



# Residential Development Impact Fee Comparison Study

## Final Executive Summary

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*The Economics of Land Use*

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# INTRODUCTION AND FINDINGS

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# STUDY PURPOSE

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Explore the typical composition of impact fees and cost burdens on residential development in the Sacramento Region.



Compare the total residential infrastructure cost burden in the Sacramento Region to other comparable jurisdictions in California as well as neighboring states.



Using the study findings, the BIA and its members can work with local jurisdictions to calibrate fees based on comparative data and the study findings.

# KEY FINDINGS & OBSERVATIONS

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- California's municipal finance paradigm results in heavy reliance on development impact fees and other development exactions to fund infrastructure and public facility improvements serving new growth.
- Sacramento Region total cost burdens are significantly higher than other comparable California regions and other study areas.
- Robust impact fees can be a deterrent to growth and investment and are usually only sustainable in higher income developments or communities.
- Generally, areas with higher total cost burdens have a higher percentage of costs identified as essential and critical (e.g., water, sewer, transportation infrastructure).



# KEY FINDINGS & OBSERVATIONS

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- Sacramento Region fee structures tend to place a higher relative burden on medium–density residential units compared to low–density residential units, making it more challenging to feasibly develop higher density, entry–level product.
- Increasing entitlement, land development and home construction costs put increasing pressures on housing feasibility. Housing affordability is bound to face increasing threats by rising mortgage rates and eventual tapering demand from major metropolitan areas.
- Communities in other states have benefited from the use of an expanded range of tools and techniques for improving feasibility not available in California.

# KEY FINDINGS & OBSERVATIONS

- Fee burdens for housing in the Sacramento Region are nearly twice as high as certain comparable California regions. In the Sacramento Region, fees average about \$95,000 per house whereas fee burdens in the Central Valley and Inland Empire average about \$55,000 per house.
- The primary fee categories creating the difference between Sacramento Region and the comparison areas are summarized below.

Fee Category	Central Valley	Inland Empire
Transportation & Transit	\$7,000	\$10,000
Wastewater Facilities	\$4,000	\$5,000
Water Facilities	\$4,000	\$6,250
Storm Drainage & Flood Control	\$4,000	\$3,750
Affordable Housing	\$4,000	\$0
Parks, Recreation & Trails	\$7,500	\$5,000
School Facilities	\$7,500	\$7,500
<b>Total</b>	<b>\$38,000</b>	<b>\$37,500</b>

# KEY FINDINGS & OBSERVATIONS

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- The weighted average fees and costs for homes in Sacramento County is approximately \$97,000 per unit. The current fee burden in Sacramento County ranges from about \$85,000 for a project in the Panhandle development area of Sacramento to over \$105,000 for projects in unincorporated portions of Sacramento County and in Folsom.
- The weighted average fees and costs for homes in Placer County is approximately \$87,000 per unit. The current fee burden in Placer County ranges from just over \$65,000 at certain infill projects in Lincoln to about \$95,000 for homes in the Sierra Vista Specific Plan in Roseville.
- In comparison, fees in the Central Valley and the Inland Empire region of Southern California average just over \$50,000 per house. Fees in neighboring Nevada and Arizona are under \$30,000 per home – with fees in Las Vegas and Phoenix averaging under \$20,000.

# KEY FINDINGS & OBSERVATIONS

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- Fees and infrastructure costs make up as much as one-fifth of the price of a house in the Sacramento region. Compared to the Central Valley and Inland Empire, where fees and costs may only comprise approximately one-seventh of the home price thereby providing adequate capacity for entitlement, development and vertical construction costs that all factor into the price of a new home.
- This has a major impact on housing affordability, especially when builders consider building smaller, higher-density homes aimed at younger buyers. Because these fees are a major factor in determining if a project “pencils out,” higher fees – coupled with rising land and construction costs – can mean many of these projects aren’t feasible.

# FEE IMPLEMENTATION CONSIDERATIONS

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- Consider implementing policy-driven fee reductions for specific land use categories or districts to incentivize desired growth.
- Update and calibrate demand factors to reflect current demand characteristics of new development and conservation mandates (e.g., water, wastewater, storm drainage, etc.) to align the scope of fee-funded facilities with the needs of new development.
- Phase-in adopted fee increases over time to enable developers and builders to build cost increases into pro formas and land transactions.
- Enable fee deferment until later entitlement stages (e.g., Certificate of Occupancy) to improve capital cash flows.

# FEE IMPLEMENTATION CONSIDERATIONS

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- Review capital improvement programs to prioritize projects that are critical to serving new service population. Consider removing facilities or seeking alternative funding sources for facilities that may be considered additional amenities or otherwise optional.
- Enable developers and builders to use public financing mechanisms to finance fee payments via land-secured financing mechanisms, such as the Statewide Community Infrastructure Program (SCIP).
- Continue to use local funding sources to leverage regional, state, and federal funding to address new capital facility needs.

# STUDY CONSIDERATIONS AND METHODOLOGY

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# STUDY CONSIDERATIONS

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The study compares the per-unit infrastructure and public facility cost burdens charged by local jurisdictions to develop residential dwelling units. Infrastructure and public facility cost burden (or total fee burden) includes the following types of charges and exactions:

- Building permit and plan review processing fees;
- Development impact fees;
- Plan-area specific impact fees, developer-funded improvements, Development Agreement obligations;
- School mitigation fees; and
- Bond debt associated with land-secured financing mechanisms.



*Note: Many projects utilize land-secured financing mechanisms to offset development impact fees and plan area fees. In such cases, EPS excluded bond debt to avoid double-counting infrastructure cost burdens.*

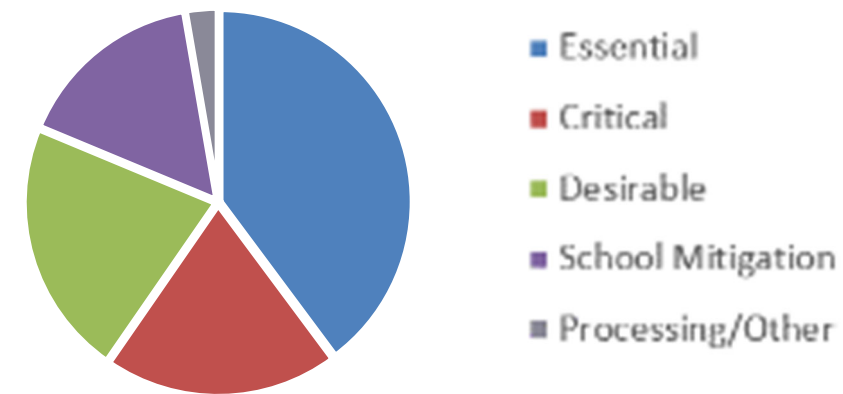


# METHODOLOGY

## FEASIBILITY & QUALITATIVE ANALYSIS

EPS developed feasibility metrics to evaluate the total fee burden as a percentage of the estimated new home sales price within a given jurisdiction. EPS sourced home pricing estimates from The Gregory Group and various home builder websites. As shown below, these metrics indicate whether fee burdens *may* be factors affecting development feasibility.

Total Fee Burden as a % of Home Sales Price	
> 20%	May face feasibility challenges
15% - 20%	Potential feasibility challenges
< 15%	Likely to be feasible



Also, EPS developed qualitative metrics to indicate the whether fees fund improvements that are considered essential for new development to occur, or whether they are funding desirable, quality of life amenities. EPS designated fees into the following categories:

- **Essential** – Improvements required by regulation or regulatory compliance.
- **Critical** – Improvements necessary to maintain public safety and welfare.
- **Desirable** – Improvements that are desired by a municipality that help support quality of life.
- **School Mitigation** – Fees or bond debt for school improvements.
- **Processing/Other** – Service-based fees and other processing charges.

# METHODOLOGY

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## DATA COLLECTION AND ANALYSIS

EPS compiled total fee burden estimates for residential projects in the Sacramento Region and comparable jurisdictions using the following sources:

- Publicly available jurisdiction fee schedules and project public facility finance plans;
- Residential project fee estimates prepared and provided by North State BIA members and other residential builders;
- Fee estimate and fee comparison materials EPS has developed for various public and private clients.



Data was calibrated to the same housing prototypes to produce comparable fee data across projects in differing regions of California and the Western US.

# PROTOTYPES

EPS prepared an in-depth analysis for the Low Density Residential (LDR) analysis – comparing the Sacramento Region fee burdens to comparable California regions, including the Inland Empire and Central Valley. Also, EPS compared LDR fee burdens to Western United States neighboring out-of-state communities experiencing high growth rates, including Reno/Sparks, Las Vegas Metro, Phoenix Metro, and Castle Rock, Colorado.

EPS prepared compared Medium Density Residential (MDR) fee burdens within the Sacramento Region. EPS evaluated selected infill multifamily project fee burdens.

Low Density	Medium Density	High Density
Sacramento Region (22)	Sacramento Region (11)	Sacramento Region (5)
Central Valley, CA (7) & Inland Empire, CA (5)		
Selected Regions in Neighboring States (6)		

# PROTOTYPES

## Traditional Lot Low Density Residential (LDR)



Monterosa at Fiddymont Farm, Roseville. Source: Lennar.

Item	Assumption
Product Type	Single-Family Detached Unit
Development Type	Residential Subdivision
No. of Net Acres	10.0 Acres
No. of Units	55 Units
Lot Sq. Ft.	5,500 Sq. Ft.
Lot Dimensions	55x100 Sq. Ft.
Estimated Net Density	5.50 DU/Acre
Habitable Sq. Ft.	2,400 Sq. Ft.
Garage Sq. Ft.	450 Sq. Ft.
No. of Bedrooms	4 Bedrooms
No. of Bathrooms	3.0 Bathrooms

## Small Lot Medium Density Residential (MDR)




La Maison II at Diamond Creek, Roseville. Source: Lennar.

Item	Assumption
Product Type	Single-Family Detached Unit
Development Type	Residential Subdivision
No. of Net Acres	10.0 Acres
No. of Units	152 Units
Lot Sq. Ft.	2,000 Sq. Ft.
Lot Dimensions	40x50 Sq. Ft.
Estimated Net Density	15.20 DU/Acre
Habitable Sq. Ft.	1,700 Sq. Ft.
Garage Sq. Ft.	250 Sq. Ft.
No. of Bedrooms	3 Bedrooms
No. of Bathrooms	2.5 Bathrooms



# PROTOTYPES

## HIGH DENSITY RESIDENTIAL

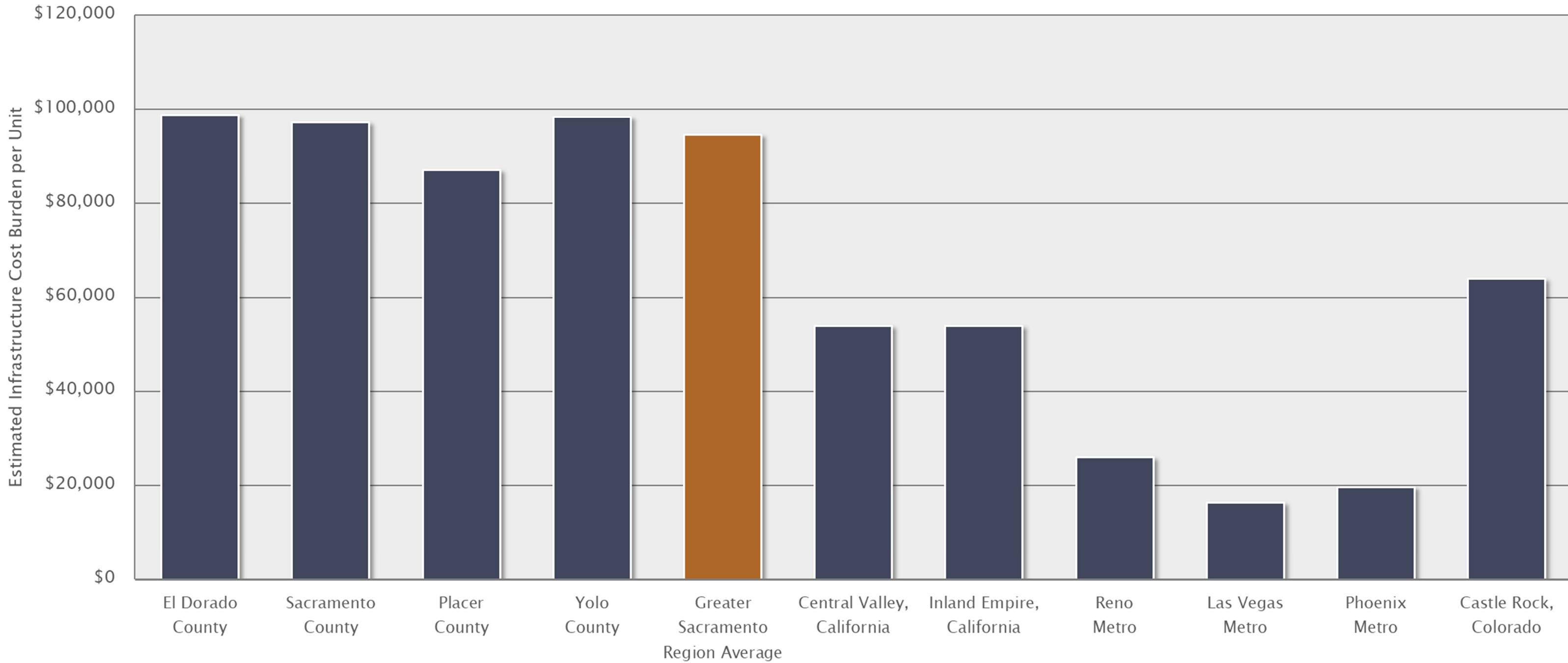
Item	Assumption	Example
Product Type	Market-Rate Multifamily Residential	
Development Type	Apartment Building	
No. of Net Acres	0.5 Acres	
Total No. of Units	60 Units	
Total No. of Buildings	1 Buildings	
Building Height	4 Stories	
No. of Units	60 Units per Building	
Estimated Net Density	120.00 DU/Acre	
Habitable Sq. Ft.	675 Sq. Ft. per Unit	
Habitable Sq. Ft.	40,500 Per Building	
Gross Sq. Ft.	54,000 Per Building	
Gross Sq. Ft.	13,500 Per Story	
No. of Bedrooms per Unit	1 Bedrooms	
No. of Bathrooms per Unit	1.0 Bathroom(s)	
Water Meter Size (Domestic)	4.0 Inch	
Water Meter Size (Irrigation)	1.0 Inch	
Valuation	\$6,089,040 Per Building (Gross Sq. Ft.)	

