EL DORADO COUNTY

Planning and Building Department
Planning Services Division

Fiscal Impact Analysis and Public Facilities Financing Plan Process Manual and Guidelines

December 2020

Approved by the Board of Supervisors on __________

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I. INTRODUCTION

This set of protocols and procedures has been developed by the County of El Dorado (County) Planning and Building Department, Planning Services Division to assist applicants in the preparation of a Fiscal Impact Analysis (FIA) and a Public Facilities Financing Plan (PFFP) for proposed projects within unincorporated areas of El Dorado County pursuant to El Dorado County General Plan Economic Development Element Objectives 10.2.1 – *Public and Civic Facilities Investment* and 10.2.5 – *New Development Fiscal Effects.*

General Plan Policy 10.2.1.5 states "A public facilities and services financing plan that assures that costs burdens of any civic, public, and community facilities, infrastructure, ongoing services, including operations and maintenance necessitated by a development proposal, as defined below, are adequately financed to assure no net cost burden to existing residents may be required with the following development applications:

A. Specific plans; and
B. All residential, commercial, and industrial projects located within a Community Region or Rural Center which exceed the following thresholds:
   1. Residential............50 units
   2. Commercial..........20 acres or 100,000 square feet
   3. Industrial ....20 acres or 250,000 square feet"

General Plan Policy 10.2.5.2 directs the County to "amend the discretionary development review process to require the identification of economic factors derived from a project such as sales tax, property tax, potential job creation (types and numbers), wage structures, and multiplier effects in the local economy". The FIA requirements provide this analysis as part of the discretionary review process.

All FIAs will include anticipated impacts throughout the life of the project, or at project buildout if limited project information is available, to public agencies that provide fire protection and park maintenance services (e.g., Community Services Districts, local and El Dorado County Fire Districts, Recreation Districts, etc.). The FIA needs to be a comprehensive analysis comparing projected revenues to estimated service costs for the county <u>and</u> all affected special districts. Although FIA's do not imply approval or denial of a project, they inform the decision makers when deliberating on the project, and provide the analysis necessary to determine whether the project complies with General Plan Policies. Therefore, the accuracy of the FIA is critical.

What is a Fiscal Impact Analysis?

A Fiscal Impact Analysis (FIA) helps local governments estimate the difference between the costs of providing services to new development and the revenues collected from new development.

The FIA Guidelines are flexible enough to not require a "one size fits all" assumption approach that would result in inaccurate findings. For example, absorption rates, population per household, and other applicable assumptions will differ between areas of the County. Therefore, the FIA Guidelines require the County to agree with certain assumptions used, and that the assumptions must be substantiated by validated reports and analysis. These Guidelines will help limit the County's exposure to potential risks due to changes in land use, market value, timing, and service standards.

A PFFP may be required to be prepared by the applicant for 50+ unit residential developments and larger commercial developments, to ensure that appropriate public services and facilities fees are levied to provide public facilities and services to the project, while complying with General Plan Policy 10.2.5.1 – to "avoid using County General Fund revenues for funding the incremental cost of new municipal services in development areas." A PFFP also helps limit the County's exposure to potential risks due to changes in land use, market value, timing, and construction costs

What is a Public Facilities Financing Plan?

A Public Facilities Financing Plan sets forth a strategy to finance backbone infrastructure and other public facilities required to serve the new development in a project.

The FIA and PFFP Guidelines are intended to ensure that the impacts of proposed development projects are addressed in a manner that is consistent with the policies set forth in the Economic Development Element of the ***2004 El Dorado County General Plan: A Plan for Managed Growth and Open Roads: A Plan for Quality Neighborhoods and Traffic Relief, Amended in 2018*** (General Plan)***.***

II. FIA Process

1. The County Auditor, Chief Administrative Officer and Planning and Building Department Director will convene on a project-by-project basis to determine the need for an FIA pursuant to General Plan Policy 10.2.1.5. If an FIA is deemed necessary, the scope of the analysis will be determined.

   The list of factors that will be considered in determining whether an FIA will be required includes, but is not limited to:

   - Size of development
   - Potential impact on county services
   - Number of potential residents
   - Type of development (e.g. commercial or residential)
   - Whether the development provides restricted residential units (e.g. age-restricted or deed restricted affordable housing)
   - Proximity to sufficient and available infrastructure

2. When it is determined that a project will require an FIA, the attached Guidelines are provided to the applicant. An Early Project Review meeting is set up to discuss the report requirements and suitable assumptions with the project applicant, the consultant preparing the FIA, and the County Project Manager and/or consultant. The County Project Manager is the Planner, Engineer or other County employee assigned to manage the project.

