

TO: James L. App, City Manager

FROM: Mike Compton, Director of Administrative Services

SUBJECT: AB 1600 - Development Impact Fee Study

DATE: January 16, 2003

Need:

For the City Council to undertake a public workshop to formally review the proposed development impact fees (DIFs).

Facts:

1. In California, the State has legislated certain legal and procedural requirements for implementing or modifying the DIFs.
2. Assembly Bill 1600 adopted in 1988 became effective 1/1/89 and was codified as Government Code Sections 66000 through 66009.
3. The Study was developed in accordance with these Government Code sections. Specifically, the Study:
 - a. Delineates the purpose of the fee.
 - b. Determines the use of the fee.
 - c. Determines the relationship between the use and type of development paying the fee.
 - d. Determines the relationship between the need for the fee and type of development paying the fee.
 - e. Determines the relationship between the amount of the fee and the cost of the portion of the facility applicable to new development.
4. Additionally, the Study addresses the nexus and proportionality requirements of the both the Nolan and Dolan court cases.
5. The Study does not include sewer and water connection fees because they were addressed last year with sewer and water user fees.
6. Existing DIFs have not been studied or reviewed since their adoption in the late 1970s and early 1980s.
7. A copy of the most recent Annual Development Impact Fee Report (for the fiscal year ended June 30, 2002) is attached for your reference. It provides a historical record of all existing DIFs and the current amounts for each.

8. The Study is made up of three component parts (four bound volumes). All of the data and documents provided to the consultant from each department that were used to develop the Master Facilities Plan (MFP) and the resulting Fee Calculation and Nexus Report (Report) are found in the Documentation and Project Detail Back Up, Volumes I and II.
9. A full set of the documents were previously distributed to the Council and copies were made available for public review in the library and city clerk's office.
10. The date and time of the workshop has been broadly advertised via radio ads, newsprint media and the City's web site. Notices were also distributed to the Home Builders Association and local builders/developers who may be interested in attending.

Analysis &
Conclusion:

The MFP is a compilation of the projects identified by staff and gleaned from various planning documents, master plans and the capital improvement projects budget. It represents the basic underlying document from which the DIFs are calculated. The MFP identifies three types of projects:

1. Projects associated with the maintenance, repair and rehabilitation of the City's varied infrastructure that is currently in place. The replacement value of these assets is identified at more than \$125,665,000 and is depreciating at the rate of \$2.5 million annually at a straight-line rate over 50 years. The cost to maintain and/or replace these assets is NOT included in the DIFs as recommended in the Study as DIFs cannot be used to address current capital deficiencies.
2. Those projects identified as needed to serve future development. These projects are included in the DIFs as recommended in the Study.
3. The last group of projects includes those would enhance the quality life for all Paso Robles residents and may spur economic growth in the community.

The MFP identifies \$388, 789,413 as the total project expenditures identified as necessary through build-out. Total project expenditures break down by category as follows:

Law Enforcement	\$ 782,022
Fire Protection	5,056,999
Streets/Signals/Bridges	331,251,368
Storm Drainage System	11,353,340
General Facilities	17,255,424
Library Facility/Collection	10,489,936

Public Use Centers	1,506,663
Aquatic Center	1,071,698
Parkland/Improvements	<u>10,021,963</u>
Total	<u>\$388,789,413</u>

Fairness and reason (proportionality) dictate that the entire cost of all the projects noted above will not qualify for impact fee funding. In fact, the Study indicates that only \$108,484,735 will be generated from DIFs. The balance will come from other outside sources.

On pages 7 and 8 of the MFP you'll find the summary detail schedule for all projects. It is also attached herewith as Exhibit "A". The balance of the MFP is organized into Chapters by the categories as noted in the paragraph above. Each Chapter begins with a title page, followed by a category summary and then by the project detail sheet. The category summaries are also included in the Study for each category for quick and easy reference.

The Study addresses both the Nolan and Dolan court cases as they apply to nexus and proportionality. Nexus represents the relationship between the fee and the infrastructure for which it will be used. It may be easier to think of nexus as the measurement indicator. For example; the nexus for a police facility might be "*calls for service*"; for a regional athletic park it might be "*participants*" or for traffic signals it might be "*traffic counts*". The use of nexus or measure indicators provides a reasonable means of calculating unit costs for the purposes of comparing existing levels of service with the demand/need created by new development.

Proportionality attempts reconcile the difference between the City's existing financial investment in infrastructure with the infrastructure required to serve new development. In other words, new development would not be asked to investment more than the existing community has invested even if the City's General Plan calls for a greater level of service. For example; the Study indicates that the City requires \$331,251,000 in streets, signals and bridges to serve new development through General Plan build-out. This equates, based upon nexus, to a single-family residential DIF of \$9,728. However, the existing community has only invested \$3,929 per single-family residential unit. Proportionality dictates that new development may only be required to pay \$3,929. This "equity" concept is used throughout the Study.

The City received a faxed communication from an attorney representing the Home Builders Association (HBA) (copy attached). According to the letter, while the HBA does not agree with the equity approach used in the Study, if the City were to remove all operating equipment having a useful life of six years or less, the fire training facility and eliminate the use of trip length in the nexus, it is unlikely that they would challenge the DIFs at this time. A copy of the City's response is attached.

Measure D funded projects are not included in the calculation of DIFs since they are fully funded by current and future property owners via property tax levy. Additionally, that portion of debt-financed facilities that is “unpaid” has been excluded from consideration in the DIF calculation because the City does have “equity” in that portion of the facility. Included in this category is the city hall/library and centennial park facilities.

Fiscal
Impact:

Adoption of the DIFs proposed in the Study would generate an estimated \$108 million for infrastructure and equipment (one time) needed to serve new development over the remaining time frame of the General Plan. This \$108 million represents about 27% of the needed resources.

In the aggregate, the total proposed DIFs for all categories for a single-family residential unit is \$9,728 as compared to the existing total DIFs of \$5,794, a difference (increase) of \$3,934. A copy of the summary schedule by category is attached as Exhibit “B”.

The Study reflects a retail/office use DIF in the amount of \$12.44 per square foot. While based upon accepted industry trip generation data/statistics, this level of fee is of grave concern given its anticipated impact upon the economic vitality of the community. When this issue was brought to the attention of the consultant, he noted that three or four other clients had just raised similar concerns. Upon further investigation, the consultant uncovered a study by the San Diego Association of Governments (SANDAG) that determined that in addition to trip generation, trip length was of significant, if not equal, importance. Should the Council decide to factor in trip length as recommended by the consultant, the retail/office use DIF would be reduced to \$8.10 per square foot. The single-family residential unit fee would increase by \$331. Attached as Exhibit “C” is Appendix “C” to the Study should the Council concur with including trip length in the nexus calculation.

Options:

- a. Direct staff to return at the February 18, 2003, Council meeting with an implementing ordinance for Council consideration; or
- b. Amend, modify or reject the option above.

The Support Documentation (if any) for this item is available in hard copy at the Office of the City Clerk; 1000 Spring Street, Paso Robles or (805) 237-3960.

When contacting the City Clerk's Office regarding an item, please have the meeting date and specific item number available to give the clerk.