



City of Santa Barbara California

PLANNING COMMISSION STAFF REPORT

REPORT DATE: July 10, 2008
AGENDA DATE: July 17, 2008
TO: Planning Commission
FROM: Planning Staff (805) 564-5470
 Bettie Weiss, City Planner
 Liz Limón, Project Planner *Liz*

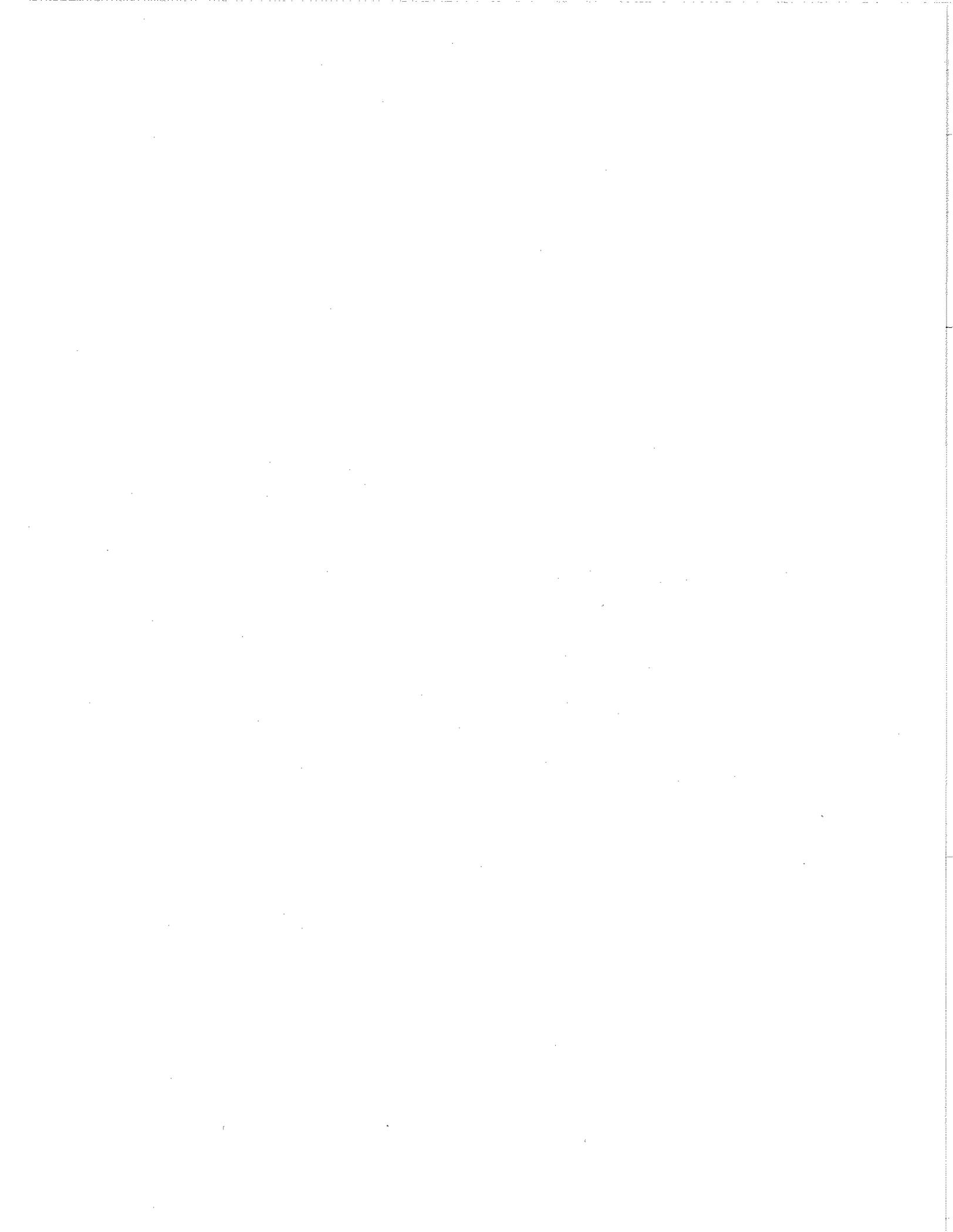
SUBJECT: DEVELOPMENT IMPACT FEES & INFRASTRUCTURE FINANCING STUDY

Last year, the City initiated a study of development impact fees and infrastructure financing techniques. On July 17th, Paul Silvern of HR&A Advisors will present an overview of the study findings. The presentation will include:

