

CITY OF SALINAS

RESIDENTIAL DEVELOPMENT IMPACT FEE STRUCTURE ANALYSIS

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Oakland Office

66 Franklin Street
Suite 300
Oakland, CA 94607
Tel: (510) 832-0899

Corporate Office

27368 Via Industria
Suite 200
Temecula, CA 92590
Tel: (800) 755-6864
Fax: (888) 326-6864

Other Regional Offices

Aurora, CO
Orlando, FL
Phoenix, AZ
Plano, TX
Seattle, WA
Washington, DC

www.willdan.com

Background

In June of 2019, the City of Salinas entered into a contract with Willdan Financial Services to support the development of new fee scenarios and housing categories for the City's impact fee program. Willdan worked with the City of Salinas Community Development Department (CDD) staff to revise the City's residential development impact fee schedule such that the nexus to new development was maintained, while also incentivizing housing development.

This was achieved by transitioning from a fee schedule based on two residential dwelling unit categories (single family and multifamily residential) to a fee schedule based on dwelling unit square footage, regardless of dwelling unit type. Smaller units pay proportionally lower fees based on fewer assumed occupants compared to larger units. The revised fee schedules also provide lowered rates for age-restricted senior housing, which has fewer residents than non-age-restricted housing.

The initial findings of this analysis were presented to the Salinas Technical Advisory Committee on Housing (TAC) in August of 2020. Willdan then worked with CDD staff to integrate feedback from the TAC to refine the analysis. In September 2020, CDD staff received a final recommendation from the TAC to move forward with the proposed fee schedule outlined in this document.

Residential Development Impact Fee Structure Revision Analysis

Table 1 presents a revised impact fee schedule based on the estimated persons per square feet in Salinas. The table also provides a fee schedule for senior dwelling units, which incorporates a reduced estimate of residents per building square feet based on data from the American Community Survey for the City of Salinas.

The fee schedule was developed as follows:

- 1. Determine the facilities cost per capita driving the City's existing impact fee schedule.** Willdan reviewed the City's Public Facilities Impact Fee Study for Fire, Police, Library and Recreation Services. Each fee calculated within that study used a cost per capita fee calculation approach for each fee category. The study assumed that 3.67 residents lived in each residential dwelling unit. The total fee per dwelling unit was divided by 3.67 to determine the assumed costs to provide services to a single resident, for each impact fee category. These per capita costs are the basis of the revised fee schedule and are listed in the top row of Table 1.
- 2. Calculate persons per dwelling unit, by dwelling unit square footage category.** Willdan examined data for the Pacific Division from the American Housing Survey (AHS), 2017. The data regarding residents per dwelling unit was aggregated in the Survey in the increments shown in Table 1. The total residents for the dwelling units within each square footage category was divided the midpoint of the square footage category to estimate the average residents per square foot, by square footage category.
- 3. Adjust for Salinas.** The estimate of persons per square footage category for the Pacific Division was then adjusted using based on difference in average dwelling unit density for Salinas compared to the Pacific Division as calculated from American Community Survey (ACS) data. These adjustments were necessary because data for the City of Salinas is not specifically

available from the AHS, and the ACS does not provide data at the granularity needed to estimate persons per dwelling unit, by dwelling unit square footage. Tables B25024 and B25033 from the ACS were used to estimate the average occupancy density across all dwelling units for both the Pacific region and the City of Salinas.

4. **Calculate revised fee schedule.** The resulting occupancy density per dwelling unit assumptions, by dwelling unit square footage were multiplied by the cost per capita from the City's existing impact fee study to calculate the fee schedule for each impact fee category.
5. **Adjust revised fee schedule for senior occupancy.** The fee schedule for age-restricted senior dwelling units was calculated based on the assumption that the average senior unit contains 62% the population of regular unit. This assumption is based on data regarding average household size from Table S0103 from the ACS for the City of Salinas for all dwelling units and for units occupied by residents over 65 years of age.