980 Central, West Sacramento. Source: CoStar.

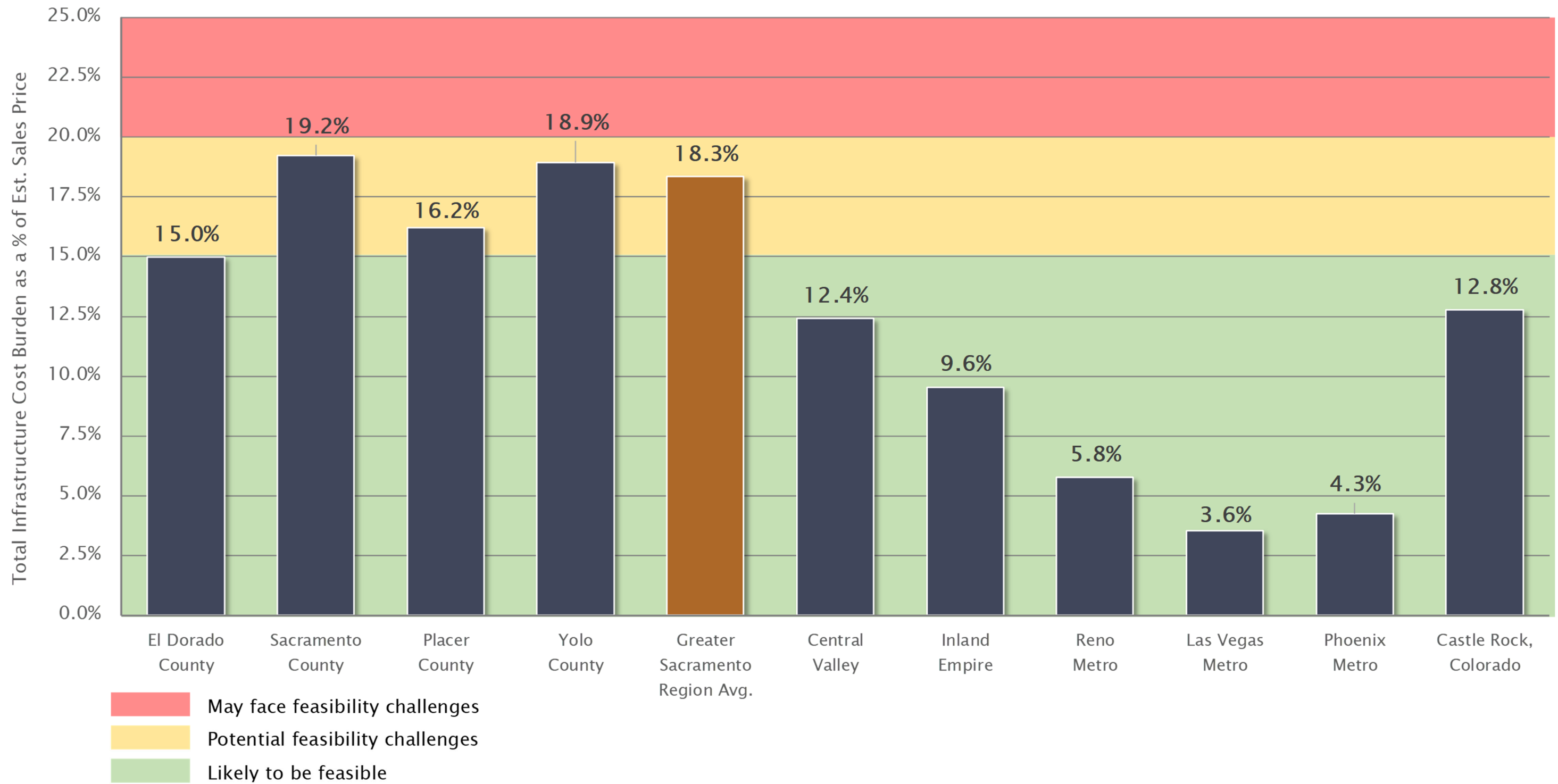
# FEE BURDEN & FEASIBILITY COMPARISON SUMMARY

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# SACRAMENTO REGION LDR FEE BURDENS EXCEED COMPARISON REGIONS

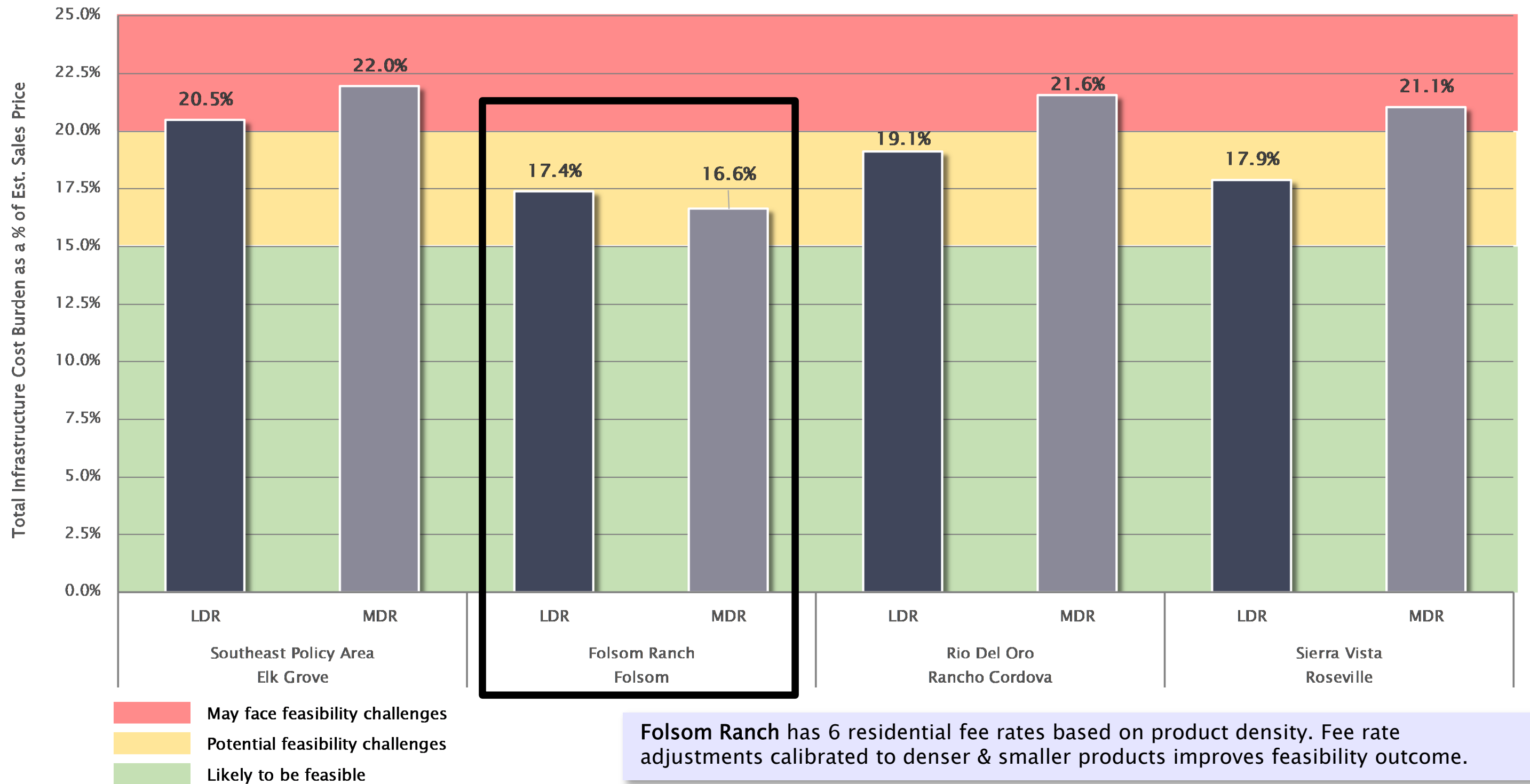


# SACRAMENTO REGION FEES PLACE GREATER STRAIN ON FEASIBILITY

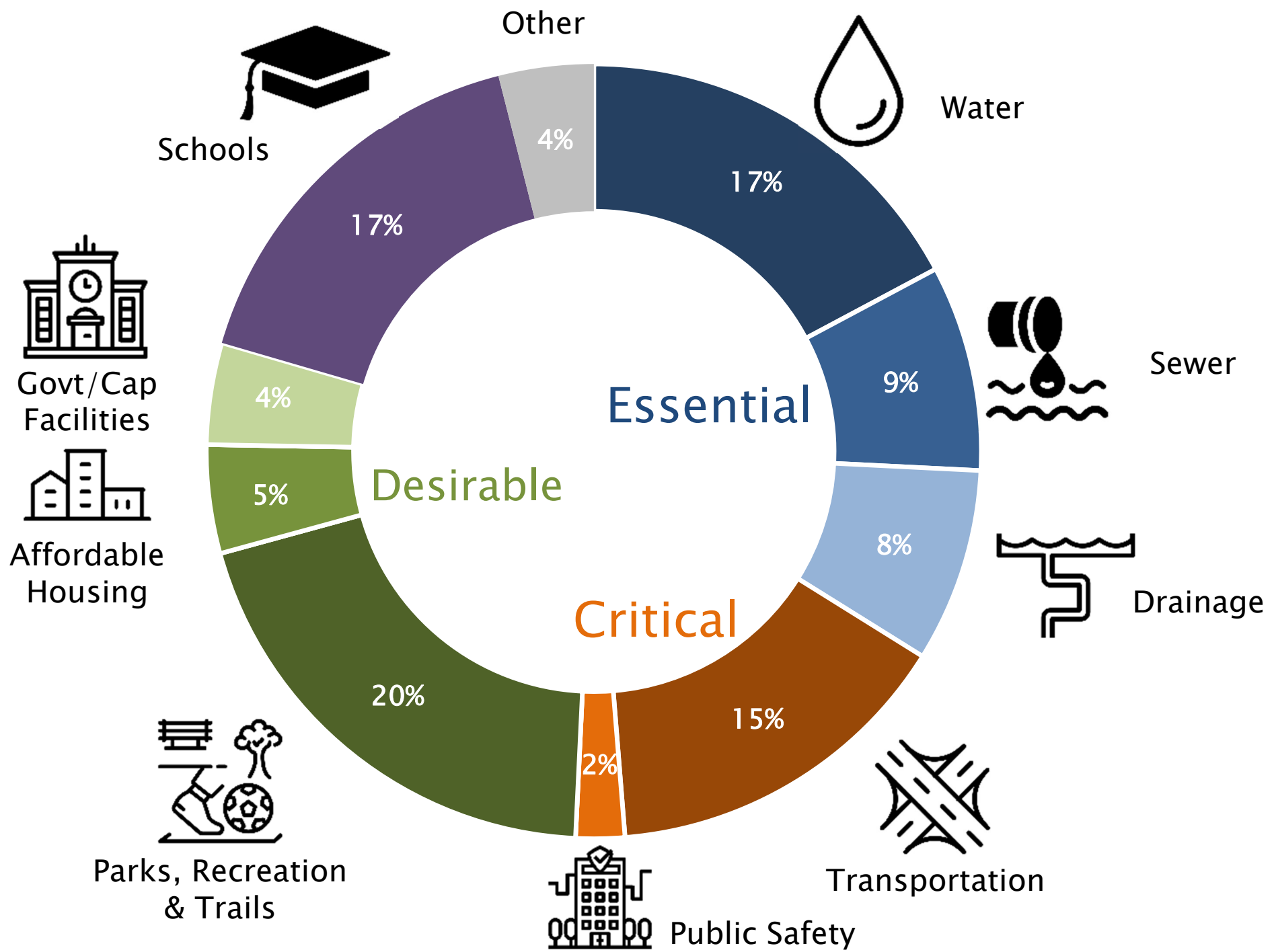




