

TO: James L. App, City Manager
FROM: Mike Compton, Director of Administrative Services
SUBJECT: Adoption of AB 1600 - Development Impact Fees
DATE: March 4, 2003

Need: For the City Council to consider adjusting development impact fees (DIFs).

Facts:

1. The Council contracted with Revenue & Cost Specialists, LLC, for a comprehensive evaluation of the City's existing DIFs.
2. The results of the evaluation were released as the *Development Impact Fee Calculation and Nexus Report for the City of Paso Robles* (the Study), which recommended various increases and/or additions to current DIFs.
3. A public workshop was conducted January 16, 2003 to review and discuss the study and proposed DIFs.
4. Adoption may occur following a properly noticed hearing. The Council placed the matter on their February 18, 2003 agenda for adoption.
5. The notices for the February 18, 2003, public hearing were not published properly, so the hearing was continued to March 4, 2003. If approved March 4 2003, the DIFs could become effective sixty (60) days later.
6. Per Council's direction, the proposed DIFs have been modified to:
 - Exclude all operating capital with useful life less than six (6) years
 - Re-allocate the cost of the fire training center from 100% new development to 30% for new development
 - Include "trip length" in the nexus calculation for the traffic mitigation fee as recommended by Revenue & Cost Specialists (refer to "Appendix C" of the Development Impact Fee Update Calculation Report)
7. Exhibit "A" to the implementing resolution, included herein, is a summary schedule of DIFs.

8. The DIFs are proposed to include automatic annual escalators based upon the “Engineering Construction Index”. Additionally, the fees will be formally reviewed every two years and whenever a major policy document is updated; i.e. General Plan, Master Utility Plans, etc.

Analysis & Conclusion:

Considerable analysis and review has been undertaken relative to the City’s development impact fees. The culmination of this effort was the public workshop held January 16, 2003. Generally, public feedback was positive and supportive of “fair” fees though the Home Builders Association (HBA) requested a postponement of the Council’s adoption for further study.

The proposed fees reflect two requests from the HBA (as noted above in Fact #8). The impact of the listed changes for a single-family unit are as follows:

Original proposed fee	<u>\$9,728</u>
Removal of operating equipment	(264)
Fire training center 100% to 30%	-0-
Trip length nexus	331
 Adjusted fee	 <u>\$9,795</u>
 Current fee (estimated)	 5,794
 Increase (over current fee)	 \$4,001

The City may not require new development to pay more than what existing residents have invested nor may new development be charged for existing deficiencies. Consequently, the change for the fire training center has no fee impact because the City has made no “investment” to date in such a facility. For the same reason, the City may only assess a traffic mitigation fee of \$3,929 while the impact of new development is \$11,087.

After the agenda deadline for the February 18, 2003 public hearing, the City received a letter from the HBA dated February 4, 2003 (copy enclosed). This letter indicated concurrence with staff recommendations and Council directions as noted in Fact #8 above. However, the letter raised two new issues. One relating to the timing for payment of DIFs and the other requesting that all tentative tract/parcel maps and/or approved planned developments be “grandfathered” in under the existing fee structure.

The first issue is easily resolved. Except for water and sewer impact fees, current DIFs are generally paid upon issuance of certificate of occupancy. The second request is more problematic, but has been modified in more recent HBA correspondence (see 2/24/03) letter also attached). Their

request is to allow any already submitted building permit application to pay current fees.

Separate from HBA's residential fee concern, the proposed increases in the retail/commercial and industrial/manufacturing DIFs are significant. Current fees are estimated at \$1.66 and \$1.16 per square foot, respectively; proposed is \$7.84 and \$3.43 per square foot. The proposed increases are significantly greater than those for residential units. The increase in single family residential DIFs, in the aggregate, is 70%. In the case of retail/commercial DIFs, the proposed fee increase is 472% and a 296% for industrial/manufacturing.

