EL DORADO COUNTY

PUBLIC SAFETY FACILITIES IMPACT FEE STUDY

DECEMBER 28, 2006

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1. Introduction

This report presents an analysis of the need for public safety facilities to accommodate new development within a portion of El Dorado County through 2025. This area generally includes the communities of El Dorado Hills, Cameron Park, Latrobe, Shingle Springs, and Rescue. Specifically, the County has determined a need for a new police substation of approximately 15,000 square feet to be located adjacent to the Bass Lake Road Fire Station. The development impact fees calculated in this report are designed to fund new development's fair share of the costs of that facility. A map of the substation service area is shown in Appendix A. This facility will replace an existing undersized facility that is rented by the County.

It is the County's intent that the costs representing future development's share of these facilities and improvements be imposed on that development in the form of a development impact fee, also known as a public facilities fee. This is consistent with policy 5.1.2.2 of the El Dorado County General Plan, which states that approval of development be conditioned to ensure the maintenance of adequate service standards. Additionally, General Plan policy 5.7.4.2 refers specifically to emergency services and states that "the ability to provide protection to existing development shall not be reduced below acceptable levels as a consequence of new development."

Background and Study Objectives

The primary policy objective of the public safety facilities impact fee program is to ensure that new development pays the capital costs associated with growth. The primary purpose of this report is to determine the maximum justified development impact fee levels to impose on new development. The County should review and update this report and the calculated fees approximately once every five years to incorporate the best available information.

The County imposes public facilities fees under authority granted by the *Mitigation Fee Act*, contained in *California Government Code* Sections 66000 to 66025. This report provides the necessary findings required by the *Act* for adoption of the public facilities fees presented in the fee schedules contained herein.

Because the planned facility will replace an undersized existing substation and will both accommodate new development and provide increased service levels for existing development, this report also allocates fair-share responsibility for the facility costs between exising and new development. Thus, the fees calculated in this report are intended to fund only the proportion of the planned substation that will serve new development. The component of the facility cost that must be funded with non-fee revenues is also identified in this report.

Public Facilities Financing In California

The changing fiscal landscape in California during the past 30 years has steadily undercut the financial capacity of local governments to fund infrastructure. Three dominant trends stand out:

- The passage of a string of tax limitation measures, starting with Proposition 13 in 1978 and continuing through the passage of Proposition 218 in 1996;
- Declining popular support for bond measures to finance infrastructure for the next generation of residents and businesses; and
- Steep reductions in federal and state assistance.

Faced with these trends, many cities and counties have adopted a policy of "growth pays its own way." This policy shifts the burden of funding infrastructure expansion from existing rate and taxpayers onto new development. This funding shift has been accomplished primarily through the imposition of assessments, special taxes, and development impact fees also known as public facilities fees. Assessments and special taxes require approval of property owners and are appropriate when the funded facilities are directly related to the developing property. Development fees, on the other hand, are an appropriate funding source for facilities that benefit all development either jurisdiction-wide or in a specified sub-area. Development fees need only a majority vote of the legislative body for adoption.

Organization of the Report

Public facilities fees are calculated to fund the cost of facilities required to accommodate growth. The four steps followed in a public facilities fee study include:

1. **Growth projections:** Develop or review growth projections that represent the increased demand for public facilities;
2. **Facility standards:** Identify facility standards to measure the impact of new development on the need for expanded facilities;
3. **Facility needs and costs:** Determine the amount and cost of facilities required to accommodate new development based on facility standards and growth projections;
4. **Cost allocation and fee schedule:** Allocate costs per unit of new development to calculate the development impact fee schedule.

The determination of a development impact fee begins with the selection of a planning horizon and development of growth projections for population and employment (step #1, above). These projections and are summarized in Chapter 2.

Chapters 3 through 5 are devoted to documenting steps 2, 3, and 4, above, including the maximum justified development impact fee. Chapter 6 details the procedures that the County must follow when implementing a development impact fee program. Impact fee program adoption procedures are found in the *Mitigation Fee Act* (*California Government Code* Section 66016).

