front yard shall not exceed 3 feet in height from the adjacent sidewalk.

Parking

1. Parking lots shall include shade elements, such as trees, vine-covered trellises, and overhead solar panels.
   a. Parking lots shall be located at the rear or interior of the block and shall not be located between the sidewalk and the building frontage fronting the street.
   b. Access to parking lots or structures shall be located along side streets or alleys.
2. Parking lots shall include shade elements, such as trees, vine-covered trellises, and overhead solar panels.

Use Tables or Lists

Use tables or lists with subbullets to organize more complex standards into individual components that can be interpreted and verified as unique standards.

Example of Complex Standards Organized as a Table

The required landscape area must provide the type of plants necessary to achieve a total of at least 35 points per square foot of landscape area according to the table shown below.

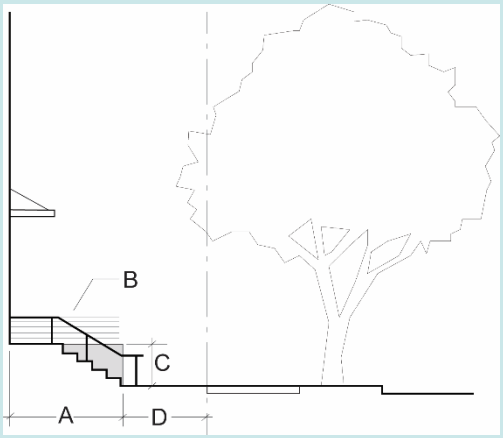
Setback from the Right-of-Way

Minimum	Maximum
0 feet (build-to-line)	5 feet, for up to 40% of the building frontage
6 feet	10 feet, for up to 40% of the building frontage
10 feet	15 feet, for up to 40% of the building frontage

Notes:

1. Arcades and colonnades may be used to satisfy the zero-foot build-to-line requirement.
2. Building entrances shall open to a public right-of-way or public courtyard.

Example of Complex Standards Organized as a List



Left: Illustrative diagram illustrating the requirements for porches and terraces.
Center & Right: Photo examples illustrate porches/terraces that meet the standards.

Standards for Porches and Terraces

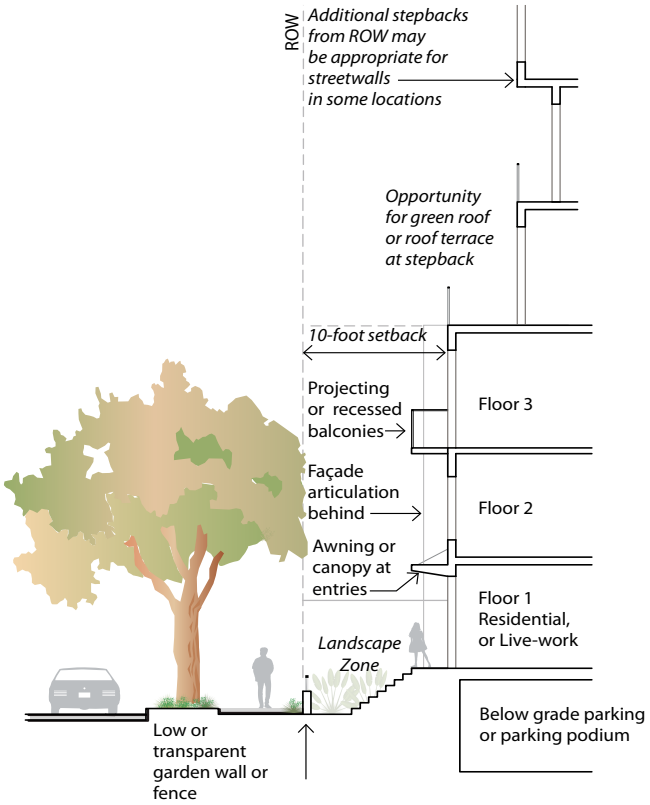
The main frontage of a multifamily residential building shall have an elevated porch or terrace. This frontage type creates a neighborhood character and street-facing orientation while providing a buffer from the sidewalk and space for landscaping. The depth of the porch or terrace will allow for a usable outdoor open space large enough to accommodate seating for at least two people.