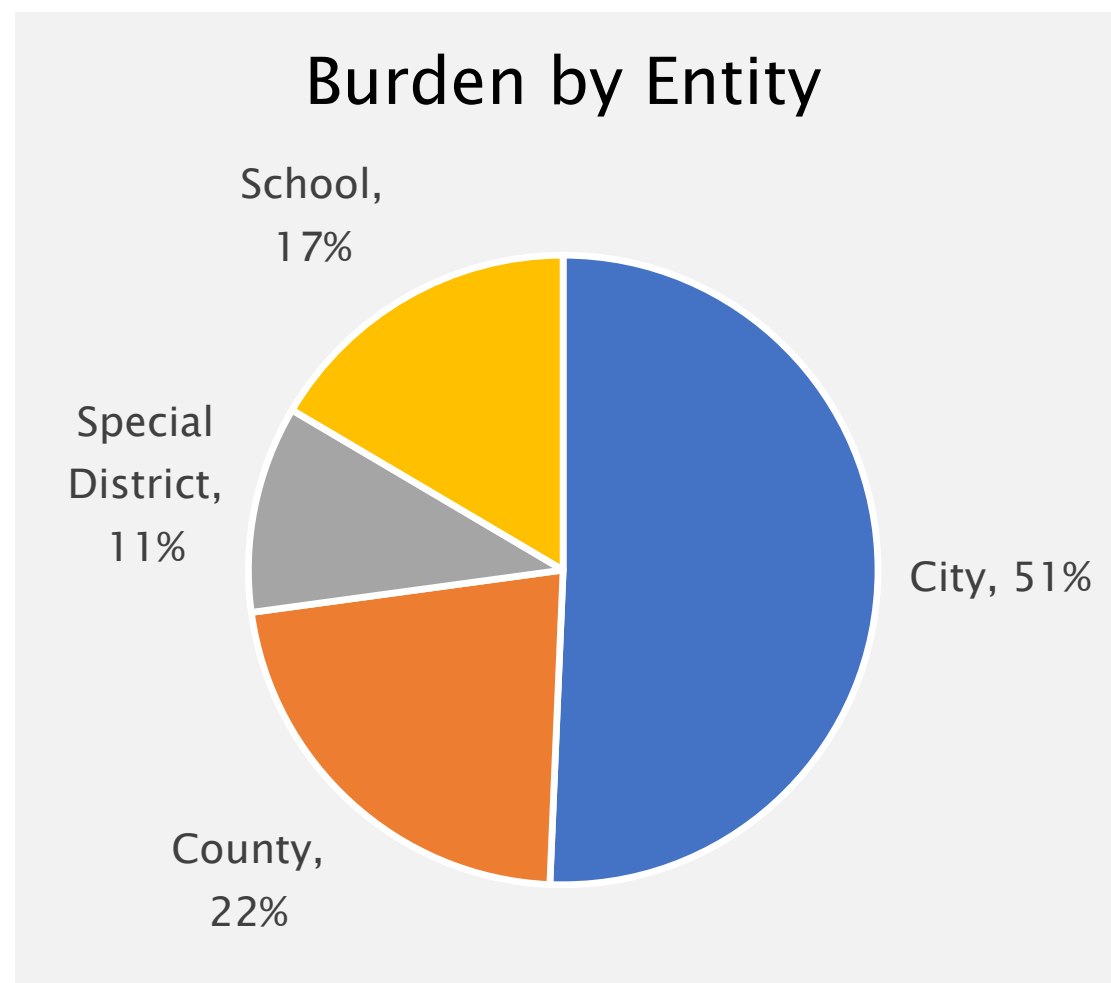
# BUILDERS FACE GREATER FEASIBILITY CHALLENGES WITH DENSER PRODUCT



# SOUTHEAST POLICY AREA, ELK GROVE

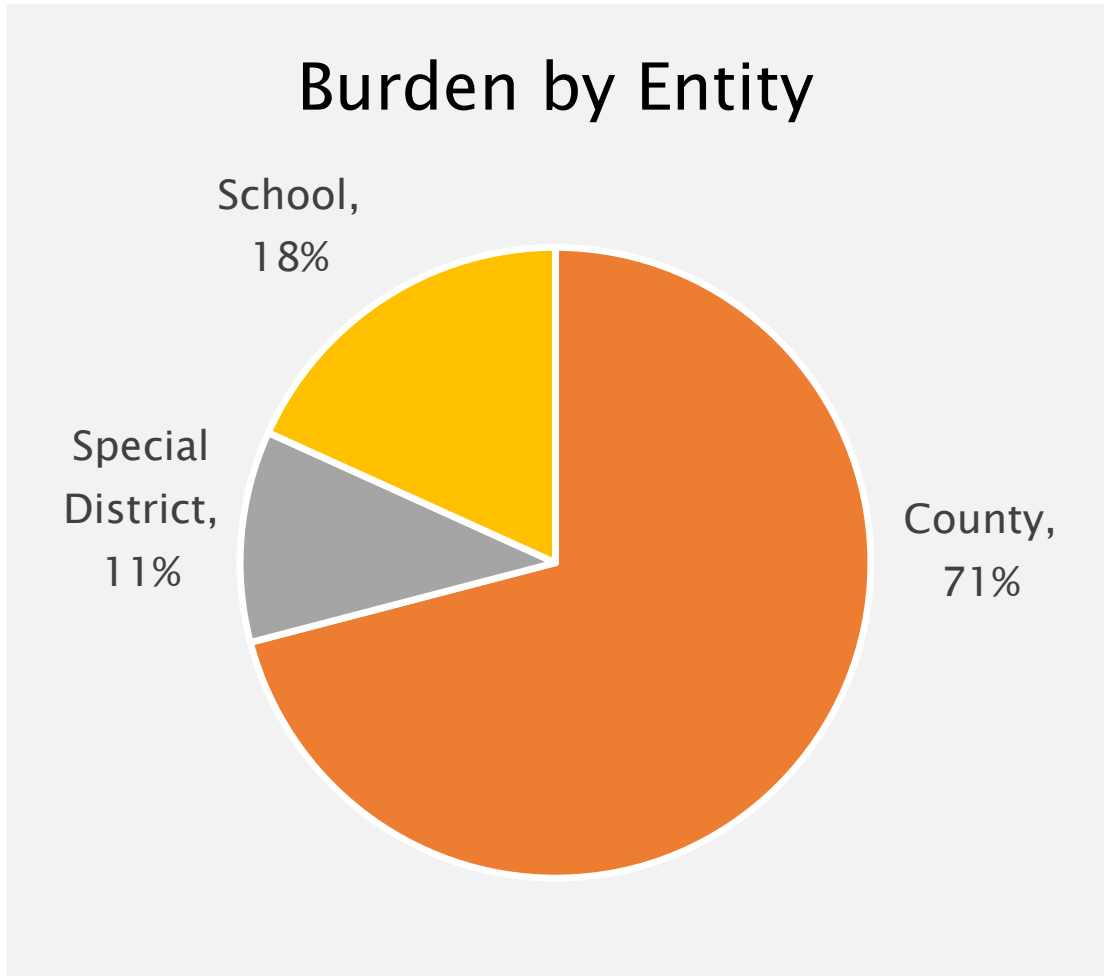
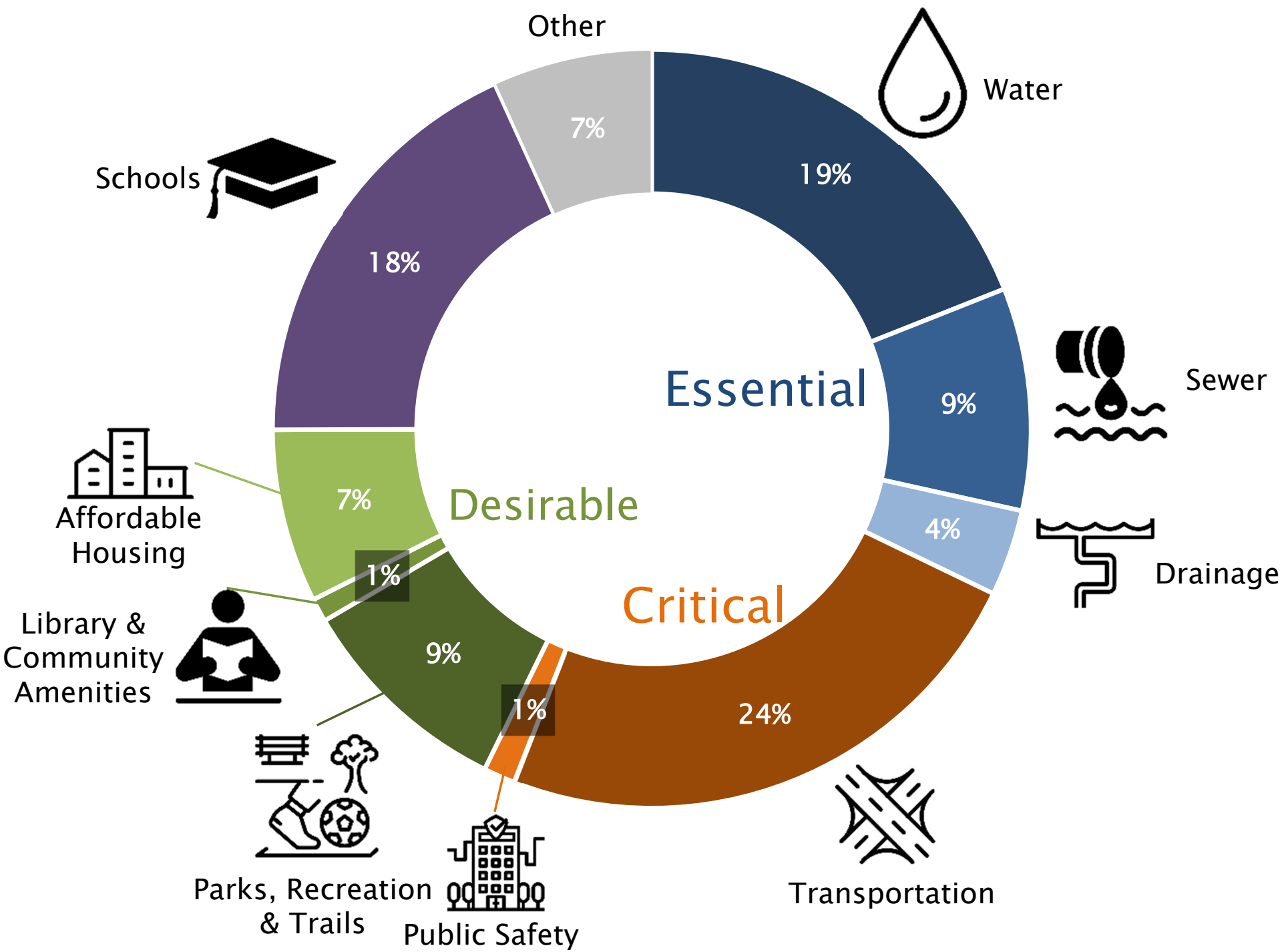


**Total Estimated Fee Burden:  
\$104,000 Per Unit  
% of Sales Price: 20%**



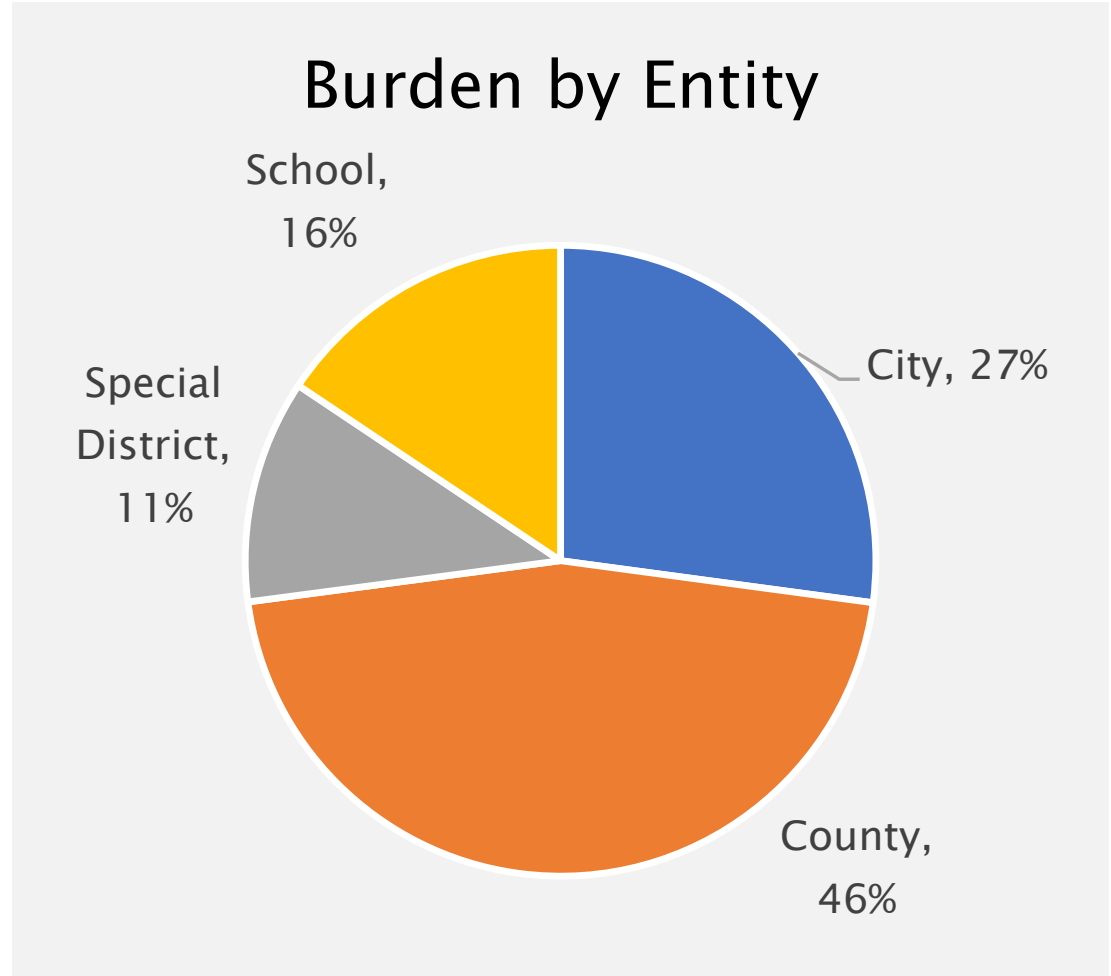
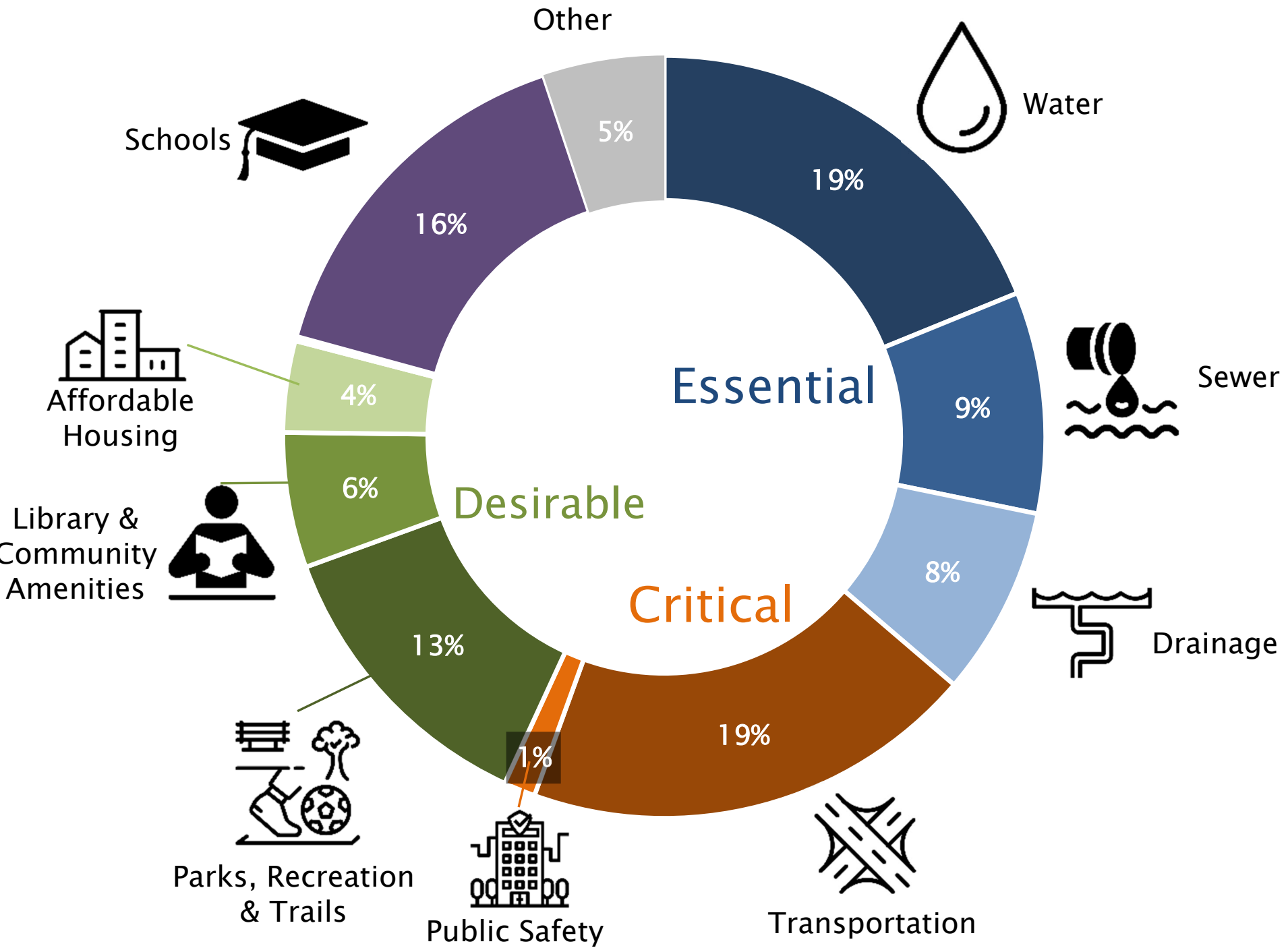
# NORTH VINEYARD STATION, SACRAMENTO COUNTY

