

TO: James L. App, City Manager
FROM: Mike Compton, Director of Administrative Services
SUBJECT: Annual Development Impact Fee Report
DATE: December 19, 2006

Needs: To present the annual development impact fee report to the City Council for the fiscal year ended June 30, 2006.

Facts:

1. The City presently imposes various development impact fees. The rates applied during fiscal year 2006 are identified as follows (all fees were adjusted 7/1/06 by various inflationary factors):

- Water Connection Fee (including Nacimiento Water)

For water meters < 1”

\$6,497 per multi-family residence (unit)
\$8,191 per mobile home park space
\$8,191 per single family residence
\$8,191 per mobile home subdivision lot
\$8,191 per commercial unit + \$562 per sub-unit
\$8,191 per hosp/convalescent unit + \$562 per sub-user
\$8,191 per motel/hotel unit + \$562 per unit
\$8,191 per school + \$562 per classroom
\$8,191 per industrial/manufacturing meter + .20 per sq. ft.

For water meters > ¾”

1”	\$13,680
1.5”	\$27,277
2”	\$43,661
3”	\$87,403
4”	\$136,552
6”	\$273,023
8”	\$436,853
10”	\$628,041

- Sewer Connection Fee
\$4,196 per multi-family residence
\$4,624 per mobile home park space
\$4,624 per single family residence
\$4,624 per mobile home subdivision lot
\$4,624 per commercial unit
\$4,624 per hosp/convalescent unit + \$213 per room
\$4,624 per motel/hotel unit + \$87 per unit
\$6,533 per school + \$87 per classroom
\$4,255 per industrial/manufacturing meter + \$50 per 5 employee

- Park Development Impact Fee:

Estate (1 acre or >)	\$2,815	
Single Family	2,815	
Condominium/Duplex	2,188	
Multiple Family	2,436	
Mobile Homes	1,765	
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 >)	\$859	
Single Family	675	
Condominium/Duplex	367	
Multiple Family	222	
Mobile Homes	590	
Assisted Living	300	
Long-term Transient Lodging	201	
Commercial Lodging	134	
RV Parks & Campgrounds	-0-	
Retail/Office	0.22	per square foot
Industrial	0.25	per square foot

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

Estate (1 acre or >)	\$4,737	
Single Family	4,737	
Condominium/Duplex	2,911	
Multiple Family	3,117	
Mobile Homes	2,389	
Assisted Living	907	
Long-term Transient Lodging	3,117	
Commercial Lodging	2,440	
RV Parks & Campgrounds	-0-	
Retail/Office	5.92	per square foot
Industrial	2.81	per square foot

- Public Safety Facilities Impact Fee

Estate (1 acre or >)	\$782	
Single Family	782	
Condominium/Duplex	238	
Multiple Family	664	
Mobile Homes	1,224	
Assisted Living	10,486	
Long-term Transient Lodging	289	
Commercial Lodging	261	
RV Parks & Campgrounds	-0-	
Retail/Office	.50	per square foot
Industrial	.02	per square foot

- General Governmental Facilities Impact Fee:

Estate (1 acre or >)	\$454	
Single Family	454	
Condominium/Duplex	454	
Multiple Family	454	
Mobile Homes	454	
Assisted Living	454	
Long-term Transient Lodging	454	
Commercial Lodging	71	
RV Parks & Campgrounds	-0-	
Retail/Office	.09	per square foot
Industrial	.09	per square foot

- Library and Public Meeting Facilities Impact Fee:

Estate (1 acre or >)	\$1,129	
Single Family	1,129	
Condominium/Duplex	978	
Multiple Family	965	
Mobile Homes	1,038	
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 >)	\$313	
Single Family	313	
Condominium/Duplex	243	
Multiple Family	271	
Mobile Homes	197	
Assisted Living	-0-	
Long-term Transient Lodging	-0-	
Commercial Lodging	-0-	
RV Parks & Campgrounds	-0-	
Retail/Office	-0-	
Industrial	-0-	

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	\$ 36 per unit
Fire Equipment	283 per unit
Creston/No. River Signal	416 per unit
Union Road Improvements	1,859 per unit
N. River Road Improvements	1,330 per unit
Golden Hill/Hwy 46 Signal	44 per unit
Golden Hill/Union Signal	38 per unit
Park Site Acq. & Develop.	736 per unit
Off site Water Well	297 per unit
Specific Plan Preparation	<u>135 per unit</u>
Total (assuming all fees apply)	<u>\$5,174 per unit</u>

- Borky Specific Plan

Storm Drainage (per acre)	\$ 0 – 3840
Wastewater (per SF unit)	0 - 83
Water (per SF unit)	0 – 428
Signal BV @ Hwy 46 (per SF unit)	0 - 210
Hwy 46 Interchange (per SF unit)	2,957 – 4,147
N. River Rd. Upgrade(per SF unit)	0 - 273
Contingency (per SF unit)	0 – 121
Plan Preparation (per SF unit)	0 - 219

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 for single family residential units. Some sub-areas have per acre fees for single family residential units. *For more specific fee information, especially non-residential, the reader is encouraged to contact the Community Development Department.*

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, 2006. Note that commitments identified towards each fee type represent CIP budget appropriations, including carry-over for the budget period beginning July 1, 2005, the first year of the adopted four year capital projects budget.

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, 2006 was \$3,767,389. The current capital improvement projects budget, effective 7/1/05, includes appropriations totaling \$3,209,700.

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, 2006 was \$3,078,799. Of this amount, \$503,902 is specifically held for the construction of Nacimiento Water treatment facilities and \$2,555,168 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 may be approximately

\$432,000 short of fully funding the projects included in the adopted capital improvement projects budget.

Virtually all of the non-Nacimientto Water component of the fee collections has been “advanced” towards paying for the design and engineering of the Nacimientto Water project. It is expected to be repaid from proceeds of the bond sale to finance project construction.

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, 2006 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, 2006 was \$80,098. 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, 2006 was \$1,379,884. 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, 2006 was \$310,856. The current capital improvement projects budget, effective 7/1/06, 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, 2006 was \$0. Approved appropriations in the current two year operating budget have exhausted 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, 2006 was \$1,345,307. 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 fee was adopted 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, 2006 was \$2,773,271.

Public Safety Development Impact Fee

This fee was adopted 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, 2006 was \$695,267 of which \$26,640 is earmarked for police facilities and \$668,627 for fire facilities. The current budget contains no appropriations for said funds.

Library Expansion Development Impact Fee

This fee was adopted 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, 2006 was \$0.

Public Meeting Facility Development Impact Fee

This fee was adopted 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, 2006 was \$112,207.

Aquatics Facility Development Impact Fee

This fee was adopted 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, 2006 was \$233,473.

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, 2006 was \$3,150,635 and these funds are totally committed for infrastructure improvements as identified in the adopted specific plan (see attached Exhibit "B").

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, 2006 was \$647,946 and these funds are totally committed for infrastructure improvements as identified in the adopted specific plan (see attached Exhibit "C").

Fiscal

Impact:

None.

Options:

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