



Development Impact Fee Nexus Study & Fee Update Public Hearing

Presented by

Javier Carcamo, Finance Director

David Chantarangsu, Development Services Director

Paige Hartman, Management Analyst

Willdan Financial Consultants:

James Edison – Managing Principal

Carlos Villarreal – Project Manager

April 16, 2024, City Council - Public Hearing

Project Timeline

- Kick-off Meeting – June 23, 2023
 - Citywide representation
- Evaluated each department's facilities needs
- Created planned project lists based on priority
- Draft Nexus Study Published – February 17, 2024
- Workshop – February 20, 2024
- Nexus Study & Fee Update Adoption – April 16, 2024



What is a Development Impact Fee?

One-time charge



Imposed at building permit stage



Imposed on all development projects within a defined geographic area



Funds facilities to serve new development



Mitigation Fee Act Findings (Govt. Code §66001)

- Key findings
 - **Need:** Development \approx Need for facilities
 - **Benefit:** Development \approx Use of revenue
 - **Rough proportionality:** Fee amount \approx development's share of facility costs
- Other findings
 - Purpose of fee
 - Use of fee revenue

AB 602

Requires local jurisdictions to make certain information available on website:

- Current impact fee schedule
- Nexus studies
- Annual AB1600 reports
- Five-Year AB1600 reports

Changes to impact fee adoption process:

- Prior to adoption of development fees, an impact fee nexus study needs to be adopted with 30 days notice

Technical changes:

- Residential fees should be charged per square foot, unless findings are supported that justify another metric
- Large jurisdictions shall adopt a capital improvement plan as a part of the nexus study
- Nexus study should identify level of service
- If fees are increasing, review the assumptions of the original nexus study and evaluate the amount of fees collected under the original fee

Impact Fees – Basic Methodology



ESTIMATE
EXISTING
DEVELOPMENT
AND FUTURE
GROWTH



IDENTIFY FACILITY
STANDARDS



DETERMINE NEW
FACILITY NEEDS
AND COSTS



ALLOCATE SHARE
TO
ACCOMMODATE
GROWTH



IDENTIFY
ALTERNATIVE
FUNDING NEEDS



CALCULATE FEE BY
ALLOCATING
COSTS PER UNIT
OF NEW
DEVELOPMENT

Impact Fee Categories

- Law Enforcement
- Fire Protection
- Streets, Minor Bridges & Culverts
- Traffic Signals
- Storm Drainage
- General Facilities
- Park Facilities
- Community Centers
- Public Library

Growth Projections

	2023	2035	Increase
Residents	109,998	135,774	25,776
Dwelling Units	37,205	47,993	10,788
Employment	26,240	111,280	85,040
Sources: CA DOF; OnTheMap; American Community Survey; Murrieta General Plan.			

Planned Projects

Fire Department

- Regional Training Center
- Fire Station 5
- Fire Station 6 and garage bay
 - S6 Engine & upfitting
 - S6 Rescue Truck & upfitting
 - S6 Polaris & upfitting
 - S6 Brush Truck & upfitting

Police Department

- Regional Training Center
- Police Station Expansion

Community Services Department

- New parks and increased services at existing parks
- Library expansion, book lockers, and mobile library
- CSD Offices



Response to DVBA Comments

- Provided analysis of actual administrative costs. Revised administrative charge to 1%
- Addressed multifamily park impact fee calculation
- Addressed traffic signals fee calculation
- Comments requiring no changes:
 - \$500 per square foot is a reasonable estimate of future Public Works Maintenance yard
 - Tenant improvements listed in appendix tables are duplicative of replacement cost per square foot

Changes Since Draft Report

- Corrected an issue with the traffic signals fee, which resulted in a lower fee schedule
- Corrected issue in multifamily park impact fee calculation
- Reduced administrative charge from 2% to 1%

