

City of Fresno

2016 City Impact Fee Update

The Economics of Land Use



presented by

City of Fresno

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Oakland
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Comprehensive 2016 Impact Fee Update

- Regional Street Impact Fees
- New Growth Street Impact Fees
- Traffic Signal Impact Fees
- Fire Impact Fees
- Police Impact Fees
- Park Impact Fees
- Water Capacity Fees



What is a Development Impact Fee?

- Fee charged on new development to mitigate its impact on the need for new facilities
 - Provides funding for public infrastructure and/or facilities needed to serve new residents and employees
- Must be legally defensible and conform to the requirements established in the Mitigation Fee Act (CA Government Code Section 66000 et seq.)
- AB1600 requires a nexus study and findings made every 5 years to support the fee.

Mitigation Fee Act Legal Requirements

- Identify the purpose of the fee.
- Identify how the fee is to be used.
- Determine how a reasonable relationship exists between the fee's use and the type of development project on which the fee is imposed.
- Determine how a reasonable relationship exists between the need for the public facility and the type of development project on which the fee is imposed.
- Demonstrate a reasonable relationship between the amount of the fee and the cost of public facility or portion of public facility attributable to development on which the fee is imposed.

Development Impact Fee Process

- Demographic and Land Use Analysis
- Capital Facilities Analysis
- Project List and Cost Estimates
- Cost Allocation
- Fee Calculation
- Technical Report Establishing Legal Nexus between New Development and the Proposed Fees

Eligible Costs for Impact Fee Funding

Eligible Costs

New Improvements Required to Serve New Development

Buy-In to Existing Facilities by New Development

Debt Service for New and Oversized Facilities

Fee Program Administration

Ineligible Costs

Improvements Required to Serve Existing Development (Existing Deficiencies)

Operations and Maintenance

Major Street Impact Fees



Street Impact Fees

The City has two programs which are primarily developer fee credit & reimbursement programs.

Also utilized by City to match grants for street widening projects serving new growth.



Regional Street Impact Fees currently assessed citywide

- Funds Regional Streets (Veterans, Friant, Jensen, Herndon, Temperance, Shaw, Willow, Marks, McKinley, Kings Canyon)
- Slight reduction from current fee rate is proposed
- Currently no developers waiting in line
- 2016 Impact Fee Revenue \$1.1 m

New Growth Area Street Impact Fees – not assessed in Infill/Core areas.

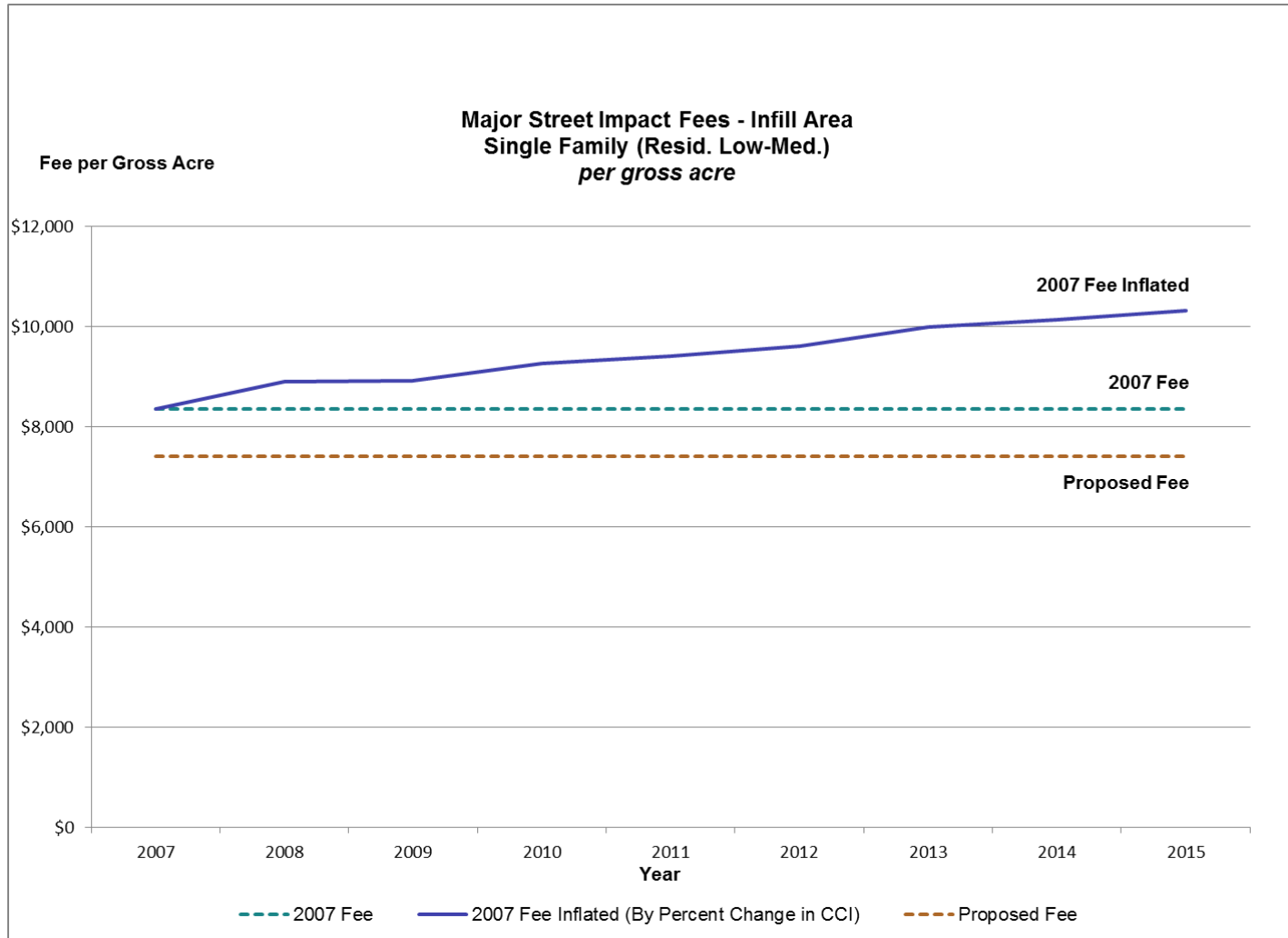
- Current debt \$4.9 m, developers waiting 5+ years for payment
- 2016 Impact Fee Revenue \$1.5 m
- Proposed program changes include reimbursement for median island landscaping, trails parallel to new growth streets, and curb and gutter.

Comparison of Existing and Proposed Major Street Impact Fees – Infill Area

Land Use	Infill Area		
	Major Street Impact Fee per Gross Acre [1]		
	Existing Fee	Proposed Fee	Percent Change
Residential			
Residential Low - Medium	\$8,361	\$7,416	(11%)
Residential Medium/High - High	\$15,663	\$14,399	(8%)
Nonresidential			
Retail	\$20,233	\$13,113	(35%)
Office	\$15,422	\$13,889	(10%)
Light Industrial	\$3,633	\$3,949	9%
Heavy Industrial	\$2,541	\$2,427	(4%)

[1] Citywide fee.