- A focused evaluation of development impact fees including the legal basis and current fee practice in the Santa Barbara vicinity, and
- A general assessment of the available financing tools and techniques that may be suitable to finance the City's unfunded capital needs (estimated to be over \$100 million).

This study is one of many underway to help inform the *Plan Santa Barbara* process.

Exhibit: Powerpoint Presentation - Overview of Developer Impact Fees & Infrastructure Financing Techniques





A presentation to the City of Santa Barbara Planning Commission

Overview of Infrastructure Financing Techniques & Developer Fees

July 17, 2008



PRESENTATION OUTLINE

- **Infrastructure Financing Techniques**
 - Typology of Techniques
 - Summary of Common Techniques
- **Development Fees**
 - Legal Basis
 - Implementation Process
 - Limitations on Use of Fees
 - Summary of Fee Practices
 - Implications for City of Santa Barbara

INFRASTRUCTURE FINANCING TECHNIQUES

TYOLOGY OF INFRASTRUCTURE FINANCING TECHNIQUES

- Long-Term Debt Financing Techniques
- Assessment Districts
- Special Taxes
- Exactions & Fees (separate focus on fees)
- General Fund & Enterprise Fund
Budgeting (not addressed here)

Long-Term Debt Financing Techniques

(long-term borrowing paid with a dedicated funding source)

- **General Obligation (GO) Bonds**
For facilities or land acquisition only
Supported by property tax increase
Requires 2/3rds vote
Appropriate for long-term financing (25+ years)
- **Revenue Bonds**
For facilities or land acquisition only
Supported by a dedicated revenue stream (e.g., user charges; parking meter revenue)
No public vote required
Appropriate for long-term financing (25+ years)

Long-Term Debt Financing Techniques (continued)

- **Lease Revenue Bonds**
Bond financing paid with lease revenue
For any facility or project that can be leased to a public agency
No public vote required
- **Certificates of Participation (COP)**
A tax-exempt lease, rather than a bond
For equipment, facilities or land acquisition only
Supported by lease payments to a third party for the use or construction of the facilities
No public vote required
Appropriate for long-term financing (up to 30 years)

Assessment Districts

- For a particular and distinct benefit beyond general benefits to real property or to the public at large
- Assessment amounts must be proportional to the particular special benefit conferred on each parcel
- Requires a detailed engineer's report to estimate improvement costs, set district boundaries and establish the assessment formula
- Requires a weighted majority vote of property owners within the district
- Assessment amounts become liens on property
- Frequently used to support debt to pay for improvements authorized for the district, but at greater cost than GO or revenue bonds

Assessment Districts (continued)

- Numerous types of assessment districts are specifically authorized by State law
 - Improvement Act of 1911
 - Municipal Improvement Act of 1913
 - Improvement Bond Act of 1945
 - Park & Playground Act of 1909
 - Tree Planting Act of 1931
 - Landscape & Lighting Act of 1972
 - Benefit Assessment Act of 1982
 - Integrated Financing District Act
 - Street Lighting Act of 1919
 - Municipal Lighting Maintenance Act of 1927

Assessment Districts (continued)

Street Lighting Act of 1931
Parking District Act of 1943
Parking District Law of 1951
Parking & Business Improvement Area Law of 1989
Property & Business Improvement District Law of 1994
Pedestrian Mall Law of 1960
Permanent Road Divisions Law
Community Rehabilitation District Law of 1985
Geologic Hazard Abatement District
Open Space Maintenance Act
Fire Suppression Assessment