Table 1: Revised Public Facilities Impact Fee Schedule

	Residents per DU	Impact Fee Schedule				Total
		Fire	Police	Library	Recreation	
Existing Impact Fee per Capita ¹		\$ 86	\$ 475	\$ 338	\$ 188	\$ 1,087
Occupant Density per Dwelling Unit, by Dwelling Unit Square Footage ²						
9: 4,000 square feet or more						
8: 3,000 to 3,999 square feet	4.18	\$ 359	\$ 1,986	\$ 1,413	\$ 786	\$ 4,544
7: 2,500 to 2,999 square feet	4.02	346	1,910	1,359	756	4,370
6: 2,000 to 2,499 square feet	3.84	330	1,824	1,298	722	4,174
5: 1,500 to 1,999 square feet	3.70	318	1,758	1,251	696	4,022
4: 1,000 to 1,499 square feet	3.41	293	1,620	1,153	641	3,707
3: 750 to 999 square feet	2.77	238	1,316	936	521	3,011
2: 500 to 749 square feet	2.27	195	1,078	767	427	2,467
1: Less than 500 square feet	1.97	169	936	666	370	2,141
Senior Unit Fee Schedule ³						
9: 4,000 square feet or more						
8: 3,000 to 3,999 square feet	2.59	\$ 223	\$ 1,230	\$ 875	\$ 487	\$ 2,815
7: 2,500 to 2,999 square feet	2.49	214	1,183	842	468	2,707
6: 2,000 to 2,499 square feet	2.38	205	1,131	804	447	2,587
5: 1,500 to 1,999 square feet	2.29	197	1,088	774	431	2,489
4: 1,000 to 1,499 square feet	2.11	181	1,002	713	397	2,294
3: 750 to 999 square feet	1.72	148	817	581	323	1,870
2: 500 to 749 square feet	1.41	121	670	477	265	1,533
1: Less than 500 square feet	1.22	105	580	412	229	1,326

¹ Calculated by dividing current fee per single family unit by 3.67, the assumed residents per dwelling unit.

² Based on 2017 American Housing Survey data for the Pacific Division, adjusted based on difference in average dwelling unit density for Salinas v. Pacific Division. Average residents per square foot, by dwelling unit sq. ft.

³ Assumes that a senior unit contains 62% the population of regular unit based on data regarding average household size from Table S0103 from the American Community Survey for the City of Salinas for all dwelling units and units occupied by residents over 65 years of age.

Impact Fee Scenario Testing

To understand the effects of the change in fee schedule structure, the City requested that Willdan compare the revised fees to the existing fees for several prototype housing development projects. **Table 2** presents these comparisons. Generally, smaller dwelling units pay lower fees under the revised fee structure. Single family dwelling units larger than 1,500 square feet see increases in public facilities fees.

Note that ADUs are excluded from the prototypes as recent California state law regarding ADUs has changed. The calculation of impact fees for ADUs is discussed in the next section.

Table 3: City of Salinas Impact Fee Review - Fee Options Compared to Existing Public Facilities Fees

Prototype	Prototype		Existing Public Facilities			SENIOR UNITS Per	
	Square Feet	Bedrooms	Impact Fees per Dwelling Unit ¹	Per Square Foot - Salinas Adjusted ²	Difference Compared to Existing Fees	Square Foot - Salinas Adjusted	Difference Compared to Existing Fees
<i>Residential Rental</i>							
Multi-family Apartment Unit	500	- Studio	\$ 3,982	\$ 2,467	\$ (1,514)	\$ 1,533	\$ (2,449)
Multi-family Apartment Unit	750	2 Bedroom	3,982	3,011	(971)	1,870	(2,112)
Multi-family Apartment Unit	1,000	3 Bedroom	3,982	3,707	(275)	2,294	(1,688)
Multi-family Apartment Unit	1,250	4 Bedroom	3,982	3,707	(275)	2,294	(1,688)
<i>Residential Ownership</i>							
Attached Condominium Unit	750	2 Bedroom	\$ 3,982	\$ 3,011	\$ (971)	\$ 1,870	\$ (2,112)
Attached Single Family/Townhome/Row House	1,000	2 Bedroom	3,990	3,707	(284)	2,294	(1,697)
Detached Single Family Unit	1,500	3 Bedroom	3,990	4,022	32	2,489	(1,501)
Detached Single Family Unit	2,000	4 Bedroom	3,990	4,174	184	2,587	(1,403)
Detached Single Family Unit	2,500	5 Bedroom	3,990	4,370	380	2,707	(1,284)

¹ Public facilities impact fees include the following facility categories: fire, police, library and recreation facilities.

² Based on 2017 American Housing Survey data for the Pacific Division, adjusted based on difference in average dwelling unit density for Salinas v. Pacific Division. Average residents per square foot.

Impact Fees for Accessory Dwelling Units

The California State Legislature recently amended requirements on local agencies for the imposition of development impact fees on accessory dwelling units (ADU) with Assembly Bill AB 68 in 2020. The amendment to California Government Code §65852.2(f)(2) stipulates that local agencies may not impose any impact fees on ADU less than 750 square feet. ADU greater than 750 square feet can be charged impact fees in proportion to the size of the primary dwelling unit.

Calculating Impact Fees for Accessory Dwelling Units

For ADUs greater than 750 square feet, impact fees can be charged as a percentage of the single family impact fees. The formula is:

$$\frac{ADU\ Square\ Feet}{Primary\ Residence\ Square\ Feet} \times Single\ Family\ Impact\ Fee = ADU\ Impact\ Fee$$

In the case of an 800 square foot ADU and a 1,600 square foot primary residence, the impact fees would be 50 percent (800 square feet / 1,600 square feet = 50%) of the single family dwelling unit fee.