Current vs Proposed Fees

Table 1: Current Fee Schedule - Adopted 2016

Land Use	Law Enforce ment	Fire Protection	Streets, Minor Bridges & Culverts	Traffic Signals	Storm Drainage	General Facilities	Parkland Facilities	Community Centers	Public Library	Grand Total
<i><u>Residential - Fee Per Dwelling Unit¹</u></i>										
Single Family Unit	\$ 597	\$ 634	\$ 5,481	\$ 1,051	\$ 334	\$ 241	\$ 4,363	\$ 764	\$ 388	\$ 13,853
Multi-family Unit	417	444	3,809	730	304	168	3,049	533	270	9,724
<i><u>Residential - Equivalent Fee per Square Foot</u></i>										
Single Family Unit ²	\$ 0.23	\$ 0.25	\$ 2.15	\$ 0.41	\$ 0.13	\$ 0.09	\$ 1.71	\$ 0.30	\$ 0.15	\$ 5.42
Multi-family Unit ³	0.35	0.37	3.18	0.61	0.25	0.14	2.55	0.44	0.23	8.12
<i><u>Nonresidential - Fee per 1,000 Square Feet</u></i>										
Commercial	\$ 130	\$ 307	\$ 9,089	\$ 1,742	\$ 173	\$ 51	\$ -	\$ -	\$ -	\$ 11,492
Office	168	401	6,932	1,329	90	67	-	-	-	8,987
Industrial	62	149	991	190	217	24	-	-	-	1,633
<i><u>Nonresidential - Fee per Square Foot</u></i>										
Commercial	\$ 0.13	\$ 0.31	\$ 9.09	\$ 1.74	\$ 0.17	\$ 0.05	\$ -	\$ -	\$ -	\$ 11.49
Office	0.17	0.40	6.93	1.33	0.09	0.07	-	-	-	8.99
Industrial	0.06	0.15	0.99	0.19	0.22	0.02	-	-	-	1.63

¹ These are the currently adopted fees, charged per dwelling unit regardless of size of unit.

² Equivalent fees per square foot assume 2,555 square feet per average sized single family unit.

³ Equivalent fees per square foot assume 1,198 square feet per average sized multifamily unit.

Current vs Proposed Fees

Table 2: Maximum Justified Impact Facilities Fee Summary

Land Use	Law Enforce ment	Fire Protection	Streets, Minor Bridges & Culverts	Traffic Signals	Storm Drainage	General Facilities	Parks	Community Centers	Public Library	Total
<i><u>Residential - Fee per Square Foot</u></i>										
Single Family	\$ 0.39	\$ 0.28	\$ 2.36	\$ 0.21	\$ 0.15	\$ 0.45	\$ 4.85	\$ 0.11	\$ 0.17	\$ 8.97
Multifamily	0.53	0.38	3.60	0.33	0.29	0.61	6.58	0.16	0.23	12.71
<i><u>Nonresidential - Fee per Square Foot</u></i>										
Commercial	\$ 1.19	\$ 1.83	\$ 8.73	\$ 0.80	\$ 0.20	\$ 0.21	\$ -	\$ -	\$ -	\$ 12.96
Office	1.91	2.95	7.61	0.69	0.10	0.34	-	-	-	13.60
Industrial	0.63	0.98	2.48	0.23	0.25	0.11	-	-	-	4.68

Table 3: Difference

Land Use	Law Enforce ment	Fire Protection	Streets, Minor Bridges & Culverts	Traffic Signals	Storm Drainage	General Facilities	Parks	Community Centers	Public Library	Total
<i><u>Residential - Fee per Square Foot</u></i>										
Single Family	\$ 0.16	\$ 0.03	\$ 0.21	\$ (0.20)	\$ 0.02	\$ 0.36	\$ 3.14	\$ (0.19)	\$ 0.02	\$ 3.55
Multifamily	0.18	0.01	0.42	(0.28)	0.04	0.47	4.03	(0.28)	-	4.59
<i><u>Nonresidential - Fee per Square Foot</u></i>										
Commercial	\$ 1.06	\$ 1.52	\$ (0.36)	\$ (0.94)	\$ 0.03	\$ 0.16	\$ -	\$ -	\$ -	\$ 1.47
Office	1.74	2.55	0.68	(0.64)	0.01	0.27	-	-	-	4.62
Industrial	0.57	0.83	1.49	0.04	0.03	0.09	-	-	-	3.04

DIF Administrative Policy

- Grandfathering/Phasing Schedule
 - Phasing only applies to Industrial and Office permit types
 - Grandfathering applies to all permit types
- Inflation Adjustment
 - Inflation adjustment will apply to all permit types including those being phased-in
 - California Construction Cost Index (CCCI) or 4%, whichever is lower

Grandfathering

Criteria for all Project Types:

- Projects in plan check review phase, on or before 06/30/2024
- Pre-pay their DIF fees until 06/30/2025, or upon the issuance of a building permit (whichever occurs first).

Current Impacted Projects:

- Total Projects currently affected - 15 Commercial, 4 SF Residential, and 2 MF Residential Projects (~679 units)
- Revenue reduction ~ \$6,794,115

Industrial and Office:

These project types will follow the same grandfathering guidelines as other project types but will also include the phasing-in schedule.

