



Legislation Details (With Text)

File #: ID19-1904 **Version:** 1 **Name:**
Type: Action Item **Status:** Passed
File created: 6/13/2019 **In control:** City Council
On agenda: 6/20/2019 **Final action:** 6/20/2019

Title: CONTINUED HEARING to Consider Adoption of the 551st Amendment to the Master Fee Schedule Resolution No. 80-420 to Increase Fire Facility Impact Fees (Fire Impact Fees); Acceptance and Adoption of the Public Review Draft Nexus Study Reports for the Fire Impact Fee Program (Citywide).
1. Adopt a Finding of Statutory Exemption that a Fire Facilities Impact Fee update is exempt pursuant to Public Resources Code Section 21080(b)(8) and Section 15273 of the California Environmental Quality Act (CEQA) Guidelines.
2. ***RESOLUTION - 551st Amendment to the Master Fee Schedule Resolution No. 80-420 to Adjust Citywide Fire Impact Fees. (Subject to Mayor's Veto)
3. RESOLUTION - Establishing Findings Pursuant to California Government Code Sections 65961 and 66498.1(c)(1), Finding that Failure to Impose the Increased Fire Impact Fee on New Development, Including Approved Vesting Tentative Maps, Would Place Future and Existing Residents in a Condition Dangerous to Their Health and Safety.

Sponsors: Public Works Department, Fire Department

Indexes:

Code sections:

Attachments: 1. 19-1748 Presentation Material Summary of Fee Adjustments.pdf.pdf, 2. 19-1748 CEQA Finding of Statutory Exemption.pdf, 3. 19-1748 Fire Impact Fee Nexus Study Update.pdf, 4. 19-1748 Resolution 551st Amendment to the Master Fee Schedule.pdf, 5. 19-1748 Resolution Establishing Findings Pursuant to California Government Code Sections 65961 and 66498.pdf

Date	Ver.	Action By	Action	Result
6/20/2019	1	City Council	adopted as amended	Pass

REPORT TO THE CITY COUNCIL

June 20, 2019

FROM: SCOTT L. MOZIER, PE, Director
Public Works Department

BY: ANDREW J. BENELLI, PE, City Engineer / Assistant Director
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SUBJECT

CONTINUED HEARING to Consider Adoption of the 551st Amendment to the Master Fee Schedule Resolution No. 80-420 to Increase Fire Facility Impact Fees (Fire Impact Fees); Acceptance and Adoption of the Public Review Draft Nexus Study Reports for the Fire Impact Fee Program (Citywide).

1. Adopt a Finding of Statutory Exemption that a Fire Facilities Impact Fee update is exempt

pursuant to Public Resources Code Section 21080(b)(8) and Section 15273 of the California Environmental Quality Act (CEQA) Guidelines.

2. ***RESOLUTION - 551st Amendment to the Master Fee Schedule Resolution No. 80-420 to Adjust Citywide Fire Impact Fees. (Subject to Mayor's Veto)
3. RESOLUTION - Establishing Findings Pursuant to California Government Code Sections 65961 and 66498.1(c)(1), Finding that Failure to Impose the Increased Fire Impact Fee on New Development, Including Approved Vesting Tentative Maps, Would Place Future and Existing Residents in a Condition Dangerous to Their Health and Safety.

RECOMMENDATIONS

Staff recommends the Council:

1. Adopt a Finding of Statutory Exemption pursuant to Public Resources Code Section 21080(b)(8) and Section 15273 of the California Environmental Quality Act (CEQA) Guidelines for the impact fee update.
2. Adopts the 551st Amendment to the Master Fee Schedule Resolution No. 80-420 to increase Fire Impact Fees, including the acceptance and adoption of the Public Review Draft Nexus Study Reports for the Fire Impact Fee Program.
3. Adopts findings pursuant to Government Code Sections 65961 and 66498.1(c)(1), that a failure to impose the Fire Impact Fee on new development, including approved vesting tentative maps, would place future and existing residents in a condition dangerous to their health and safety.