Special Taxes

- **Parcel Taxes**
Flat rate tax on each parcel of land, but tax rate may differ by land use
Considered a special tax subject to 2/3rds vote
May be used for capital and O&M costs

- **Excise Taxes**
An activity tax on the use of facilities or services (e.g., admissions tax, construction tax, real estate transfer tax, utility tax, TOT tax)
If revenues are for general purposes, majority vote required; for special purposes, 2/3rds required
May be used for capital and O&M costs

Special Taxes (continued)

- **Special Taxes for Libraries, Hospitals and Protective Services**
Specifically authorized in State law to fund facilities and services
Requires 2/3rds vote

- **County Sales Tax Increases**
Adds \$0.25 or \$0.50 to the sales tax
May be used for transportation improvements or general expenditures; facilities and O&M costs (e.g., Measure D)
Requires 2/3rds vote by Board of Supervisors and majority vote of public

Special Taxes (continued)

- **Community Facilities District (Mello-Roos)**
For facilities & services that benefit district properties; can secure bonds or pay for O&M costs
Paid by additional property tax
Applied most often to large new developments
Requires 2/3rds vote of registered voters or 2/3rds of land owners if less than 12 voters

- **Infrastructure Financing District**
Uses property tax increment similar to a Redevelopment Agency
Requires an extensive formation process
2/3rds vote required

Exactions and Fees

- Types of Exactions:
 - Dedications of land and fees in lieu thereof
 - Subdivision reservations
 - Project design and improvement requirements
 - Zoning requirements
 - Development Agreements
- Types of Fees:
 - Service, user and connection fees (some subject to Prop 218)
 - Regulatory fees
 - Development fees

DEVELOPMENT FEES

OVERVIEW OF DEVELOPMENT FEES

- Legal Basis
- Process for Implementing a Fee System
- Limitations on the Use of Fees
- Summary of Current Fee Practice
- Possible Revenues for City of Santa Barbara
- Some Implications and Cautions

Legal Basis for Development Fees

- Mitigation Fee Act
(Govt. Code Sec. 66000, *et seq.* aka AB 1600)
- California Constitution
Police powers of cities and counties
- Federal and State Case Law:
Nollan, Dolan, Ehrlich, etc.

Process for Implementing a Fee System

- “Nexus” (reasonable relationship) study specifying:
 - Purpose of the fee and specific uses of fee revenues
 - Benefit relationship (use of fees and type of development on which fees are imposed)
 - Burden relationship (need for facilities and type of development on which fees are imposed)
 - Proportionality (fee amount vs. cost of public facilities)
(Assess feasibility of fee amounts)
- Implementing ordinance, fee resolution and administrative guidelines
- Special time limits for public notice and legal challenges

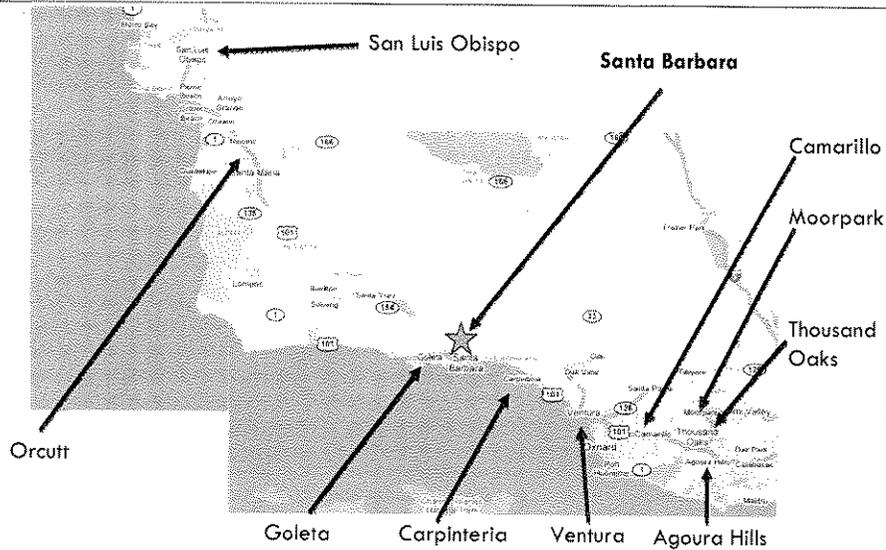
Limitations on the Calculation and Use of Fees