Requirements:

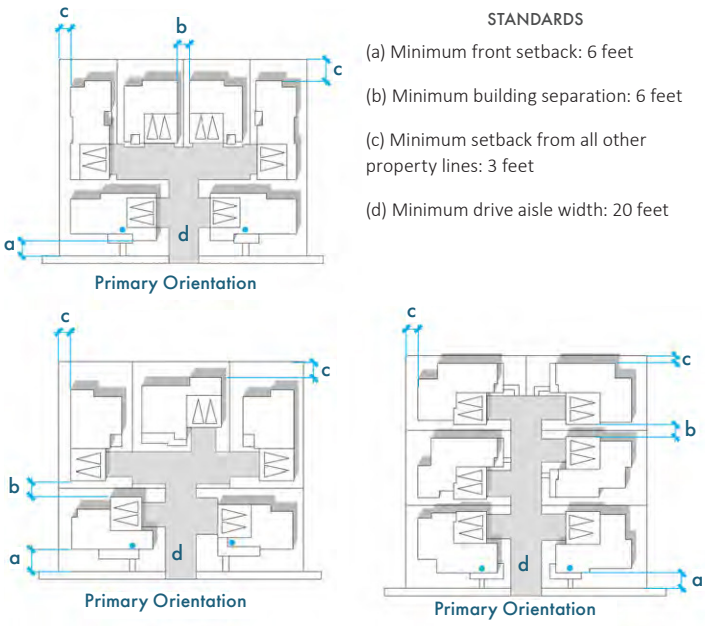
A. Depth: 6-foot minimum
B. Area of Porch or Terrace: 48-square-foot minimum
C. Finished Level above Sidewalk: 3 foot maximum
D. Garden Wall Setback from Right-of-Way: 5-foot minimum

Use Graphics to Illustrate Standards

Graphics, photos, axonometric drawings, sections, maps, and concept plan diagrams may be used to illustrate application of the standards. Use of annotations and callouts should be used to further clarify the relationship between the standards and the graphics.



Example graphic illustrating front yard setback and building articulation standards.



Example graphic illustrating acceptable forms of single-family cluster development.

Example of annotated photograph.

EXAMPLES

The following three examples demonstrate how to integrate different approaches and best practices to craft objective design standards that address different topics.

EXAMPLE #1

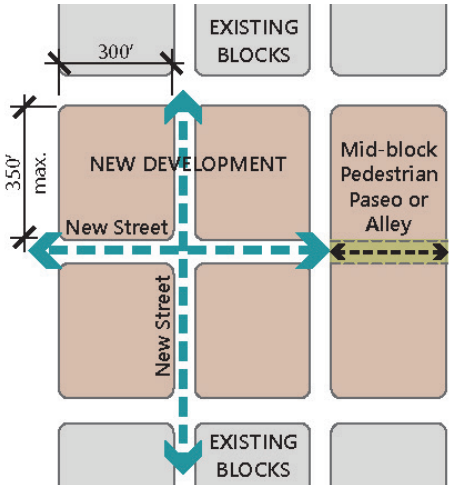
Block Size and Connectivity

Purpose

Block sizes establish the scale and character of the community and can help create connected, pedestrian-oriented neighborhoods.