SB 330:

Projects that follow the provisions of SB330 relative to fees for residential projects, that have filed a zoning application that was determined to be complete, have their development fees frozen for 30 months from the date of final approval.

Phase-In

3-Year Phasing

Proposed Phasing Plan

Fee Type	Current DIF Fees (per sq ft)	Proposed Fee (per sqft)	3-year plan Per year increase
Industrial	\$ 1.63	\$ 4.68	\$ 1.017
Office	\$ 8.99	\$ 13.60	\$ 1.537

plan
Per year
increase
\$ 0.76
\$ 1.15

Fee Type	Current DIF Fees (per sq ft)	Effective 7/1/24	Effective 7/1/25	Effective 7/1/26
Industrial	1.63	2.64	3.66	4.68
Office	8.99	10.53	12.06	13.60

Annual Adjustment

- Update the City's fee schedule on an annual basis based on the California Construction Cost Index (CCCI).
- The change in the cost index will be evaluated on a January-to-January calendar year
- Annual inflation adjustment be capped at a four (4) percent increase

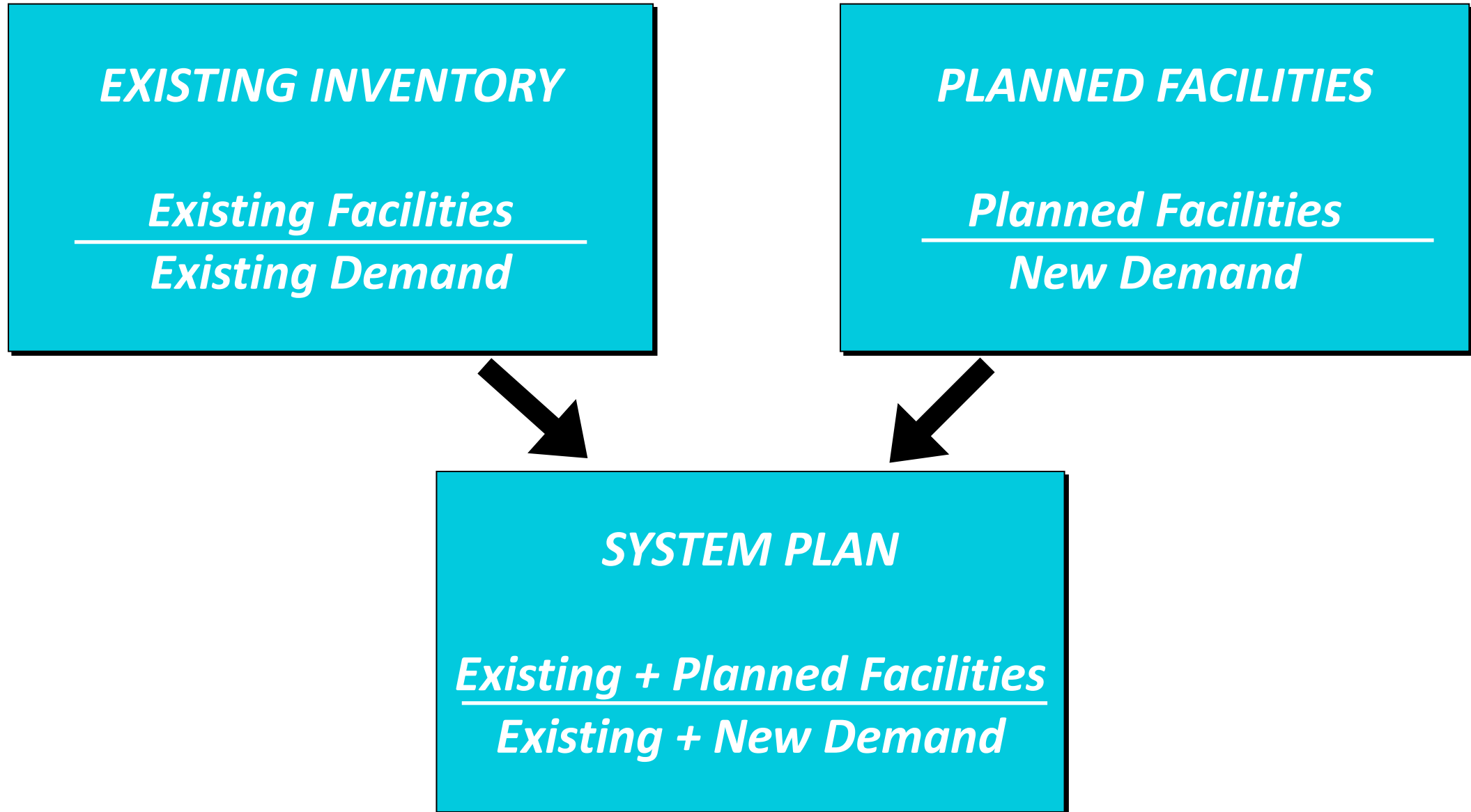
CCCI has increased 47.7% since 2016

Staff Recommendations

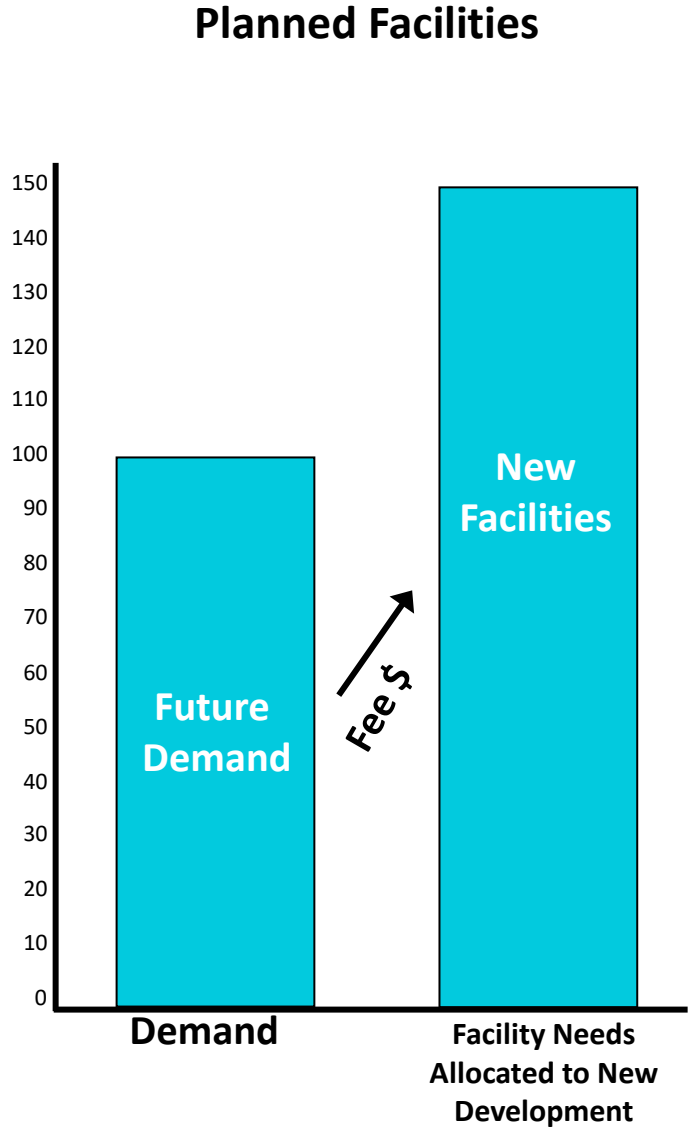
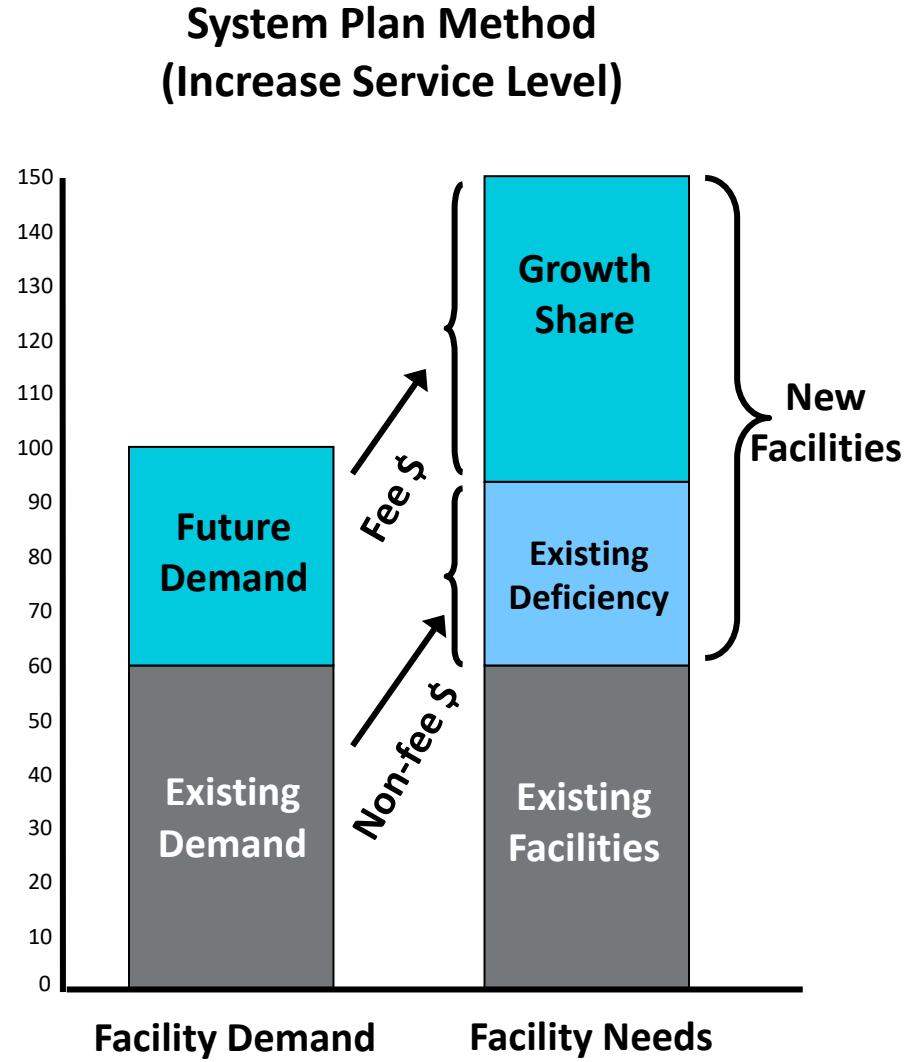
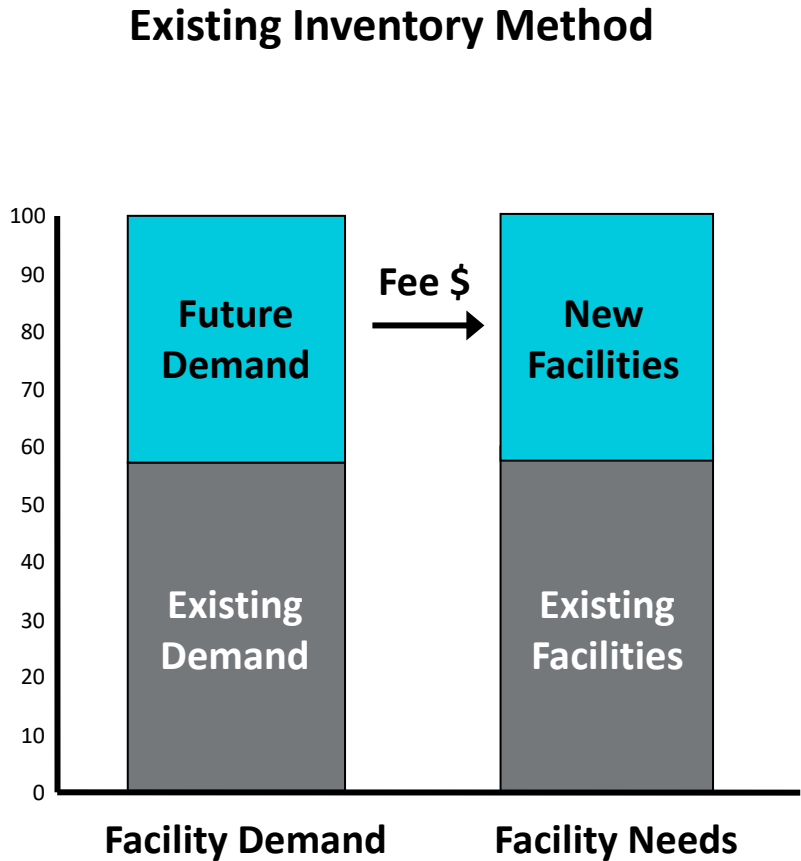
- Adopt Resolution No. 24-4733 entitled: *A Resolution of the City Council of the City of Murrieta, California, Approving an Update of the Public Facilities Development Impact Fee Schedule and Amending the City's Fee Schedule; and*
- Adopt Resolution No. 24-4734 entitled: *A Resolution of the City Council of the City of Murrieta, California, Adopting a Development Impact Fee Nexus Study, which Includes the Five-Year Fee Report (AB1600) for the Fiscal Year 2022/23 and Making Findings Required by the Mitigation Fee Act.*
- Policy Considerations:
 - Grandfathering/Phase-in Schedule
 - Inflation Adjustment