EXECUTIVE SUMMARY

The current Fire Impact Fee is not generating adequate revenue to fund construction of new fire stations. The current fee was based on a Nexus Study that was prepared in 2016. The Fire Department has identified the need for fire stations and other facilities that were either not included in the 2016 study or were not adequately funded in the 2016 study. The existing fees also did not consider the soft costs for design, construction inspection, and furnishing the stations. Staff is recommending increasing the fees as shown in the following table:

<u>Fire Impact Fee</u>	<u>Existing Fee</u>	<u>Recommended Fee</u>
Single Family (per home)	\$779	\$1,853
Multifamily (per unit)	\$588	\$1,429
Retail (per 1,000 sq. ft.)	\$272	\$662
Office (per 1,000 sq. ft.)	\$311	\$757
Industrial (per 1,000 sq. ft.)	\$156	\$379

Adoption of findings pursuant to Government Code Section 65961 and 66498.1(c)(1) will mandate that all new construction pays the newly adopted (higher) fee. Without Council adoption of findings pursuant to Government Code Section 65961 and 66498.1(c)(1) many Vested Subdivision Maps will continue to pay the lower fees for all new homes built in the development, due to vesting protections against new or increased fees. The increased fees will be effective 60 days after the adoption.

BACKGROUND

The City of Fresno Fire Department has identified three areas of the City where developments that have been proposed will create conditions where they will not be able to meet the National Fire Protection Association's standard for response time to calls-for-service without construction of new fire stations. The most pressing need is within the service area of Fire Station No.18. The current temporary station is located on Bullard Avenue east of Grantland Avenue. The station is essentially a home with a large garage for a single fire engine. This station has always been considered a temporary facility. Many new residential developments have been proposed in the Fire Station No. 18 service area. The Fire Department has studied the response time in this area, and determined that a new station must be built before new homes are occupied.

Two additional fire stations need to be built in the next five years, if development continues to occur in the service areas for these stations. Existing Station No. 10 is located on the north side of the Fresno Air Terminal. Many new homes are being proposed on the east side of the City, between Shields Avenue and State Route 180 in the service area for Station No. 10. The Fire Department has been able to consistently meet the response times required by the National Fire Protection Association and has determined that they can serve more homes. However, their projections are that with current growth rates, they will not be able to meet the response times in approximately 2022 without a new station. Property for a new station has been acquired on the southwest corner of Clinton Avenue and Armstrong Avenue. Design work for the new station needs to begin soon to have the construction completed by 2022.

The service area for Fire Station No. 7 is also impacted by new development. Station No. 7 responds to calls in the industrial part of the City near State Route 99 and North Avenue. There has been substantial new growth by businesses including Amazon and Ulta. Conditions for this station are similar to Station No. 10 in that the Fire Department is currently meeting the response time requirement, but if new growth continues they will not be able to meet that condition in the near future. A new station needs to be added near Cherry Avenue and Central Avenue to better serve this area.

An increased Fire Facility Fee is necessary to fund these new stations. The current fee is based on stations costing approximately \$3.5 million to construct. Recent cost estimates are substantially higher. The current fee assumed an average total project cost per new station of \$4.97 million, while the full cost of new stations is now estimated to over \$7 million for Station No. 18 and \$9.4 million for future stations. This is based on the architect's estimate for Fire Station No. 18 and the actual bids for the recently awarded construction contract for the Southeast Police Substation. The low bid for the Police substation was \$6,550,890. Total costs for the police substation with staff time and land acquisition were in addition to the bid amount and exceeded \$7 million.

The updated Nexus Study also includes increased financing costs in the fee calculations. The 2016 Nexus study anticipated that the City would borrow 50% of the money needed to buy land and build the new fire stations. The remainder of the cost would be pay-as-you-go and would not be financed. The new Nexus Study assumes that all of the land would be purchased without financing costs. The design work would also be from impact fee funds that were previously collected and not borrowed. Financing would be used to pay for 70% of the future construction costs, fire apparatus and equipment. The remaining cost (30%) would be from previously collected impact fee revenue on a pay-as-you-go basis.

The City used bond proceeds to remodel and build several of the existing stations. The City borrowed approximately \$20 million in 2010. The total payoff is over \$43m with an annual debt service payment of \$1.4 million. The last payment will be in 2039. Some of the bond proceeds were used on improvements and equipment that were not related to new growth, so only 49% of the annual payment is made with impact fee revenue, as set forth in previous Fire impact fee nexus studies. The payment amount varies slightly from year to year but the annual Impact Fee responsibility is around \$745,300. In past years, the impact fee revenue has not been adequate to make the bond payment. The revenue generated this year exceeds the payment amount.

