

TO: JAMES L. APP, CITY MANAGER
FROM: BOB LATA, COMMUNITY DEVELOPMENT DIRECTOR
SUBJECT: DEVELOPMENT IMPACT FEE UPDATE
DATE: MARCH 2, 2004

Needs: For the City Council to consider authorizing an amendment to the contract with David Taussig & Associates to prepare an update of the City's Development Impact Fees.

- Facts:
1. David Taussig & Associates are under contract to prepare the City's Community Facilities District (CFD), one of the steps necessary to insure the fiscal neutrality called for in the new General Plan.
 2. Up-dating the City's Development Impact Fee schedule pursuant to AB-1600 is another of the General Plan implementation steps.
 3. Having David Taussig & Associates prepare the update of the Development Impact Fees would help insure a close coordination between these two General Plan implementation tools.
 4. Attached is a proposed scope of work for the Development Impact Fee update. The substantial work already done during the last fee update, plus the data collected during the General Plan update, will facilitate the process.
 5. Adequate contingency funds remain in the General Plan budget to carry out the Development Impact Fee update.

Analysis
and

Conclusion: Fiscal neutrality is an adopted policy in the new General Plan. The tools to achieve this neutrality include fiscal impact analysis, adopting a Community Facilities District to mitigate the costs of infrastructure and operations, and updating the City's Development Impact Fees.

Close coordination between these tools will help insure that the fiscal impacts of new development are borne by the developer and/or new property owner, and not the current citizens of Paso Robles.

By having David Taussig & Associates prepare both the CFD and Development Impact Fee update the City can better coordinate the scope of work.

Policy

Reference:

Fiscal neutrality is a policy component of the new General Plan

Fiscal

Impact:

The costs of the fee update can be paid from the General Plan program contingency budget; the fee update is needed to help insure no adverse long-term impact on the City as a result of new development.

Options:

- a. Authorize the City Manager to enter into an addendum to the current scope of work with David Taussig & Associates to undertake the update of the Development Impact Fees as an implementation step of the new General Plan. The not-to-exceed contract amount would be \$38,000, which would be funded from the available General Plan contingency budget.
- b. Amend, modify or reject the foregoing options.

EXHIBIT A
DEVELOPMENT IMPACT FEE JUSTIFICATION STUDY
FOR THE
CITY OF PASO ROBLES

The Scope of Work for the Development Impact Fees Study consists of the following tasks:

TASK NO. 1 - DESCRIBE EXISTING SERVICE LEVELS AND DEFICIENCIES FOR CITYWIDE SERVICE AREA

This task entails development and documentation of future facility service level projections based on population and dwelling unit estimates for the City. The projections developed under this task will ultimately be used to determine service levels, facility needs, and capital requirements for general facilities and park facilities. This task consists of two subtasks.

Subtask 1.1 – Identify and Describe Existing Service Levels

DTA will identify and describe existing facility service standards relative to the existing number of equivalent development units (“EDUs” based on land-use types) and residents/employees served. Existing service levels will then be compared with stated service standards of the City, as cited in the current General Plan and existing policies adopted by the City Council, as well as determined through input from City staff. Based on this comparison, DTA will identify existing service level deficiencies and will quantify, based on existing service levels, the facilities that are necessary to be constructed to serve future development.

Subtask 1.2 – Review Existing Planning Documents and Development Projections

This subtask entails identification of future population, dwelling unit, and employment projections that will be used in the fee study by reviewing the current General Plan and other existing planning documents for the City. DTA will coordinate with City staff to identify future dwelling units and commercial/industrial development within the City. To complete this subtask DTA will:

- Review the current General Plan and other current planning documents provided by the City to determine existing as well as future population, dwelling unit, and employment statistics that will be used in the fee study. If the current General Plan, or other planning documents, does not provide sufficient information with respect to population per household or future number of employees, DTA will use U. S. Census or State Department of Finance data.
- Project the number of future new dwelling units and commercial/industrial development based on the current General Plan or other planning documents provided by the City.