The five statutory findings required for adoption of the proposed public facilities fees in accordance with the *Mitigation Fee Act* are summarized in Chapter 7.

Public Facility Standards

The key public policy issue in development impact fee studies is the identification of facility standards (step #2, above). A facility standard is a public policy that states the amount of facilities required per unit of new development to accommodate the increased service demand.

El Dorado County has adopted a General Plan standard of an eight-minute response time for 80% of the population as a minimum level of service for the Sheriff's Department. This standard informed the County's determination that a new, larger substation will be needed to maintain acceptable service levels of new development occurs.

The facility standard assists in documenting statutory findings required for adoption of a development impact fee. First, the standard documents a reasonable relationship between the type of new development and the total need for new facilities. Where applicable, the same facility standard is applied to both existing and new development to ensure that new development does not fund deficiencies associated with existing development. Second, the facility standard is often used to allocate facility costs to each development project, documenting a reasonable relationship between the amount of the fee and the cost of facilities allocated to each development project.

Types of facility standards and their application in specific situations are discussed below. This section concludes with a description of how facility standards are used in the current study.

Types of Facility Standards

The types of standards that may be used in a public facility fee study include:

- *Demand standards* determine the amount of facilities required to accommodate growth, for example park acres per thousand residents, traffic level of service, or gallons of water per day per dwelling unit. These standards are the most common method for discussing policy options with regards to development impact fees.
- *Design standards* determine how a facility should be designed to meet expected demand, for example park improvement requirements, street intersection design, and water storage needs. These standards are typically not evaluated as part of a fee analysis, but they can have a significant impact on the cost of facilities.
- *Cost standards* determine the cost per unit of demand based on the estimated cost of facilities, for example cost of Sheriff facilities per capita, cost per vehicle trip, or cost per gallon of water per day.

Applying Facility Standards

Demand and design standards may or may not play an explicit role in the documentation of a specific development impact fee, while cost standards always play a role. Often the approach depends on the degree to which the community has engaged in comprehensive facility master planning to identify facility needs. Facility plans are particularly important in the areas of traffic, water, sewer, and storm drain because of the specialized engineering analysis required to identify facility needs.

- For some fees explicit *demand* and *design* standards are used to determine total facility needs and costs, and then a cost standard is used to allocate costs to new development. For example, the fee study may document how a park standard of three acres per 1,000 residents determines park needs for new development. Next, a *cost* standard is calculated based on total park needs allocated per unit of new development to calculate the fee schedule.
- For other fees the total cost of needed facilities is documented outside of the fee study. The fee study may base future facility needs on a community's existing inventory of facilities, a detailed facility master plan, or simply the judgment of a community's elected leaders regarding facility needs. Though *demand* and *design* standards may have been used the fee study itself does not explicitly use these factors in the fee calculation. Instead the study proceeds directly to the calculation of a *cost* standard to allocate costs per unit of development and calculate the fee schedule. For example, a separate wastewater facilities master plan may have already documented the facilities needs, requiring the fee study to simply allocate those total costs per unit of new development.

Demand and *design* standards tend to be grounded in engineering analysis performed outside of the fee study if not simply a statement of public policy. *Cost* standards, on the other hand, tend to be an integral part of all fee studies. There are three approaches used to calculate a cost standard, described below.

- The **existing inventory method** calculates the facility standard and allocates costs based on the ratio of existing facilities to the existing service population. Under this approach new development funds the expansion of facilities at the same standard currently serving existing development. By definition the existing inventory method results in no facility deficiencies attributable to existing development. This method is often used when a long-range plan for new facilities is not available. Only the initial facilities to be funded with fees are identified in the fee study. Future facilities to serve growth are identified through an annual capital improvement plan and budget process.
- The **planned facilities method** calculates the facility standard and allocates costs based on the ratio of planned facilities to the increase in demand associated with new development. This method is appropriate when planned facilities only benefit new development, such as a sewer trunk line extension to a previously undeveloped area. This method also may be used when there is excess capacity in existing facilities that can accommodate new development. In that case new development can fund facilities at a standard lower than the existing inventory standard and still provide an acceptable level of facilities. Alternatively, this method may be used when improvements would benefit both existing and new development. In this case, new development only pays its fair share of facilities costs.
- The **system plan method** calculates the facility standard and allocates costs based on the ratio of existing plus planned facilities to total future demand (existing and new development). This method is used when (1) the local agency anticipates increasing its facility standard above the existing inventory standard discussed above, and (2) planned facilities are part of a system that benefits both

existing and new development. Using a facility standard that is higher than the existing inventory standard creates a deficiency for existing development. The jurisdiction must secure non-fee funding for that portion of planned facilities required to correct the deficiency.

