III.

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

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

TYPOLGY 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)
# Infrastructure Financing Techniques

## Long-Term Debt Financing Techniques

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

<table>
<thead>
<tr>
<th>Technique</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>General Obligation (GO) Bonds</td>
<td>For facilities or land acquisition only. Supported by property tax increase. Requires 2/3rds vote. Appropriate for long-term financing (25+ years).</td>
</tr>
<tr>
<td>Revenue Bonds</td>
<td>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).</td>
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</tbody>
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## Long-Term Debt Financing Techniques (continued)

<table>
<thead>
<tr>
<th>Technique</th>
<th>Description</th>
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<tbody>
<tr>
<td>Lease Revenue Bonds</td>
<td>Bond financing paid with lease revenue. For any facility or project that can be leased to a public agency. No public vote required.</td>
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<tr>
<td>Certificates of Participation (COP)</td>
<td>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).</td>
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</tbody>
</table>
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
Infrastructure Financing Techniques

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
### Infrastructure Financing Techniques

**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

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**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
### Development 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

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### Development Fees

#### 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)

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**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
Development Fees

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

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Development Fees

A representative fee system:

<table>
<thead>
<tr>
<th>Fee Types</th>
<th>Residential Fees</th>
<th>Commercial Fees</th>
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</thead>
<tbody>
<tr>
<td>Traffic Impacts</td>
<td>$4,000/DU</td>
<td>$4/SF</td>
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<tr>
<td>Parks &amp; Recreation</td>
<td>$900/DU</td>
<td>$0.50/SF</td>
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<tr>
<td>Fire Fees</td>
<td>$600/DU</td>
<td>$0.30/SF</td>
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<tr>
<td>Library</td>
<td>$495/DU</td>
<td>$275/1,000 SF</td>
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## Illustrative Development Fee Results - Annual

<table>
<thead>
<tr>
<th></th>
<th>Traffic</th>
<th>Parks</th>
<th>Fire</th>
<th>Library</th>
<th>Totals</th>
</tr>
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<tbody>
<tr>
<td>Annual</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>100 Condos (1,500 SF/unit)</td>
<td>$400,000</td>
<td>$90,000</td>
<td>$60,000</td>
<td>$49,500</td>
<td>$599,500</td>
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<tr>
<td>86K SF Commercial</td>
<td>$344,000</td>
<td>$43,000</td>
<td>$25,800</td>
<td>$23,650</td>
<td>$436,450</td>
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<tr>
<td>Totals</td>
<td>$744,000</td>
<td>$133,000</td>
<td>$85,800</td>
<td>$73,150</td>
<td>$1,035,950</td>
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## Illustrative Development Fee Results - 5 years

<table>
<thead>
<tr>
<th></th>
<th>Traffic</th>
<th>Parks</th>
<th>Fire</th>
<th>Library</th>
<th>Totals</th>
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<td>5-Years</td>
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<tr>
<td>500 Condos (1,500 SF/unit)</td>
<td>$2,000,000</td>
<td>$450,000</td>
<td>$300,000</td>
<td>$247,500</td>
<td>$2,997,500</td>
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<tr>
<td>430K SF Commercial</td>
<td>$1,720,000</td>
<td>$215,000</td>
<td>$129,000</td>
<td>$118,250</td>
<td>$2,182,250</td>
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<tr>
<td>Totals</td>
<td>$3,720,000</td>
<td>$665,000</td>
<td>$429,000</td>
<td>$365,750</td>
<td>$5,179,750</td>
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<tr>
<td>Development Fee Implications and Cautions</td>
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<td>-------------------------------------------</td>
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<tr>
<td>• Development fees are a useful component of an overall infrastructure financing program</td>
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<tr>
<td>• Process for establishing fees can be time consuming, expensive and is often contentious</td>
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<tr>
<td>• Fee revenues rise and fall with real estate market cycles; down markets lead to pressure for fee reductions</td>
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<tr>
<td>• With modest amounts of new development, annual fee revenues may not yield timely infrastructure results</td>
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