**Total Estimated Fee Burden:  
\$95,000 Per Unit  
% of Sales Price: 20%**



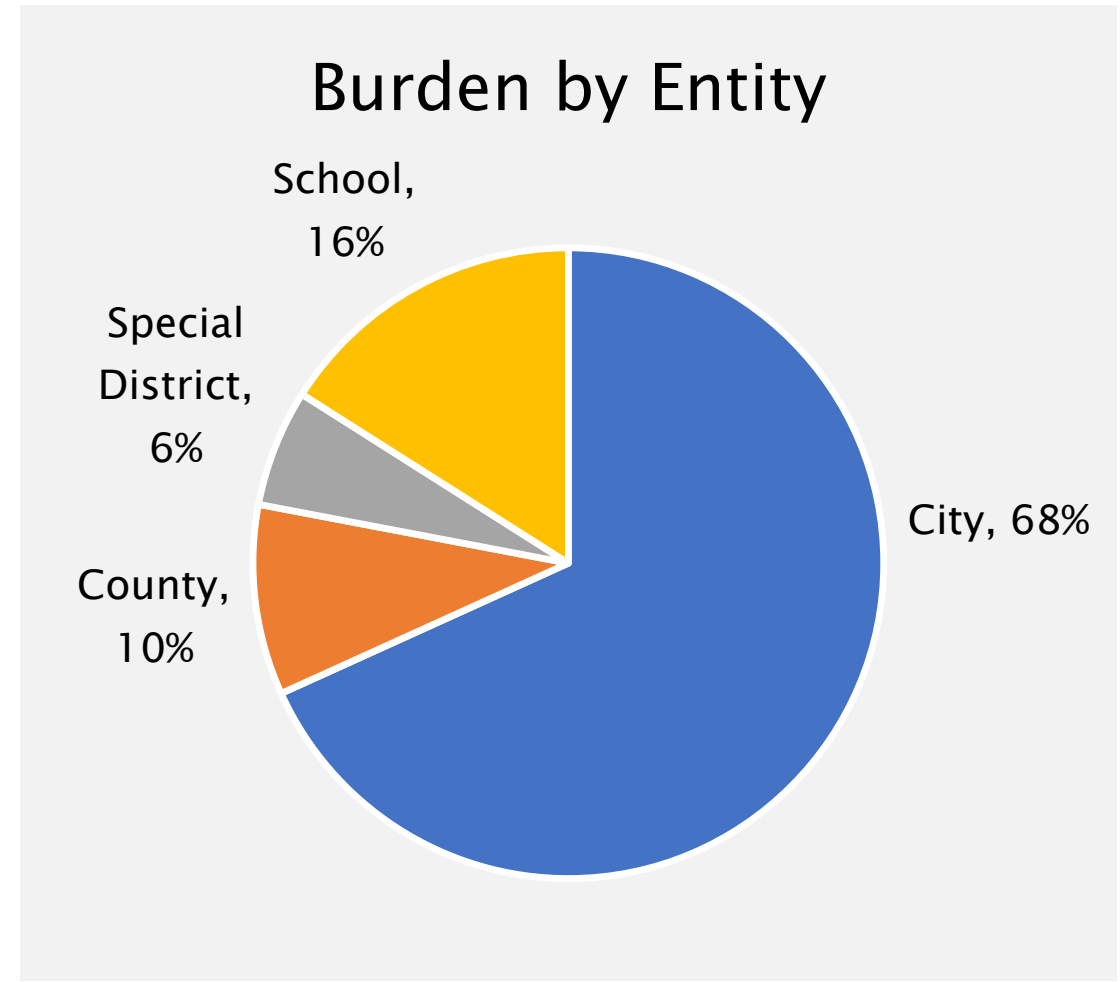
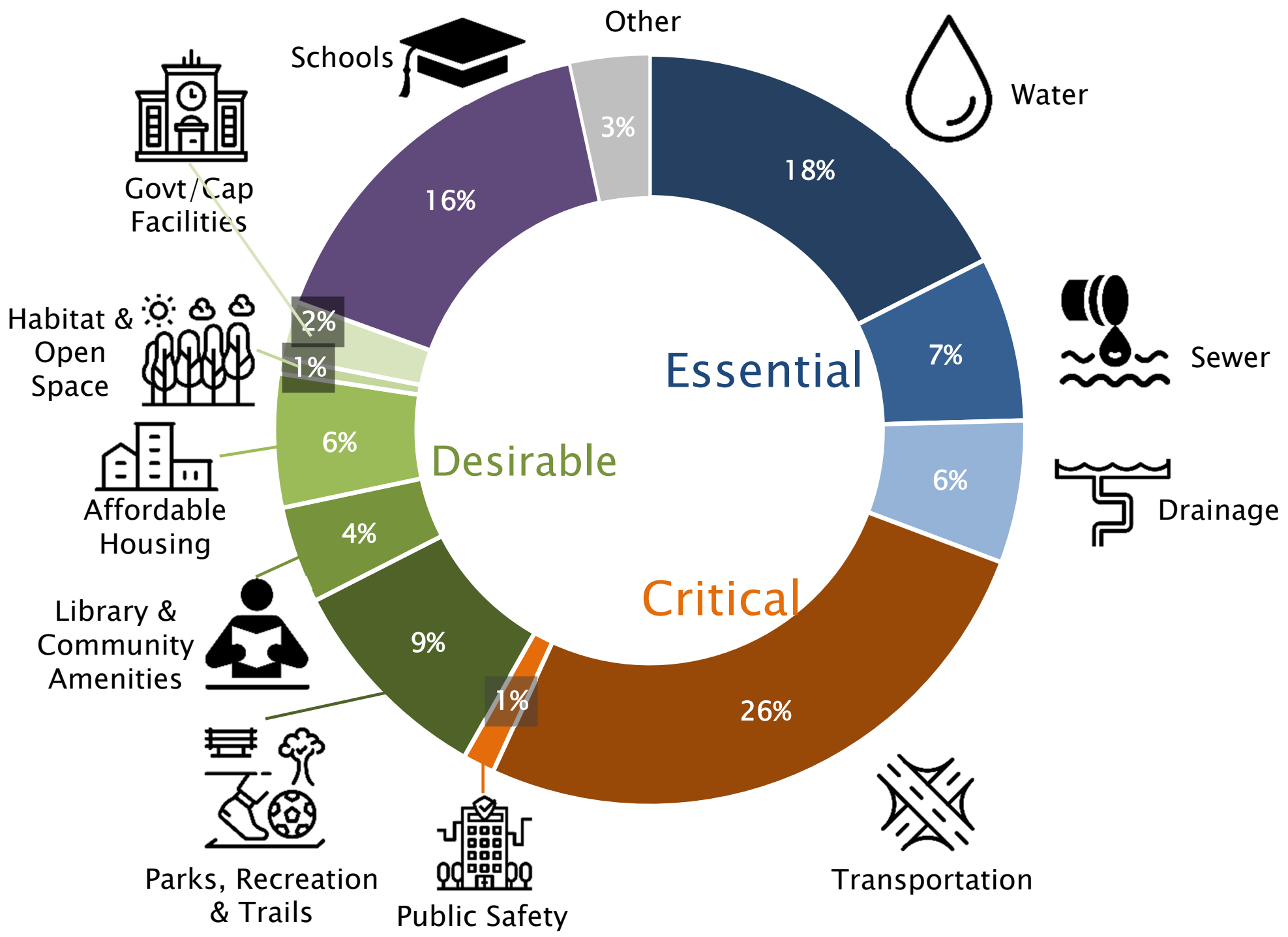
# RIO DEL ORO, RANCHO CORDOVA

**Total Estimated Fee Burden:  
\$96,000 Per Unit  
% of Sales Price: 19%**

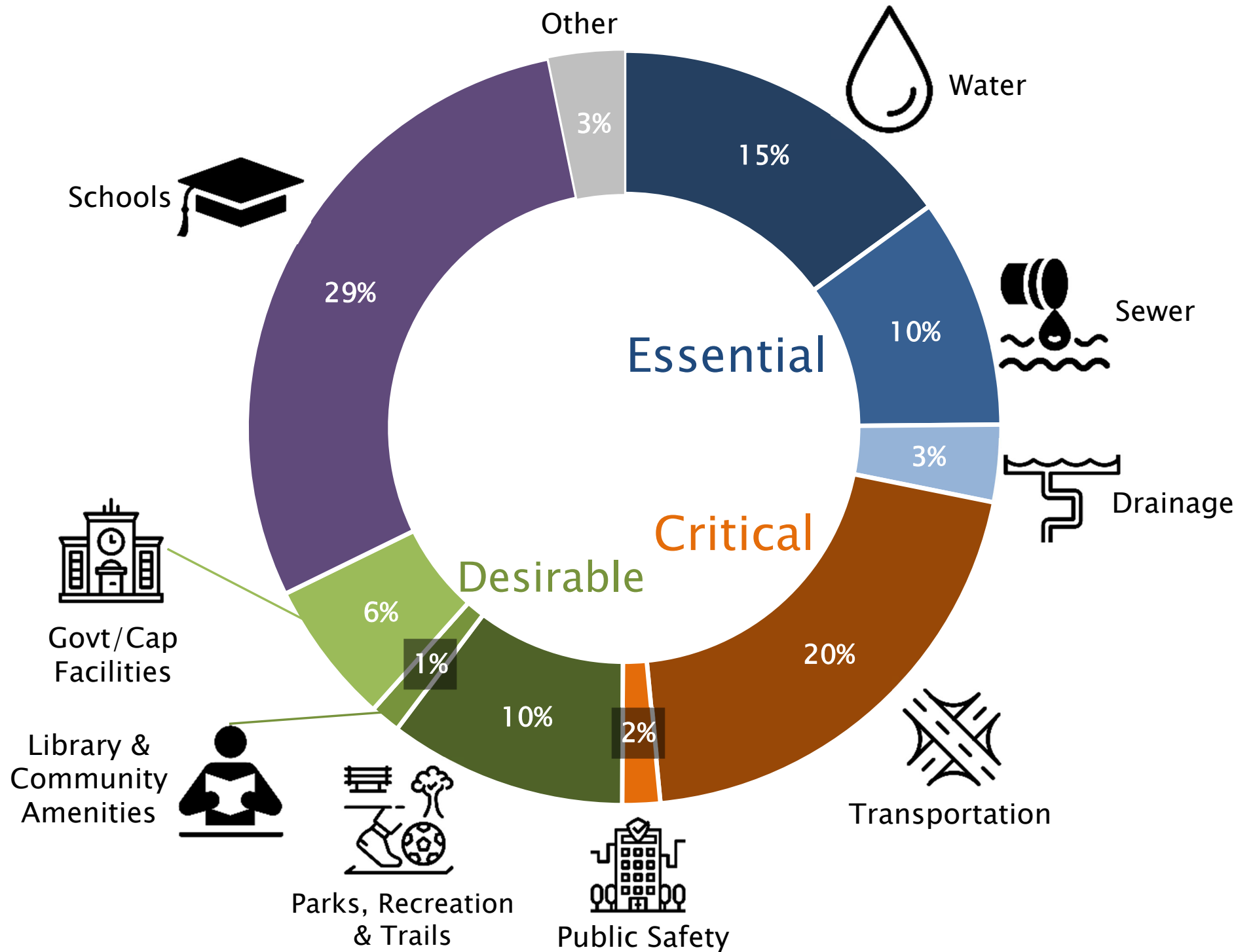


# FOLSOM RANCH, FOLSOM

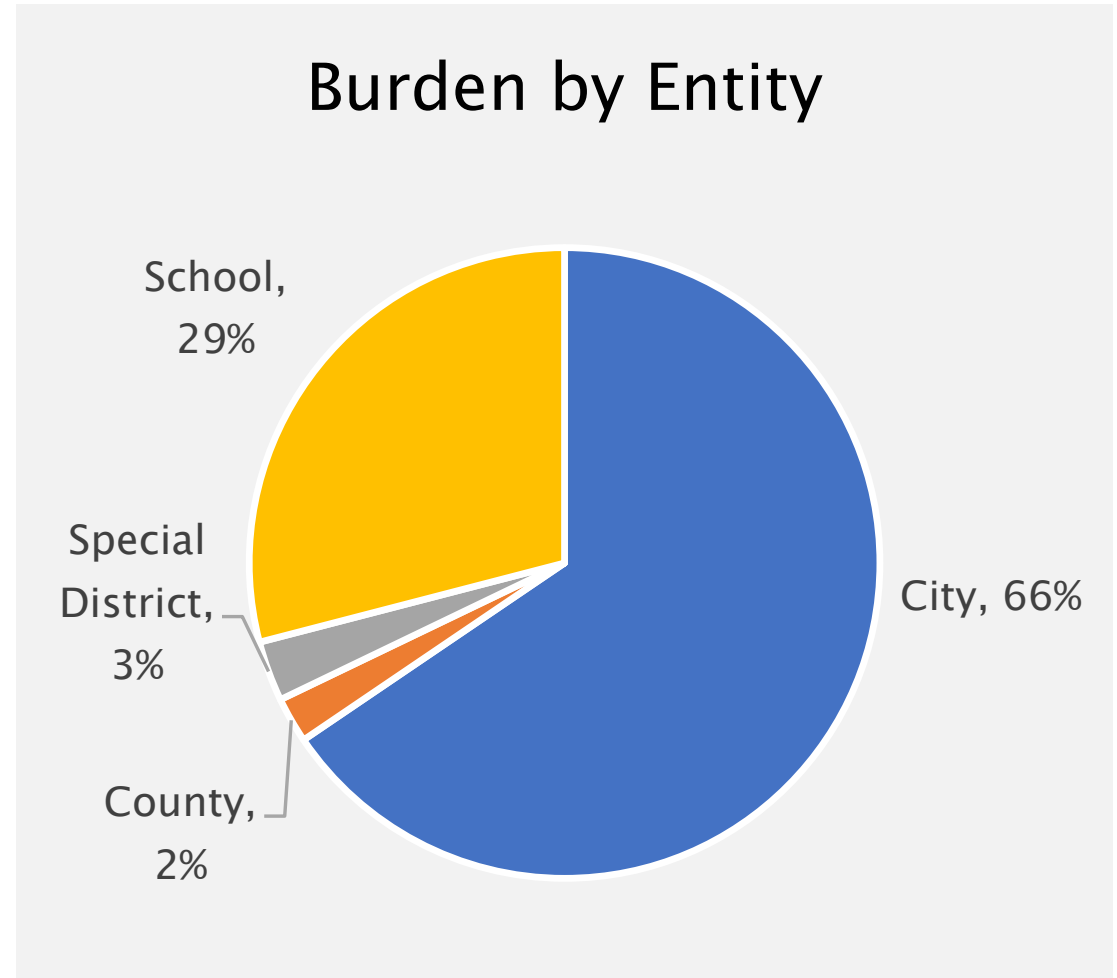
**Total Estimated Fee Burden:  
\$108,000 Per Unit  
% of Sales Price: 17%**