3. General Fund costs for affected programs will be based on the Adopted Budget each fiscal year. The Chief Administrative Office will provide data as needed. The CAO Analyst for the Planning and Building Department and Department of Transportation will be the Coordinator for follow-up and review. The other CAO Analysts will be primary sources to verify data sources and assumptions relative to their assigned Departments when there is a need, and will assist the Coordinator with follow up and review.

4. The Project Manager will forward preliminary questions to the following County departments for resolution as appropriate:

   - CAO - Central Fiscal and Administration Unit
   - Planning and Building Department
   - Department of Transportation
   - County Counsel
   - County Auditor
   - County Assessor

   Questions will be circulated to the CAO Analyst assigned to the subject area (i.e., if a question relates to Sheriff services, submit to the Analyst assigned to the Sheriff's Department).

5. Once a draft FIA is completed and submitted by the applicants, the draft is reviewed by County staff, as appropriate:

- CAO - Central Fiscal and Administration Unit
- Department of Planning and Building
- Department of Transportation

6. The final draft FIA is also reviewed by the following County departments, as appropriate, to ensure the FIA complies with the Guidelines and includes accurate information and assumptions:

    - Chief Administrative Office
    - County Counsel
    - County Auditor
    - County Assessor
    - Other affected departments or County agencies

    The CAO or Assistant CAO will participate as a reviewer of final draft FIA reports, and will be responsible for helping to resolve outstanding questions or disagreements regarding assumptions and conclusions within the report.

7. The Economic and Business Relations Manager, or County consultant shall review and comment on the ultimate impact of the report, due to the potential coordination and/or conflict with other economic development related projects or policies, either adopted or in process (which other staff or FIA consultants may not be aware of).

8. Findings are provided to the applicant, a revised report is produced and reviewed again until all issues are resolved. Corrections are made to the reports to ensure accuracy and consistency with the FIA Guidelines. The County Project Manager is responsible for ensuring that any errors found in the report are corrected.

9. The FIA is then incorporated into the final application documents. All final application documents, including the FIA, are provided to the Planning Commission and Board of Supervisors as part of the public hearing process.

10. As with similar reports and evaluation processes, the FIA is a snap shot in time inclusive of the best information available at the time the report is prepared. The FIA Guidelines (item number 5) require applicants to be responsible for submitting an updated analysis "at any other time at the County Project Manager's reasonable request to evaluate the impacts of circumstances such as land use changes, service standards, costs, or other significant events; and/or on an annual basis, or as specified in a Condition of Approval or Development Agreement, until the project is fully built out, the County Project Manager will review the status of development, land uses, service costs, and service standards to determine if an update of the FIA is warranted."