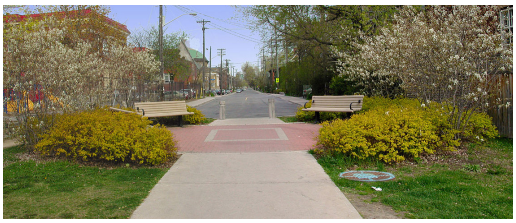
Example Objective Design Standards

1. The maximum length of any side of a block shall measure no more than 350 feet.
2. When developing an area with a block length that exceeds the maximum dimension, the area shall be subdivided with new streets such that all resulting blocks are less than the maximum allowed size.
3. No building shall be greater than 200 feet in length.
   a. Blocks greater than 400 feet in length shall be broken with a midblock connection, courtyard, or public paseo.
   b. The minimum width of a midblock connection or paseo shall be 20 feet and consist at a minimum of a walking path, landscaping, and lighting.
4. Blocks and connections shall be designed to improve pedestrian linkages.
   a. Where new streets are proposed, the ends of new streets shall align with existing streets or paseos in adjacent blocks.
   b. Where cul-de-sacs exist, pedestrian linkages are required and shall provide direct connections to adjacent streets or public areas.
5. The following are prohibited:
   a. Vacation of existing public street right-of-way
   b. Private development over public streets, courtyards, or paseos



***DO**: Limit the maximum length of any side of a block to no more than 350 feet.*

***DO**: Provide midblock connections to break up large developments.*



***DO**: Where cul-de-sacs exist, pedestrian linkages shall be provided to create direct connections.*

EXAMPLE #2

Residential Building Frontages

Purpose

Residential building frontages along a public street, public right-of-way, or common area provide an important transition between private development and the public realm.

Example Objective Design Standards

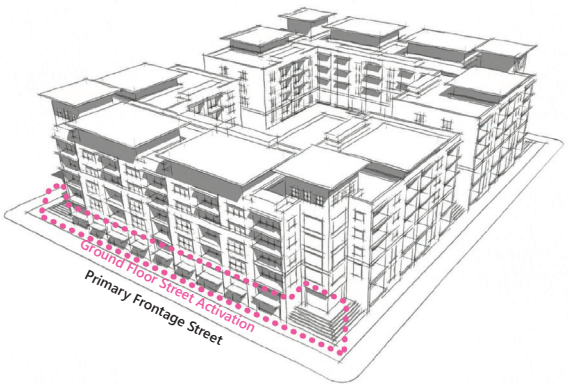
Setback Treatment

1. To accommodate porches and patios, a setback at least 5 feet and no more than 10 feet from the right-of-way shall be incorporated between the public and private realm and create individual semiprivate landscape areas or garden spaces along the street.
2. The residential ground floor shall be located within 3 vertical feet of the ground level.
3. Fences between any private open space, common areas, or public spaces shall be limited to a maximum of 3 feet in height.

Activation

1. Residential buildings shall be designed with active frontages, with residential units facing the street, public right-of way, or common open space, with overhangs, balconies, windows, and individual entries and porches to enliven the street edge and add "eyes" on the street.
   a. All ground-level units shall include an individual entry, porch, patio, or terrace.
   b. A minimum of 50% of upper-story units shall include a balcony or terrace.
2. Ground-floor windows shall not be opaque or tinted.
3. Rooms such as living rooms and dining rooms shall be oriented fronting toward the street and/or any adjacent common open space.
4. Where residential units are designed as townhomes or rowhomes, individual units shall be distinguished. This may be accomplished through the use of at least two of the following:
   a. Change in wall plane
   b. Change in color
   c. Change in roof form
5. Blank walls without windows, doors, or other articulation are strongly discouraged. The maximum length of any blank wall shall be limited to 20 feet.

***DO**: Provide a landscape setback between the right-of-way and individual porches and entries.*



***DO**: Design both street and courtyard frontages with overhangs, balconies, windows, and individual entries.*

***DON'T**: Sideload units or create blank or facades without entries.*

EXAMPLE #3

Design of Private Open Space

Purpose

Courtyards, roof terraces, and other common areas within individual residential developments provide needed amenities to improve livability and public health.

Example Objective Design Standards

Sizing and Scale

1. Common open space shall be provided for all residential development, consistent with the following requirements:
   a. At least 15% of the total gross development area shall be common open space.
   b. Setback areas shall not be used to satisfy common open space requirements.
2. Private open space shall be provided for all residential projects, consistent with the following requirements:
   a. 80 square feet for ground-floor units in the form of a covered or uncovered patio;
   b. 40 square feet for upper-story multifamily units in the form of a terrace, balcony, or rooftop patio; and
   c. 120 square feet for stand-alone, multistory residential units.
3. Common open spaces, such as courtyards and gardens, shall have a minimum dimension of 40 feet in any direction, building face to building face.