Comparison of Proposed Major Street Impact Fee to Inflated Current Fee – Infill Area

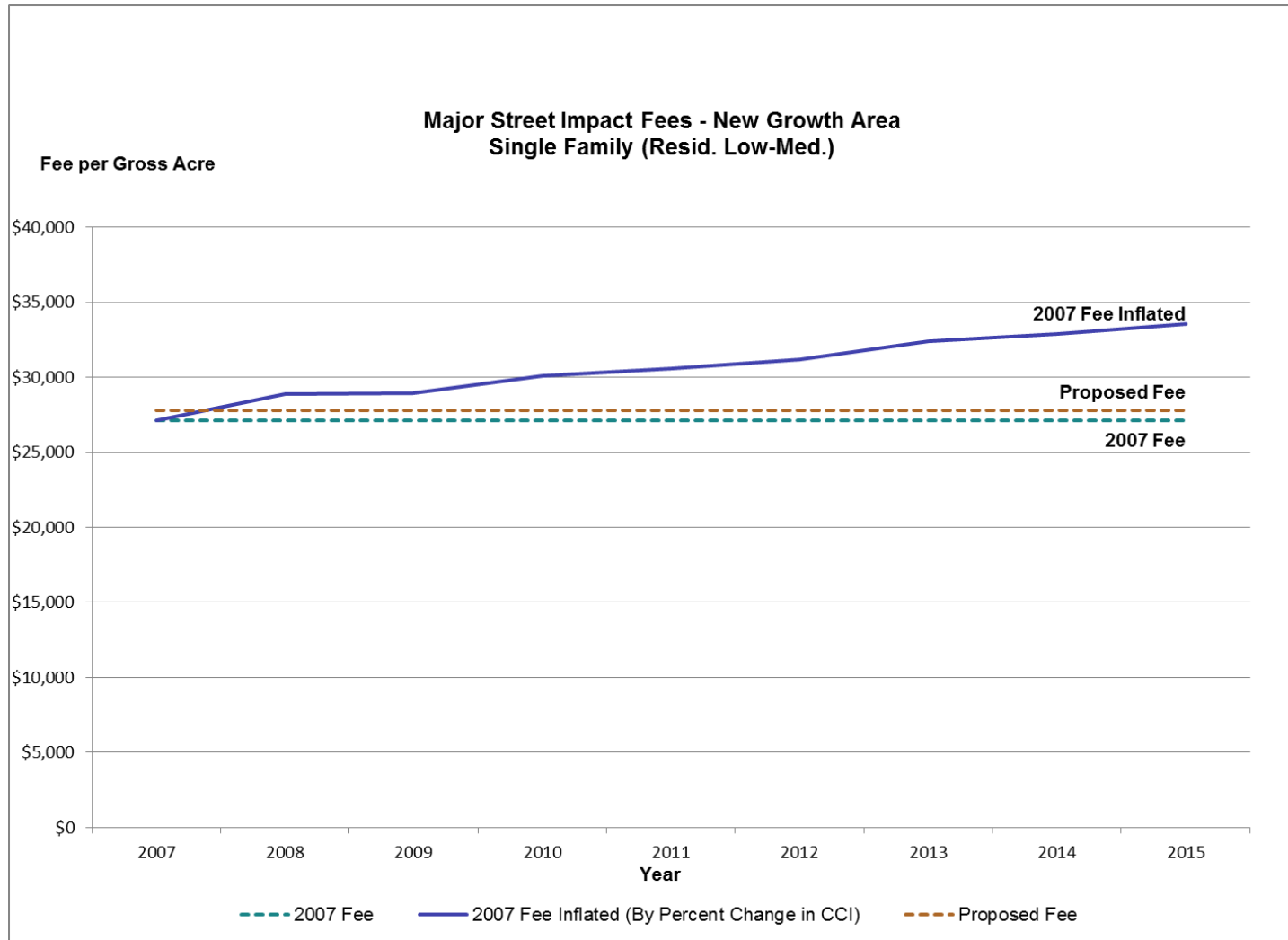


Comparison of Existing and Proposed Major Street Impact Fees – New Growth Area

Land Use	New Growth Area		
	Major Street Impact Fee per Gross Acre [1]		
	Existing Fee	Proposed Fee	Percent Change
Residential			
Residential Low - Medium	\$27,151	\$27,785	2%
Residential Medium/High - High	\$52,372	\$53,983	3%
Nonresidential			
Retail	\$70,353	\$49,882	(29%)
Office	\$50,249	\$48,691	(3%)
Light Industrial	\$11,837	\$15,177	28%
Heavy Industrial	\$8,280	\$9,241	12%

[1] Citywide and New Growth Area fees.

Comparison of Proposed Major Street Impact Fee to Inflated Current Fee – New Growth Area