# SIERRA VISTA SPECIFIC PLAN, ROSEVILLE

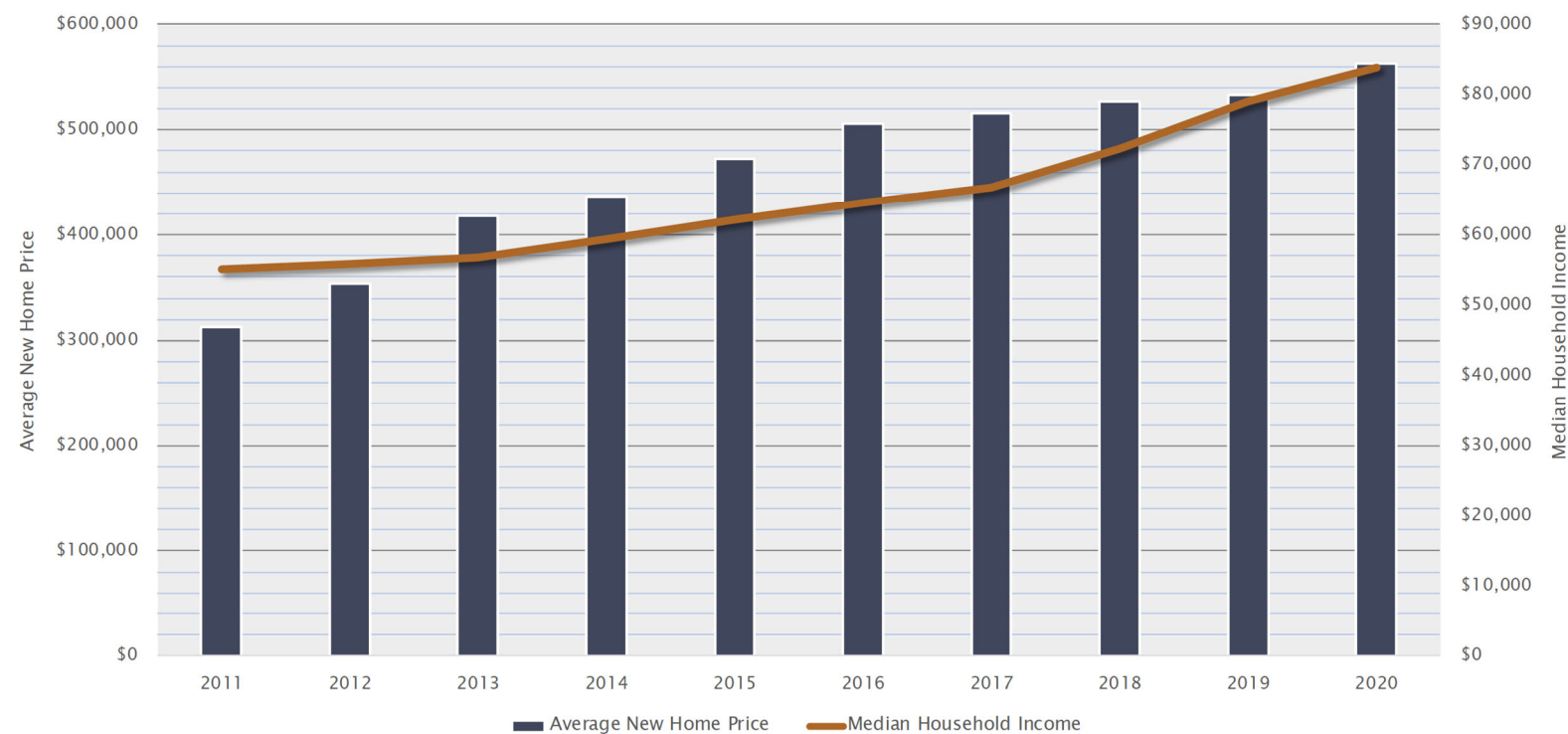


**Total Estimated Fee Burden:  
\$98,000 Per Unit  
% of Sales Price: 20%**

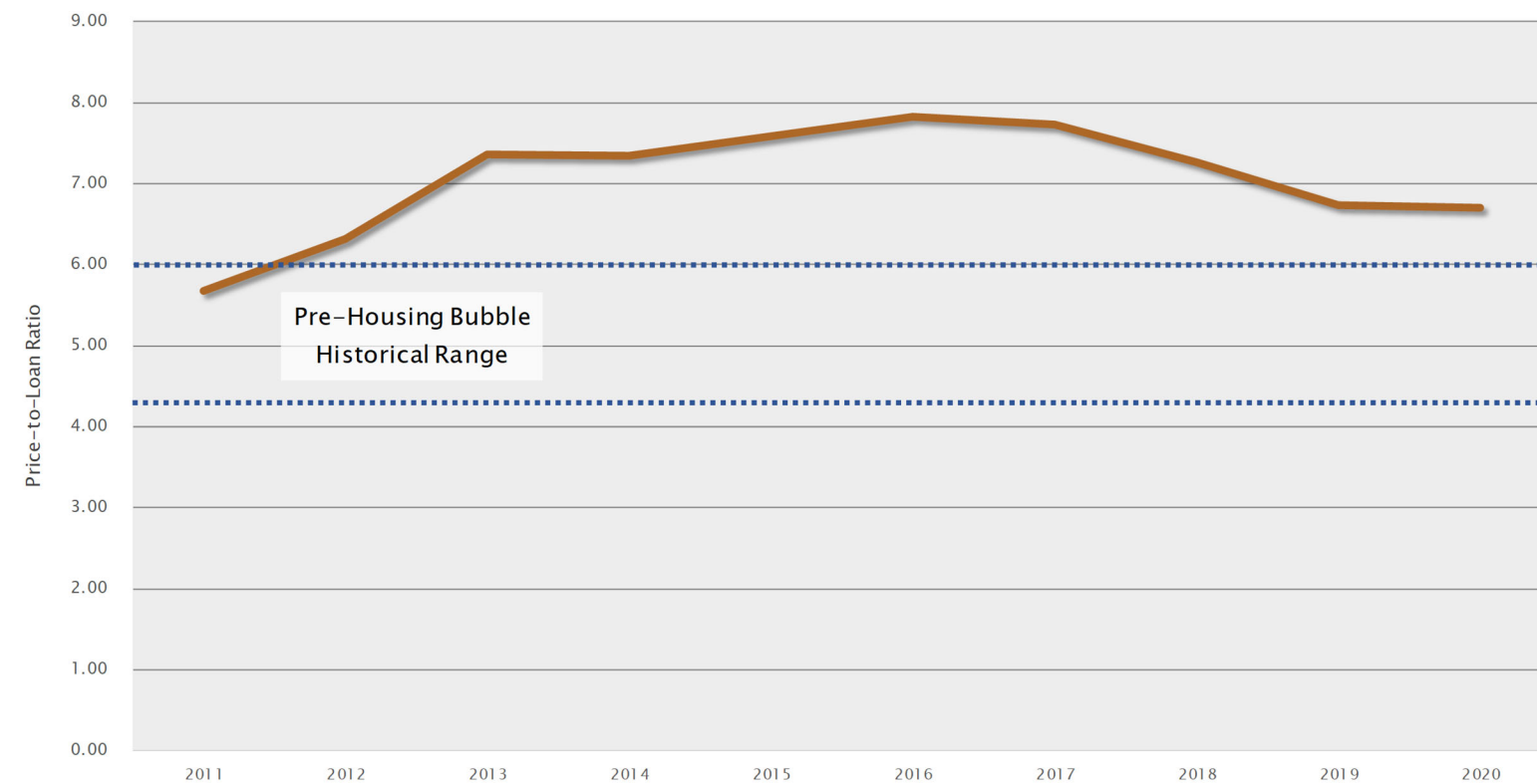


# NEW HOME SALES PRICE TO INCOME RATIO EXCEED HISTORICAL AVERAGE

Recent Bay Area influx has propped up regional median household income. Tapering demand from larger metros may decline, potentially reversing recently improving price-to-loan ratios.



Source: The Gregory Group



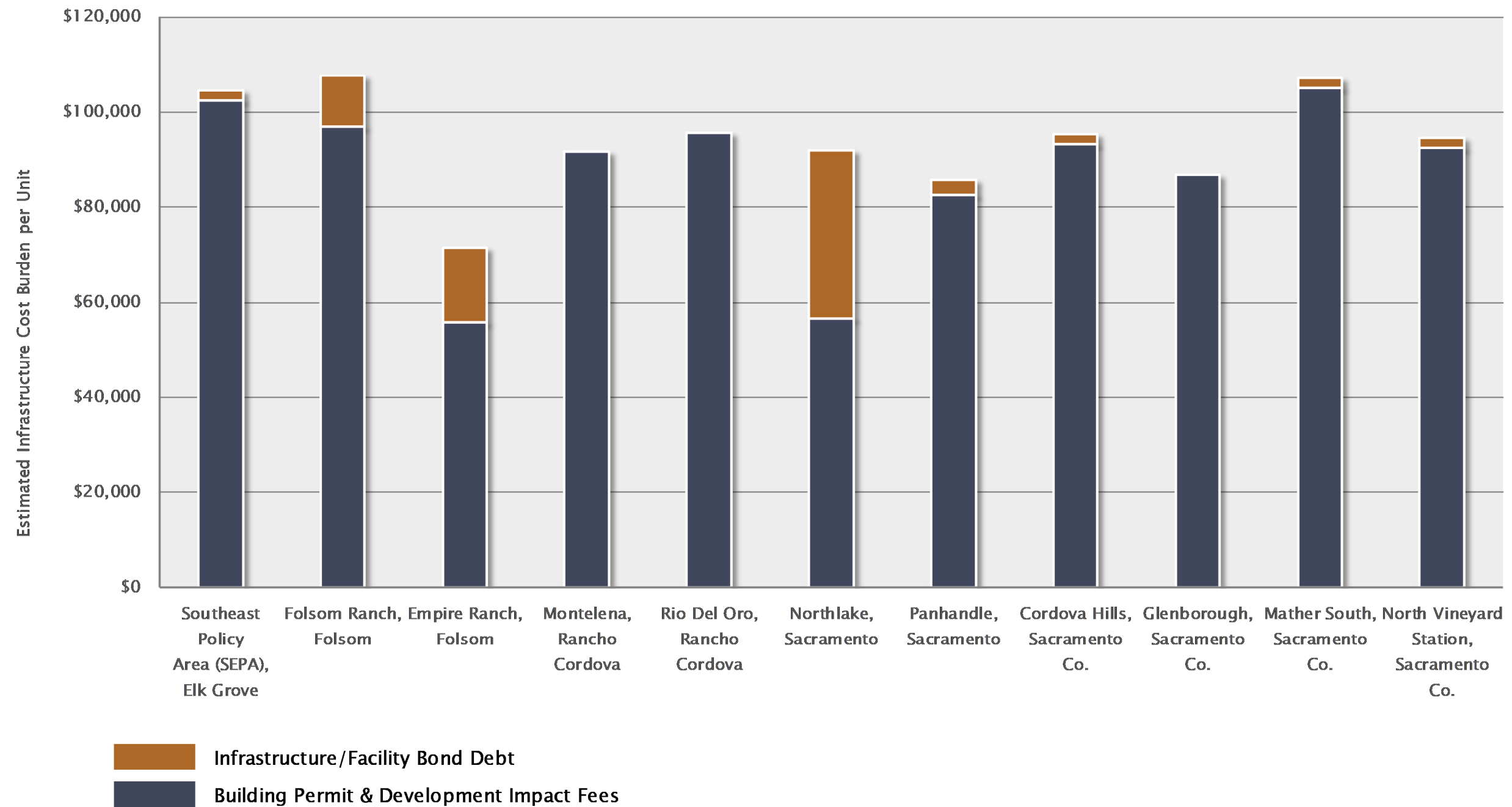
# LOW DENSITY RESIDENTIAL SUMMARY CHARTS

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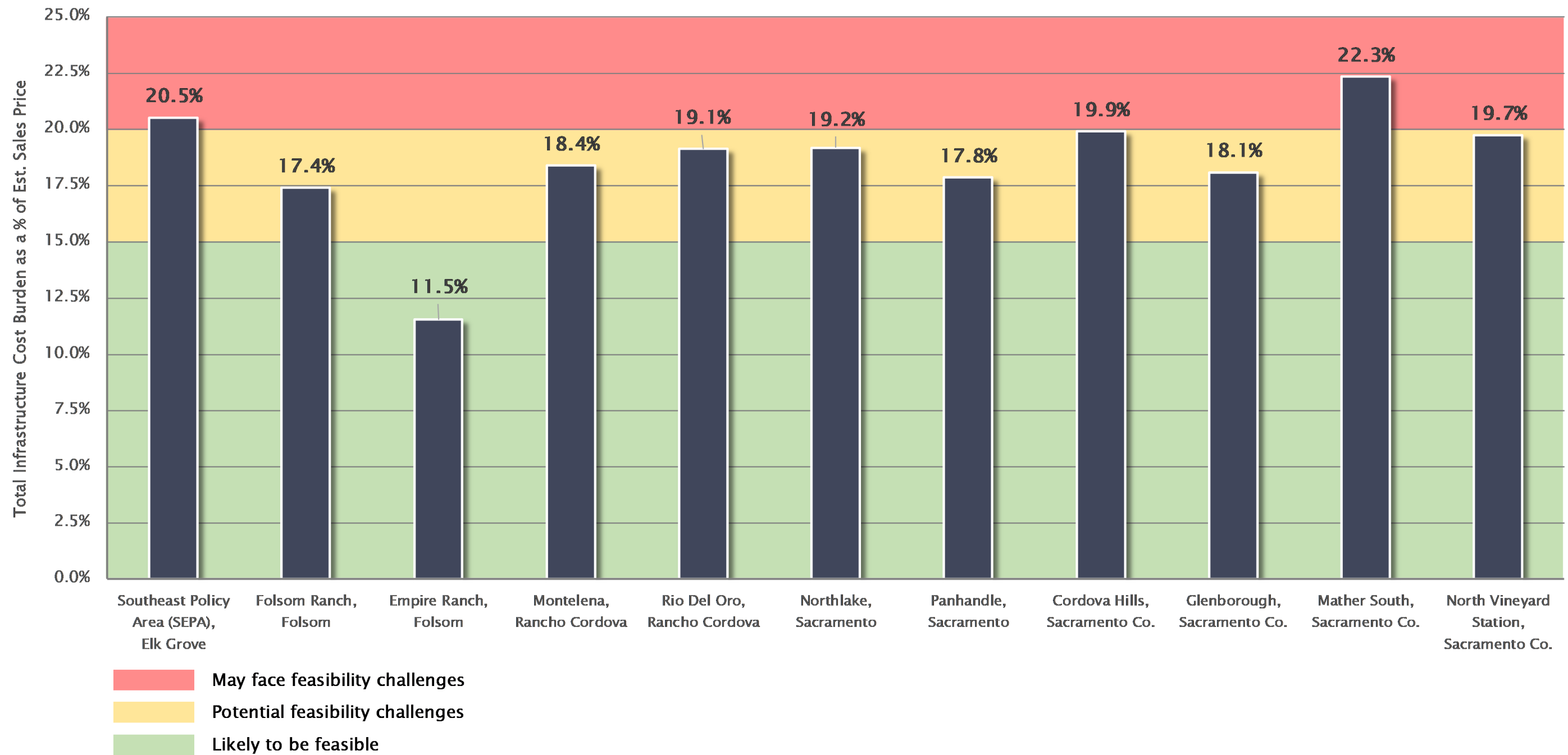
# SACRAMENTO COUNTY

