

REPORT TO THE CITY COUNCIL

City of Salinas, California

DATE: April 28, 2015

FROM: Gary Petersen, Public Works Director

THRU: Robert Russell, City Engineer

BY: Lynn Mau, Public Works Assistant

SUBJECT: **CITY DEVELOPMENT IMPACT FEE ANNUAL
ADJUSTMENT (PARK, STREET TREE, STORM SEWER, SANITARY
SEWER, TRAFFIC, LIBRARY, AND FIRE PROTECTION SERVICES) BASED
ON THE ENGINEERING NEWS RECORD INFLATION FACTOR**

RECOMMENDATION:

It is recommended that the City Council approve a resolution adjusting (increasing) City development impact fees by 3.19%, effective July 1, 2015, based on the Engineering News Record (ENR) construction cost index (CCI) increase over the last year.

DISCUSSION:

Consistent with its police power authority, the City imposes fees on development to pay the cost of capital facilities required to service on-going construction and development. (Development Impact Fees). Section 9-42 (b) of the Salinas City Code regarding Development Impact Fees allows said fees to be adjusted annually to reflect the CCI change as published by the ENR. Development Impact Fees may be changed in accordance with the percentage change in the ENR index from January 1 to January 1 of each preceding year. The ENR index number is based on a combination of labor rates and material costs. Attached to this report is a copy of the ENR index, the definition or basis of the index number.

The ENR index increased 3.19% between January 1, 2014 and January 1, 2015. Based on that increase, the Development Impact Fees are proposed by staff to be charged as follows:

	<u>PROPOSED FEE SCHEDULE</u>	<u>CURRENT FEE SCHEDULE</u>
Park Fee:	\$895 per bedroom or \$1,791 per per mobile home space.	\$867 per bedroom or \$1,735 per mobile home space.
Street Tree Fee:	\$315 per tree, one tree per sixty feet of street frontage.	\$305 per tree, one tree per sixty feet of street frontage.

Storm Sewer		
Trunk Line Fee:	\$522 per bedroom or \$1,054 per mobile home; Commercial and Industrial- \$6,630 per acre; Schools - \$5,287 per acre.	\$506 per bedroom or \$1,021 per mobile home; Commercial and Industrial - \$6,424 per acre Schools - \$5,123 per acre.
Sanitary Sewer		
Trunk Line Fee:	\$487 per bedroom or \$958 per mobile home; Commercial, Industrial, and Schools - \$1,611 per enclosed building unit (includes the first 4,000sq. ft. of enclosed building area and 20 fixtures units) plus \$4.11 per 100 sq. ft. of building area over 4,000 and \$17.00 per fixture unit over 20 units.	\$472 per bedroom or \$928 per per mobile home; Commercial, Industrial, and Schools - \$1,561 per enclosed building unit (includes first 4,000 sq. ft. of enclosed building area and 20 fixture units) plus \$3.98 per 100 sq. ft. over 4,000 and \$16.43 per fixture unit over 20 units.
Traffic Fee:	\$347 per daily trip	\$336 per daily trip (year 2000 City Limits)(adjusted TFO update, January 19, 2010, Resolution No. 19802)
	\$503 per daily trip	\$487 per daily trip (Future Growth Areas) (adjusted TFO update, January 19, 2010, Resolution No. 19802)
	\$223 per daily trip (Grandfathered)	\$216 per daily trip (Grand-Fathered projects of 1987 TFO)
Library Fee:	\$642 per unit.	\$622 per unit.
Fire Protection Services Fee:	\$246 per unit.	\$238 per unit.

The Library and the Fire Protection fees noted above are only assessed on Williams Ranch and Monte Bella area development, as required by those development Environmental Impact Reports (EIRs).

These fee increases were presented to the Business Development Committee (BDC) on April 2, 2015 as part of their standard monthly BDC meeting. Attendees understand the need for these annual increases that fund important infrastructure to support existing development, and promote new development, but are also concerned increased development costs could have an impact on new development. The attendees did not strongly object to the 3.19% increase, which is fairly nominal compared to other business expenses (insurance, salaries, federal/state law requirements/compliance,

etc.). Fee increase for the past 5 years have been 2.41%, 2.84%, 2.66%, 3.21%, and 1%; resulting in an 11.60% compounded increase over the past 5 years.

New community facility fees were approved and adopted by Council on April 8, 2014, and are also being proposed for a 3.19% increase with this action per City Code. The following table identifies the existing and proposed public facilities:

Proposed Schedule Fee

Public Facilities Impact Fee Schedule

Development Type	Dev. Units ¹	Fire Impact Fee	Police Impact Fee	Library Impact Fee	Recreation Impact Fee	Total Impact Fees
Residential, Single-Family	DU	\$ 282.24	\$ 1,551.45	\$ 1,105.26	\$ 613.66	\$ 3,552.61
Residential, Multi-Family	DU	\$ 274.68	\$ 1,551.45	\$ 1,105.26	\$ 613.66	\$ 3,545.05
Commercial	KSF	\$ 476.56	\$ 634.10	\$ 0	\$ 0	\$ 1,110.66
Industrial	KSF	\$ 108.09	\$ 422.74	\$ 0	\$ 0	\$ 530.83