Traffic Signal Impact Fees



Traffic Signal Mitigation Impact (TSMI) Fee

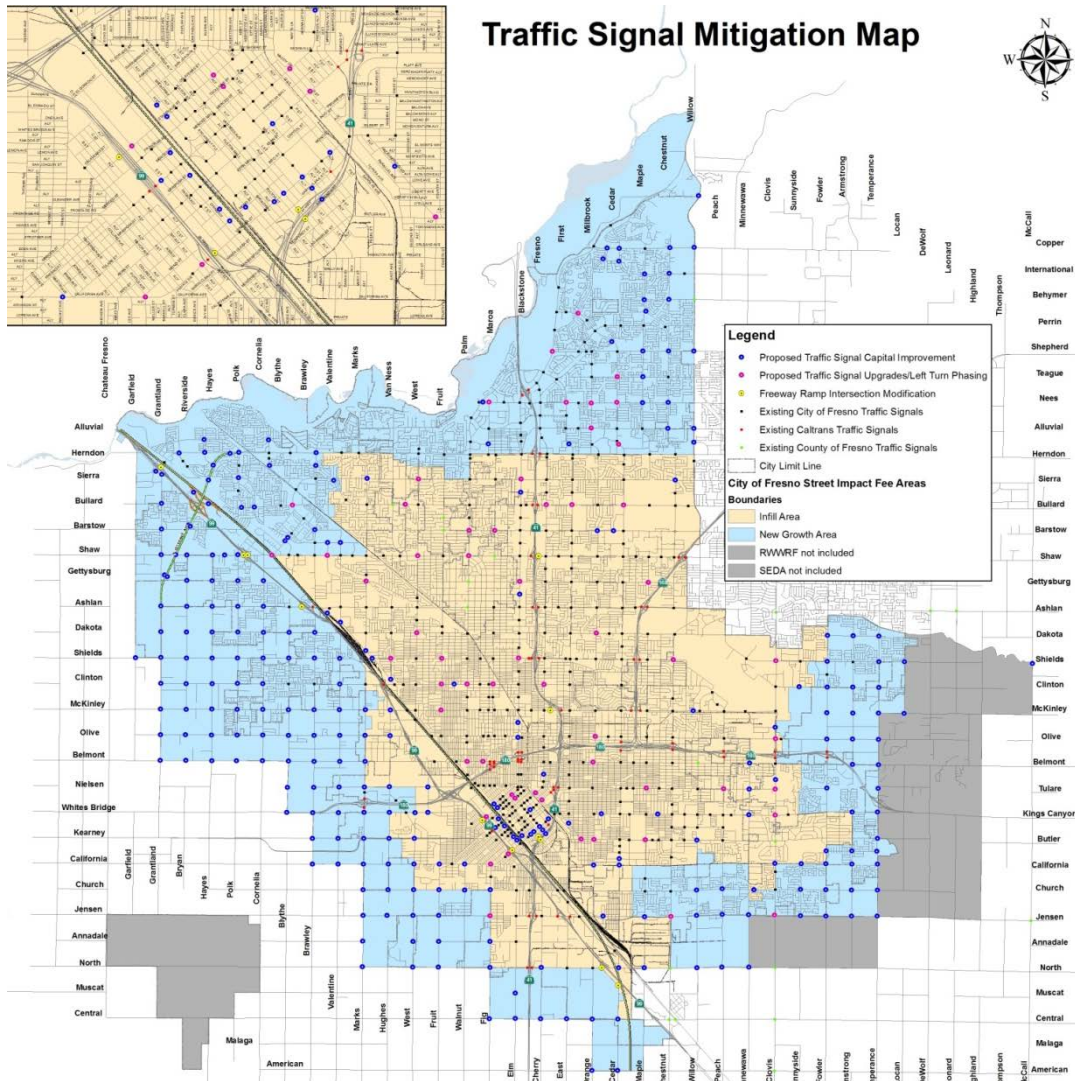
- Fee charged on new development to mitigate its impact on the need for new facilities
 - Installing new signals at stop-controlled intersections
 - Protected left turn phasing
 - Additional turn lanes for level of service
 - Includes City/Caltrans shared intersections
 - Last updated October 2008
 - Current fee of \$47.12 / Average Daily Trip (ADT) or \$449 per single-family home
 - Current Debt to Developers - \$1.3m
 - 2016 Fee Revenue - \$984k



TSMI 2016 Update

- Components of Fee Update
 - Reflect 2035 General Plan
 - Address additional needs on high-density infill corridors
 - Eliminate unnecessary intersection widening
 - Incorporate current construction costs
 - Reflect current fund balance and outstanding developer reimbursement lists
 - Recognize “pass by” reductions for certain retail uses

Facilities covered by TSMI Fees



- Intersections are roughly distributed throughout the entire City
- Predominately a developer reimbursement program
- TSMI Fees are also used for capital and grant matches

TSMI Proposed Adjustments

- Fee Study recommends a 5.84% increase as compared to the previous 2008 update
- How does that affect some common land uses?
 - Single-family \$449 to \$475/home
 - Multi-family \$313 to \$332/unit
 - Commercial office \$0.52 to \$0.55 per SF
 - Light industrial \$0.33 to \$0.35 per SF
 - Fast-food restaurant \$23.38 to \$12.37 per SF (*pass-by reductions applied*)
 - Large retail shopping center \$2.03 to \$2.13 per SF

Fire Facility Impact Fees



New Fire Facilities

• Shop Facility	\$ 6.3 m
• Training Facility	\$12.6 m
• Six new stations	\$29.8 m
• Nine new engines	\$ 6.3 m
• Two new trucks	\$ 2.4 m
• Firefighter equipment	<u>\$ 1.4 m</u>
» Total	\$63.8 m

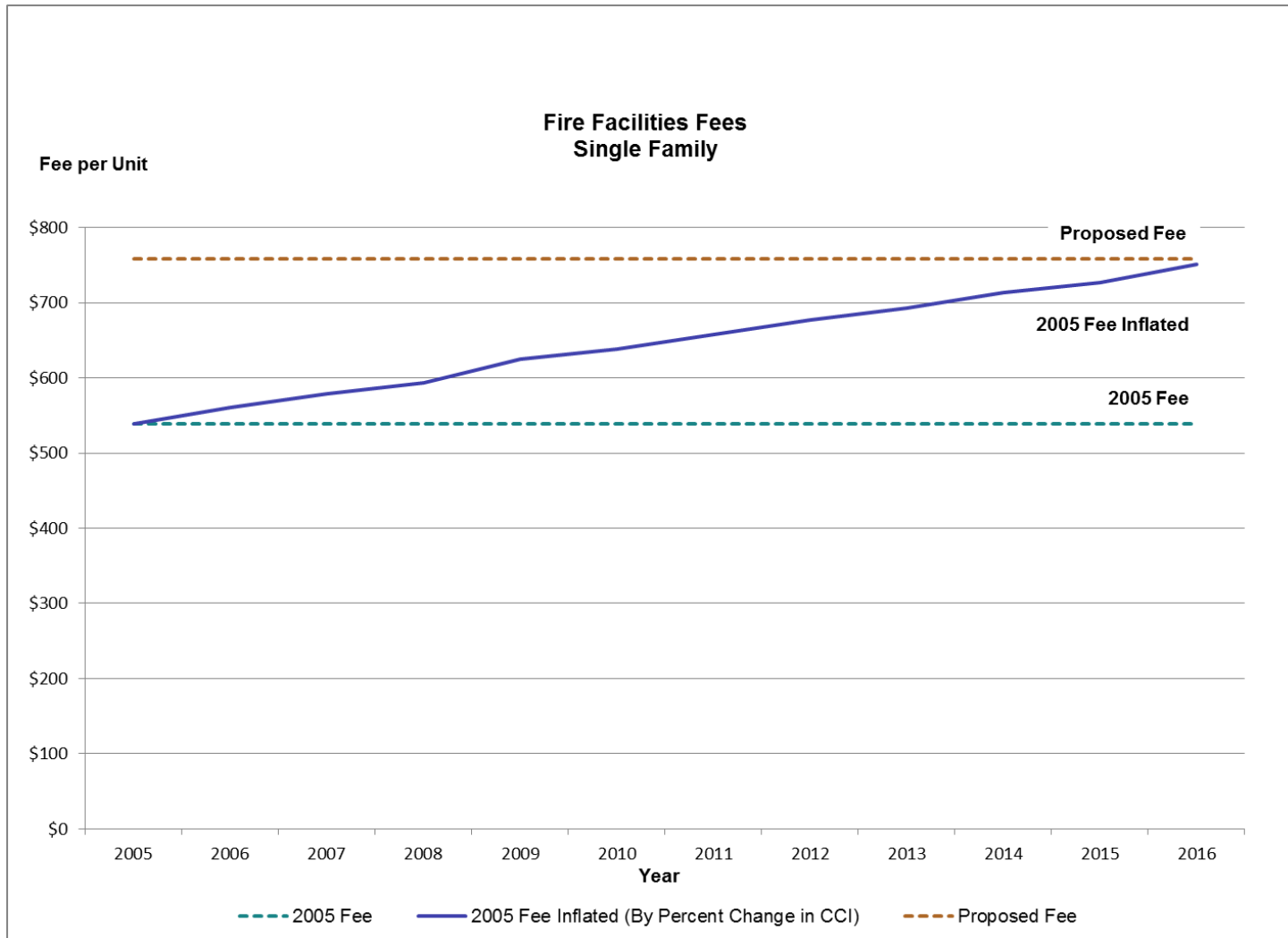
• Bond Debt	\$19.9 m
• Annual Payment	\$1.4 m
• Split	General Fund \$714 k
	Impact Fee Revenue \$686 k
• 2016 Impact Fee Revenue	\$527 k