The Approach Used In This Study

The County's minimum acceptable response time service standard informed the need for a new substation. The cost standard, described above, is used in this report to allocate fair-share responsibility for the costs of constructing that facility. Cost standards are calculated by dividing the costs of facilities by a unit of demand (per capita) to determine a cost per unit of demand. The cost per unit is then applied to development projections to determine the costs to accommodate new development.

This study uses the *system plan* method to calculate the facility standards. In other words, the County plans to raise its facility standards by building facilities to a higher standard than the existing standard. By design, the substation facility that is planned will exceed the capacity required to merely serve new development and will also increase the facility standard for existing members of the service population. For new development to fund facilities at the higher standard, the County must fund existing development's fair share of raising the standard with non-impact fee funding sources.

2. Demographic Assumptions

Estimates of existing development and new development growth projections are used to determine the appropriate fee structure. Projected new development is estimated using the existing service population in 2007 as a base year with a planning horizon through the year 2025.

Land Use Types

To ensure a reasonable relationship between each fee and the type of development paying the fee, growth projections distinguish between different land use types. The land use types used in this analysis are defined below.

- **Single family:** Attached and detached one-family dwelling units.
- **Multi-family:** All attached single family dwellings such as duplexes and condominiums, plus mobile homes, apartments, and dormitories.
- **Commercial:** All commercial, retail, educational, and hotel/motel development.
- **Office:** All general, professional, and medical office development.
- **Industrial:** All manufacturing and warehouse development.

Some developments may include more than one land use type, such as an industrial warehouse with living quarters (a live-work designation) or a planned unit development with both single and multi-family uses. In these cases the public facilities fee would be calculated separately for each land use type.

The County should have the discretion to impose the public facilities fee based on the specific aspects of a proposed development regardless of the zoning designation where project will be located. Should the project be located in an area that is not zoned as any of the above stated land use types, the guideline to use is the probable occupant density of the development, either residents per dwelling unit or workers per building square foot, to determine which fee will be charged. The fee imposed should be based on the land use type that most closely represents the probable occupant density of the development.

Service Population

Public safety facilities serve both residents and businesses. Therefore, demand for services and associated facilities are based on the County's service population including residents and workers for the area served by the new substation. The County provided existing and future levels of development. The area served by the proposed public safety facility includes the communities of El Dorado Hills, Cameron Park, Latrobe, Shingle Springs, and Rescue. A map of the substation service area is shown in Appendix A. These communities overlap for the projection data of El Dorado Hills and the Cameron Park CSD as shown in **Table 1** below. The County's analysis of existing and future service populations relied on data from 1998 and 2025. The 2007 service population was interpolated using historical growth rates as well as known development since 1998.

Table 1 presents the estimated service population in 2007 and 2025. In calculating the service population, workers are weighted less than residents to reflect lower per capita service demand. Nonresidential buildings are typically occupied less intensively than dwelling units, so it is reasonable to assume that average per-worker demand for services is less than average per-resident demand. The 0.24-weighting factor for workers is based on a 40-hour workweek divided by the total number of hours in a week (168 hours).

