

TO: James L. App, City Manager
FROM: Mike Compton, Director of Administrative Services
SUBJECT: Annual Development Impact Fee Report
DATE: Janaury 7, 2003

Needs: To present the annual development impact fee report to the City Council.

Facts:

1. The City presently imposes the following development impact fees:

- Water Connection Fee

For water meters < 1"

\$3,606 per single family residence
\$2,860 per multi-family residence
\$3,606 per mobile home park space
\$3,606 per mobile home subdivision lot
\$3,606 per commercial unit + \$247 per sub-unit
\$3,606 per hosp/convalescent unit + \$247 per sub-user
\$3,606 per motel/hotel unit + \$247 per unit
\$3,606 per school + \$247 per classroom
\$3,606 per meter + .088 per sq. ft.

For water meters > ¾"

1"	\$6,022
1.5"	\$12,008
2"	\$19,219
3"	\$38,475
4"	\$60,110
6"	\$120,184
8"	\$192,301
10"	\$276,462

- Sewer Connection Fee

\$4,793 per single family residence
\$4,410 per multi-family residence
\$4,410 per mobile home park space
\$4,793 per commercial unit
\$4,793 per hosp/convalescent unit + \$21 per room
\$4,793 per motel/hotel unit + \$90 per unit
\$6,772 per school + \$90 per classroom
\$4,410 per industrial meter + \$52 per 5 employee

- Park Development Impact Fee \$509 per lot

- Storm Drain Development Impact Fee \$694 per acre
- Bridge Development Impact Fee (including Public Facilities portion)

\$3,000 per residence (\$2,189 for bridge certificates and \$911 for new bridges and bridge expansions)
 \$6,710 per industrial acre
 \$8,832 per commercial acre
 Airport acres all at industrial rate

- Public Facilities Impact Fee
 \$1,5891 per residence
- Signalization Development Impact Fee
 \$10.70 per average daily traffic per land use type

2. Development impact fees collected must be spent or committed within five (5) years of collection. The City Council may make findings annually after five (5) years for any funds on-hand that remain unexpended or uncommitted. The findings must identify the purpose for which the funds are to be used and demonstrate a nexus (connection) between the collection of the fee and the purpose for which it is to be used. Otherwise, unexpended or uncommitted fees collected must be returned. In the past, the City has relied upon the adoption of its' policy documents to fulfill the obligation under the code; e.g. the City's capital Improvement Program, Water Master Plan, etc.
3. A separate fund has been established for each development impact fee to record financial transactions.
4. For the purposes of presentation only, some development impact fees have been consolidated in the comprehensive annual financial report (audit), i.e. specific plan fees.
5. Interest income is allocated to each and every development impact fee fund based upon its proportional share of total invested City cash resources.
6. In certain locations, the City has allowed developers to defer public improvements (saving up-front project costs). In these areas, new development pays specific plan fees at the time of issuance of building permit. The two applicable specific plan areas are:

- Union/46 Specific Plan

Police Equipment	\$ 34 per unit
Fire Equipment	270 per unit
Creston/No. River Signal	397 per unit
Union Road Improvements	1,774 per unit
N. River Road Improvements	1,269 per unit
Golden Hill/Hwy 46 Signal	42 per unit
Golden Hill/Union Signal	36 per unit
Park Site Acq. & Develop.	702 per unit
Off site Water Well	283 per unit
Specific Plan Preparation	<u>129 per unit</u>
Total (assuming all fees apply)	<u>\$4,936 per unit</u>
- Borky Specific Plan

Storm Drainage	\$ 0 – 3,664
Wastewater	79 - 84
Water	185 – 674
Signal BV @ Hwy 46	0 - 200

Collector Extension	0 - 450
Hwy 46 Interchange	2,957 - 4,147
N. River Rd. Upgrade	0 - 260
Contingency	115 - 161
Plan Preparation	0 - 209

The Borkey Specific Plan contains five (5) fee sub-areas and one (1) non-fee sub-area (open space). The fee illustration above simply notes the low to high range of the fee without regard to specific sub-area. Total fees per unit, assuming a permit would be assessed for all fee categories, would range from a low of \$4,228 for sub-area B and a high of \$8,241 for sub-area E.