Character

1. A minimum of 50% of the open space area shall be landscaped with live plant material.
2. Open spaces shall be planted with a minimum of two trees, each of which shall have a minimum container size of a 36-inch box at installation.
3. A minimum of three of the following activating features shall be incorporated into open spaces:
   a. Fixed or movable seating
   b. Picnic style tables
   c. Shade trees or shaded canopy
   d. Outdoor kitchen equipment
   e. Children's play equipment
   f. Public art or interactive art, such as a life-size chess game
   g. Water feature (in conformance with sustainability standards)

***DO**: Design common open spaces with a minimum dimension of 40 feet in any direction.*

***DO**: Design common open spaces with live plant materials and shade trees.*

***DO**: Design common open spaces with active components, such as play equipment.*

OPTIONS FOR IMPLEMENTING OBJECTIVE DESIGN STANDARDS

There are a range of options for local agencies implementing objective design standards. The examples below highlight basic approaches that rely on and adapt a local agency's existing framework for regulating design.

Testing the Standards

As an initial step in implementation, test your standards against built projects considered acceptable to the community. This approach allows for refinement and helps ensure that your standards are effective and meet an agency's need for flexibility.

Implementation

Options for implementing objective design standards begin with existing regulations. The following approaches can be used to supplement those regulations to provide more nuance and detail.

1

Rely on Existing Regulations

Many existing zoning and other land development regulations already include objective design standards, such as minimum lot size, building height, setbacks, floor area ratio, and other standards that define a maximum building envelope.

2

Revise Existing Design Guidelines

Strategic updates to existing design guidelines can be made to remove or rephrase subjective language, incorporate objective requirements, and revise administrative intent (i.e., make them requirements instead of recommendations). Revisions will require more than searching for and replacing subjective terms. Once revised, design standards can be adopted as regulations to supplement existing zoning.

3

Expand Existing Regulations

Existing zoning and other development regulations can be expanded with new objective design standards, or can be updated to remove subjective language and strengthen existing standards to ensure they are measurable and verifiable.

Consider codifying informal requirements or creating a concise set of objective design standards. Zoning regulations may provide maximum enforceability; however, they are difficult to change, often lack extensive graphics, and depend on a formal process for variances.

ESSENTIAL COMPONENTS

The following components are essential to creating effective objective design standards.

Define Key Terms

Objective design standards rely on clear definitions of key terms. In some cases, it may also be necessary to define methodologies and procedures for performing calculations. Even terms that seem straightforward may need to be defined. Ideally, definitions should be coordinated and consistent with the underlying zoning code and the building code, especially when they involve architectural terminology.

Use a Statement of Intent

Statements of intent are often included to clarify the purpose and goals of particular design guidelines. Although a statement of intent is not essential to the regulatory aspect of objective design standards, it may be helpful to include one. Providing a statement of intent will help both applicants and agency staff understand the context of a group of standards. A statement of intent can also provide a basis for any variances from the standards that might be pursued or granted through a discretionary review process or through a minor variance.

Continue Using Discretionary Processes on an Opt-In Basis and for Noneligible Projects

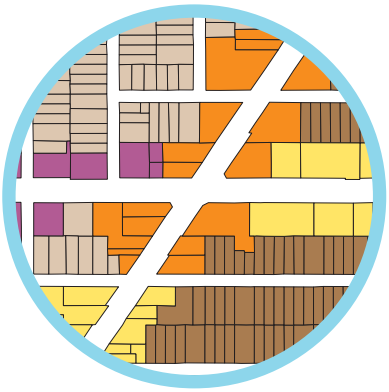
Agencies are allowed to create a list of guidelines (i.e., recommendations) that can be published and used. Although the guidelines cannot be used to deny a project, they can be used to help communicate additional, more nuanced, or subjective design preferences and to establish and communicate design concepts. They can also be used as a means to provide "incentives" to a project (e.g., additional units, reduced parking, reduced fees) if included as part of the design. Applicants that propose an extraordinary or unusual design that deviates from objective design standards should still be allowed to follow a discretionary or alternative and ancillary approval process and/or design review.