Comparison of Existing and Proposed Fire Facilities Impact Fees

Land Use	Fire Facilities Fee		
	Existing Fee	Proposed Fee	Percent Change
Fee per Dwelling Unit			
Single Family	\$539	\$758	41%
Multifamily	\$439	\$572	30%
Fee per 1,000 Building Square Feet			
Retail	\$236	\$265	12%
Office	\$236	\$303	29%
Industrial	\$150	\$152	1%

Comparison of Proposed Fire Facilities Impact Fee to Inflated Current Fee



Police Facility Impact Fees



New Police Facilities

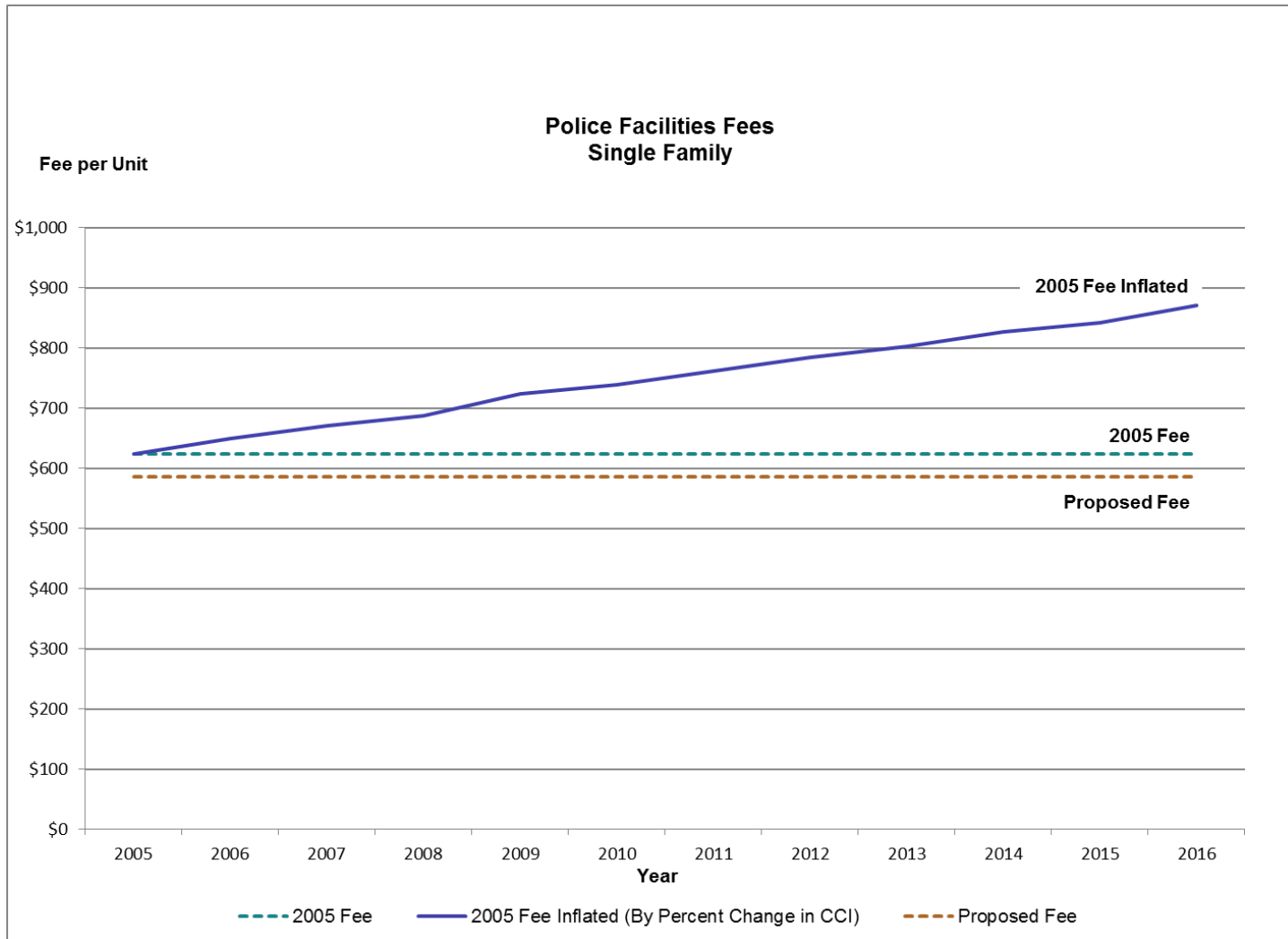
• Police Administration Building	\$35.9 m
• Southeast Substation	\$ 6.9 m
• Northwest Substation	\$ 4.6 m
• Future 6 th Policing District Substation	\$ 4.6 m
• Future 7 th Policing District Substation	\$ 4.6 m
• Dispatch Center	\$ 6.3 m
• 178 Patrol vehicles	\$ 8.0 m
• 46 Unmarked vehicles	\$ 4.6 m
• Officer equipment & misc.	<u>\$12.2 m</u>
» Total	\$87.7 m

• Bond Debt	\$23.5 m
• Annual Payment	\$1.9 m
• Split	General Fund \$969k Impact Fees \$931k
• 2016 Impact Fee Revenue	\$ 883 k

Comparison of Existing and Proposed Police Facilities Impact Fees

Land Use	Police Facilities Fee		
	Existing Fee	Proposed Fee	Percent Change
Fee per Dwelling Unit			
Single Family	\$624	\$586	(6%)
Multifamily	\$508	\$442	(13%)
Fee per 1,000 Building Square Feet			
Retail	\$665	\$624	(6%)
Office	\$665	\$594	(11%)
Industrial	\$422	\$297	(30%)

Comparison of Proposed Police Facilities Impact Fee to Inflated Current Fee



Comparison of Existing and Proposed Fire and Police Facilities Impact Fees (Combined)