The City Council may find it equitable to phase retail/commercial and industrial/manufacturing DIFs in proportion to the rate of increase in residential rates. Specifically, the retail/commercial and industrial/manufacturing DIFs could be immediately increased by 70%. This would be consistent with the percentage increase in single -family residential fees. And, the balance of the proposed fee increase could be implemented, in equal amounts, over the next three years.

Under the scenario suggested above, the initial fee for retail/commercial DIFs would be \$2.82 per square foot and then would be increased each anniversary date over the next three years by \$1.67 per square foot. In the case of industrial/manufacturing DIFs, the initial increase would be \$1.97 per square foot and then would increase annually by \$0.49 per square foot.

An alternate Exhibit A to phase the implementation of retail/commercial and industrial/manufacturing DIFs is attached.

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 current General Plan.

In the aggregate, the total proposed DIFs for all categories for a single-family residential unit is \$9,795 as compared to the existing total DIFs of \$5,794, a difference (increase) of \$4,001. A copy of the summary schedule by category is attached as Exhibit "A".

Options:

- a. Upon close of the public hearing adopt Resolution No. 03-xx implementing new development impact fees (non-utility) including phasing of commercial & industrial rates; or
- b. Adopt Resolution implementing new development impact fees.
- c. Amend, modify or reject any of the options above.

RESOLUTION NO. 03-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
ADOPTING THE *DEVELOPMENT IMPACT FEE CALCULATION AND NEXUS REPORT
FOR THE CITY OF PASO ROBLES, CALIFORNIA* AND SUBSEQUENT DOCUMENTATION
ACCOMPANYING SUCH REPORT AND ESTABLISHING DEVELOPMENT IMPACT FEES
FOR ALL DEVELOPMENT WITHIN THE CITY OF EL PASO DE ROBLES

WHEREAS, the City Council decided that it was necessary and desirable to conduct a comprehensive review of the City's development impact fees to determine whether those fees are adequate to defray the cost of public facilities related to the development project; and

WHEREAS, the City contracted with Revenue & Cost Specialists, LLC, for a comprehensive evaluation of the City's existing development impact fees; and

WHEREAS, Revenue & Cost Specialists prepared a report, the *Development Impact Fee Calculation and Nexus Report for the City of Paso Robles, California*, in July of 2002, that recommends an increase to the City's development impact fees and explains the nexus between the imposition of the fee and the estimated reasonable cost of providing the service for which the fee is charged; and

WHEREAS, the *Development Impact Fee Calculation and Nexus Report for the City of Paso Robles, California*, has been available for public review and comment; and

WHEREAS, following the issuance of the *Development Impact Fee Calculation and Nexus Report for the City of Paso Robles, California*, the City held a public workshop and received additional information; and

WHEREAS, Appendix C was subsequently added to the Report to incorporate revised trip-end data, which changed the calculation Revenue & Cost Specialists used to generate its initial recommended level of development impact fees and also changed the recommended level of fees from those recommended in the *Development Impact Fee Calculation and Nexus Report for the City of Paso Robles, California*; and

WHEREAS, both the *Development Impact Fee Calculation and Nexus Report for the City of Paso Robles, California* and Appendix C (collectively the "Report") substantiate the need for an increase in development impact fees amongst nine different categories of services and facilities provided by the City; and

WHEREAS, the City has been imposing various impact fees, including fees for signalization, bridge development, park development, storm drainage, street trees, and public facilities, among others; and

WHEREAS, the City Council desires to adopt new development impact fees, in accordance with the nexus calculations and recommendations in the Report; and

WHEREAS, in compliance with the Mitigation Fee Act (Government Code section 66000 *et seq.*), the City Council held a public meeting on the proposed development input fees on January 16, 2003, an incorrectly noticed public hearing on February 18, 2003 and a noticed public hearing on March 4, 2003 to solicit public input on the proposed development impact fees on February 18, 2003;

NOW, THEREFORE THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1. Findings pursuant to Government Code section 66001.