Table 1: Service Population

	Single Family Dwelling Units	Multi-Family Dwelling Units	Residents[1]	Workers[2]	Service Population
			[A]	[B]	=[A] + [B x 0.24]
El Dorado Hills					
1998	5,740	190	12,900	4,950	
New Development 1998-2007	5,860	940	14,700	4,890	
Subtotal, January 2007	11,600	1,130	27,600	9,840	29,960
New Development 2007-2025	8,220	220	18,400	11,610	21,190
2025	19,820	1,350	46,000	21,450	51,150
Cameron Park CSD					
1998	3,550	1,200	10,100	1,810	
New Development 1998-2007	1,170	290	3,100	1,000	
Subtotal, January 2007	4,720	1,490	13,200	2,810	13,870
New Development 2007-2025	470	470	2,000	400	2,100
2025	5,190	1,960	15,200	3,210	15,970
Combined Service Population					
Existing Service Population (2007)	16,320	2,620	40,800	12,650	43,840
Service Population Growth (2007-2025)	8,690	690	20,400	12,010	23,280
Projected Service Population (2025)	25,010	3,310	61,200	24,660	67,120
Weighting factor			1.00	0.24	

Note: Figures have been rounded.

[1] Based on residential density factors shown in Table 2.

[2] Workers are weighted at 0.24 of residents based on a 40 hour work week out of a possible 168 hours in a week.

Sources: El Dorado County; MuniFinancial.

Occupant Densities

Occupant densities ensure a reasonable relationship between the increase in service population and amount of the fee. To do this, occupant densities must vary by the estimated service population generated by a particular development type. Developers pay the fee based on the number of additional housing units or building square feet of nonresidential development, so the fee schedule must convert service population estimates to these measures of project size. This conversion is done with average occupant density factors by land use type, shown in **Table 2**.

The residential occupant density factors are derived from the 2000 U.S. Census Bureau's Tables H-31 through H-33. Table H-31 provides vacant housing units data, while Table H-

32 provides information relating to occupied housing. Table H-33 documents the total 2000 population residing in occupied housing. The US Census numbers are adjusted by using the California Department of Finance (DOF) estimates for January 1, 2006, and the most recent State of California data available. The nonresidential density factors are based on *Employment Density Study*, completed by the Natelson Company for the Southern California Association of Governments.

Table 2: Occupancy Assumptions

Land Use	Density
Residential (per dwelling unit)	
Single Family	2.18
Multifamily	2.00
Nonresidential (per 1,000 bldg sq ft)	
Office	1.87
Commercial	1.37
Industrial	0.74

Sources: California Department of Finance (DOF), Table E-5; 2000 Census, Tables H31 - H33; Natelson 2001, *Employment Density Study,* prepared for Southern California Association of Governments; MuniFinancial.

3. Facility Standards

Table 5 summarizes the costs of the proposed substation needed to serve the sub-area of El Dorado County discussed in Chapter 2. The substation is proposed to be an approximately 15,000 square foot building. The size of the building is based on a space needs assessment conducted by the SGS Group in March 2006. The County intends to purchase an approximately two-acre parcel of land adjacent to the Bass Lake Road fire station valued at $350,000. It is estimated that they site will require an additional $850,000 in site work.

The system plan standard of investment per capita is calculated by dividing the total cost of facilities by the future (2025) service population within the fee area. The cost per capita is then weighted for workers based on worker demand for services relative to that of one resident.

Table 3: Public Safety Facilities Inventory

	Unit	Unit Cost	Total
Substation			
Building (sq. ft.)	15,184	$ 350	$ 5,314,000
Land[1]			1,200,000
Total Facilities			$ 6,514,000
2025 Service Population			67,120
Cost per Capita			$ 97
Facility Standard per Resident			$ 97
Facility Standard per Capita[2]			23

[1] Includes $850,000 for site preparation costs.

[2] Based on a weighting factor of 0.24 workers per resident.

Source: Tables 1 and 2; El Dorado County; MuniFinancial.

4. Allocation of Facilities Costs to New Development

The allocation of planned facilities costs between existing and new development is shown in **Table 4**. The table shows an estimate of the total cost of facilities associated with new development based on the facility standard shown in Table 3 and the growth in service population from Table 1.

Table 4: Allocation of Costs to New Development

Facility Standard (Value) per Capita	$ 97
Service Population Growth (2007-2025)	23,280
Projected Fee Revenues	$ 2,258,160
Net Cost of Planned Facilities	$ 6,514,000
Surplus/(Deficit)	$ (4,255,840)

Sources: Tables 1 and 3; MuniFinancial.