- Pays for facilities construction, not maintenance & operations
- No burden-shifting for any existing infrastructure deficiencies
- No change in level of service, unless otherwise funded
- Use revenues only for improvements that are the basis for the fee
- “Commit” funds or refund them after 5 years (annual reporting)
- Administrative procedures to avoid “takings” claims
- Administrative procedures for projects in process at time of adoption
- Annual inflation adjustment (consider alternatives to CPI)

Summary by Current Fee Practice in the Santa Barbara Vicinity*

- Types of Fees
- Range of Fees

* *Santa Barbara Vicinity*: Cities and communities located within San Luis Obispo County, Santa Barbara County and Ventura County. Data on fees in other jurisdictions available from HR&A.



SANTA BARBARA VICINITY FEES – Most Common

- Traffic and/or Transportation Impact Fees
- Parks and Recreation Fees
- Open Space Acquisition Fees
- Tree and Landscape Fees
- Parking Fees
- Street Lighting Fees
- Police Services Fees
- Fire Suppression/Emergency Medical Fees

SANTA BARBARA VICINITY FEES – Other Fees

- Public Art Fees
- Population Fees
- Transportation Fees
- Addition Commercial & Industrial Fees
- Street and Thoroughfare Fees
- Highway Fees
- Aquatic Fees
- Affordable Housing In-Lieu Fees

TRAFFIC AND IMPACT FEES

- Agoura Hills: \$4.18/SF for low impact areas \$9.76/SF for high impact areas

- Moorpark: \$2,030/Dwelling Unit (DU) for low impact areas
\$3,760/DU for high impact areas

- Ventura: \$4.13/SF in Commercial \$4.415/SF in Office
\$2.21/SF in Industrial \$1.38/SF in Manufacturing
\$5,245/Single Family DU \$3,145/DU in Multi-Family

- Carpinteria: \$0.59/SF for Residential Property
\$2.53/SF for Commercial Property

TRAFFIC AND IMPACT FEES

- Camarillo*: \$3,887-\$5,294/DU
\$1,352-\$1,001/Hotel Room
\$6,884-\$5,129/1,000SF of Office space
\$1,201-\$896/1,000SF Manufacturing space
*Specific amount depends on impact district

- Thousand Oaks: \$18/Average Daily Trip (ADT)

- Orcutt: Road Fee- \$1,615/Condominium
Bikeway Fee- \$264/Single Family DU

- Goleta : \$7,222/Condominium

TRAFFIC AND IMPACT FEES

- City of San Luis Obispo: **\$3,093/Single Family DU**
 \$2,745/Multi-Family DU
 \$6.52/ SF of Retail
 \$6.20/SF of Office
 \$3.36/SF of Service Commercial
 \$5.26/ SF of Hospital Space
 \$1,436/Hotel Room
 \$7,307/Pump for Service Stations

- County of Santa Barbara: **\$465-\$1,726/Peak Hour Traffic Trip**

PARKS AND RECREATION FEES

- Moorpark: Tree and Landscape fees- **\$0.05/SF**
 Parks fees- **\$0.50/SF**

- City of Ventura: Park Facilities fees- **\$451/1br \$617/2br**
 \$977/3br \$1,398/4br
 Park Mitigation fees- **\$610/DU in Single Family Home**
 \$571/DU in Multi-Family Bldg
 \$0.13/SF in Commercial Property

- Carpinteria: Parks Land Acquisition fees- **\$8.00/SF for Residential Property**
 \$2.45/SF for Commercial Property

- Orcutt: Quimby Fees- **\$3,484/Single Family DU**
 \$1,031-\$1,453/Commercial Property
 Recreation Fees- **\$3,339/Single Family DU**