Land Use	Fire and Police Facilities Fees		
	Existing Fee	Proposed Fee	Percent Change
Fee per Dwelling Unit			
Single Family	\$1,163	\$1,344	16%
Multifamily	\$947	\$1,014	7%
Fee per 1,000 Building Square Feet			
Retail	\$901	\$889	(1%)
Office	\$901	\$897	(0%)
Industrial	\$572	\$449	(22%)

Park Impact Fees



Park Impact Fees

- Citywide fee originally adopted in 2005
- Replaced the old series of UGM Neighborhood Park fees for individual service areas
- Key aspects of the 2016 update:
 - Construction cost increases over time
 - Consistency with the General Plan
 - Fee credit policies for pocket parks in subdivisions

Construction and Land Costs

Fee Component	2005	2016
Land Costs (per acre)	\$120,000	\$150,000
Park Improvements (per acre)	\$200,000	\$450,000

General Plan Open Space Policies

2025 General Plan	2035 General Plan	Current Service Levels
3 acres / 1,000 residents	5 acres / 1,000 residents	3.28 acres / 1,000 residents
Regional, Community, Neighborhood, Pocket, Trails	Specifically 3 acres / 1,000 residents of Community, Neighborhood, Pocket. Paid for by new development	1.09 acres / 1,000 residents of Community, Neighborhood, Pocket
	<u>and</u> 2 acres / 1,000 residents of Regional Parks and Trails	2.19 acres / 1,000 residents of Regional Parks and Trails

Park Classifications / Definitions

- **Regional Parks** >40 acres (Roeding, Woodward, Sports Complex)
- **Community Parks** – 10 to 40 acres
- **Neighborhood Parks** – 2 to 10 acres
- **Pocket Parks** – ½ to 2 acres
- **Trail/Greenway/Parkway** – linear open space

- **Fee Components**
 - Quimby Fee pays for park land acquisition (30% of Park Fee)
 - Facility Fee pays for park development costs (70% of Park Fee)
- **Park Fees only charged to residential and multi-family projects**
- **Annual Bond Debt Payment** - \$2.3 m
- **2015 Park Fee Revenue** - \$1.9 m, currently depleting reserves

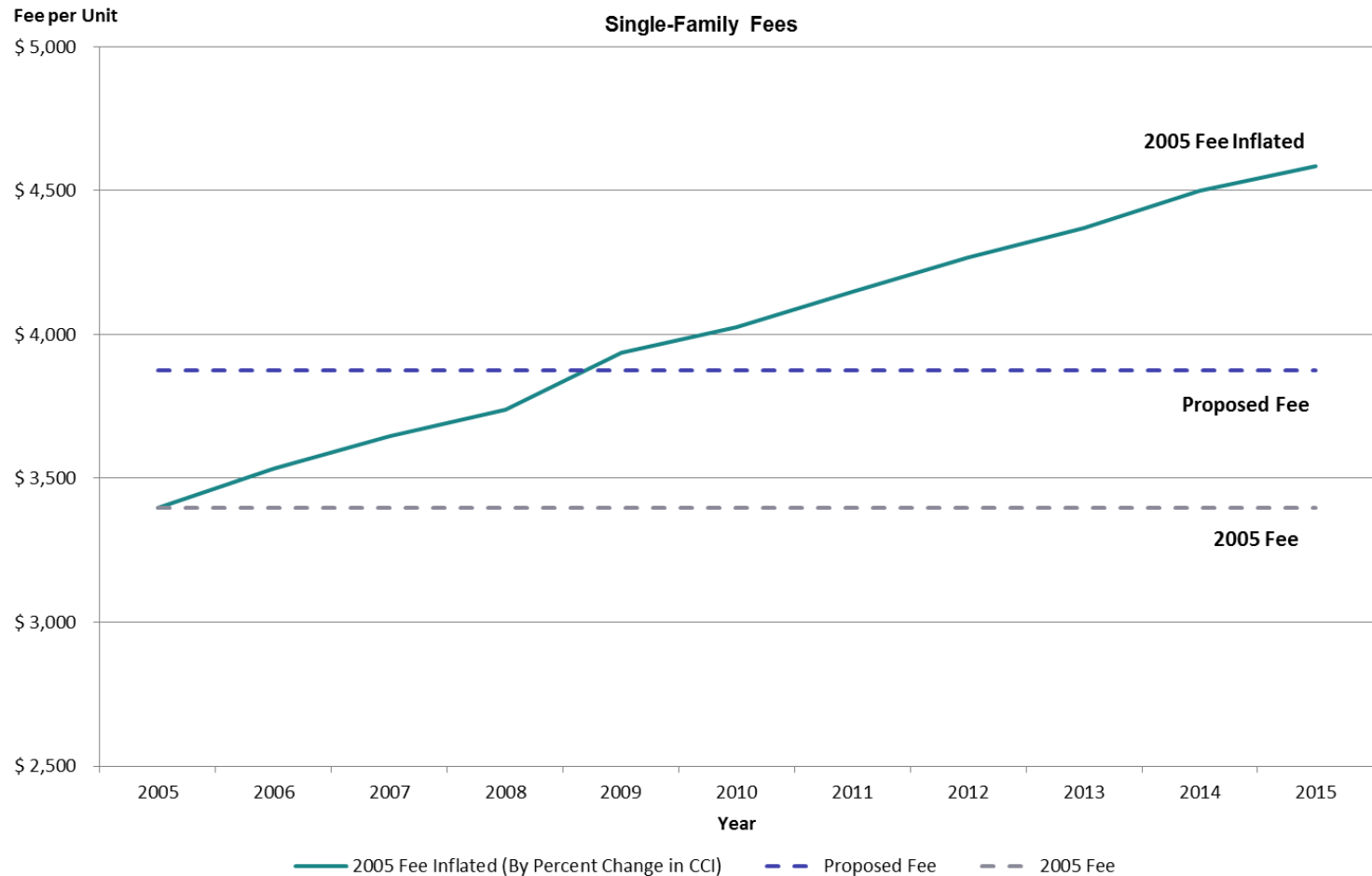
Park Fee Program

- **Current Program** – fees can be used for any park or trail facility. Developers can receive fee credit for pocket parks in the subdivision.
- **Proposed Program:** (3 acres per 1,000 new residents)
 - Impact fees will go toward Community and Neighborhood Parks, providing 2.4 acres per 1,000 new residents
 - Developers will provide the 0.6 acres of pocket parks through a 2% open space dedication within tentative subdivision maps of 10 acres or more, with no Quimby credits.
 - Smaller parcels under 10 acres would have an incentive without the 2% open space dedication requirement.
 - Park Facility fee credits would still be provided for amenities such as picnic tables, play structures, benches and barbeque pits.
- **Regional Park and Trail Improvements** – Regional park improvements to be built with grant funds. Trails built using Measure “C” funds, ATP and CMAQ grants. Major street trails to receive street impact fee credits and reimbursements.