The importance of Table 4 is the bottom line that shows the share of planned facility costs that must come from revenue sources other than development impact fees. This amount represents the remainder after allocating to new development its share of those costs. Non-fee revenue sources are needed for a portion of the facility costs because the new substation will increase the service levels enjoyed by existing residents and workers in addition to accommodating the needs of new development. Even if no new development were to take place, a Sheriff's Department analysis of existing and required deputy staffing indicates that greater facility capacity would be needed to provide adequate service to residents and workers in this substation zone. The planned facility, therefore, has been sized to remedy the existing deficiency and to serve projected development, and is therefore larger than a facility that would solely serve new development.

The County can raise the funding needed to complement development impact fee revenues over the planning horizon of this study (through 2025). This funding is necessary to justify the fee imposed on new development using the system plan standard documented here. If this funding does not materialize, then new development would have paid too high a fee.

5. Fee Schedule

Table 5 shows the public safety impact fee schedule based on a master planned standard. The cost per capita is converted to a fee per unit of new development based on dwelling unit and building space densities (persons per dwelling unit (DU) for residential development and workers per 1,000 square feet of building space for nonresidential development). The total fee includes an administrative charge to fund costs that include: (1) a standard overhead charge applied to all County programs for legal, accounting, and other departmental and Countywide administrative support, (2) capital planning, programming, project management costs associated with the share of projects funded by the impact fee, and (3) impact fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

Table 5: Public Safety Facilities Impact Fee

	A	B	C=AxB	D	E=C+D
Land Use	**Cost Per Capita**	**Density**	**Base Fee[1]**	**Admin Charge[1, 2]**	**Total Fee**
Residential					
Single Family	$ 97	2.18	$ 211	$ 4	$ 215
Multifamily	97	2.00	$ 194	$ 4	198
Nonresidential					
Office	$ 23	1.87	$ 43.01	$ 0.86	$ 44
Commercial	23	1.37	31.51	0.63	32
Industrial	23	0.74	17.02	0.34	17

[1] Fee per dwelling unit for residential, per 1,000 square feet for nonresidential.

[2] Administrative charge of 2.0 percent.

Sources: Tables 2 and 3; MuniFinancial.

6. Implementation

The County should implement the following in establishing a development impact fee:

Impact Fee Program Adoption Process

Development impact fee adoption procedures are found in the *California Government Code* section 66016. Adoption of an impact fee requires the County Board of Supervisors to follow certain procedures including holding a public meeting. Fourteen day mailed public notice is required for those registering for such notification. Data, such as an impact fee report, must be made available at least 10 days prior to the public meeting. After adoption there is a mandatory 60-day waiting period before the fees go into effect. This procedure must also be followed for fee increases.

Inflation Adjustment

Appropriate inflation indexes should be identified in a fee ordinance including an automatic adjustment to the fee annually. Separate indexes for land and construction costs should be used. Calculating the land cost index may require the periodic use of a property appraiser. The construction cost index can be based on the County's recent capital project experience or can be taken from any reputable source, such as the *Engineering News-Record.* To calculate prospective fee increases, each index should be weighed against its share of total planned facility costs represented by land or construction, as appropriate. Each update requires adoption by the County Board of Supervisors.

Reporting Requirements

The County must comply with the annual and five-year reporting requirements of the Act (*California Government Code* 66001 (d) (1) through (4)). Since the facilities are to be funded by a combination of development impact fees and other revenues, identification of the source and amount of these non-fee revenues is essential. Identification of the timing of receipt of other revenues to fund the facilities is also important.

Programming Revenues and Projects with the CIP

The County should consider adopting a Capital Improvements Program (CIP) to adequately plan for future infrastructure needs. The CIP should also identify fee revenue with the specific project. The use of the CIP in this manner documents a reasonable relationship between new development and the use of those revenues. Fee revenues can legitimately be used to fund master planning to further identify needed facilities.