11. Figure 1 provides an illustration of the FIA process.

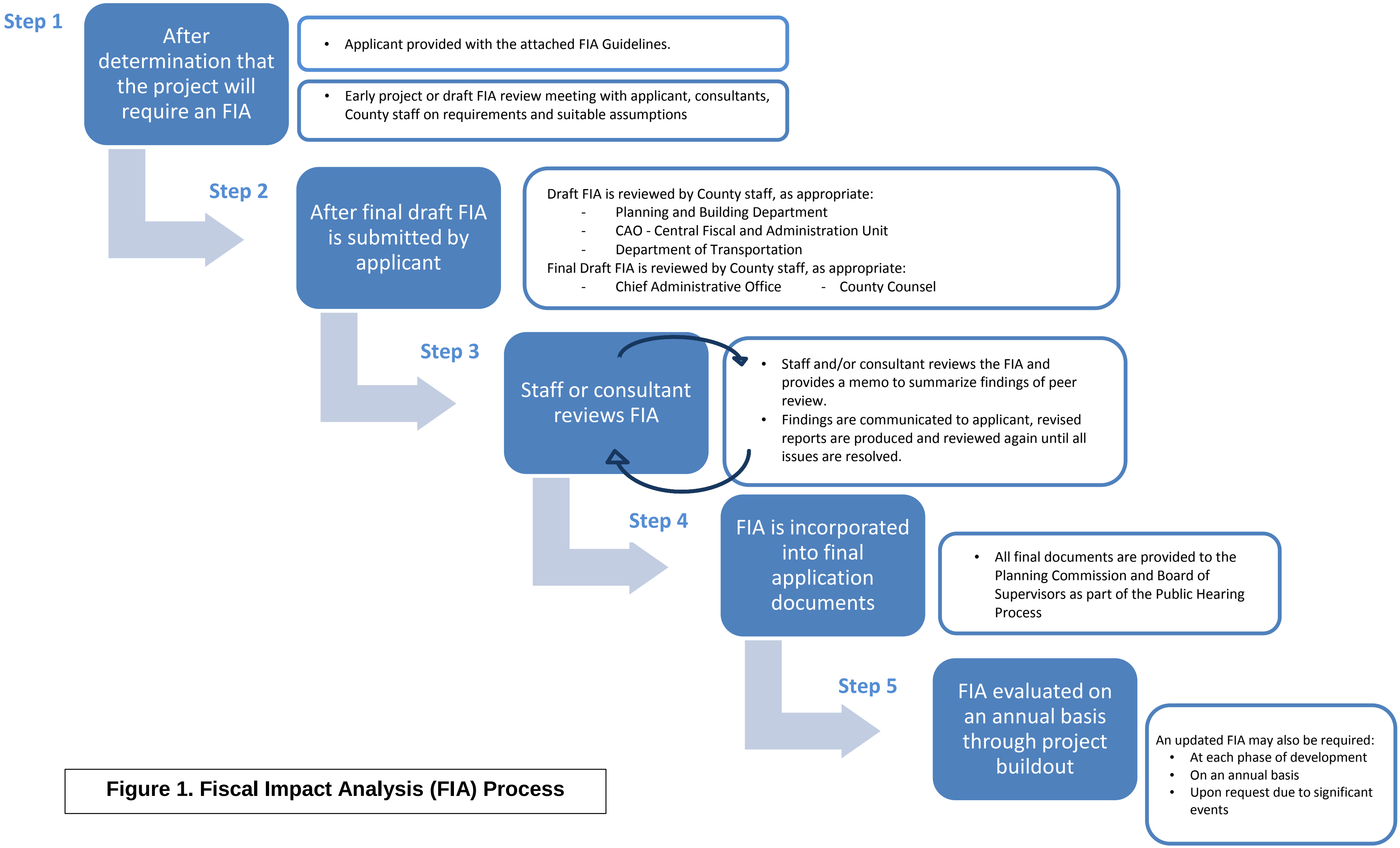

Figure 1. Fiscal Impact Analysis (FIA) Process

III. FIA Guidelines

The Guidelines will apply to all FIAs submitted to the County in association with new development applications. It is important to prepare the FIAs in accordance with these Guidelines to ensure the timely provision of services for new developing areas in the county.

1. All FIAs will comply with applicable General Plan principles and implementation policies.

2. All FIAs will include anticipated impacts to public agencies that provide fire protection and park maintenance services (e.g., Community Services Districts, local and El Dorado County Fire Districts, Recreation Districts, etc.). The FIA needs to be a comprehensive analysis comparing projected revenues to estimated service costs for the County <u>and</u> all affected special districts.

3. Fiscal impacts will be evaluated on an annual basis through project buildout. However, if annual absorption projections are not available, fiscal impacts may be evaluated for each phase of development (with approval from the County). This guideline is especially important for projects with a long buildout horizon to ensure that there are no long-term interim deficits to the County or applicable special districts. The County may require that fiscal impacts are evaluated using a more conservative absorption schedule, which will be provided by the County.

4. All FIAs will include a table summarizing the projected annual or phased impacts for each year or phase prior to and at buildout. The table will include an annual or phased projection of each revenue and cost, as well as the resulting net annual or phased fiscal impact to the County General Fund, County Road Fund, and the general funds of other affected agencies.

5. The FIA will be updated during the development process to account for changing project-specific circumstances, shifting market conditions, and more refined service needs and cost data that will become available over time. This will ensure that potential changes are evaluated and risks to the County are mitigated. An ongoing monitoring and reporting system will be established to ensure that appropriate adjustments are made so that implementing mechanisms can respond to changing circumstances.

   The monitoring and reporting process will involve:

   a) rerunning the fiscal analysis for all portions of the project for which final subdivision maps have yet to be recorded;

b) comparing the results of the fiscal update to those of the prior update or original FIA study;
c) submitting the analysis to the County Project Manager and its peer review consultant,
d) meeting with the County Project Manager and its peer review consultant to review and revise the analysis if necessary; and
e) adjusting funding mechanisms for the remaining undeveloped portion of the project as necessary.