7. The Borkey Specific Plan fees were reduced by Resolution No. 98-221 adopted 12/15/98 due to the installation by the City of certain improvements to accommodate the development of the North County Cuesta College campus. It was determined that the reimbursement to the City for the said installation was not desirable.
8. The Borkey Specific Plan fees were further modified by Resolution No. 02-127 adopted 7/2/02 to accommodate the development of the Paso Robles Hot Springs Resort. Only sub-area A fees were modified by this action.
9. In the case wherein a capital improvement project is funded from two or more development impact fee funds, all expenditures are recorded in a single fund and the appropriate proportional share of each funding source is transferred into this single fund. This methodology provides for the 'capturing' of all project costs in a single account for ease determining the final total cost of the project.

Analysis
and
Conclusion:

An analysis of the annual activity of each development impact fee is provided as follows:

Sewer Connection Fees

The sewer connection fee was established in February, 1979 by City Council Resolution No. 2278. The fee is applied to eight (8) specific categories of development. The residential fee was first imposed at \$1,187 per single family residential unit. It was subsequently increased effective July 1, 1986 by 2.2% making the fee \$1,213. The sewer connection fee was last increased 12/92 by Resolution No. 92-182 to \$2,017 in order to generate sufficient revenues to meet bonded debt obligations for the expansion of the wastewater treatment plant to accommodate new development. As a result of a detailed impact fee study completed by Hilton, Farnkopf & Hobson, the Council increased the sewer connection fee to the levels noted in Fact #2 above. The fee will be revisited every two years.

The 1988 Sewer Revenue Bonds were issued to finance the expansion of the wastewater treatment plant. The expansion was needed in order to serve the growing population of PasoRobles. The 1988 Sewer Revenue Bonds were successfully refinanced in 1993 effectively lowering the interest rate and monthly payments without extending the term of the original bonds.

The cash balance at June 30, 2002 was \$1,799,504. Total revenues from paid connection fees were \$1,564,889 plus \$91,866 in interest income. Expenditures totaled \$772,271 including a transfer out for debt service in the amount of \$579,415. Commitments against these resources include CIP budget appropriations totaling \$7,084,200.

Water Connection Fees

The water connection fee was established in February, 1979 by City Council Resolution No. 2314. The fee is applied to eight (8) specific categories of development. The residential fee was first imposed at \$799 per single family residential unit. It was subsequently increased effective July 1, 1986 by 2.2% making the fee \$817. As a result of a detailed impact fee study completed by Hilton, Farnkopf & Hobson, the Council increased the sewer connection fee to the levels noted in Fact #2 above. The fee will be revisited every two years.

The cash balance in the fund at June 30, 2002 was \$487,077. Commitments against this cash balance include accounts payable in the amount of \$8,961 and capital improvement projects budget appropriations totaling \$13,058,800 million. The Nacimiento Water Project whose costs are yet to be determined is not included in the capital projects budget. The commitments, other than Nacimiento Water Project, are multi-year in nature and it is expected, given current development growth, that future revenues will satisfy this obligation. If not, resources from the Water Operations Fund or water revenue bonds would be utilized to eliminate any funding shortfalls. The cash balance at June 30, 2002 in the Water Operations Fund was \$11,962,780.

Signalization Development Impact Fees

Signalization fees were first adopted in September, 1979 by Resolution No. 2347 which established the fee at \$10.50 per average daily traffic trip (ADT). It was subsequently increased by 2.2% in April, 1986 making the fee \$10.70 per ADT. The fee has not been adjusted since.

The cash balance in the fund at June 30, 2002 was \$627,843. Current commitments against this cash balance include capital improvement projects budget appropriations totaling \$323,800.

Bridge Development Impact Fees

The bridge fee was adopted in April, 1981 by Resolution No. 2561 which established the fee at \$2,142 per residential unit and a per acre amount for industrial/commercial development. In conjunction with the construction of the Niblick Bridge, the fee, per Resolution No. 2972 adopted January, 1985, was increased by 2.2% making the fee \$2,189 per residential unit. The fee has not been adjusted since.

The cash balance in the fund at June 30, 2002 was \$1,729,306. Thus, this balance and future collections are available for future bridge expansions and/or new bridge construction. Council action on March 6, 2001 allocated \$1.5 million towards 13th Street Bridge Expansion Project.

This fee is distinctly different than the bridge portion of the public facilities development impact fee. However, for ease of public understanding of total residential fees collected for bridges, this fee was consolidated by the Council with the \$811 bridge portion of the public facilities development impact fee for a total fee for bridges of \$3,000.

