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Council/Agency Meeting Held:_____ Deferred/Continued to:_____ ❑ Approved ❑ Conditionally Approved ❑ Denied	_____ City Clerk's Signature
Council Meeting Date: May 7, 2012	Department ID Number: PL 2012-007

CITY OF HUNTINGTON BEACH
REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Fred A. Wilson, City Manager

PREPARED BY: Bob Hall, Deputy City Manager

SUBJECT: Revisions to the City's Existing Development Impact Fees.

Statement of Issue:
Transmitted for City Council consideration are revisions to the City's existing Development Impact Fees. With the assistance of Revenue & Cost Specialists, L.L.C. staff has evaluated the City's public services needs for the next twenty years and analyzed what the future development opportunities were based on General Plan land use. From that Revenue & Cost Specialists, L.L.C. compared the future City's needs with the potential build out and derived these revised/new Development Impact Fees included in the Development Impact Fee Calculation and Nexus Report.

Financial Impact:
Based on the maximum impact fees supported by the October 2011 Development Impact Fee Calculation and Nexus Report calculations could theoretically raise approximately one-hundred seventy-two million dollars ($172,000,000). However, it should be noted actual revenues will likely be significantly less based on actual development and phase in of fees.

Recommended Action: Motion to:

1. Adopt Resolution No. 2012 - _____, A Resolution of the City Council of the City of Huntington Beach adopting the Development Impact Fee Calculation and Nexus Report for the City of Huntington Beach, and establishing new and revised Development Impact Fees for all development within the City and repealing Resolutions 6164, 2006-23, 2000-97, 99-60, 2004-88, and 96-71.

2. Adopt Ordinance No. 2012 - _____, An Ordinance of the City of Huntington Beach amending the Huntington Beach Municipal Code by adding Chapter 17.75 relating to Police Facilities Development Impact Fees.

3. Adopt Ordinance No. 2012 - _____, An Ordinance of the City of Huntington Beach amending the Huntington Beach Municipal Code by adding Chapter 17.74 relating to Fire Facilities Development Impact Fees.

4. Adopt Ordinance No. 2012 - _____ , An Ordinance of the City of Huntington Beach amending Chapter 17.65 of the Huntington Beach Municipal Code relating to traffic Impact Fees.

5. Adopt Ordinance No. 2012 - _____, An Ordinance of the City of Huntington Beach amending the Huntington Beach Municipal Code by adding Chapter 17.67 relating to Library Development Fee.

6. Adopt Ordinance No. 2012 - _____ , An Ordinance of the City of Huntington Beach amending the Huntington Beach Municipal Code by amending Chapter 17.77 relating to Community Use Facilities Development Impact Fees.

7. Adopt Ordinance No. 2012 - _____, An Ordinance of the City of Huntington Beach amending the Huntington Beach Municipal Code by adding Chapter 17.76 relating to Parkland Acquisition and Development Impact Fees.

8. Adopt Ordinance No. 2012 - _____, An Ordinance of the City of Huntington Beach amending the Huntington Beach Municipal Code by adding Chapter 17.73 relating to the General Provisions for Development Impact Fees.

Alternative Action(s):

The City Council may make the following alternative motions:
1. Do not adopt Resolution #_____ and Ordinances #_____, updating the proposed development impact fees leaving fees at current levels.
2. Make changes to the recommended fees and adopt as amended.
3. Continue the Development Impact Fee Calculation and Nexus Report and direct staff accordingly.

Analysis:

BACKGROUND

Development Impact fees are one-time charges applied to offset the additional public-service costs of new development. Fees are proposed to be assessed at the time a building permit is issued and rededicated to providing additional services, such as water and sewer systems, roads, libraries, and parks and recreation facilities, made necessary by the increase in number of new residents in the area. The funds cannot be used for operation, maintenance, repair or replacement of existing capital facilities. The amount of the proposed fee is clearly linked to the added service cost.