The City Council finds and determines that the Report complies with California Government Code section 66001 by establishing the basis for the imposition of fees on new development. This finding is based on the fact that the Report:

- (a) Identifies the purpose of the fee;
- (b) Identifies the use to which the fee will be put;
- (c) Shows a reasonable relationship between the use of the fee and the type of development project on which the fee is imposed;
- (d) Demonstrates a reasonable relationship between the need for the public facilities and the type of development projects on which the fee is imposed; and
- (e) Demonstrates a reasonable relationship between the amount of the fee and the cost of the public facilities or portion of the public facilities attributable to the development on which the fee is imposed.

SECTION 2. Fees for Uses Consistent with the Report.

The City Council hereby determines that the fees collected pursuant to this resolution shall be used to finance the public facilities described or identified in the Report, the Master Facilities Plan or such other public facility master plans as may from time to time be adopted by the City Council.

SECTION 3. Approval of Items in Report.

The City Council has considered the specific project descriptions and cost estimates identified in the Report and hereby approves such project descriptions and cost estimates and finds them reasonable as the basis for calculating and imposing certain development impact fees.

SECTION 4. Consistency with General Plan.

The City Council finds that the projects and fee methodology identified in the Report are consistent with the City's General Plan.

SECTION 5. Differentiation Among Fees.

The City Council finds that the development impact fees recommended in the Report are separate and different from other fees the City may impose as a condition of final map approval, building permit issuance or tentative or parcel map approval pursuant to its authority under the Subdivision Map Act, the Quimby Act, and the City's implementing ordinances, as may be amended from time to time, for, among other projects, the construction of storm drainage, major thoroughfares and bridges and the acquisition of parkland. In no event, however, shall a developer be required to pay for both a fee imposed pursuant to the Subdivision Map Act and/or the Quimby Act and a portion of the development impact fee as specified in Appendix A that would be used to fund the same type of facility as the fee imposed pursuant to the Subdivision Map Act and/or the Quimby Act.

In addition, this resolution shall not be deemed to affect the imposition or collection of the water and sewer connection fees authorized by section 14.04.020 and 14.16.020 of the Municipal Code.

SECTION 6. CEQA Finding.

The adoption of the Report and the development impact fee are categorically exempt from environmental review pursuant to section 15061(b)(3) of the California Environmental Quality Act guidelines. The intent of the Report and development impact fee is to provide one way to fund projects and services that have been identified in environmental analyses of other planning efforts, including the General Plan EIR, and various City master plans, among others.

SECTION 7. Adoption of Report.

The *Development Impact Fee Calculation and Nexus Report for the City of Paso Robles, California*, including the subsequently added Appendix C, is hereby adopted.

SECTION 8. Timing of Fee.

A development impact fee shall be imposed upon the issuance of any development permit and shall be paid prior to issuance of a certificate of occupancy for the project, or at such earlier time as permitted by law, as set forth in Government Code section 66007. A “development permit” means any permit or approval from the City including, but not limited to, subdivision map, revised final planned development, building permit or other permit for construction or reconstruction.

SECTION 9. Amount of Fee.

The City Council hereby approves and adopts the development impact fees as set forth in Appendix A to this resolution, attached hereto and incorporated herein. Appendix A sets forth the aggregate amount imposed as a development impact fee for both residential and non-residential land uses and also sets forth the breakdown of each development impact fee by type of facility or service. The development impact fees set forth in Appendix A are consistent with the Report. The amount of the development impact fee shall be reduced or a credit shall be applied towards the fee in proportion to the monetary cost of any improvements installed that would have been funded by the development impact fee. The amount of the development impact fees shall be modified annually each July 1 based on the change in the Engineering News Record's construction cost index as reported for the twelve month period ending in April of each year.

SECTION 10. Use of fee.

The development impact fees shall be solely used for (1) the purposes described in the Report; (2) reimbursing the city for the development's fair share of those capital improvements already constructed by the City; or (3) reimbursing developers who have already constructed public facilities described in the Report or the Master Facilities Plan or other facility master plans adopted from time to time by the City Council, where those facilities exceeded that needed to mitigate the impacts of the developers' project or projects.

SECTION 11. Fee Determination by Type of Use.

