

TO: James L. App, City Manager
FROM: Mike Compton, Director of Administrative Services
SUBJECT: Annual Development Impact Fee Report
DATE: January 3, 2006

Needs: To present the annual development impact fee report to the City Council for the fiscal year ended June 30, 2005.

Facts:

1. The City presently imposes various development impact fees. The rates applied during fiscal year 2005 are identified as follows (all fees were adjusted 7/1/05 by various inflationary factors):

- Water Connection Fee (including Nacimiento Water)

For water meters < 1"

\$7,816 per multi-family residence (unit)
\$6,199 per mobile home park space
\$7,816 per single family residence
\$7,816 per mobile home subdivision lot
\$7,816 per commercial unit + \$536 per sub-unit
\$7,816 per hosp/convalescent unit + \$536 per sub-user
\$7,816 per motel/hotel unit + \$536 per unit
\$7,816 per school + \$536 per classroom
\$7,816 per industrial/manufacturing meter + .19 per sq. ft.

For water meters > ¾"

1"	\$13,053
1.5"	\$26,028
2"	\$41,661
3"	\$83,400
4"	\$130,298
6"	\$260,518
8"	\$416,844
10"	\$599,276

- Sewer Connection Fee
 - \$4,412 per multi-family residence
 - \$4,060 per mobile home park space
 - \$4,412 per single family residence
 - \$4,412 per mobile home subdivision lot
 - \$4,412 per commercial unit
 - \$4,412 per hosp/convalescent unit + \$203 per room
 - \$4,412 per motel/hotel unit + \$83 per unit
 - \$6,234 per school + \$83 per classroom
 - \$4,060 per industrial/manufacturing meter + \$48 per 5 employee
- Park Development Impact Fee:

Estate (1 acre or >)	\$2,686
Single Family	2,686
Condominium/Duplex	2,088
Multiple Family	2,324
Mobile Homes	1,684
Assisted Living	-0-
Long-term Transient Lodging	-0-
Commercial Lodging	-0-
RV Parks & Campgrounds	-0-
Retail/Office	-0-
Industrial	-0-

- Storm Drain Development Impact Fee:

Estate (1 acre or >)	\$820	
Single Family	644	
Condominium/Duplex	350	
Multiple Family	212	
Mobile Homes	563	
Assisted Living	286	
Long-term Transient Lodging	192	
Commercial Lodging	128	
RV Parks & Campgrounds	-0-	
Retail/Office	0.15	per square foot
Industrial	0.20	per square foot

- Traffic (streets, signals & bridges) Mitigation Fee:

Estate (1 acre or >)	\$4,520	
Single Family	4,520	
Condominium/Duplex	2,778	
Multiple Family	2,974	
Mobile Homes	2,280	
Assisted Living	865	
Long-term Transient Lodging	2,974	
Commercial Lodging	2,328	
RV Parks & Campgrounds	1,464	
Retail/Office	4.19	per square foot
Industrial	2.25	per square foot

- Public Safety Facilities Impact Fee

Estate (1 acre or >)	\$746	
Single Family	746	
Condominium/Duplex	227	
Multiple Family	633	
Mobile Homes	1,168	
Assisted Living	10,005	
Long-term Transient Lodging	276	
Commercial Lodging	249	
RV Parks & Campgrounds	-0-	
Retail/Office	.33	per square foot
Industrial	.01	per square foot

- General Governmental Facilities Impact Fee:

Estate (1 acre or >)	\$433	
Single Family	433	
Condominium/Duplex	433	
Multiple Family	433	
Mobile Homes	433	
Assisted Living	433	
Long-term Transient Lodging	433	
Commercial Lodging	68	
RV Parks & Campgrounds	-0-	
Retail/Office	.07	per square foot
Industrial	.08	per square foot

- Library and Public Meeting Facilities Impact Fee:

Estate (1 acre or >)	\$1,064	
Single Family	1,064	
Condominium/Duplex	827	
Multiple Family	921	
Mobile Homes	666	
Assisted Living	-0-	
Long-term Transient Lodging	-0-	
Commercial Lodging	-0-	
RV Parks & Campgrounds	-0-	
Retail/Office	-0-	
Industrial	-0-	

- Aquatics Facilities Impact Fee:

Estate (1 acre or >)	\$1,064	
Single Family	1,064	
Condominium/Duplex	827	
Multiple Family	921	
Mobile Homes	666	
Assisted Living	-0-	
Long-term Transient Lodging	-0-	
Commercial Lodging	-0-	
RV Parks & Campgrounds	-0-	
Retail/Office	-0-	
Industrial	-0-	

Note: The retail/office and industrial fees were adopted with a three year phasing component. On March 1, 2006, the last fee phasing component will be made increasing each fee by \$1.67 and \$0.49, respectively.

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. The City has relied upon policy documents to fulfill this 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.
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 for the fiscal year ended June 30, 2005. Note that commitments identified towards each fee type represent CIP budget appropriations, including carry-over for the budget period beginning July 1, 2005.

Sewer Development Impact (Connection) Fees

The sewer connection fee was first 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. and again 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.