Comparison of Existing and Proposed Park Impact Fees

Land Use Category	Existing Fee	Proposed Fee	Difference	% Change
Fee per Unit				
Single-Family	\$3,398	\$3,874	\$476	14%
Multifamily	\$2,764	\$2,921	\$157	6%

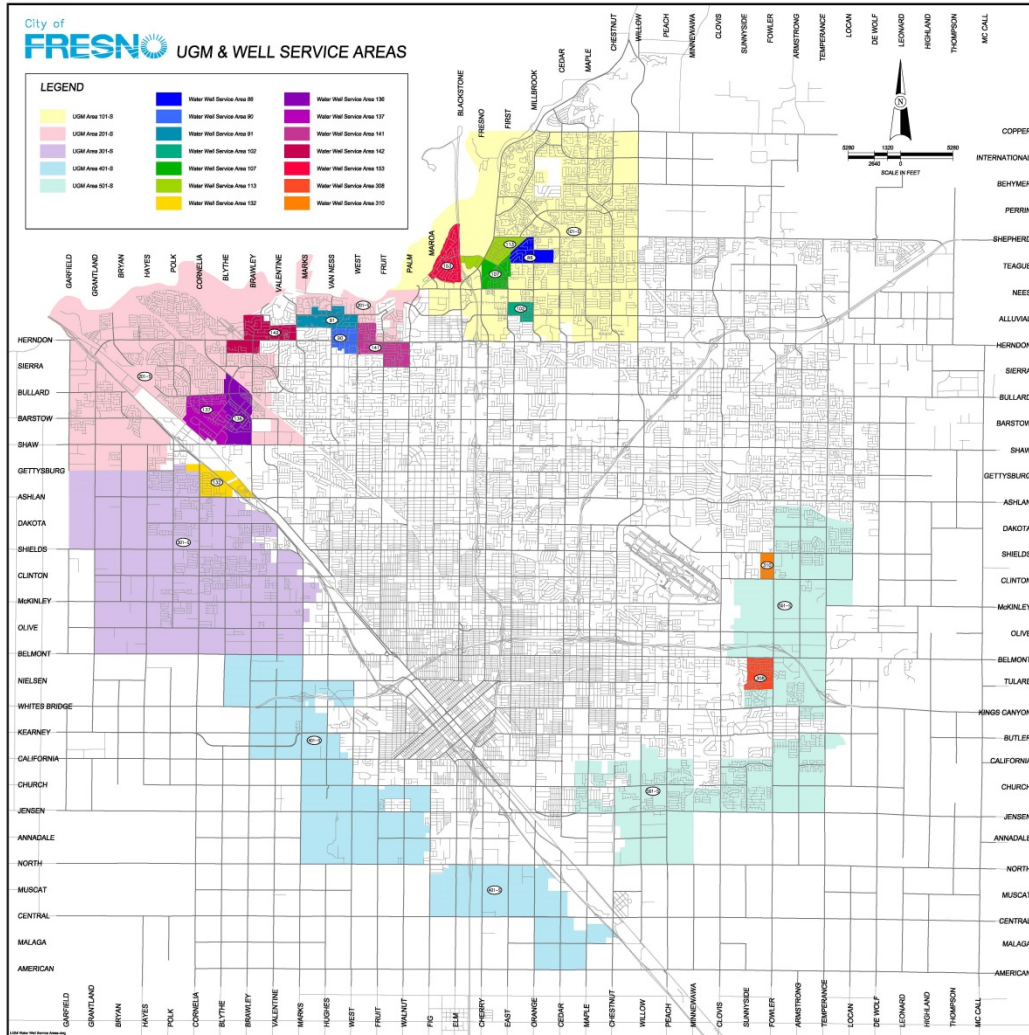
Comparison of Proposed Park Impact Fee to Inflated Current Fee



Water Connection Charges



Current Water Connection Charges



- Urban Growth Management (UGM) Water Supply Fees
 - 21 Areas
- Well Head Treatment Fees
 - 5 Areas
- Recharge Area Fees
- 1994 Bond Debt Service
- Transmission Grid Main Charges
- Transmission Grid Main Bond Debt Service

Current Water Connection Charges Cont.

City's current system of water capacity fees:

- Only recovers costs for some infrastructure benefitting new development
- Does not recover costs for future infrastructure and water supply projects necessary to meet demands for growth
- Fails to recover any costs from non-UGM areas
- Is administratively burdensome

Recommendation & Objectives

Recommendation: Transition to a single consistent water capacity fee applied uniformly to all development within the City's service area, regardless of where the development occurs.

Key objectives include:

- Recover the costs of infrastructure, assets, and water supply that benefit new development
- Equitably recover costs from new connections to the City's water system
- Are consistent with industry-standard practices and methodologies.

Proposed Citywide Water Capacity Fee

Capacity Fee Approach:

1. Buy-in for groundwater and Distribution System Assets

- a. Conservative estimate (20%) of the share of existing system assets available to serve new growth, plus
- b. Groundwater and distribution system capital improvements benefitting growth through projected buildout in 2035

2. Expansion cost for surface water system improvements benefitting new development

- a. Cost of expanding the Northeast Surface Water Treatment Facility from 30 to 60 mgd, regional transmission main improvements, and half the cost of the Friant Kern Canal Pipeline
- b. Excludes cost recovery for Recharge Fresno projects