TASK NO. 2 - IDENTIFY AND CLARIFY FUTURE SERVICE LEVELS AND FACILITY NEEDS FOR CITYWIDE SERVICE AREA

This task entails a determination of future service levels in cases where they may differ from existing service levels, and the identification of specific facility needs related to these future service levels. DTA will use facility data from the Development Impact Fee Calculation and Nexus Report¹, the current General Plan, and other relevant reports and/or master plans provided by the City as base documents. As necessary, DTA will make assumptions regarding facility standards using state, national, or other local jurisdiction’s standards in the event City specific information is not available to identify appropriate facility needs. In order for any fee program to be comprehensive in its scope, it is necessary to complete a thorough identification of all the facilities which will be impacted by additional growth. This task does not involve the preparation of a master facilities plan or other long-range facilities planning documents. The following types of facilities and improvements may potentially be included in the analysis, although this is not an exhaustive list:

- Law Enforcement Facilities
- Fire Protection Facilities
- Streets, Signals, and Bridges
- Storm Drainage Facilities
- General Government Facilities
- Library Expansion Facilities
- Public Meeting Facilities
- Aquatics Facilities
- Parkland and Open Space Acquisition

This task will require coordination with several different City departments. DTA will meet with City staff to determine these future service levels, as well as the specific facilities needs and costs, as follows:

Subtask 2.1 – Survey/Interview City Staff

DTA will work closely with City staff and/or City consultants to identify the public facilities eligible for inclusion in an impact fee program. DTA shall survey/interview City staff to ascertain existing and projected facilities in the City (based on Task No. 1), along with major equipment needs, the timing at which improvements will be needed and any physical data that would assist in developing the costs estimated below in Subtask 2.4. Based upon the results of the surveys and interviews, DTA will verify and, if appropriate, expand the list of new facilities to be included within the fee program for the City.

Subtask 2.2- Identify Facility Standards

Based on data collected and work completed under Task Nos. 1 and 2, DTA will identify appropriate facility standards for new development to determine facility needs as necessary. Whenever City specific information is not readily available to derive appropriate facility standards, DTA will make assumptions regarding facility standards utilizing data from neighboring jurisdictions, or regional/state/national averages. Facility standards will be defined as a number of linear miles, square feet, acres, etc. (as applicable for each type of facility) required per Equivalent Dwelling Unit.

¹ Development Impact Fee Calculation and Nexus Report for the City of Paso Robles, Revenue & Cost Specialists, L.L.C., July 2002.

Subtask 2.3 – Inventory Eligible Public Facilities and Prepare Facilities List

Based on the information collected in Subtasks 2.1 and 2.2, DTA shall prepare a comprehensive list of new facilities and equipment to be included in the fee program.

Subtask 2.4 – Review/Prepare Cost Estimates

DTA will prepare general cost estimates for the public facilities identified in Subtasks 2.1 through 2.3. In order to prepare the cost estimates, DTA’s staff will:

- ◇ Consult with City department heads and/or engineering staff or equivalent to ascertain and understand in-house cost data for existing and projected facilities and equipment.
- ◇ Review and/or refine existing cost data.
- ◇ As necessary, apply appropriate inflation and cost of living escalators to the list of projected public facilities to determine future costs.

If no cost data is available, DTA’s engineers will provide our opinion(s) of costs for proposed facilities based on industry-wide standards and assumptions. This task does not involve preparation of conceptual plans or master plans, design of facilities, or preparation of detailed cost estimates or calculations.

Subtask 2.5 – Describe Existing and Future Levels of Service

DTA will describe the impact upon service levels after the required additional facilities would be constructed and describe how new development would benefit from additional facilities.

Subtask 2.6 – Staff Review of Facilities List, Preparation of Final Facilities List

DTA will submit a copy of the Public Facilities Needs Cost Estimates to the City for review and consideration. This review is important, as this list is the basis upon which the new fee program will be created.

TASK NO. 3 - DEVELOP METHODOLOGY FOR CALCULATING NEW FEE AMOUNTS FOR CITYWIDE SERVICE AREA

This task entails developing the methodology used to establish the fee amount for each fee component. There are two critical issues that must be considered in developing a fee program. The fee program must generate revenues in a timely manner and the methodology must meet the nexus or benefit requirements of AB 1600. Since fees of any sort are controversial, it is critical that any fee established be defensible.