Park Development Impact Fees

Park fees were originally established by Ordinance No. 411 in May, 1978 at \$498 per lot. The fee was subsequently increased by 2.2% in July, 1986 to \$509 per lot. During fiscal year 1998, the City collected \$62,139 plus \$8,142 in accrued interest earnings and spent \$26,400 for the design of a regional park, Barney Schwartz Park.

The cash balance in the fund at June 30, 2002 was \$537,351. Appropriations for the year totaled \$1,151,000 but is partially offset by State grant funding for Centennial Park rehabilitation and Sherwood Park improvements totaling \$707,000. The appropriations include Kermit King restrooms for \$200,000, \$237,000 for Sherwood Park and \$714,000 for Centennial Park.

Storm Drainage Development Impact Fees

Storm drainage fees were first imposed in January, 1980 by Resolution No. 2391. Fees were established at \$679 per acre and were subsequently increased by 2.2% effective July 1, 1986. It has been over ten (10) years since the last increase.

The cash balance at June 30, 2002 was \$435,607. There is currently no budgeted obligations against this fund. It is anticipated that these funds will be allocated towards meeting new federal storm water mandates.

Street Tree Development Impact Fees

This fee was first established in January, 1980 by Resolution No. 2385 at \$137 per interior lot and \$274 per corner lot. It was increased by 2.2% in July, 1986 to be \$140 and \$280, respectively. There has not been an increase since 1986. The City no longer collects this fee.

The cash balance at June 30, 2002 was \$97,947. Currently \$50,000 is committed for street tree replacement. The next phase of street tree replacements will exhaust all available funds.

Public Facilities Development Impact Fees

This fee was established by Resolution No. 93-166 dated October 5, 1993 as a compromise between the existing City Council adopted public policy and the building/development community. Rather than undertake a very expensive AB1600 fee study which may have illustrated the need for a fee increase in excess of \$10,000, the City Council and development community, via the public hearing process, established the fee at \$5,000 with a limit as to how and when it might be increased. The City Council at the request of the building/development did further agree to phase the fee in over a three (3) year period. As adopted, 38% is used for City facilities (city hall/library) and the remaining 62% is for Niblick Bridge II and 13th Street bridge.

In fiscal year 1997, the Council reduced this fee by \$2,500 representing 50% of the total fee. However, given the potential impact upon the City's general fund, the reduction was made to the bridges portion of the fee making the distribution \$1,900 for City public facilities and \$600 for bridges.

During fiscal year 1998, the Council took action to make the combined total of all development impact fees for bridges \$3,000. This was accomplished by restoring \$211 of the suspended portion of the fee making the bridges portion \$811. When combined with the original bridge development fee, \$2,189, the total is \$3,000.

The cash balance at June 30, 2002 was \$1,992,007. \$1,900,000 has been committed towards the expansion of 13th Street Bridge. Future collections may be used for expansion of existing bridges and/or construct new bridges.

Union/46 Specific Plan Fees

When the City adopted the Union/46 Specific Plan in 1988, the environmental impact report (EIR) identified the impacts that would be created by new development in the study area. The building/development community had the option of installing all required infrastructure improvements in conjunction with new development; by establishing an assessment district; or deferring infrastructure costs through payment of an in-lieu specific plan fee. Based upon the desire of the building/development community to minimize the “up-front” costs on development and in order to spread the costs of infrastructure over all of the properties that would benefit from the improvements, a specific plan fee was established.

The cash balance at June 30, 2002 was \$2,428,221 and these funds are totally committed for infrastructure improvements as identified in the adopted specific plan. Council action on March 6, 2001 allocated \$1.5 million towards 13th Street Bridge Expansion Project (Union Road and River Road improvements).

Borkey Specific Plan Fees

In a similar manner to the Union/46 Specific Plan area, when the Borkey Specific Plan was adopted in 1989, an EIR identified the public infrastructure needed to mitigate the impacts of the planned new development. The adopted Specific Plan provided for infrastructure costs to be deferred and spread over all of the parcels in the plan area. The City Council allowed that fees would be collected at the time of issuance of building permits.

The cash balance at June 30, 2002 was \$424,408 and these funds are totally committed for infrastructure improvements as identified in the adopted specific plan including the \$140,000 appropriated for Buena Vista Drive improvements.

As noted above in the facts section, Borkey fees were modified by the Council by the adoption of Resolution No. 98-122 on December 15, 1998.

Fiscal Impact:

None.

Options:

- a. Receive and file.
- b. Amend, modify, or reject the above option.