## TOTAL ESTIMATED COST BURDEN



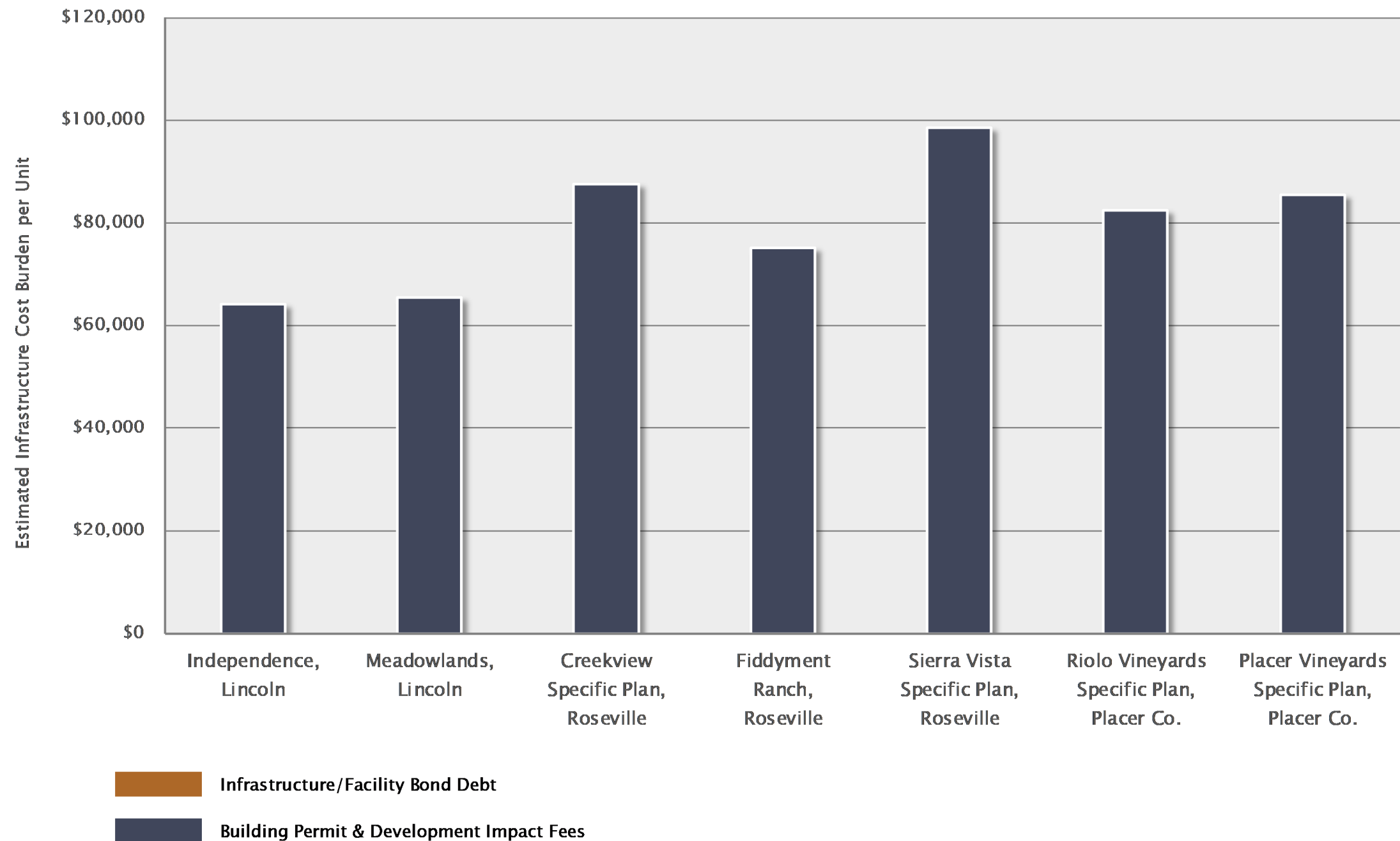
# SACRAMENTO COUNTY

## FEASIBILITY ANALYSIS



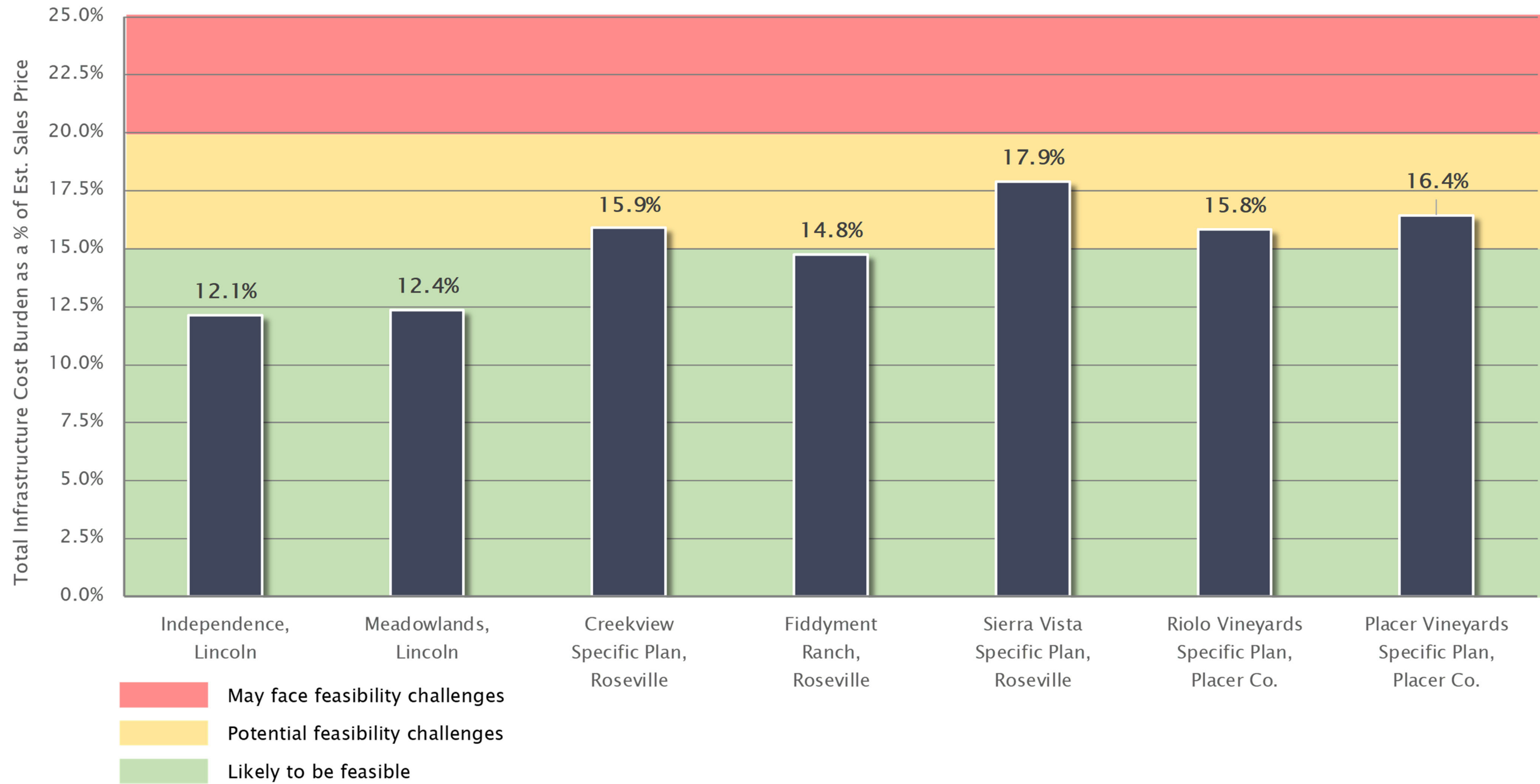
# PLACER COUNTY

## TOTAL ESTIMATED COST BURDEN



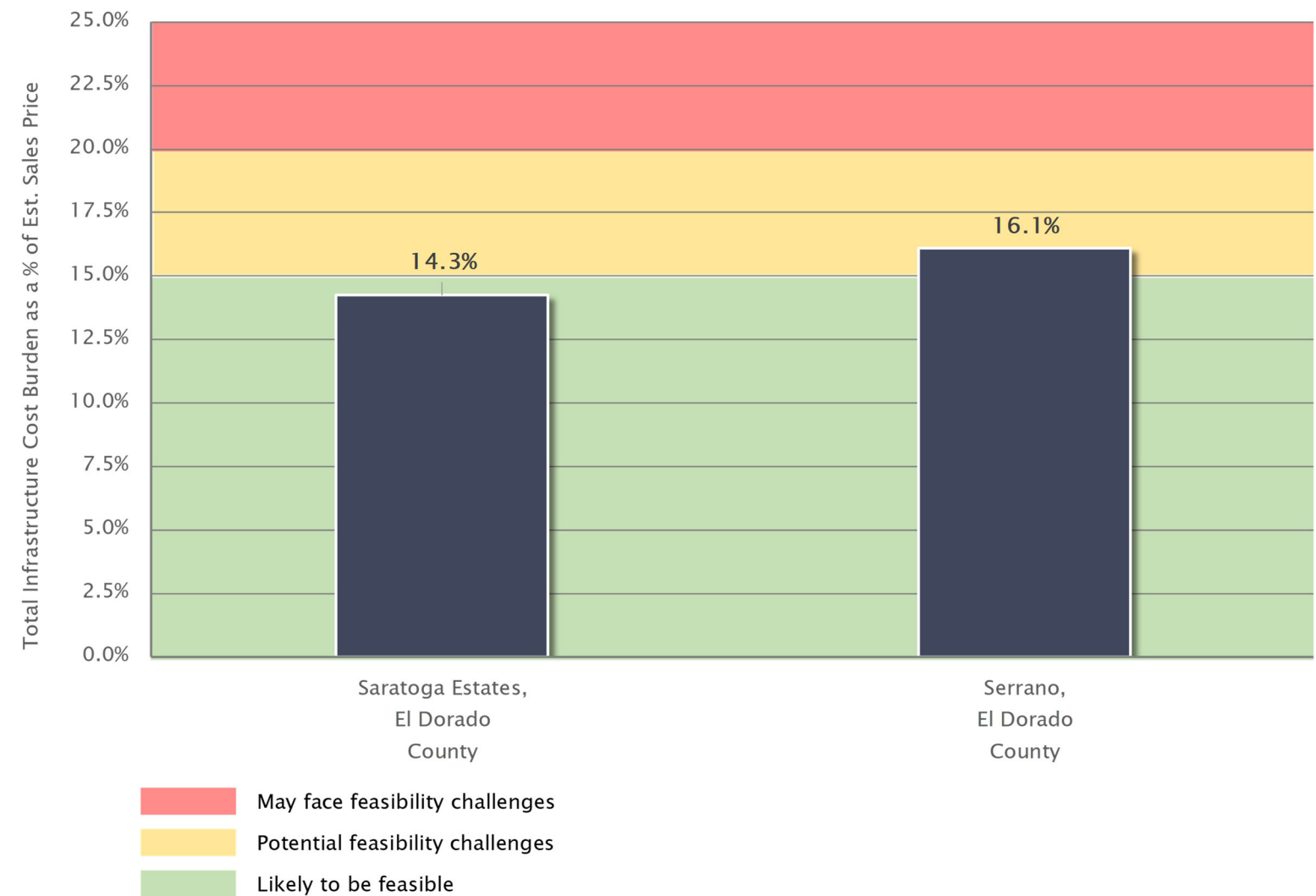
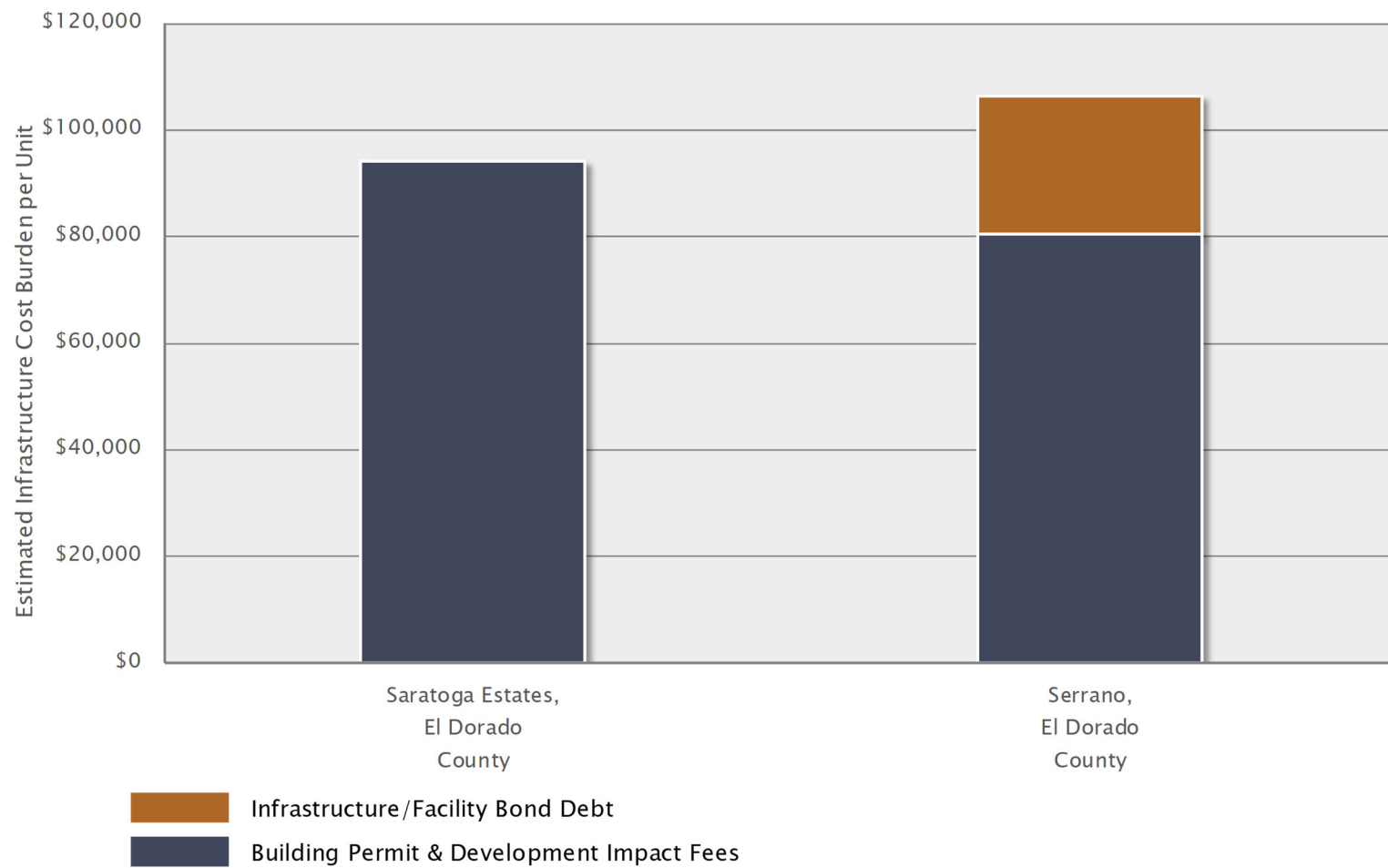
# PLACER COUNTY