DTA’s fee study methodology will meet the nexus or benefit requirements of AB 1600, which requires that there be a nexus between fees imposed, the use of the fees, and the development projects on which the fees are imposed. Furthermore, DTA will document and establish a relationship between the amount of the fee and the cost of the facilities. In order to impose a fee as a condition for a development project, the methodology must accomplish the following:

- ◇ Identify the purpose of the fee.
- ◇ Identify the use to which the fee is to be put. If the use is financing public facilities, the facilities must be identified.
- ◇ Determine how there is a reasonable relationship between the fee's use and the type of development project on which the fee is imposed.
- ◇ Determine how there is a reasonable relationship between the need for the public facility and the type of development project on which the fee is being imposed.

Implicit in these requirements is a stipulation that a public agency cannot impose a fee to cure existing deficiencies in public facilities or improve public facilities beyond what is required based on the specific impacts of new development. The benefit methodology established in this subtask will be documented in the Final Report.

TASK NO. 4 - DETERMINE FEE LEVELS FOR CITYWIDE SERVICE AREA

This activity involves calculating fee amounts for residential, commercial, and industrial properties. It entails developing a fee calculation model using a spreadsheet format to facilitate updates as needed throughout the life of the fee program and calculating the fee amounts based upon the expected residential, commercial, and industrial development projected in Task Nos. 1 and 2, the Needs List developed in Task No. 2, and the methodology selected in Task No. 3.

Subtask 4.1 – Calculate Recommended Fee Amounts

DTA will calculate the fees for the City by inputting the data compiled under the preceding tasks into the fee calculation model, and computing the amount of fee by land use type (i.e. residential, commercial, and industrial) to be levied.

Subtask 4.2 – Document Fee Derivation

DTA will document the methodology utilized for the fee calculation model in a manner that can be understood by the City and the public. DTA shall prepare written statements documenting the validity of the methodology for deriving each of the fees for the City. These statements will be made to meet the requirements of AB 1600 and will be documented in the Final Report.

TASK NO. 5 - PREPARE PRELIMINARY REPORT

This task entails preparation of the draft fee justification report for review by City staff. Based on the work completed in Tasks 1 through 4, DTA will prepare the draft fee justification report for consideration by City staff. The report will be prepared pursuant to the standards of AB 1600.

TASK NO. 6 - PREPARE FINAL REPORT

Based on City staff comments on the draft fee justification report, DTA will prepare a final report for presentation to the City Council and City Staff.

Subtask 6.1 - Prepare Final Report

Based on the work completed in Tasks 1 through 5, DTA will prepare the final fee justification report for consideration by the City Council. The report will be prepared pursuant to the standards of AB 1600 and is expected to include following sections:

- ◇ Executive Summary
- ◇ Population Projections
- ◇ Facilities and Improvements List
- ◇ Defined Levels of Service
- ◇ Fee Calculations
- ◇ Recommended Fee Levels
- ◇ Recommended Process for Keeping Fees Current

Subtask 6.2 – Present Final Report

DTA will present the Final Report to City Council. DTA will make a presentation(s) to the City Council and respond to questions at the public hearing(s) on the proposed fee amounts.²

TASK NO. 7 - ATTEND MEETINGS

This task entails attendance at two meetings with City staff, plus the final presentation of the report findings to the City Council, for a total of three (3) meetings.

TASK NO. 8 – DETERMINE INFRASTRUCTURE COST ESTIMATES

This task entails coordinating with City staff and consultants regarding the appropriate costs in 2004 dollars for the infrastructure and facilities included on the Needs List for the City's Development Impact Fee Program. When data is not available from existing sources, DTA's engineering staff shall make such determinations based on its experience costing out improvements.

TASK NO. 9 (OPTIONAL) - DEVELOPMENT OF NEW/REVISIONS OF EXISTING ORDINANCES

This task entails drafting new ordinances, or making revisions to existing City ordinances to implement the new fee program. DTA will draft ordinance language based on "model" ordinances, current City ordinances, and/or ordinances adopted by other public agencies. The language drafted by DTA will be transmitted to City staff for their comments prior to being reviewed by the City Attorney's Office.