Applicants will be responsible for submitting an updated analysis which, at the sole discretion of the County Project Manager, may be required at one or more of the following project thresholds:

a) approval of a tentative map for all or any portion of the project;
b) at any other time while the project is underway at the County Project Manager's reasonable request to evaluate the impacts of changes in land uses, service standards, costs, or other significant events; and/or
c) on an annual basis, or as specified in a Condition of Approval or Development Agreement, until the project is fully built out, the County Project Manager will review the status of development, land uses, service costs, and service standards to determine if an update of the FIA is warranted.

Applicants will be responsible for covering all costs associated with the monitoring and reporting system, including the County's costs and peer review costs.

6. The County Project Manager will provide the data for persons per household and square feet per employee assumptions to be included in all FIAs.

7. Assumed market values affect many key sources of discretionary revenues anticipated to be generated from a project. FIAs will include data to support assumed market values. In addition, the County Project Manager may request fiscal impacts to be evaluated using lower market values, which will be determined by County staff.

8. Revenues and expenses estimated using the average cost method will reflect net revenues and costs (i.e., adjusted for offsetting revenues) from the most recent County budget.

9. Transient Occupancy Tax (TOT) revenues will be calculated using a marginal cost method. Specifically, only projects with a proposed TOT-generating land use (i.e., hotel, motel, Vacation Home Rentals or other lodging facility) will include TOT revenues in the FIA. TOT revenues will be estimated based on the number of lodging units, average daily rate per unit, average occupancy rate, and the County's current TOT rate.

10. Sales Tax Revenues: Depending on a project's proposed land use mix, a hybrid methodology that analyzes both a supply-side (i.e., taxable sales generated by retail square footage) and a demand-side (i.e., residential demand for taxable sales) approach may be used to estimate sales tax revenue. For example, if a project includes all residential land uses, sales tax revenue will be estimated by analyzing the demand for taxable goods. A residential sales tax credit may be calculated based on project-specific household demand assumptions that consider household income, the percentage of household income spent on taxable goods and services, and a taxable sales capture rate for unincorporated El Dorado County. The County Project Manager will determine the reasonableness of proposed taxable sales capture rates for new development.

    Sales tax revenue may also be estimated based on the supply of new regional retail land uses; however, only the portion of sales tax revenue related to regional demand (i.e., taxable sales captured by residents outside of unincorporated El Dorado County) will be included in the demand analysis. The County Project Manager will determine whether such regional capture exists. If not, taxable sales will be based solely on the demand approach. This prevents double counting taxable sales revenue when evaluating more than one development project at the same time. However, the County reserves the right to evaluate stand-alone retail projects, regardless of the type of retail, on a case-by-case basis. Other effects, (e.g., effects of a new commercial project on existing development nearby) shall be analyzed as part of a separate study (e.g., Urban Decay Analysis), if deemed necessary.

11. All expenses will be estimated using the average cost method, unless otherwise directed by the County Project Manager.

12. The County provides two basic types of services: countywide services and municipal services. Countywide services are generally available to all county residents and workforce regardless of whether they reside in one of the county's two incorporated cities or within an unincorporated area of the county. Municipal services are provided primarily to unincorporated area residents and workforce because there is not a city to provide such services. Two categories of costs will be defined – countywide costs and unincorporated costs. The same methodology applies to County revenues – countywide revenue sources and unincorporated revenue sources.

13. The allocation of responsibility for funding road maintenance will be consistent with policies set forth in the Transportation and Circulation Element of the County's General Plan. Pursuant to such policies, FIAs will assume that ongoing maintenance of local roads will be funded through a private homeowners association, services Community Facilities District or County Service Area Zone of Benefit. If a Zone of Benefit is proposed to fund ongoing road maintenance costs, the resulting cost must be included in the FIA. If the project includes infrastructure that will be maintained by a Homeowners Association, maintenance costs may be excluded from the FIA if the County approves of the funding mechanism.

14. All FIAs will include expenses associated with non-departmental costs <u>and</u> General Fund contributions to programs that may be affected by new development. General Fund contributions include, but are not limited to: Road Fund for Southeast Connector Joint Powers Authority share of cost; El Dorado Water & Power Agency; Community Services for the County's Aging Programs; General Fund contingency. <u>These figures will be updated each fiscal year, and project applicants should ensure that the expenses used in their FIAs reflect the current figures for non-departmental costs and General Fund contributions.</u>

15. Property tax allocations to various agencies will be calculated using a weighted average based on the number of acres of the project within each Tax Rate Area (TRA).