The development community has requested that the City of Huntington Beach make it easier for potential developers to calculate all impact fees from the early design stage of their project and to defer payment of the development impact fees to the issuance of the Certificate of Occupancy or Final Building Inspection.

The actions in this report address only Development Impact Fees. Fees charged under the Subdivision Map Act will be addressed separately at a later date. These fees are Quimby and Drainage fees.

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STAFF ANALYSIS AND RECOMMNEDATION:

The City of Huntington Beach is getting close to full build-out and development of the remaining vacant parcels as well as renovation/construction of existing homes and businesses. New development results in increased demand that must be absorbed by the existing infrastructure. Currently the city collects development impact fees for traffic, library development, and park land/open space. Working with staff, Revenue & Cost Specialist, L.L.C. generated a Master Facilities Plan for theoretical General Plan build-out of the City. The Master Facilities Plan indentifies all growth-related capital projects required to accommodate new City development through General Plan build-out. Using information in the Master Facilities Plan, a Development Impact Fee Calculation Report was generated. The purpose of the report is to assure that the impacts created by new development pays a fair share of the proportional costs required for expansion of all development within the City of Huntington Beach.

The Development Impact Report contemplates two new fees, police and fire, and updates the existing traffic, drainage, library, and park land/open space impact fees based on the City's changing requirement for public safety, streets and signals and other quality-of-life facilities. The paragraphs to follow provide additional, detailed analysis of the changes sought to each type of fee.

Law Enforcement Facilities, Vehicles, and Equipment Fee (New)

The purpose of the new Law Enforcement Facilities, Vehicles and Equipment Fee is to collect proportional contributions from new development to pay for additional required law enforcement facilities, vehicles and equipment. New development can be expected to generate additional law enforcement calls for service. Different types of development will create proportional levels of calls for service that generate law enforcement response. Additional sworn officers are necessary to respond to the increased demands for service and these fees will offset the added costs of housing and equipping the additional required officers.

The proposed resolution establishes the actual amount of the new Law Enforcement Development Impact Fee. The resolution also specifies that the proposed fees be used solely for expanding or increasing capacity within the law enforcement facilities and to increase the number of enforcement vehicles and specialty equipment.

Fire Suppression/Medic Facilities Vehicles and Equipment Fee (New)

The purpose of this new fee is to provide proportional financial contributions as a result of new development to pay for additional fire suppression/emergency medical response facilities, vehicles and specialized equipment. In order to be able to continue to respond to an ever-increasing number of expected emergency calls, fire department staff has determined the need for the relocation of one fire station (as opposed to adding a ninth) and expanding one existing fire station. Having the right type and inventory of fire stations in the right locations enables the City's policy makers to house firefighters, apparatus and equipment to provide for maximum use of resources.

The proposed resolution establishes the actual amount of the Fair Share Fire Department Impact Fee. The resolution specifies that the proposed fees would be used solely to acquire additional fire facilities, vehicles and specialized equipment required to respond to additional calls for service (related to the new development) necessary to maintain the capability of

responding to calls to the existing community. Fees will be used to finance the construction or acquisition of fire suppression/emergency medical facilities, vehicles and specialized equipment identified in the Master Facilities Plan that are necessary to accommodate anticipated and planned development in the community.

Circulation (Streets, Signals and Bridges) System Fee (Updated)

The Fair Share Traffic Impact Fee collects proportional contributions from new development to pay for additional circulation system capacity by creating more travel lanes or more efficient street use to accommodate the additional trip-miles created by new development. Improvements take the form of construction of new travel lanes including the widening of streets, installation and modification of traffic signals to accommodate changes in traffic patterns and improving the infrastructure of our traffic signal system to enable development of better signal coordination. Improvements for pedestrians, bicycles and transit may also be included in these improvements.

The current Traffic Impact Fee is $172 per net new trip generated by a proposed development. The recommended update to the Traffic Impact Fee slightly modifies the methodology for proportioning the cost to users, resulting in slightly increased fees for some uses and slightly lower fees for others. In general, the recommended methodology shifts fees from commercial uses to residential uses. The new methodology better reflects the actual impacts to the street system by not only accounting for the number of trips generated by the land use, but also the average length of the trip. This approach is based on the concept that a longer trip has greater potential to impact multiple locations within the circulation system.