A. Residential Development.

Development impact fees for residential development shall be based upon the type of unit constructed. The development impact fee categories as shown in Appendix A generally correspond to the City's land use designations in the land use element of the City's general plan, as more specifically explained in Chapter 2 of the Report.

B. Nonresidential Land Uses.

Development impact fees for nonresidential land uses shall be based upon the square footage of the building. The development impact fee categories as shown in Appendix A generally correspond to the City's land use designations in the land use element of the City's general plan, as more specifically explained in Chapter 2 of the Report, with the exception of long-term transient lodging. Long-term transient lodging is not a specific land use, but, rather, reflects a changed use from a commercial lodging establishment to a long-term transient use wherein a person resides for thirty (30) continuous days or more.

C. Uses Not Specified.

In the event that there are land uses not specified in Appendix A, the development impact fee for such use shall be determined by the City's Director of Administrative Services or his or her designee who shall determine such fee based on an analysis of the public service impacts of the proposed use in relation to other uses shown in Appendix A.

SECTION 12. Prior Resolutions and Ordinances Superseded.

The development impact fees approved and adopted by this resolution shall take effect in sixty (60) days and shall supersede previously adopted resolutions that set the amounts of development impact fees, including Resolution No. 2972 with respect to the bridge development impact fee, Resolution No. 93-166 with respect to public facilities development impact fees, Resolution No. 2391 with respect to storm drainage development impact fees, Resolution No. 2347 with respect to signalization, Ordinance No. 411 with respect to park development impact fees and Resolution No. 2385 with respect to street tree development impact fees.

SECTION 13. Severability.

If any action, subsection, sentence, clause or phrase of this resolution or the imposition of a development impact fee for any project described in the Report or the application thereof to any person or circumstance shall be held invalid or unconstitutional by a court of competent jurisdiction, such invalidity shall not affect the validity of the remaining portions of this resolution or other fees levied by this resolution that can be given effect without the invalid provisions or application of fees.

SECTION 14. Effective Date.

Consistent with California Government Code section 66017(a), the fees adopted by this resolution shall take effect sixty (60) days following the adoption of this resolution by the City Council.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 4th day of March 2003
by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

Frank R. Mecham, Mayor

ATTEST:

Sharilyn M. Ryan, Deputy City Clerk

Attachment:
Exhibit A: Development Impact Fee Summary



Feb. 24, 2003

Mayor Frank Mecham and the City Council
1000 Spring St.
Paso Robles, Ca, 93446

Dear Mayor Mecham:

The Home Builders Association of the Central Coast is pleased to assure the city that we now feel its equity-based approach toward development impact fees is a fair and just method for addressing this complex and fiscally vital issue.

We appreciate the efforts of the Paso Robles City Council and city staff to work with us and answer our questions about the equity-based process.

We were also pleased to learn recently from Paso Robles Administrative Services Director Mike Compton that the city will continue to collect the development impact fees at the time of final inspection or when the Certificate of Occupancy is issued.

The association only has one remaining concern after positive communications with Mr. Compton, the city of Ontario and the Building Industry Association of Southern California (who both worked with the equity-based fee concept and your consultant) and a Feb. 12 meeting between six builders, the association's government affairs director, Mr. Compton and City Manager Jim App.

Our lingering concern is when the new fees will be implemented. We would respectfully request the city continue to charge the existing fees for projects that have already submitted building plans for approved developments. Plans at such a point in the process tend to have extensive financial commitments in place. These financing commitments are based on the current fee structure.

The \$4,000 increase from the new fees for each single-family home could jeopardize the economic structure of existing projects. We believe it would be fair and equitable to use the current fee structure for projects that have shown their commitment to build soon by submitting an official building plan.

Thank you very much for considering this last issue.

Sincerely yours,

Jerry Bunin
Government Affairs Director



Home Builders Association

OF THE CENTRAL COAST

providing quality housing and communities

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ADMINISTRATIVE SERVICES

February 4, 2003

Michael Compton
Director of Administrative Services
1000 Spring St.
Paso Robles, Ca, 93446

Dear Mr. Compton:

The Home Builders Association of the Central Coast appreciates the city of Paso Robles continuing to work with us on the proposed new development impact fees.