16. An FIA Document Template for applicant use is provided in Section IV.

IV. FIA Document Template

FISCAL IMPACT ANALYSIS (FIA)

DOCUMENT TEMPLATE

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b. Annual Net Fiscal Impacts to Fire District during Development and after Buildout

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V. PFFP Guidelines

COUNTY OF EL DORADO
PUBLIC FACILITIES FINANCING PLAN

A. General Guidelines

The following guidelines will apply to all Public Facilities Financing Plans (PFFP) submitted to the County of El Dorado (County) in association with new discretionary development applications for proposed projects within unincorporated areas of El Dorado County. The PFFP identifies the backbone infrastructure and public facility improvements required for project development. It is important to prepare the PFFPs in accordance with these guidelines to ensure the timely provision of public infrastructure and community facilities for developing areas in the county.

1. The PFFP shall comply with the El Dorado County General Plan principles and implementation policies applicable to the public improvements and community facilities.

2. The PFFP shall include the costs of all backbone infrastructure and community facilities required to serve the project, including facilities and improvements that will be owned by public agencies other than the County (e.g., Community Services Districts, Fire Districts, El Dorado Irrigation District, etc.). The costs of subdivision and in-tract improvements should not be included; for any given project, this delineation may not be obvious and should be made in consultation with County Department of Transportation (DOT) staff. Regional infrastructure that is intended to serve more than one project should be identified in consultation with DOT staff, and then the costs should be estimated. The share of those costs attributable to the project should be approximated and a funding source such as a County Service Area Zone of Benefit should be identified. Existing landowners and residents shall not be burdened with assessments or taxes to pay for services required to serve a project.

   Either prior to, or as part of, the PFFP review, detailed cost estimates will need to be reviewed by County DOT staff and the staff of other public agencies, as appropriate. Adequate mark-ups should be included in the cost estimates for engineering and design, construction management and inspection, cost contingencies, and other applicable factors. Right-of-way and site acquisition should also be included in the cost estimates unless the land for all public improvements is being dedicated to the County.

3. Costs for each type of infrastructure must be allocated to residential and non-residential land uses based on applicable benefit units or equivalent dwelling unit factors. For example, the total cost of backbone roadway improvements would be allocated based on the trip generation factors that were used to size the facilities. For any facilities anticipated to be funded through a project-specific fee program, an additional 5 -10 percent, depending on the size of the project, shall be added to the costs to cover DOT staff, Fiscal and Administration staff, and consultant expenses to update the fee program and provide administration (i.e., County Project Manager to process payments and review documents).

4. Infrastructure needs and associated costs should be presented on an annual or phased basis, which would generally follow the phasing presented in the PFFP. This phased analysis will identify the need for developer equity, land-secured financing, or other sources to mitigate funding gaps that would occur if impact fee revenues were the only

source of funding. The analysis will also provide the developer with information about when reimbursement might be received for infrastructure that must be built in the early years of development. If the County is responsible for constructing any facilities, including regional facilities that may be joint-funded by several projects, this phased analysis will provide important information relative to the timing of funding.

5. Timing and priority for reimbursement of Traffic Impact Mitigation (TIM) Fees will be done in compliance with the current TIM Fee Administrative Manual procedures.

6. Financing mechanisms expected to be used to fund infrastructure costs must be identified, and a description of how each mechanism fits into the overall financing strategy shall be provided. A summary of total infrastructure costs, offset by revenues from each funding mechanism, shall be provided for each phase and at buildout. A funding source, such as developer equity, must be identified for all projected shortfalls. If reimbursements for facility oversizing are expected from phases within the project, or from other projects, such reimbursements should be estimated in the tables and discussed in the text of the PFFP.

7. In general, land-secured financing capacity will be utilized first to mitigate fiscal deficits and fund public services, second to fund infrastructure projects that meet critical County objectives and/or are of a regional nature, and third to fund project-specific capital facilities. The County may consider funding project-specific capital facilities as a second priority if construction of those capital facilities is required well in advance of construction of County or regional facilities.

8. Each project must identify existing fee programs, both for the County and for other affected agencies to which it will be subject, and calculate the applicable fee burden for each residential and non-residential land use type within the project. To avoid double counting, reflect any overlap between capital facilities contained in the project-specific cost estimates and those contained in existing impact fee programs by either adjusting the project-specific costs or proposing a revision to the existing fee program.