The Development Impact Fee structure was changed in 2005 from an Urban Growth Management Fee (UGM) to a Citywide Impact Fee. The old UGM fee had service areas for eleven future fire stations. The UGM fee amounts paid by new development varied depending on the location of the service area. There are still some old vested maps that were filed before 2005 and are still paying the much lower UGM fee.

Revenue from the current Citywide and UGM Fire Facilities Fee for the last five years is show in the table below:

<u>Fiscal Year</u>	<u>Citywide Fee Revenue</u>	<u>UGM Fee Revenue</u>
2019	\$911,384	\$10,064
2018	\$650,170	\$18,371
2017	\$656,017	\$8,699
2016	\$527,737	\$18,904
2015	\$513,219	\$31,328
2014	\$578,236	\$26,278
2013	\$662,976	

Staff is recommending that the Fire Facility Fee be increased as shown in the table below:

	<u>Existing Fee</u>	<u>Proposed Fee</u>
Single Family Residential	\$779	\$1,893
Multi-Family Residential	\$588	\$1,429
Office fee per 1,000 sq. ft. of building	\$311	\$662
Retail fee per 1,000 sq. ft. of building	\$272	\$757
Industrial fee per 1,000 sq. ft. of building	\$156	\$379

The City retained Economic & Planning Systems (EPS) to evaluate the existing Nexus Study and prepare an updated study that would generate adequate revenue to provide fire service to all the new development that is envisioned in the General Plan. The steps that are used to determine the fee amount are shown below:

1. Identify the capital costs to be funded by the fee program.
2. Identify the service population and employees for residential and nonresidential uses, respectively in the buildout horizon year of 2035.
3. Using the number of Calls for Service, determine the distribution of service calls between residential and nonresidential uses.

4. Divide the number of calls per employee by the number of calls per resident to determine the resident equivalent factor.
5. Estimate the residential and nonresidential persons served in 2035.
6. Allocate the capital costs to the estimated 2035 population to determine the cost per resident.
7. Divide the residential costs by the estimated 2035 population to determine the cost per resident. Divide the nonresidential costs by the estimated 2035 employees to determine the cost per employee.
8. Multiply the cost per person by the persons per household for each residential use and by employees per 1,000 building square feet for the office, retail and industrial categories.

CAPITAL IMPROVEMENT PROGRAM

The City currently has staff at twenty fire stations (includes the Old Fig Garden Station). Four of the stations are planned to be replaced before 2035. The stations that are to be replaced are:

Stations to be Replaced

<u>Station</u>	<u>Location</u>
Station 6	Gettysburg & Rowell
Station 10	Westover & Aircorp Way
Station 12	Marks & Acacia
Station 18	Bullard & Grantland

Several of the existing stations are scheduled to be expanded to accommodate more staff, trucks, and other equipment. Remodeling and general maintenance of stations is not an allowable use of impact fee revenue. However, expansions needed for population growth is an eligible use of impact fee revenue. The stations that are planned to be expanded are listed below:

Stations to be Expanded

<u>Station</u>	<u>Location</u>
Station 2	West & Fir
Station 5	Fresno & Shields
Station 7	Cherry & Jensen
Station 8	Cedar & Butler
Station 9	Clinton & Fruit
Station 15	Clovis & Park Circle Drive
Station 19	Belmont & Marks

The Capital Plan also includes eleven new stations. The locations shown are approximate. The actual locations will depend on where population growth and new housing occurs. The Nexus Study includes the cost to build the new stations, purchase the land, and equip the stations with trucks, and engines. The new stations are shown below:

New Stations

<u>Station</u>	<u>General Area</u>
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Station 21	Belmont & Van Ness
Station 22	North & Chestnut
Station 23	Church & Fruit
Station 24	Herndon & Brawley
Station 25	McKinley & DeWolf
Station 26	California & Temperance
Station 27	Teague & Chestnut
Station 28	Champlain & Friant
Station 29	Barstow & Brawley
Station 30	Dakota & Brawley
Station 31	Central & Cherry

The Capital plan also includes funds for a new training facility and a new shop for equipment maintenance. For additional information on the planned facilities, see Table 9 in the Nexus Study.

PUBLIC HEALTH AND SAFETY FINDINGS

Most residential developments process vesting tentative maps and some commercial/industrial developments also process vesting tentative parcel maps. The Subdivision Map Act provides that when a local agency approves or conditionally approves a vesting tentative map, that approval shall confer a vested right to proceed with development is substantial compliance with the ordinances, policies, and standards in effect at the time that the map was filed. Approval of the Public Health and Safety Findings is needed so that all of the new homes built on lots that were created with vested maps prior to the approval of the updated fee will pay the newly adopted fee. The Fire Department has determined that the construction of new homes within the existing vested map developments will result in fire response times that exceed the National Fire Protection Association’s standard for response times to calls-for-service, and will place residents of those subdivisions in a condition that is dangerous to their health or safety, or both.