PARKS AND RECREATION FEES

- Goleta: Quimby Fees- \$9,509/Single Family DU
\$1,469-\$2,072/Commercial Property
Recreation Fees- \$9,574/Single Family DU

- City of San Luis Obispo: Park In-Lieu Fees- \$4,865/Single Family DU
\$3,858/Multi-Family DU

- County of Santa Barbara: Quimby Fees- \$1,034/Single Family DU
Recreation Fees- \$1,008/Single Family DU

- County of San Luis Obispo: Quimby fees- \$1,795/DU
Parks fee- \$2,156/Single Family DU
Parks fee- \$1,641/DU for Multi-Family Bldg

FIRE FEES

- Agoura Hills: \$0.37/ SF

- City of Ventura: \$667/Single Family DU
\$502/DU in Multi-Family Bldg

- Moorpark: \$0.11 / SF

- Orcutt : \$682/Single Family DU

- Goleta Planning Area: \$689/Single Family DU

- County of San Luis Obispo: \$0.82/ SF

- County of Santa Barbara: \$0.20/ SF for non sprinklered buildings
\$0.10/ SF for sprinklered buildings

PARKING FEES

- Ventura: \$2,899 for each parking space
- Moorpark: \$3,000 for each parking space reduction

POLICE/SHERIFF FEES

- Moorpark: \$0.41/SF
- Camarillo: \$37/DU for Residential Property
\$277/acre for Commercial Property
\$23/acre for Public Park Land
- Orcutt: \$243/DU Single-Family
\$166/DU Other Residential
\$168/1,000 SF Retail
\$236/1,000 SF Other Commercial

LIBRARY FEES

- Orcutt: \$615/Single Family DU
\$420/DU in Multi-Family Bldg
\$423/Commercial Retail
\$597/Commercial (non-Retail)

- Goleta: \$384/Single Family DU
\$285/DU in Multi-Family Bldg
\$135/Commercial Retail
\$190/Commercial (non-Retail)

How Much Revenue Could Development Fees Generate for the City of Santa Barbara?

(depends on fee program specifics, but for example...)

- Assume annual average scale of new development
- Assume a representative system of fees
- Estimate potential fee revenue

Annual Average Scale of New Development in Santa Barbara

- Residential: 100 market rate condos (2-BR; 1,500 s.f.) or 500 units over 5 years
- Commercial: 86,000 s.f. per year or 430,000 s.f. over 5 years
 - 25% Retail
 - 25% Commercial office
 - 25% Other Commercial
 - 25% Institutional Uses

A representative fee system:

Fee Types	Residential Fees	Commercial Fees
Traffic Impacts	\$4,000/DU	\$4/SF
Parks & Recreation	\$900/DU	\$0.50/SF
Fire Fees	\$600/DU	\$0.30/SF
Library	\$495/DU	\$275/1,000 SF

Illustrative Development Fee Results - Annual

	Traffic	Parks	Fire	Library	Totals
Annual					
100 Condos (1,500 SF/unit)	\$400,000	\$90,000	\$60,000	\$49,500	\$599,500
86K SF Commercial	\$344,000	\$43,000	\$25,800	\$23,650	\$436,450
Totals	\$744,000	\$133,000	\$85,800	\$73,150	\$1,035,950

Illustrative Development Fee Results - 5 years

	Traffic	Parks	Fire	Library	Totals
5-Years					
500 Condos (1,500 SF/unit)	\$2,000,000	\$450,000	\$300,000	\$247,500	\$2,997,500
430K SF Commercial	\$1,720,000	\$215,000	\$129,000	\$118,250	\$2,182,250
Totals	\$3,720,000	\$665,000	\$429,000	\$365,750	\$5,179,750

Development Fee Implications and Cautions

- Development fees are a useful component of an overall infrastructure financing program
- Process for establishing fees can be time consuming, expensive and is often contentious
- Fee revenues rise and fall with real estate market cycles; down markets lead to pressure for fee reductions
- With modest amounts of new development, annual fee revenues may not yield timely infrastructure results