The proposed methodology is predicated on distributing the estimated $23,867,660 in circulation system improvement costs needed to serve additional traffic generated by new development. This process results in a "per unit" fee which can be assessed on new development. The "per unit" fee is developed based on typical trip generation rates for specific uses and also factors in the average length of a trip associated with that type of use. The "per unit" fee reflects the prorated fair share costs of improvements based on the number of trip-miles generated by the particular land use category. Rates recommended for adoption are base on a daily trip-mile of $64.34. This represents 10% less than the amount recommended in the Development Impact Fee Calculation Report due to the elimination of approximately $2.7 million in maintenance facility and equipment costs previously included in the calculation.

The current Traffic Impact Fee was established using a fair share methodology based only on the number of trips generated by a particular land use. The following example is presented to generally describe the difference in methodology:

If a typical single family home generates 8.8 trips per day the Traffic Impact Fee under the current program ($172 per trip) is $1,513.

If a medium sized shopping center generates 30 trips/1000 square feet of floor area the Traffic Impact Fee under the current program is $5,160/1000 sf.

Under the current program, with a trip length factor included (3.95 miles/trip for residential and 2.15 miles per trip for shopping center) the rates change to $2,482/dwelling unit and $4,655/1000 sf of floor area for the shopping center. While 1,000 square feet of floor area in a

shopping center generates more than 3 times the number of trips of one single family home, the shopping center only generates approximately 85% more trip miles.

The resolution specifies that the proposed fees would be used solely for circulation system capacity improvements. This information is generally identified in Use of the Fee section the report.

The ordinance modifications are necessary to revise Chapter 17.65 so that the collection of fees imposed on development projects is consistent with the intent of the City Council to impose fees on residential, commercial and industrial development projects.

Public Library Facilities and Collection Fee (Updated)

The current Library Development fee was initially adopted in 1998. A Library Facilities Impact Fee imposed on residential development would allow the City to expand on existing facilities to ensure the City's existing and new residents have adequate and sufficient access to enjoy the library space and collections. The City of Huntington Beach, through its General Plan, and Facility Master Plan has established its commitment to maintaining current standards of library services. The Library Development Fee, along with other City revenue sources, will allow the City to expand facilities and enhance collections to accommodate projected growth and increased demand for service.

The development of any acreage zoned for residential use increases the demand on the finite amount of library space and collection items. Thus, those residential land uses that generate a higher number of residents will pay a proportionally higher amount. There is no information available demonstrating a substantive link between library use and local businesses. Library use is primarily by residents as opposed to business persons. Therefore, there are no fees being collected for commercial or industrial construction.

The resolution specifies that the fees would be used solely for support of library services and facilities. Funds collected from the Public Library Fee shall be used to cover the cost of expansion of library space and collection items needed to meet the increased demands of residential growth and development. Funds can be used to acquire additional property, construct new facilities, furnish new buildings or facilities, purchase collection materials, funding for master plans or other studies to identify capital needs and the cost of financing. Funds shall not be used for periodic or routine maintenance or to maintain or repair existing facilities.

Ordinance modifications are necessary to revise Chapter 17.66 so that the collection of fees imposed on development projects is consistent with the intent of the City Council to impose fees on residential, commercial and industrial development projects.

Community Use Facilities Fee (Revised)

Projected population increases place additional demands on existing community centers, and other community use facilities (such as the City's clubhouses, the Beach Public Service Center, Shipley Nature Center, etc). The purpose of a proposed Community Use Facility fee is to meet the added demands created by the construction of additional residential dwelling units to maintain the current standard. This proposed fee, although new, was originally

included within the Park Fee pursuant to section 230.20 of the Huntington Beach Zoning and Subdivision Ordinance.