## FEASIBILITY ANALYSIS



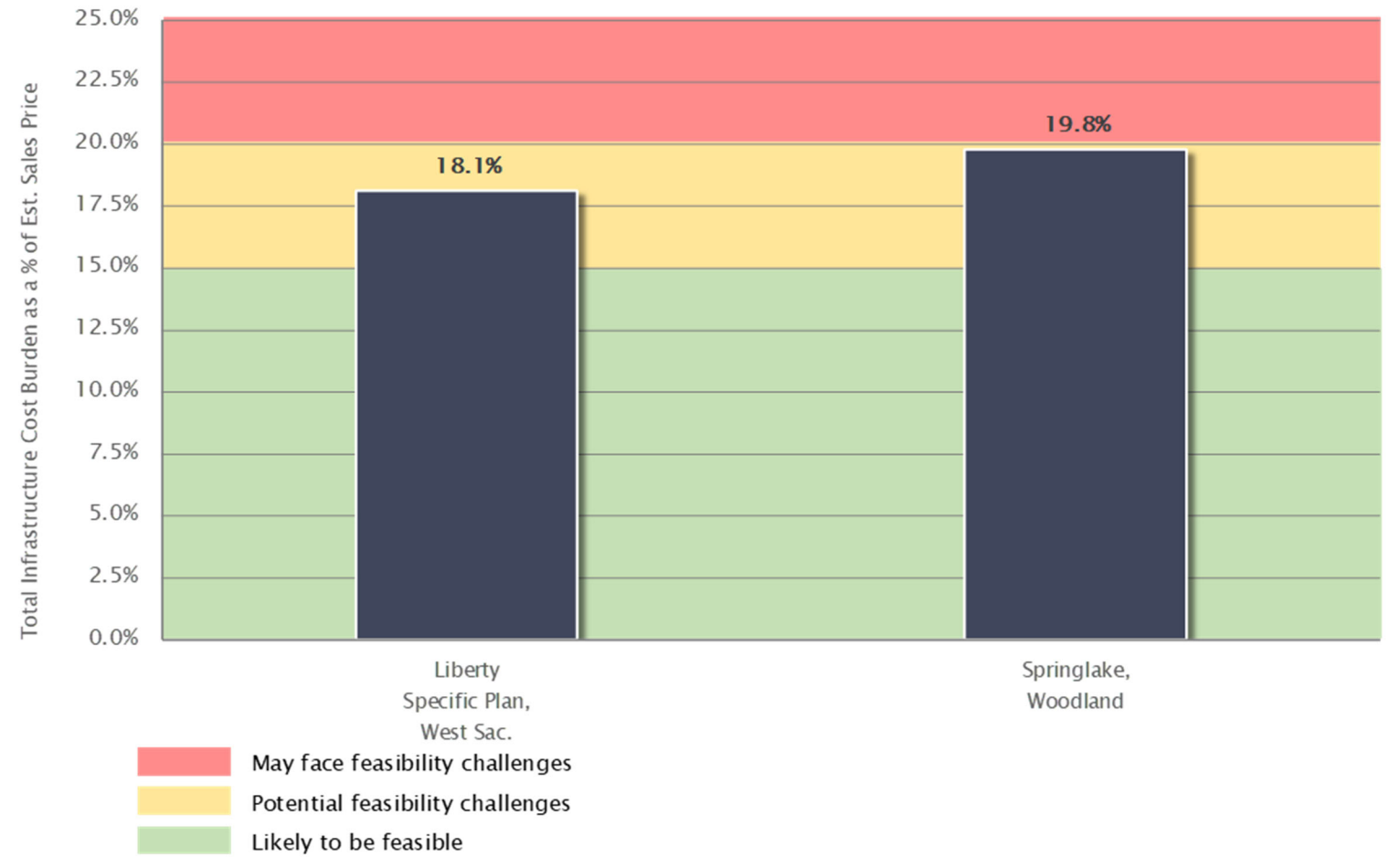
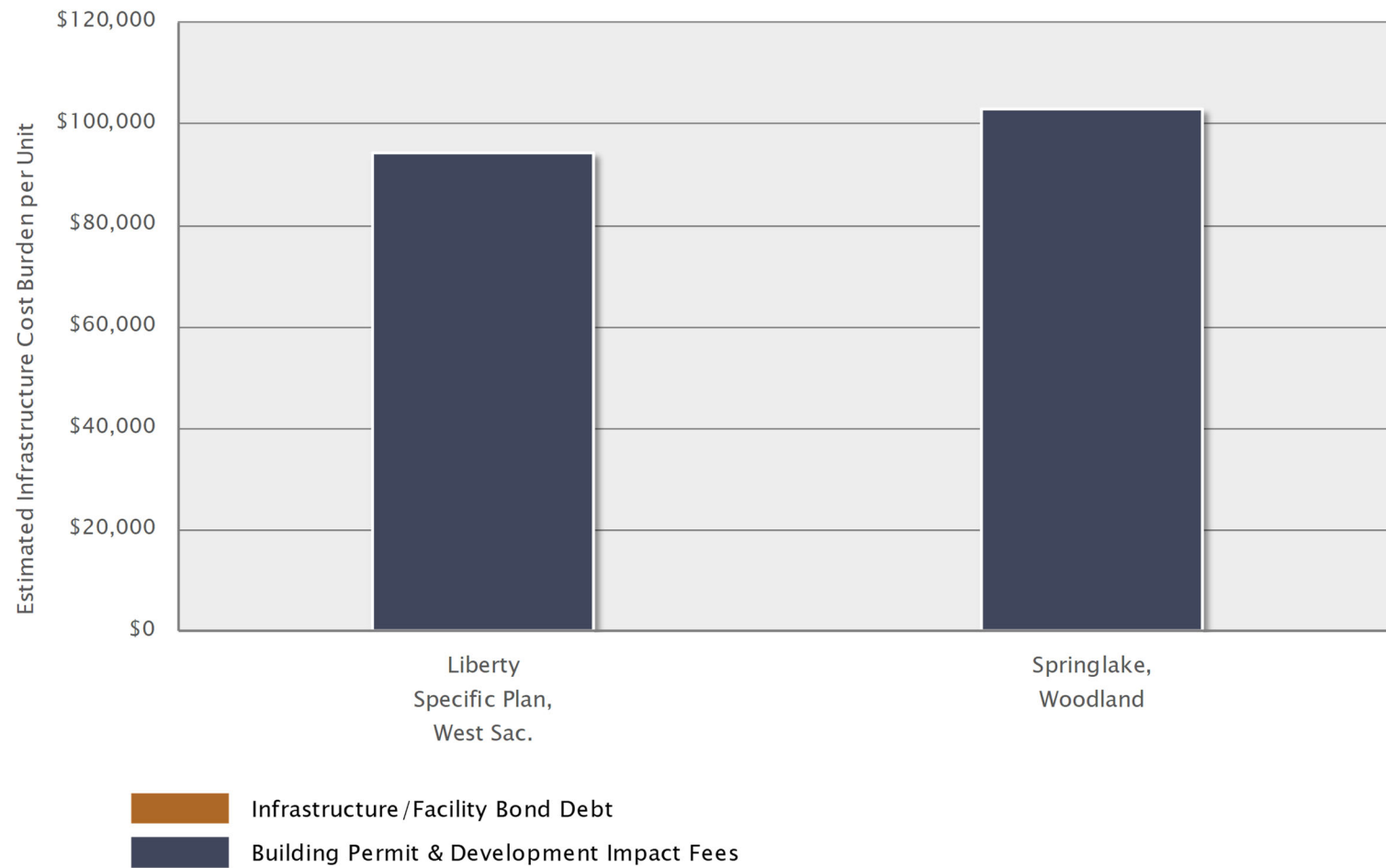
# EL DORADO COUNTY