Proposed Water Capacity Fee Meter Charges

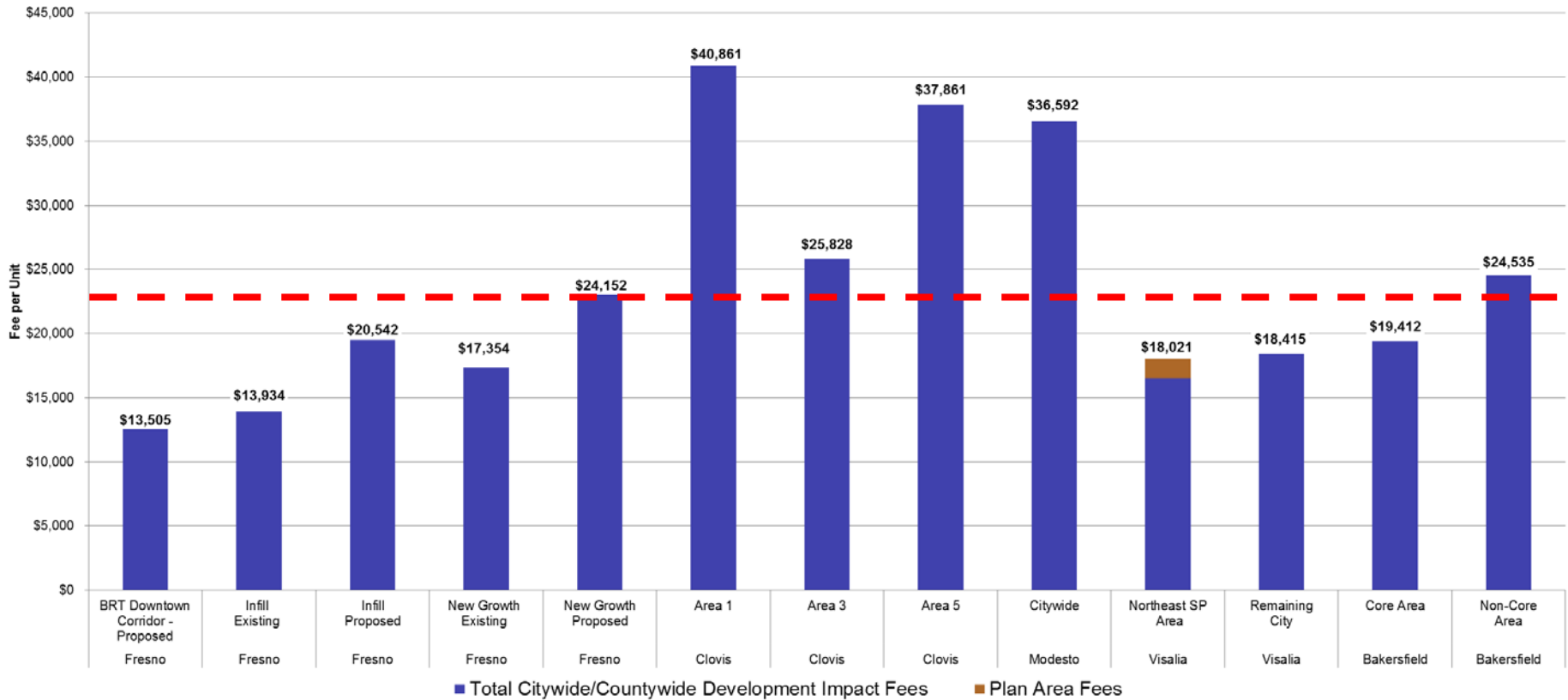
Meter Size	Meter Capacity Ratio	Annual Water Demand (hcf/year)	Water Capacity Fee
Capacity Fee Unit Cost (\$ per hcf)			\$25.493
Up to ¾"	0.625	156	\$3,983
1"	1.00	250	\$6,373
1-1/2"	1.25	313	\$7,967
2"	2.50	625	\$15,933
3"	4.00	1,000	\$25,493
4"	6.25	1,563	\$39,833
6"	12.50	3,125	\$79,666
8"	60.00	15,000	\$382,398

Total Fee Burden Comparisons

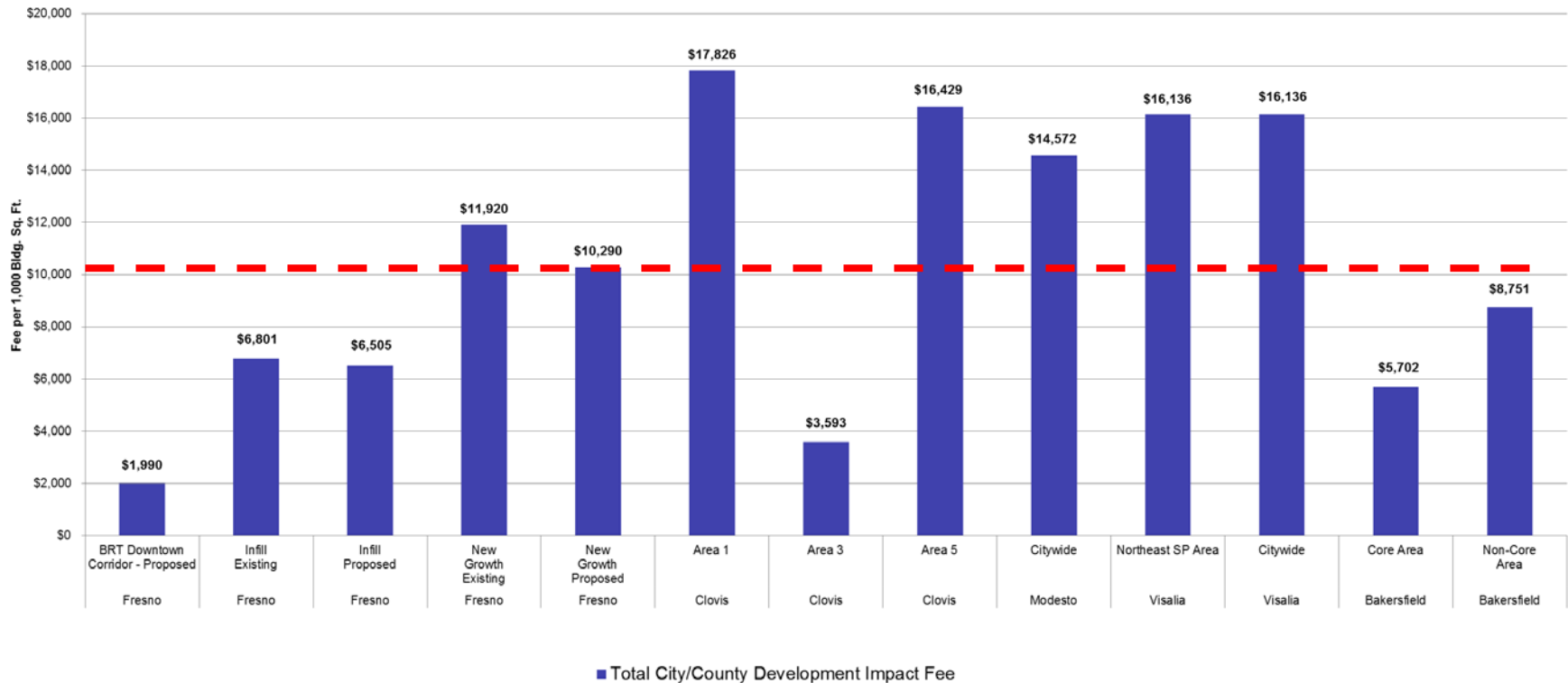
How do the proposed fees compare to other cities and existing Fresno fees?