The proposed fee would be used solely for the construction of additional Community Use Facilities space accommodating additional City residents. It would not be used on the rehabilitation of any existing Community Use facility.

The proposed fee is based on the City's current standard of .620 square feet per person for public use space, the number and type of residential dwelling units projected to be constructed, the number of persons per dwelling unit, and the average square foot construction cost for public use space. The detail regarding this calculation is presented in Schedule 8.1. As shown below, the proposed fees collected per type of residential dwelling unit range from $542 for mobile homes to $876 for detached dwelling units.

Park Acquisition: Residential Fee (Updated)

On December 16, 2002 The City Council adopted Resolution 2001-129 with findings that stated, "the purpose of the fee is for the development and improvements of the City's parks and recreational facilities in order to assure that the policies and standards for park, open space and recreational facilities contained in the City's General Plan and described in the Park Fee Study are met."

The proposed fees presented herein do not change this approved purpose, but merely update the methodology used in calculating the fee based on the latest land values, future population, and build-out projections cited in the new "Development Impact Fee Calculation and Nexus Report" completed by Revenue and Cost Specialists L.L.C. in October 2011.

As referenced in the October 2011 report, the City owns or has long-term control of 778.41 acres of traditional park land, with about 87.9% developed. It is anticipated that the City will need to acquire 70.5 acres in park land to serve the additional projected 17,089 residents at build-out. The challenge facing the City is to provide new facilities and park land to serve the recreational needs of new residents. Without additional park land acquisition and development of currently owned but under utilized park land, the City's parks would become overcrowded and overused.

The proposed fees are based on the estimated per acre acquisition and development costs as presented in Schedule 9.1 factored by the City's existing park standards, and then multiplied by the average number of persons per type of dwelling unit.

Currently this fee is $0.86 per square foot and applies to all new residential development (new construction and additions) the fee is paid at the time of permit issuance for all new residential development. The proposed fee will apply to new residential units only; it will no longer apply to residential room additions or expansions. This will result in an elimination of the per square foot fee. In addition, it should be noted that currently Ordinance No. 3596 of Chapter 254 of the Zoning and Subdivision Ordinance exempts mobile homes from Park Impact fees. The proposed fees would require the payment of $10,627 per mobile home dwelling unit. However, in an effort to implement the proposed fees in a timely manner and since there no applications on file for approval of a mobile home park, staff is recommending that the mobile home exemption be extended until such time that Ordinance No. 3596 can be revised to reflect the new fees.

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Park Acquisition: Open Space Business Use Fee (Revised)

In addition to the Residential Land Use fees presented above, the October 2011 report proposes the continued collection of park impact fees for commercial and industrial land projects under the auspices of AB 1600. The purpose of these fees is to maintain the existing ratio of privately held land to existing park/open space acreages currently within the City and is based on the premise that private development benefits from open spaces as a buffer from other businesses.

As proposed, the fee would be used for maintaining this open space acreage ratio and would not be used for developing park land. The development of the open space acreage would have to be completed by residential developers.

While the Residential component previously presented is based on both land acquisition and development costs, the proposed Business Use Fee is based on land acquisition costs only. Open space acquisition is assumed to be approximately twenty-five percent of normal park land acquisition costs, based on the argument that business use benefits largely from open space but does not require the benefits of developed parks. The methodology for determining the open space business fee is shown in Schedule 9.4 and is divided according to the different types of business uses as shown below.

Per Resolution 2002-129 adopted December 16, 2002, commercial and industrial development is currently assessed at $0.23 per square foot. There is no distinction between types of lodging units or commercial versus industrial uses. The fee is currently collected upon issuance of a building permit.

IMPLEMENTATION

In order to mitigate the impact of increasing Law Enforcement Facilities Fee, Fire Suppression Facilities Fee, Circulation System Fee, and the Park and Open Space Development Impact Fee, it is proposed to have a "phased" implementation for the detached, attached and mobile home residential unit fees. The Public Library and Public Meeting Facilities fees will not be phased in. While the goal is to generate adequate funding to serve the increased demands of development, the phased implementation would allow for a more gradual increase over a three year period and not inhibit development in a difficult economy.