With or without a CIP, the County may decide to alter the scope of the planned projects or to substitute new projects as long as those new projects continue to represent an expansion

of the County's facilities. If the total cost of facilities varies from the total cost used as a basis for the fees, the County should consider revising the fees accordingly.

For the five-year planning period of the fee program, the County should consider allocating existing fund balances and projected fee revenue to specific projects. The County can hold funds in a project account for longer than five years if necessary to collect sufficient monies to complete the project.

7. *Mitigation Fee Act* Findings

Fees are assessed and typically paid when a building permit is issued and imposed on new development projects by local agencies responsible for regulating land use (cities and counties). To guide the imposition of facilities fees, the California State Legislature adopted the *Mitigation Fee Act* with Assembly Bill 1600 in 1987 and subsequent amendments. The *Mitigation Fee Act*, contained in *California Government Code* §§66000 – 66025, establishes requirements on local agencies for the imposition and administration of fees. The Act requires local agencies to document five statutory findings when adopting fees.

The five findings in the Act required for adoption of the maximum justified fees documented in this report are: 1) Purpose of fee, 2) Use of fee Revenues, 3) Benefit Relationship, 4) Burden Relationship, and 5) Proportionality. They are each discussed below and are supported throughout the rest of this report.

Purpose of Fee

- *Identify the purpose of the fee (§66001(a)(1) of the Act).*

We understand that it is the policy of the County that new development will not burden the existing service population with the cost of facilities required to accommodate growth. This is consistent with policies 5.1.2.2 and 5.7.4.2 in the El Dorado County General Plan. The purpose of the fees proposed by this report is to implement this policy by providing a funding source from new development for capital improvements to serve that development. The fees advance a legitimate County interest by enabling the County to provide public safety services to new development.

Use of Fee Revenues

- *Identify the use to which the fees will be put. If the use is financing facilities, the facilities shall be identified. That identification may, but need not, be made by reference to a capital improvement plan as specified in §65403 or §66002, may be made in applicable general or specific plan requirements, or may be made in other public documents that identify the facilities for which the fees are charged (§66001(a)(2) of the Act).*

Fees proposed in this report, if enacted by the County, would be available to fund expanded public safety facilities to serve new development. The facilities funded by these fees are designated to be located within the County. Fees addressed in this report have been identified by the County to be restricted to funding public safety facilities.

Benefit Relationship

- *Determine the reasonable relationship between the fees' use and the type of development project on which the fees are imposed (§66001(a)(3) of the Act).*

The County will restrict fee revenue to the acquisition of land, construction of facilities and buildings, and purchase of related equipment, furnishings, vehicles, and services used to serve new development. Facilities funded by the fees are expected to provide public safety facilities accessible to the additional residents and workers associated with new development in the sub-area of the County identified for this study. Under the Act, fees are not intended to fund planned facilities needed to correct existing deficiencies. Thus, a reasonable relationship can be shown between the use of fee revenue and the new development residential and nonresidential use classifications that will pay the fees.

Burden Relationship

- *Determine the reasonable relationship between the need for the public facilities and the types of development on which the fees are imposed (§66001(a)(4) of the Act).*

Facilities need is based on a facility standard that represents the demand generated by new development for those facilities. Demand is measured by a single facility standard that can be applied across land use types to ensure a reasonable relationship to the type of development. Service population standards are calculated based upon the number of residents associated with residential development and the number of workers associated with nonresidential development. To calculate a single, per capita standard, one worker is weighted less than one resident based on an analysis of the relative use demand between residential and nonresidential development.

Proportionality

- *Determine how there is a reasonable relationship between the fees amount and the cost of the facilities or portion of the facilities attributable to the development on which the fee is imposed (§66001(b) of the Act).*

The reasonable relationship between each facilities fee for a specific new development project and the cost of the facilities attributable to that project is based on the estimated new development growth the project will accommodate. Fees for a specific project are based on the project's size or increases in service population. Larger new development projects can result in a higher service population resulting in higher fee revenue than smaller projects in the same land use classification. Thus, the fees can ensure a reasonable relationship between a specific new development project and the cost of the facilities attributable to that project.

Appendix A: Substation Service Area Map