Allow Minor Variances or Deviations

Allowing minor variances or deviations at a staff level is an essential tool that can provide staff the ability to approve deviations from specified regulations. It can provide the flexibility necessary to allow small adjustments based on site conditions or specific design details while still relying on objective standards. Objective design standards should outline a process and requirements for staff to approve minor variances. Minor variances may be enabled within objective design standards by prescribing specific procedures and required findings for the relaxation of any specific portion of the standards.

KEY DESIGN TOPICS

Objective design standards must address a range of key design topics and be tailored to the unique needs of each agency. The key design topics presented on the following pages highlight incrementally more detailed and complex design topics. Many of the topics listed below may be included in different sections of a local agency's zoning and land development regulations. However, it is often beneficial for usability and administration to consolidate all applicable objective design standards in a single document.

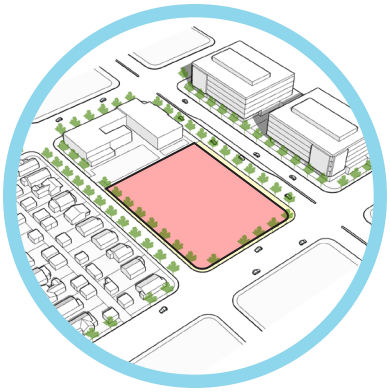


Local Context and Role of Place

Objective design standards need to be calibrated to local conditions and the context of different places in a given jurisdiction. There is no one-size-fits-all solution. Each jurisdiction should consider which topics are the most important to regulate through objective standards and on which topics it will remain silent on to allow creativity and flexibility. In addition, it may be desirable to provide design standards for different areas of the community or even housing types (e.g., downtown, historic, or mixed use).

What are the key design topics to regulate in your community? What design topics differentiate the district or community? And how can you distill those elements into objective design standards? Local context and general design guidance may already be found in plans and policies, such as:

- General plan goals
- Area and community plans
- Specific plans and planned unit developments
- Coastal zone
- Local hazards
- Open space conservation



Use Regulations

Ensure that allowable uses for residential and mixed-use projects are supported by clear definitions, and carefully consider the criteria required to allow any conditional uses. Depending on how they are written and structured, use regulations may themselves be considered objective design standards. Conditionally permitted uses often depend on other standards that also should be objective. Regulations on the following elements should be considered:

- Allowable uses
- Conditionally permitted uses
- Density

Building Envelope

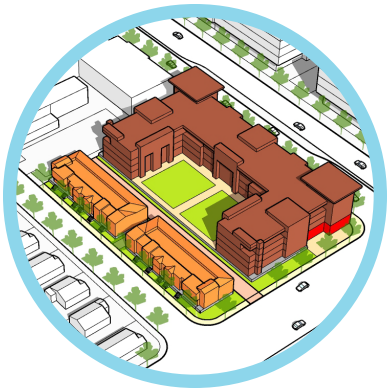
Zoning regulations typically provide objective design standards, such as those related to the following elements, which together help define the maximum building envelope:

- Lot/block size
- Lot coverage
- Height
- Setbacks or stepbacks

Site Design and Refined Massing

Zoning regulations may provide limited guidance on site design and refined building massing. More detailed standards for site design and building massing, including those related to the following elements, can be incorporated:

- Transitions from adjacent properties
- Maximum building length
- Programming/arrangement of spaces
- Orientation
- Pedestrian/vehicular access
- Parking



Building Design and Articulation

Design standards for building design and articulation address important topics related to the relationship between a building and its surroundings. Emphasis should be given to the design of ground floors, which have a significant influence on the pedestrian environment and the overall public realm. Standards can address topics such as the following examples:

- Frontage types
- Design of ground floors
- Building entries
- Facade/plane break
- Roof forms
- Corner treatment
- Private open space, balconies, and patios
- Common open space