That is, the phased approach would increase the detached, attached and mobile home residential unit to 70% of recommended fee in the first year beginning July 20, 2012, then increasing to 80% beginning July 20, 2013, reaching 90% on July 20, 2014, and remaining at 90% of the recommendation. Beginning in 2016 a CPI adjustment factor would be used to adjust those fees until a new study is funded.

Using a Detached Dwelling as an example, the total development impact fee 100% recovery amount of $22,829 would not be implemented. Beginning July 20, 2012, the amount would be $16,592/unit. On July 20, 2013 the fee would increase to $18,671/unit. On July 20, 2014, the fee would be $20,750 and would remain at the 90% level.

Currently, all fees are collected before issuance of building permits. It is the recommendation of staff that the fees be collected at the time the impact is imposed on the system, therefore later in the development process at building final inspection or issuance of the Certificate of Occupancy.

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If approved by City Council, projects will be "grandfathered" under the current development impact fee structure if the project is entitled (Zoning Approval) on or before May 7, 2012, and building permits are issued within 180 days after the fees go into effect, no later than January 20, 2013. An exception to this requirement is the involvement of an outside third party regulatory agency. In such cases the 180 days to issue building permits will begin when the developer receives clearance from that agency. All other projects are subject to the new fees, which go into effect July 20, 2012

SUMMARY

Staff is recommending approval of the proposed resolution and ordinances based on the following reasons:

- The per unit fee established herein allows developers to easily calculate development impact fees
- The fees established herein meet the City's changing requirement for public safety, streets and signals, storm drainage and other quality of life facilities
- Allows for payment of Developer Impact fees at the time the impact is imposed on the system, therefore later in the development process

Environmental Status:

Not applicable

Strategic Plan Goal:

Improve the City's infrastructure

Attachment(s):

No.	Description
1.	Resolution No. 2012 - ____ "A Resolution of the City Council of the City of Huntington Beach adopting the Development Impact Fee Calculation and Nexus Report for the City of Huntington Beach, and establishing new and revised Development Impact Fees for all development within the City and repealing Resolutions 6164, 2006-23, 2000-97, 99-60, 2004-88, and 96-71."
2.	Ordinance No. 2012 - _____ "An Ordinance of the City of Huntington Beach amending the Huntington Beach Municipal Code by adding Chapter 17.75 relating to Police Facilities Development Impact Fees."
3.	Ordinance No. 2012 - _____ "An Ordinance of the City of Huntington Beach amending the Huntington Beach Municipal Code by adding Chapter 17.74 relating to Fire Facilities Development Impact Fees."
4.	Ordinance No. 2012 – _____ "An Ordinance of the City of Huntington Beach amending Chapter 17.65 of the Huntington Beach Municipal Code relating to Traffic Impact Fees."
5.	Ordinance No. 2012 - _____ "An Ordinance of the City of Huntington Beach amending the Huntington Beach Municipal Code by amending Chapter 17.67 relating to Library Development Fee."

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6.	Ordinance No. 2012 - _____ "An Ordinance of the City of Huntington Beach amending the Huntington Beach Municipal Code by amending Chapter 17.77relating to Community Use Facilities Development Impact Fees.
7.	Ordinance No. 2012 - _____ "An Ordinance of the City of Huntington Beach amending the Huntington Beach Municipal Code by adding Chapter 17.76 relating to Parkland Acquisition and Development Impact Fees."
8.	Ordinance No. 2012 - _____ "An Ordinance of the City of Huntington Beach amending the Huntington Beach Municipal Code by adding Chapter 17.73 relating to the General Provisions for Development Impact Fees."
9.	Summary of Development Impact Fees adopted by Type of Fee
10.	Master Facilities Plan, prepared by Revenue & Cost Specialists, L.L.C.
11.	Development Impact Fee Calculation and Nexus Report, prepared by Revenue & Cost Specialists, L.L.C