## TOTAL ESTIMATED COST BURDEN & FEASIBILITY ANALYSIS



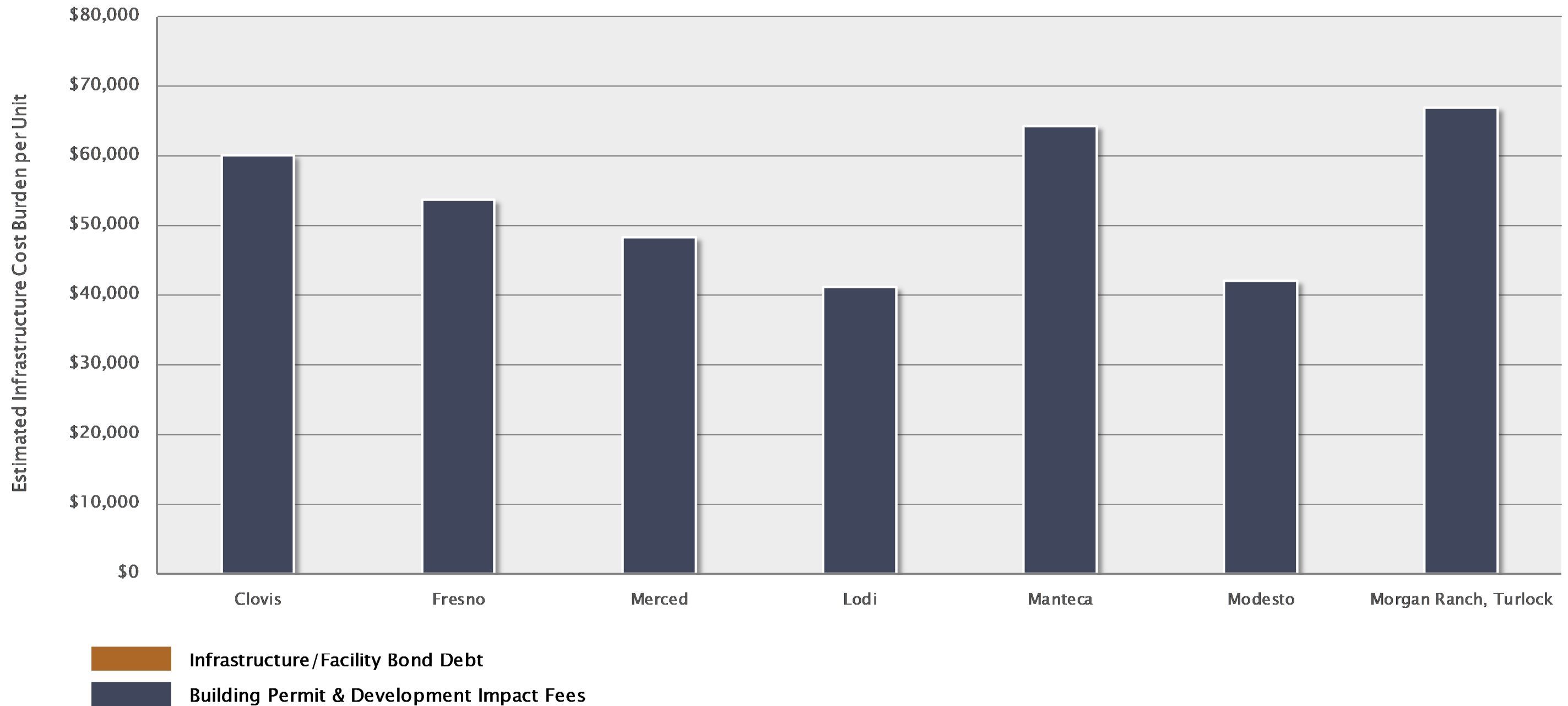
# YOLO COUNTY

## TOTAL ESTIMATED COST BURDEN & FEASIBILITY ANALYSIS



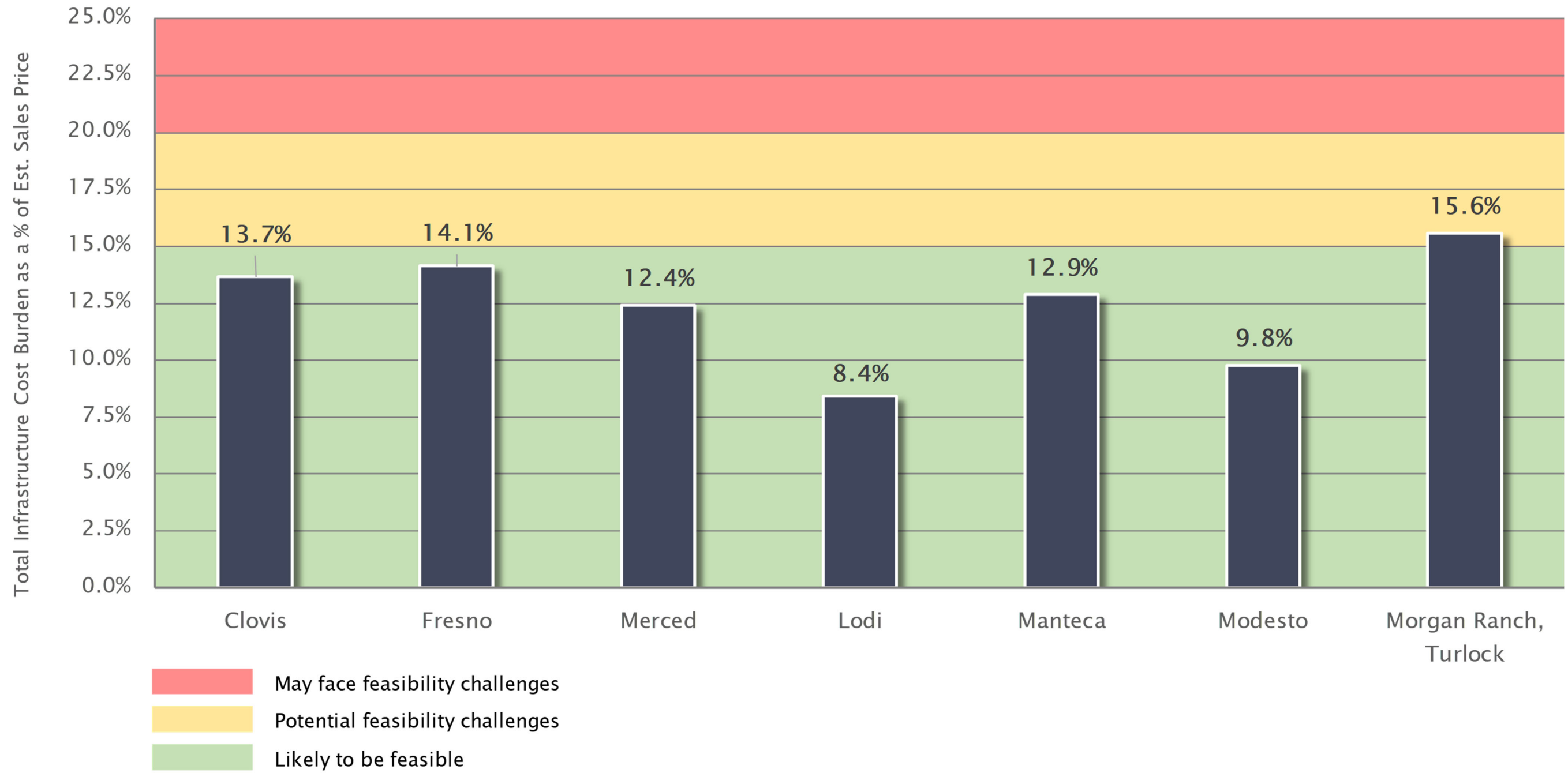
# CENTRAL VALLEY CALIFORNIA

## TOTAL ESTIMATED COST BURDEN



# CENTRAL VALLEY

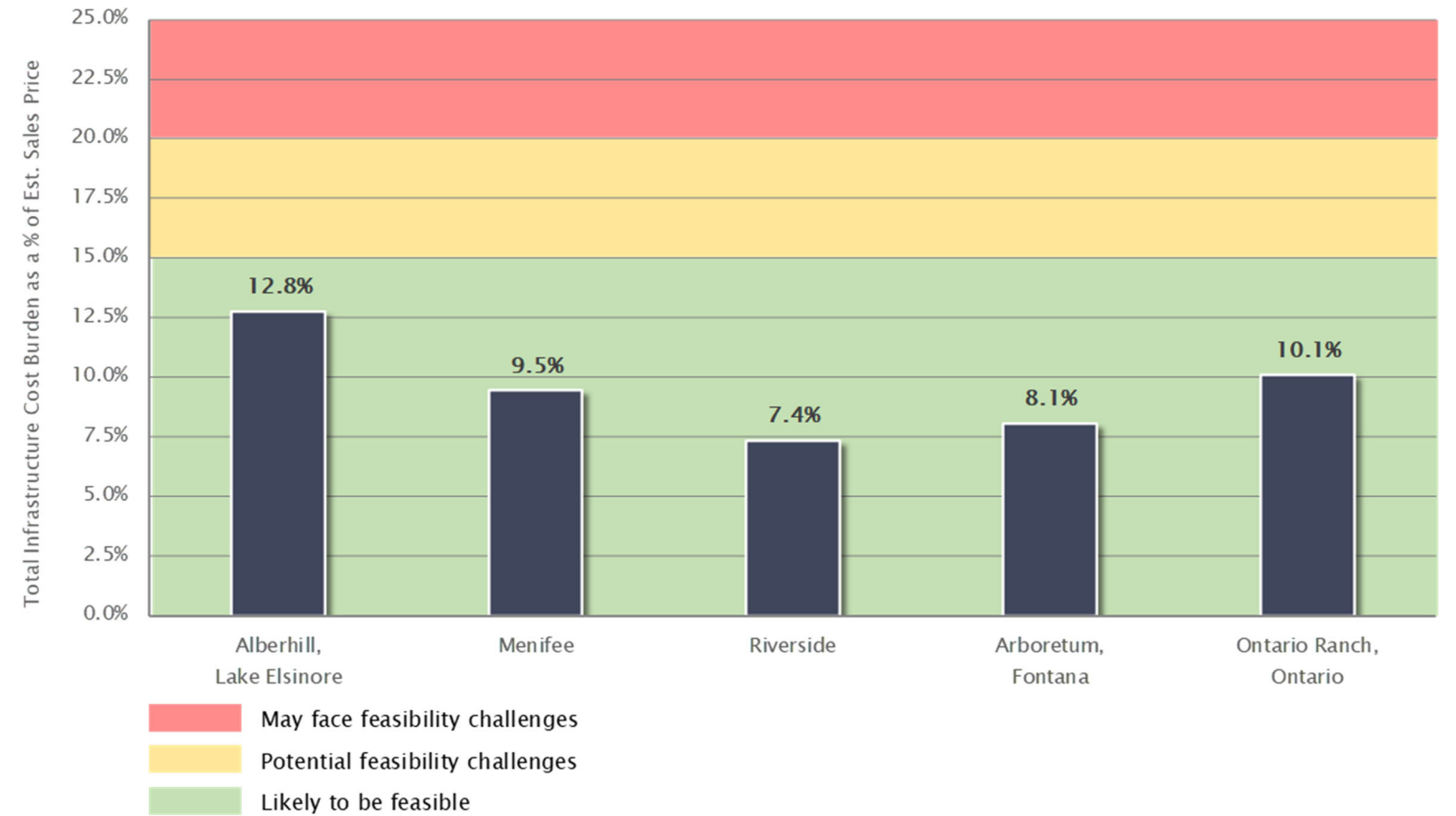
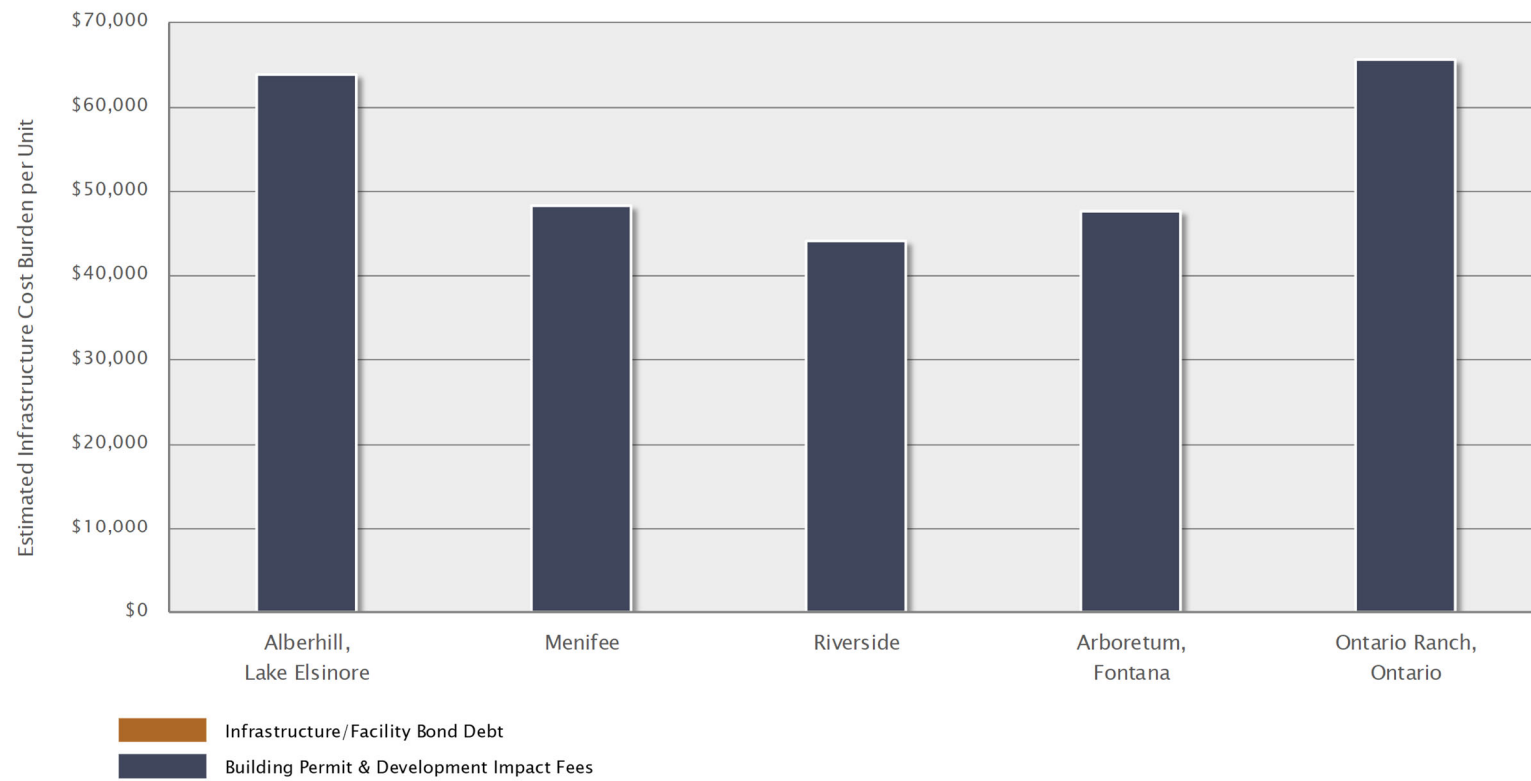
## FEASIBILITY ANALYSIS





# INLAND EMPIRE, CALIFORNIA

## TOTAL ESTIMATED COST BURDEN & FEASIBILITY ANALYSIS

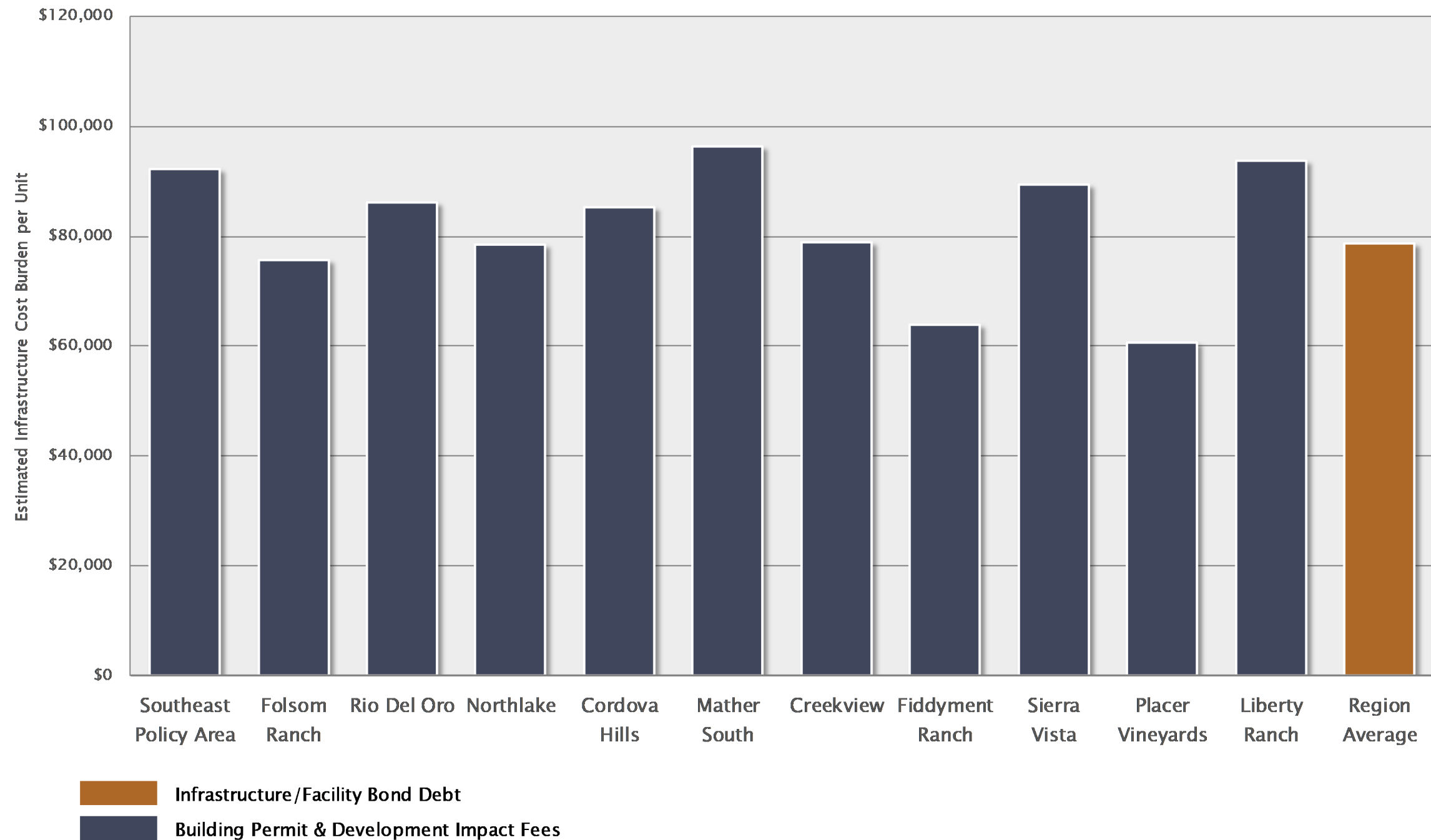


# MEDIUM DENSITY RESIDENTIAL SUMMARY CHARTS

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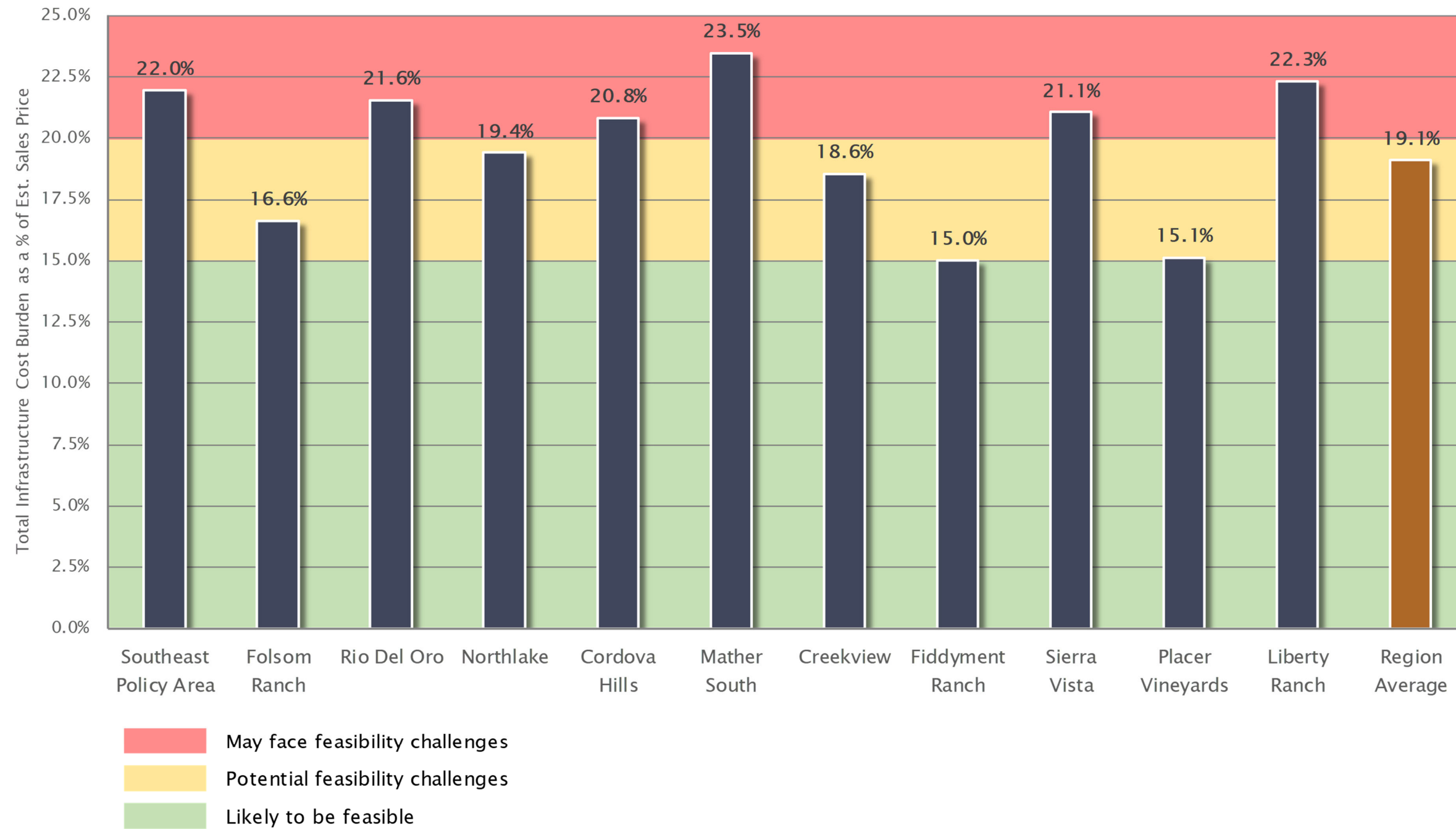
# SACRAMENTO REGION

## TOTAL ESTIMATED COST BURDEN



# SACRAMENTO REGION

## FEASIBILITY ANALYSIS



# HIGH DENSITY RESIDENTIAL SUMMARY CHART

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# SACRAMENTO & WEST SACRAMENTO

## TOTAL ESTIMATED COST BURDEN