The City needs to construct three new fire stations. The construction of the new stations will be delayed without the additional revenue from the homes built in the vested map developments. City staff recommends approval of the Public Health and Safety Findings to allow construction of the new stations to be built before the new homes put additional demands on the Fire Department that result in not meeting the National Fire Protection Association’s standard for response time to calls-for-service.

SUMMARY OF NEXUS FINDINGS

After considering the Nexus Studies for the fee updates, the facility standards, the cost of facilities, supporting documents, the 2035 General Plan, all correspondence received and any public testimony received during the public hearing held on June 13, 2019 (“the Record”), the City Council approves and adopts the Public Review Draft for the 2019 Fire and Impact Fee Nexus Study Update which is provided as an attachment to the staff report. The Council makes the following findings:

1. **PURPOSE OF THE FEES:** The Record demonstrates the purposes of the proposed impact fees to be updated. The Citywide Fire Facilities Fee program will fund the new fire facilities, vehicles and equipment necessary to serve new residential and non-residential development in the City. New development in the City will increase the service population and, therefore,

the need for new fire capital improvements to adequately serve the new residents and employees.

2. **USE OF FEES:** The Record demonstrates how each proposed fee to be updated will be used. Fire fee revenue will be used to construct new development's proportionate share of fire stations and equipment. It will also be used to plan for and design fire facilities and fund the studies and administration needed to support the programs. In addition, the Fire Facilities Fees will be used to repay outstanding debt service attributable to future development resulting from the 2008 Lease Revenue Bond sales.
3. **RELATIONSHIP BETWEEN USE OF FEES AND TYPE OF DEVELOPMENT:** The Record demonstrates the direct and cumulative impacts of new development upon existing infrastructure and facilities. The development of new residential and non-residential land uses in the City will generate the need for additional fire personnel, facilities, vehicles and equipment. The Fire Fee revenue will be used to construct and expand facilities and to acquire vehicles and equipment needed to serve new residents and employees.
4. **RELATIONSHIP BETWEEN NEED FOR FACILITY AND TYPE OF PROJECT:** The Record demonstrates the demand generated by new development for each type of infrastructure or facility. Each new residential and non-residential development project will generate additional demand for fire services and personnel. Additional personnel will be housed in future fire and stations, requiring support vehicles and equipment to serve additional demand generated by new residents and employees.
5. **RELATIONSHIP BETWEEN AMOUNT OF FEES AND COST OF OR PORTIONS OF FACILITY ATTRIBUTED TO DEVELOPMENT ON WHICH FEE IS IMPOSED:** The Record demonstrates the City's 2035 General Plan and associated MEIR identified improvements necessary to serve new development. The costs of fire facilities, vehicles and equipment needed to serve new development were split between residential and non-residential uses based on service call activity. Using this split, fire costs per resident and costs per employee were estimated. These costs were converted to costs per dwelling unit and per thousand square feet of non-residential buildings, using an appropriate common use factor for each land use. For each land use, the base Fire Fees are equal to the allocated cost per dwelling unit or per thousand square feet of non-residential building space.

ENVIRONMENTAL FINDINGS

Staff has performed a preliminary environmental assessment of the impact fee update and has determined that it falls within the Statutory Exemption set forth in CEQA Guidelines Section 15273.

LOCAL PREFERENCE

Not applicable for adjustment of development impact fees.

FISCAL IMPACT

The proposed Fire Impact Fee adjustment will bear directly on the financing and construction of future fire stations. The current fee will not generate sufficient revenues in the near term to construct Fire Station 18, which is the station which needs to be built immediately. If the required public health

and safety findings are not made relating to application of the fee to current vesting tentative maps, several major development projects may be delayed having a significant impact on development.

Attachments:

Presentation Materials: Summary of Fee Adjustments

2019 Fire Impact Fee Programs Nexus Study Update

CEQA Finding of Statutory Exemption

Resolution - 551st Amendment to the Master Fee Schedule

Resolution - Establishing Findings Pursuant to California Government Code Sections 65961 and 66498.1(c)(1)