² Meetings and presentations are included in Task No. 7.

EXHIBIT B

**PROJECT FEES AND SCHEDULE OF
FEES FOR PROFESSIONAL SERVICES**

**DEVELOPMENT IMPACT FEE JUSTIFICATION STUDY
FOR THE
CITY OF PASO ROBLES**

Fees for the preparation of a Development Impact Fee Justification Study would be charged on a time and materials basis according to the hourly fee schedule listed in Table 1. The maximum fee for performing Task Nos. 1 to 9 shall not exceed a total of \$34,600, subject to the limitations identified below. The maximum fee for performing Task Nos. 1 to 7 shall not exceed a total of \$32,500. The maximum fee for the optional Task No. 9 shall not exceed \$2,100.

These fees assume the full cooperation of City staff in gathering demographic data regarding the existing City as well as future growth (i.e., Task No. 1) and in developing a needs list (i.e., Task No. 2). Should such cooperation not be forthcoming and the hourly fees for completing Task Nos. 1 and 2 exceed \$2,000 each, DTA reserves the right to request additional funding to perform greater amounts of research or prepare more revisions to draft documents prepared by the firm.

The fees for gathering demographic data regarding the existing City as well as future growth (i.e., Task No. 1) in the amount of \$2,000 assume that the City provides current planning documents to determine existing as well as future population, dwelling unit, and employment statistics that will be used in the fee study. If Task No. 1 requires additional meetings and/or research to determine expected and/or future development statistics and the fees for completing Task No. 1 exceed \$2,000, DTA reserves the right to request additional funding in order to complete Task No. 1.

The fees for developing the final needs list to be used in the fee program (i.e., Task No. 2) in the amount of \$2,000 assume that DTA will focus on updating the existing facilities needs list that was prepared for the Development Impact Fee Calculation and Nexus Report³, as opposed to DTA preparing other facilities planning documents. If Task No. 2 requires additional meetings and/or research to determine the final needs list and the fees for completing Task No. 2 exceed \$2,000, DTA reserves the right to request additional funding in order to complete Task No. 2.⁴

³ Development Impact Fee Calculation and Nexus Report for the City of Paso Robles, Revenue & Cost Specialists, L.L.C., July 2002.

⁴ Task No. 2 does not involve the preparation of a master facilities plan or other long-range facilities planning documents.

TABLE 1
HOURLY FEE SCHEDULE

David Taussig & Associates, Inc. Year 2004 Fee Schedule	
President	\$180/Hour
Vice President	\$170/Hour
Director	\$160/Hour
Manager	\$155/Hour
Sr. Associate	\$135/Hour
Associate	\$115/Hour
Analyst	\$100/Hour
Research Assistant	\$ 75/Hour

The fee range for the attached Scope of Work represents a maximum amount not to be exceeded for professional services, subject to the limitations identified below. In addition to the above maximum fees for services, the Client shall reimburse DTA for travel, duplication, facsimile, courier, long-distance telephone and other out-of-pocket expenses, in the amount of \$3,000.

At Client's request, services in addition to those identified in the Scope of Work may be provided if the total fee to complete the tasks selected is less than the maximum amounts stated above. Alternatively, if the selected tasks can be completed for less than the maximum amounts, only the hours actually expended will be billed.

Limitations

This budget covers only those tasks outlined in Exhibit A. Additional consulting services beyond those outlined in the Scope of Work ("Additional Work") may be provided for additional fees if they cause the proposed budget maximum to be exceeded. Detailed written responses to resolve disputes or preparation of more than one set of major revisions to the draft report will be classified as Additional Work and billed at hourly rates identified in Table 1 above. Other examples of Additional Work shall include:

- ◇ Additional analyses based on revised assumptions requested by the City
- ◇ Attendance at more than three meetings
- ◇ Additional coordination required for timely data collection
- ◇ Actual implementation of fee programs
- ◇ Reproduction of more than 10 copies of technical memoranda or draft or final reports.