Building and Landscape Details

The level of detail addressed in objective design standards should be tailored to the criteria that are most relevant to the community and the desired community character. For example, in some communities, it may be important to focus on building materials and landscaping, while in others, it may be important to provide limited objective design standards across a larger number of topics, including the following example topics:

- Materials
- Transparency
- Fenestration
- Color
- Awnings
- Plant palette
- Screening and fencing
- Outdoor furnishings
- Signage
- Exterior lighting

Architectural Style

In some communities, it may be important to address a particular architectural character or style. Standards that address architectural style need to be carefully tailored to ensure that they are objective and specifically address and define architectural style. Objective design standards may also be differentiated by building typology or focus area where necessary. Supplemental (nonobjective) architectural design guidelines may still be used to help communicate details of architectural style, but they cannot be used to deny an eligible housing development project. Where appropriate, objective design standards may address historic preservation, in conjunction with other requirements, including the Secretary of the Interior's Standards for the Treatment of Historic Properties.

OTHER CONSIDERATIONS

In conjunction with other related requirements included in SB 35 and SB 330, objective design standards present important considerations for local agencies approving housing developments.

Limited Role of Public Hearings

SB 35 and SB 330 both place additional limitations on public hearings. SB 35 explicitly requires cities and counties to provide a "streamlined ministerial approval process" for eligible affordable housing projects, which is defined in Government Code Section 65913.4(d)(1) as follows:

> *Any design review or public oversight of the development may be conducted by the local government's planning commission or any equivalent board or commission responsible for review and approval of development projects, or the city council or board of supervisors, as appropriate. That design review or public oversight shall be objective and be strictly focused on assessing compliance with criteria required for streamlined projects, as well as any reasonable objective design standards published and adopted by ordinance or resolution by a local jurisdiction before submission of a development application, and shall be broadly applicable to development within the jurisdiction. That design review or public oversight shall be completed as follows and shall not in any way inhibit, chill, or preclude the ministerial approval....*

Furthermore, until January 1, 2025, SB 330 prohibits an agency from conducting more than five hearings "if a proposed housing development project complies with the applicable, objective general plan and zoning standards in effect at the time an application is deemed complete." As described in Government Code Section 65905.5(a), an agency "shall consider and either approve or disapprove the application at any of the five hearings."

Changing Burden of Proof

One of the implications of objective design standards is that there is a significant change in the burden of proof. Typically, design guidelines require an applicant to demonstrate consistency with design guidelines and often navigate the design review process. Through this process, the burden of proof rests on the applicant, who must demonstrate that the design guidelines have been applied in a manner that satisfies the design review board or zoning administrator.

However, objective design standards require an agency to provide a preponderance of evidence based upon a reasonable person standard showing that a project does not meet an objective design standard before it can deny the project. In other words, a project is assumed to be consistent unless an agency demonstrates through a preponderance of evidence in the record that the project does not meet an objective design standard. This significantly shifts the burden of proof from the applicant to the agency.[1]

CEQA Streamlining

SB 35

Projects eligible for the streamlining provisions of SB 35 are considered ministerial and are not subject to the California Environmental Quality Act (CEQA). SB 35 was amended in 2018 to include a specific exemption from CEQA for qualifying projects under Section 65913.4(c)(2). Only technical studies required by an objective standard may be required of a project eligible for SB 35 streamlining (e.g., stormwater quality management plan, water and sewer studies, traffic studies, biological survey, historical survey).

SB 330

Although projects eligible for streamlining under SB 330 are not considered ministerial by statute, the use of objective standards removes a potential CEQA trigger associated with the review of discretionary actions.[2] Although SB 330 may remove a CEQA trigger, other objective standards may still require technical studies to provide substantial evidence that there are no environmental impacts.

[1] See Government Code Section 65589.5 for additional detail about burden of proof.
[2] See *McCorkle Eastside Neighborhood Group, et al.* v. *City of St. Helena, et al.* (2019) 31 Cal.App.5th 80.