In December 2001, the Council adopted new impact fees based upon a study prepared by Hilton, Farnkopf & Hobson. It was the first time a comprehensive analysis had been undertaken on sewer impact fees. The study identified specific projects that would be required to serve new development and established a fee accordingly.

In October 2002, the Council authorized the refinancing of the 1993 Refunding Sewer Revenue Bonds and the issuance of an additional \$8,000,000 in new money to fund approximately \$4,000,000 in system collection improvements and \$4,000,000 in treatment plant improvements.

The cash balance at June 30, 2005 was \$2,214,815. Additionally, there was \$375,697 remaining from the \$8,000,000 installment revenue lease bond proceeds held by the bond trustee, Union Bank of California. The current capital improvement projects budget, effective 7/1/05, includes appropriations totaling \$3,209,700. Assuming new development continues at historical levels, development impact fee revenues over the next four years is expected to cover the funding shortfall.

Water Development Impact (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.

In December 2001, the Council adopted new impact fees based upon a study prepared by Hilton, Farnkopf & Hobson. It was the first time a comprehensive analysis had been undertaken on sewer impact fees. The study identified specific projects that would be required to serve new development and established a fee accordingly.

During fiscal year 2005, the Council approved a participation contract for the Nacimiento Water Project. New impact fees were imposed to pay for construction of infrastructure necessary to deliver and treat said water. The Nacimiento Water component is included in the connection fees noted above. However, those portions of the impact fee delivery and treatment of Nacimiento Water are calculated and accounted for separately.

The cash balance in all funds at June 30, 2005 was \$3,268,054. Of this amount, \$211,178 is specifically held for the construction of Nacimiento Water treatment facilities and \$1,056,513 is for delivery facilities. The current capital improvement projects budget, effective 7/1/05, includes appropriations totaling \$11,997,800. Assuming new development continues at historical levels, development impact fee revenues over the next four years will be approximately \$432,000 short of fully funding the projects included in the adopted capital improvement projects budget.

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 cash balance in the fund at June 30, 2005 was \$0. There is no longer a separate “signalization” fee. Under the new impact fee schedule, signalization is included in the “traffic mitigation” fee with streets and bridges.

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 cash balance in the fund at June 30, 2005 was \$70,527. There is no longer a separate “bridge” fee. Under the new impact fee schedule, bridges are included in the “traffic mitigation” fee with streets and signals.

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. This fee was modified by the Council on March 3, 2003 via Resolution No. 03-31 as part of the City’s AB 1600 Development Impact Fee Study.

The cash balance in the fund at June 30, 2005 was \$1,493,726. The current capital improvement projects budget, effective 7/1/05, includes appropriations totaling \$1,988,200. Assuming new

development continues at historical levels, development impact fee revenues over the next four years is expected to cover the funding shortfall.

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. This fee was modified by the Council on March 3, 2003 via Resolution No. 03-31 as part of the City's AB 1600 Development Impact Fee Study.

The cash balance at June 30, 2005 was \$403,350. The current capital improvement projects budget, effective 7/1/05, includes appropriations totaling \$708,900. Assuming new development continues at historical levels, development impact fee revenues over the next four years is expected to cover the funding shortfall.

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. The City no longer collects this fee.

The cash balance at June 30, 2005 was \$70,678. Approved appropriations in the current two year operating budget 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, 2005 was \$1,004,809 which has been committed towards the expansion of 13th Street Bridge. There is no longer a public facilities impact fee for bridges. Under the new impact fee schedule, bridges are included in the "traffic mitigation" fee with streets and signals. The cash balance noted above is the residual balance.

Traffic Mitigation Development Impact Fee

This is a newly adopted fee, March 3, 2003 via Resolution No. 03-31 as part of the City's AB 1600 Development Impact Fee Study, combines the former bridge development fee, signalization development fee and a portion of the public facilities development fee.

The cash balance at June 30, 2005 was \$2,249,813. The current capital improvement projects budget, effective 7/1/05, includes appropriations totaling \$863,000.

Public Safety Development Impact Fee

This is a newly adopted fee, March 3, 2003 via Resolution No. 03-31 as part of the City's AB 1600 Development Impact Fee Study. For purposes of this report, the law enforcement and fire protection equipment balances are combined.

The combined balance at June 30, 2005 was \$418,633 of which \$16,513 is earmarked for police facilities and \$402,120 for fire facilities. The current budget contains no appropriations for said funds.

Library Expansion Development Impact Fee

This is a newly adopted fee, March 3, 2003 via Resolution No. 03-31 as part of the City's AB 1600 Development Impact Fee Study. Revenues are used to pay debt service on the construction of the existing library facility.

The balance at June 30, 2005 was \$0.

Public Meeting Facility Development Impact Fee

This is a newly adopted fee, March 3, 2003 via Resolution No. 03-31 as part of the City's AB 1600 Development Impact Fee Study, replaces a portion of the former public facilities impact fee. Revenues are used to pay debt service on the construction of the existing city hall/library facility.