9. Identify the total one-time burden as a percentage of value for each type of residential unit and for each type of non-residential land use. The total one-time burden for each land use is equal to the project-specific infrastructure costs, as allocated in Item 3 above, plus the aggregate amount of existing fees determined in Item 8 above. If land-secured financing is proposed to be used for public infrastructure, the PFFP can also reflect the net one-time burden that would remain after subtracting the estimated land-secured financing capacity.

10. Identify the total annual burden as a percentage of value for each land use category, including the one percent ad valorem property tax mandated by Proposition 13, overrides from voter-approved bonded indebtedness, and all annual special taxes and assessments that are anticipated in the FIA and PFFP. The total annual burdens must be less than or equal to the maximum effective tax rate permitted in the County's land-secured financing policies.

11. Summary tables should be provided that clearly illustrate the one-time and annual burdens and the recommended financing strategy. If the project is expected to oversize public improvements and receive reimbursement from other development projects, the feasibility tests and summary tables need only show the project-specific burdens based on the assumption that such reimbursements will be received.

12. The PFFP should include an implementation plan that describes the processes to establish and revise fee programs, manage fee credits and reimbursements, form and administer financing districts, and periodically update the PFFP.

13. The PFFP for a given project may, at the County's Planning and Building Department or DOT discretion, be required to be updated when the first phase of development is ready to proceed. The County may also require an update to the PFFP any time there is a substantial change to project land uses, capital improvement plans, construction costs, or any other assumptions that trigger additional discretionary review in the PFFP that could have a significant impact on project infrastructure funding and feasibility.

14. The PFFP shall be reviewed by the following County departments, as appropriate, to ensure it complies with these guidelines and includes accurate information and assumptions:

    Chief Administrative Office
    County Counsel
    County Auditor
    County Assessor
    Other affected departments or County agencies

Appendix A:

Applicable El Dorado County General Plan Goals and Policies

OBJECTIVE 10.2.1: PUBLIC AND CIVIC FACILITIES INVESTMENT

Give a high priority to funding quality civic, public and community facilities, and basic infrastructure that serve a broad range of needs.

Policy 10.2.1.1 The County shall prepare and coordinate with other service providers long-term capital improvement plans to more efficiently provide infrastructure and services in a manner consistent with the needs of targeted industries and existing residents. This process shall identify cost estimates for each project in current dollars and identify the funding source.

Policy 10.2.1.2 The County shall aggressively pursue private, regional, State, and Federal funding sources to reduce local burdens.

Policy 10.2.1.3 Require that all costs of upgrading and/or constructing civic, public and community facilities, and basic infrastructure exclusively needed to serve new development be the responsibility of new development and not existing residents.

Policy 10.2.1.4 Require new discretionary development to pay its fair share of the costs of all civic and public and community facilities it utilizes based upon the demand for these facilities which can be attributed to new development.

Policy 10.2.1.5 A public facilities and services financing plan that assures that costs burdens of any civic, public, and community facilities, infrastructure, ongoing services, including operations and maintenance necessitated by a development proposal, as defined below, are adequately financed to assure no net cost burden to existing residents may be required with the following development applications:

A. Specific plans; and

B. All residential, commercial, and industrial projects located within a Community Region or Rural Center which exceed the following thresholds:

1. Residential............50 units
2. Commercial..........20 acres or 100,000 square feet
3. Industrial ....20 acres or 250,000 square feet

Policy 10.2.1.6 Provision of new infrastructure and facilities shall be coordinated with existing infrastructure and facilities and shall maximize use of existing facilities capacity to the extent that any exists.

Policy 10.2.1.7 Emphasize public investment strategies that enhance the value of commercial uses to maximize absorption rates. If these strategies are successful, the infrastructure finance program will have a greater chance of success related to the increased real estate values created.

Policy 10.2.1.8 Direct new development to land where infrastructure and service levels are adequate so as to minimize development costs.

OBJECTIVE 10.2.5: NEW DEVELOPMENT FISCAL EFFECTS

Ensure that new development results in a positive fiscal balance for the County.

Policy 10.2.5.1 Avoid using County General Fund revenues for funding the incremental costs of new municipal services in developing areas.

Policy 10.2.5.2 Amend the discretionary development review process to require the identification of economic factors derived from a project such as sales tax, property tax, potential job creation (types and numbers), wage structures, and multiplier effects in the local economy.