¹ DU=Dwelling Unit; KSF=1,000 square feet of floor area

Current Schedule Fee

Public Facilities Impact Fee Schedule

Development Type	Dev. Units ¹	Fire Impact Fee	Police Impact Fee	Library Impact Fee	Recreation Impact Fee	Total Impact Fees
Residential, Single-Family	DU	\$ 273.51	\$ 1,503.49	\$ 1,071.09	\$ 594.69	\$ 3,442.79
Residential, Multi-Family	DU	\$ 266.19	\$ 1503.49	\$ 1,071.09	\$ 594.69	\$ 3,435.47
Commercial	KSF	\$ 461.83	\$ 614.50	\$ 0	\$ 0	\$ 1,076.33
Industrial	KSF	\$ 104.75	\$ 409.67	\$ 0	\$ 0	\$ 514.42

¹ DU=Dwelling Unit; KSF=1,000 square feet of floor area

COUNCIL GOALS:

Development fees are established and detailed in Sections 9-40 through 9-50.81 of the Salinas Municipal Code, and serve as a financing tool to ensure adequate infrastructure is provided to serve existing and promote new development within the City of Salinas, thereby supporting the economic development needs of the City and interested businesses who wish to locate to our City.

ISSUE:

Shall City Council approve a resolution adjusting City Development Impact Fees to become effective July 1, 2015?

FISCAL IMPACT:

Increasing fees commensurate with the ENR index only allows revenue to keep pace with construction cost inflation. An overall evaluation of the adequacy of Development Impact Fees will need to be undertaken in the near future to ensure the fees are adequately covering the costs.

ALTERNATIVES/IMPLICATIONS:

1. Council may increase fees at a lower rate. This would result in the fees not keeping pace with construction costs, and likely insufficient funding in the future to construct necessary infrastructure to meet development needs/demands; or
2. Council may take no action and maintain fees at the present level. This is not recommended as it is important to have the fees keep pace with inflation as measured by the ENR CCI to ensure infrastructure is constructed when needed.

CONCLUSION:

At the meeting of April 28, 2015, City Council is requested to: (1) hold a public hearing on the proposal to increase City development impact fees; and (2) adopt a resolution adjusting the City development impact fees by 3.19%, which will become effective July 1, 2015.

Distribution:
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Back Up Pages:
Resolution
Exhibit A - Statement of Revenue and Expenditures for Development Fees
ENR Index

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RESOLUTION NO. _____ (N.C.S.)

**RESOLUTION INCREASING DEVELOPMENT IMPACT
FEES IN ACCORD WITH THE ENGINEERING NEWS RECORD INDEX**

WHEREAS, Section 9-42 (b) of the Salinas City Code regarding development impact fees allows the fees to be adjusted annually consistent with the percentage change in the Engineering News Record (ENR) Index from January 1 to January 1 of the preceding year; and

WHEREAS, the ENR Index increased 3.19% during the period from January 1, 2014 to January 1, 2015; and

WHEREAS, a Public Hearing was properly noticed and held on April 28, 2015, pursuant to Government Code 66017 and public comment received;

NOW, THEREFORE, BE IT RESOLVED as follows:

(a) The development fees established in Section 9-41 (a) of Article V, are set as follows:

Park fee:	\$895.00 per bedroom or \$1,791.00 per mobile home space.
Street Tree fee:	\$315.00 per tree, one tree per sixty feet of street frontage.
Storm Sewer Trunk Line fee:	\$522.00 per bedroom or \$1,054.00 per mobile home space; commercial, and industrial - \$6,630.00 per acre; schools - \$5,287.00 per acre.
Sanitary Sewer Trunk Line fee:	\$487.00 per bedroom or \$958.00 per mobile home space; commercial, industrial, and schools - \$1,611.00 per enclosed building unit (includes the first 4,000 sq. ft. of enclosed building area and 20 fixture units) plus \$4.11 per 100 sq. ft. over 4,000 sq. ft. plus \$17.00 per fixture unit over 20 units.
Traffic fee:	\$347.00 per daily trip (within existing City Limits) (adjusted TFO update, January 19, 2010, Resolution No. 19802)

\$503.00 per daily trip (Future Growth Areas)
(adjusted TFO update, January 19, 2010,
Resolution No. 19802)

\$223.00 per daily trip (Grandfathered
Development Projects)

Library fee: \$642.00 per unit.

Fire Protection
Services fee: \$246.00 per unit.

The latter two fees only apply to Williams Ranch and Monte Bella Development as a condition of their EIRs.

(b) Additionally, the City established a Public Facility Impact Fee for all development on April 8, 2014, which will be adjusted as follows:

Public Facilities Impact Fee Schedule

Development Type	Dev. Units ¹	Fire Impact Fee	Police Impact Fee	Library Impact Fee	Recreation Impact Fee	Total Impact Fees
Residential, Single-Family	DU	\$ 282.24	\$ 1,551.45	\$ 1,105.26	\$ 613.66	\$ 3,552.61
Residential, Multi-Family	DU	\$ 274.68	\$ 1,551.45	\$ 1,105.26	\$ 613.66	\$ 3,545.05
Commercial	KSF	\$ 476.56	\$ 634.10	\$ 0	\$ 0	\$ 1,110.66
Industrial	KSF	\$ 108.09	\$ 422.74	\$ 0	\$ 0	\$ 530.83

1 DU=Dwelling Unit; KSF=1,000 square feet of floor area

(c) The above subject fees will become effective July 1, 2015.

PASSED AND ADOPTED this 28th day of April, 2015 by the following vote:

AYES:

NOES:

ABSENT:

Joe Gunter, Mayor

ATTEST:

Patricia M. Barajas, City Clerk