The balance at June 30, 2005 was \$0.

Aquatics Facility Development Impact Fee

This is a newly adopted fee, March 3, 2003 via Resolution No. 03-31 as part of the City's AB 1600 Development Impact Fee Study.

The balance at June 30, 2005 was \$148,122.

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, 2005 was \$2,378,078 and these funds are totally committed for infrastructure improvements as identified in the adopted specific plan (see attached Exhibit "B"). Council action on March 6, 2001 allocated \$1.5 million towards 13th Street Bridge Expansion Project (Union Road and River Road improvements). This amount was subsequently increased to \$2,215,000. The cash resources will be transferred out during fiscal year 2006.

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, 2005 was \$1,663,714 and these funds are totally committed for infrastructure improvements as identified in the adopted specific plan (see attached Exhibit "C").

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.

Exhibit "A"

**Detail Schedule
of
Development Impact Fee Expenditures**

Fiscal Year Ending June 30, 2005

	Fund 219 Public Meeting Fac.	Fund 220 Water Connections	Fund 221 Sewer Connections	Fund 222 Aquatic Facilities	Fund 223 Library Expansion	Fund 224 Public Facilities	Fund 225 Union/46 Specific Plan	Fund 226 Nacimiento Water Project
Beginning Cash Balance 7/1/04	\$ -	\$ 3,266,425	\$ 3,236,228	\$ 41,564	\$ -	\$ 3,181,276	\$ 2,759,053	\$ -
Revenues - All Sources	145,418	2,804,387	2,712,847	106,558	226,207	282,633	195,233	1,043,479
Expenditures/Transfers OUT	(145,418)	(4,070,449)	(3,734,259)		(226,207)	(2,459,100)	(576,207)	
Ending Cash Balance 6/30/04	<u>\$ -</u>	<u>\$ 2,000,363</u>	<u>\$ 2,214,816</u>	<u>\$ 148,122</u>	<u>\$ -</u>	<u>\$ 1,004,809</u>	<u>\$ 2,378,079</u>	<u>\$ 1,043,479</u>
Install Signal @ 24th & Vine Streets								
Install Signal @ Niblick & Country Club								
Install Signal @ Niblick & High School								
13th Street Widening Project		750,000	400,000			2,309,000		
Centennial Park Rehab								
Replace Sherwood Park Playground Equipment								
Storm Water Management Study								
Sherwood Drainage Improvements								
Street Tree Replacement Program								
City Hall/Library Debt Service	145,418				226,207	150,100		
New Well Installation: #9		350,916						
Install Water Main - Thunderbird to Charolais		901,113						
Install Golden Hill Water Tank		1,853,260						
Fire Flow Improvements SW of City		53,022						
Water & Sewer Special Studies		12,665	29,228					
Water Storage Reservoir SE of City		115,292						
Sherwood Well Treatment		6,635						
Nacimiento Water		27,545						
Lift Station #2 Rehab			449,406					
Lift Station #1 Rehab			35,507					
Hilltop Sewer Main Realignment			278					
Install Ferric Chloride Tank			38,081					
Airport/Dry Creek Sewer Main			56,172					
Standby Generators			7,181					
Upgrade Solids Handling Facilities			238,929					
Upgrade Lift Station #9			8,531					
Upgrade Lift Station #7			34,579					
Templeton Interceptor Upgrads Reaches 2 & 4			2,436,367					
Rehab Union Road							126,807	
Union/46 Park Acquisition							449,400	

Exhibit "A"

**Detail Schedule
of
Development Impact Fee Expenditures**

Fiscal Year Ending June 30, 2005

	Fund 228	229
	Borkey	Nacimiento
	<u>Specific Plan</u>	<u>Water Treatment</u>
Beginning Cash Balance 7/1/04	\$ 1,054,672	\$ -
Revenues - All Sources	609,041	211,178
Expenditures/Transfers OUT		
Ending Cash Balance 6/30/04	<u>\$ 1,663,713</u>	<u>\$ 211,178</u>

Install Signal @ 24th & Vine Streets
 Install Signal @ Niblick & Country Club
 Install Signal @ Niblick & High School
 13th Street Widening Project

Centennial Park Rehab
 Replace Sherwood Park Playground Equipment

Storm Water Management Study
 Sherwood Drainage Improvements

Street Tree Replacement Program

City Hall/Library Debt Service

New Well Installation: #9
 Install Water Main - Thunderbird to Charolais
 Install Golden Hill Water Tank
 Fire Flow Improvements SW of City
 Water & Sewer Special Studies
 Water Storage Reservoir SE of City
 Sherwood Well Treatment
 Nacimiento Water

Lift Station #2 Rehab
 Lift Station #1 Rehab
 Hilltop Sewer Main Realignment
 Install Ferric Chloride Tank
 Airport/Dry Creek Sewer Main
 Standby Generators
 Upgrade Solids Handling Facilities
 Upgrade Lift Station #9
 Upgrade Lift Station #7
 Templeton Interceptor Upgrads Reaches 2 & 4

Rehab Union Road
 Union/46 Park Acquisition