Infrastructure Burden Comparison – Single Family Development



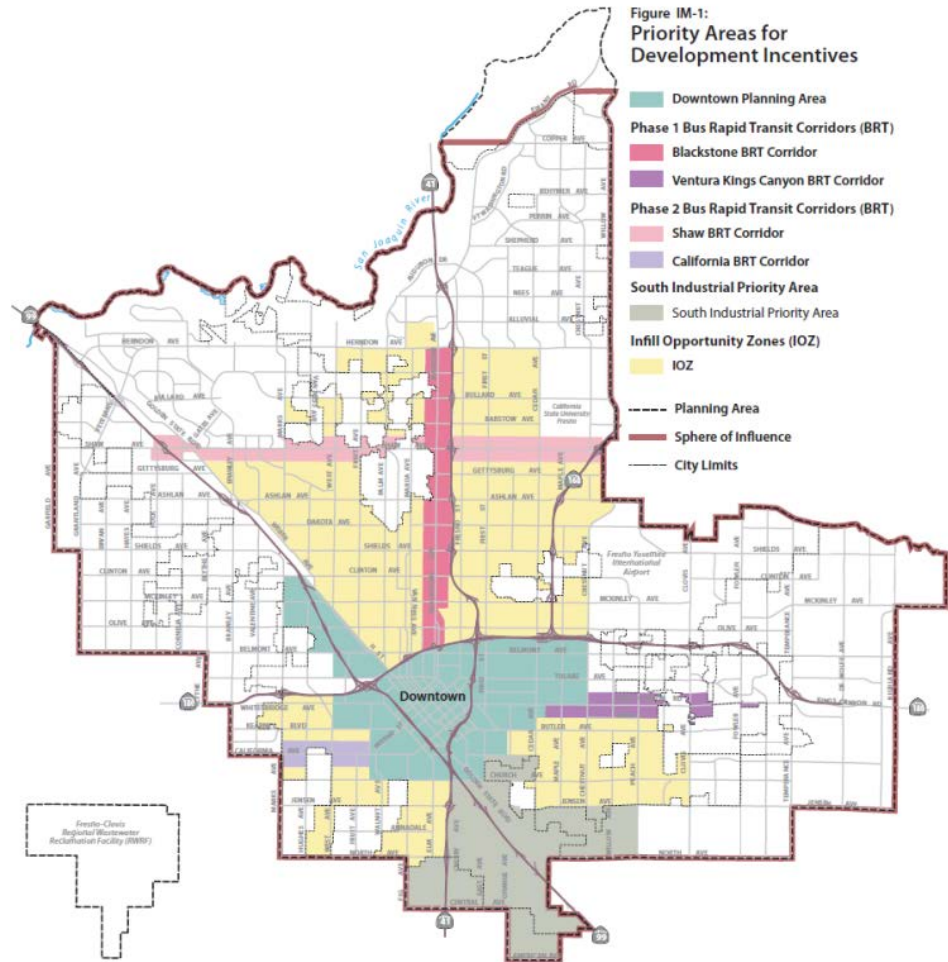
Infrastructure Burden Comparison – Retail Development



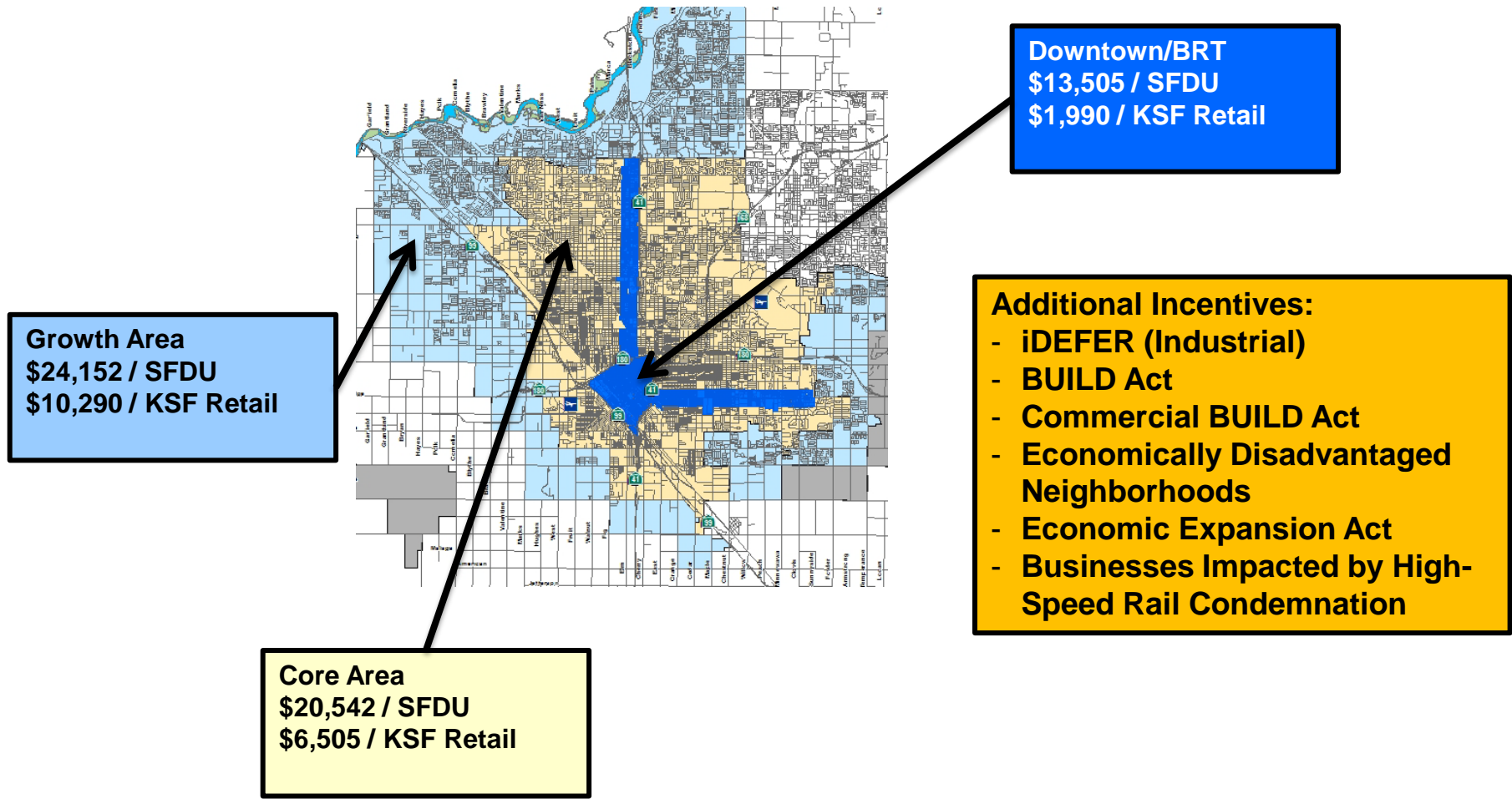
Future Adjustments over 5 years

- Staff will recommend an automatic adjustment tied to the regional Construction Cost Index between now and the next fee update
 - Reduces administrative expenses
 - Avoids “falling behind” on infrastructure needs
 - Faster developer reimbursements by keeping pace with actual costs

2035 General Plan Priority Areas



Proposed Fee Reductions & Incentives*



**Single-family and retail rates shown for illustration. Lower core-area fees vary by land use type.*

Schedule

- Time line and next steps
 - Stakeholder meetings:
 - July – Parks
 - October – Streets/Traffic Signals, Police, Fire, Water
 - November – follow-up meetings and discussions
 - **Council workshop: November 3rd**
 - Continuing Stakeholder meetings - November
 - Notice of Public Hearing issued: late November
 - **Public Hearing at Council: December 8th**
 - Increased fees effective 60 days after adoption

Questions & Discussion