We are pleased that the city staff has recommended removing operating expenses for short-lived equipment from the fees and proposed reallocating the costs for building a fire training facility so that new development is only responsible for 30 percent of the cost for something that will benefit all city residents.

We are also more comfortable with your consultant's equity-based methodology after we discussed it with city Administrative Services Director Michael Compton, the city of Ontario following its work with Revenue and Cost Specialists, and the Building Industry Association of Southern California, which is reviewing the Ontario fees.

However, we still have several concerns that we hope the staff can answer before the Feb. 18 City Council meeting. We hope this letter and the answer can be included in the staff report for the Feb. 18 meeting.

The association understands that the new fees are tentatively scheduled to take effect May 5, 2003, 60 days after the second reading of the ordinance. We believe that the old fees should remain in effect for developments that have already been granted tentative tract/parcel map and/or planned development approval. Financing and investment have been committed for those projects based on the old fees.

Association members are also concerned about when AB 1600 impact fees are paid. The fees should be paid at final inspection or when the city issues the certificate of occupancy, whichever occurs first, as California Government Code 66007 requires. There are exceptions for public improvements that have already commenced. The intended result is that the builder doesn't have to pay financing costs for money borrowed to cover the fees and isn't responsible for the impact fee until the project could actually have some impact. The city wouldn't clear inspection or occupancy until the fees are paid.

Thank you very much for your time and consideration. We look forward to discussing these items with you in person next week.

Sincerely yours,

Jerry Bunin
Government Affairs Director

EXHIBIT "A"

SUMMARY OF DEVELOPMENT IMPACT FEES

	Law Enforcement Facilities	Fire Protection Facilities	Streets, Traffic Signals and Bridges	Storm Drainage Facilities	General Governmental Facilities	Library Expansion Facilities	Public Meeting Facilities	Aquatics Facilities	Parkland & Open Space Acquisition	Total
Estate (1 acre or more)	\$17	\$686	\$4,260	\$772	\$408	\$607	\$396	\$282	\$2,532	\$9,960/unit
Single Family ¹	\$17	\$686	\$4,260	\$607	\$408	\$607	\$396	\$282	\$2,532	\$9,795/unit
Condominium/Duplex	\$16	\$198	\$2,618	\$330	\$408	\$471	\$308	\$219	\$1,968	\$6,536/unit
Multiple Family	\$33	\$564	\$2,803	\$200	\$408	\$525	\$343	\$244	\$2,190	\$7,310/unit
Mobile Homes ²	\$19	\$1,082	\$2,149	\$531	\$408	\$380	\$248	\$177	\$1,587	\$6,581/unit
Assisted Living Units ³	\$31	\$9,399	\$815	\$270	\$408	No Fee	No Fee	No Fee	No Fee	\$10,923/unit
Long-Term Transient Lodging ⁴	\$36	\$224	\$2,803	\$181	\$408	No Fee	No Fee	No Fee	No Fee	\$3,652/unit
Commercial Lodging	\$10	\$224	\$2,195	\$121	\$64	No Fee	No Fee	No Fee	No Fee	\$2,614/unit
Retail/Office Uses*	\$0.060	\$0.528	\$6.887	\$0.260	\$0.104	No Fee	No Fee	No Fee	No Fee	\$7.839/sq ft.
Industrial Uses*	\$0.002	\$0.016	\$3.041	\$0.266	\$0.104	No Fee	No Fee	No Fee	No Fee	\$3.429/sq ft.
* \$ per square foot										
¹ Includes "manufactured homes" not subject to HCD										
² Includes "manufactured homes" subject to HCD										
³ Existing single family, condominium/duplex and multiple family units if converted to assisted living units would pay the difference between the single family, condominium/duplex and multiple family fee and the assisted living fee upon conversion										
⁴ Includes transient lodging wherein 50.1% of units are occupied continuously for thirty-one (31) days or more										