Cost Allocation Methods: *WHAT Facilities Serve WHO*



Cost Allocation Methodologies



Fee Program Methodologies

Existing Standard

Law Enforcement
Fire Protection
Open Space
Parks
Community Centers
General Facilities

System Plan

Library Facilities

Planned Facilities

Streets, Minor Bridges &
Culverts

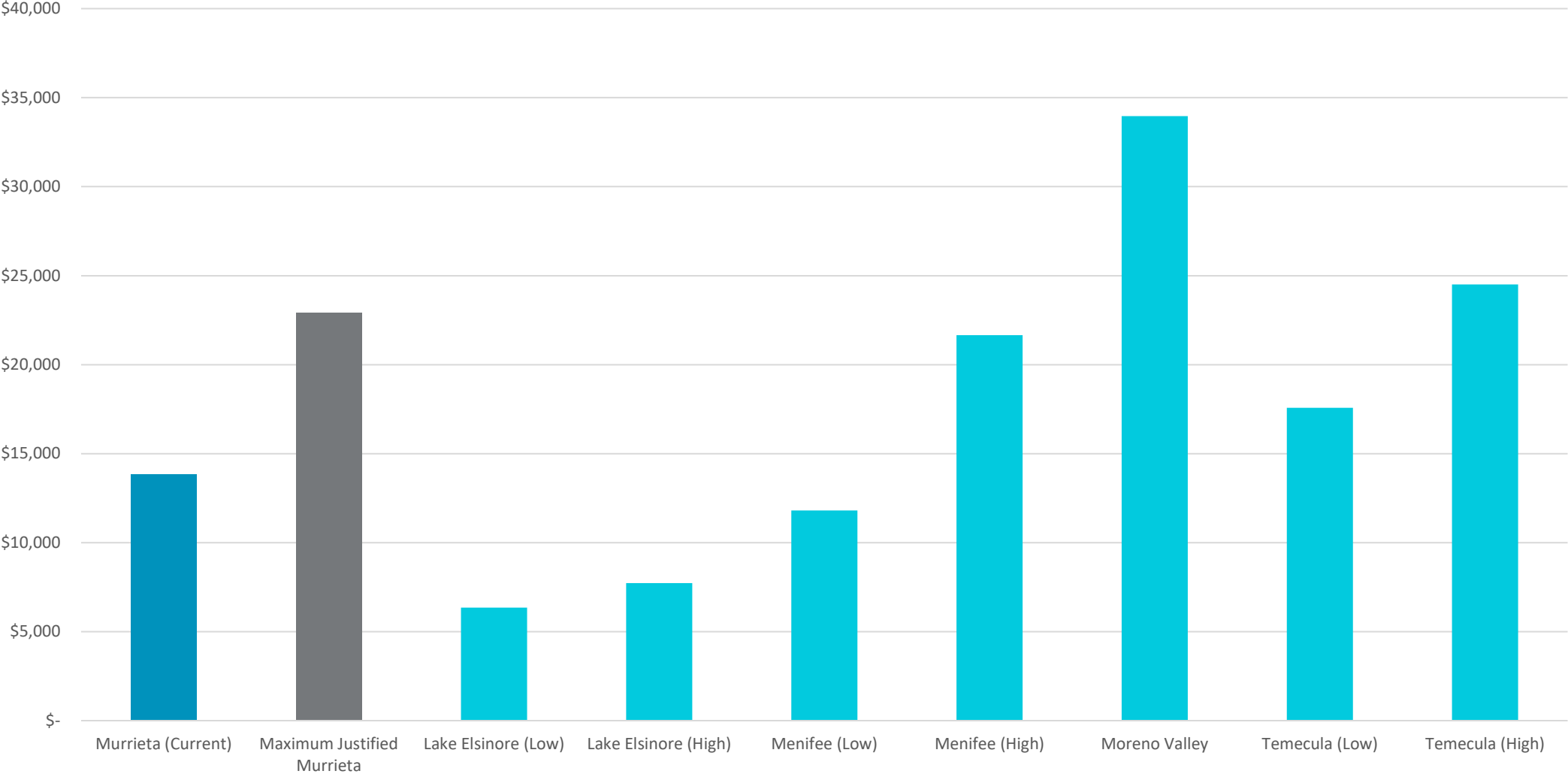
Traffic Signals

Storm Drain

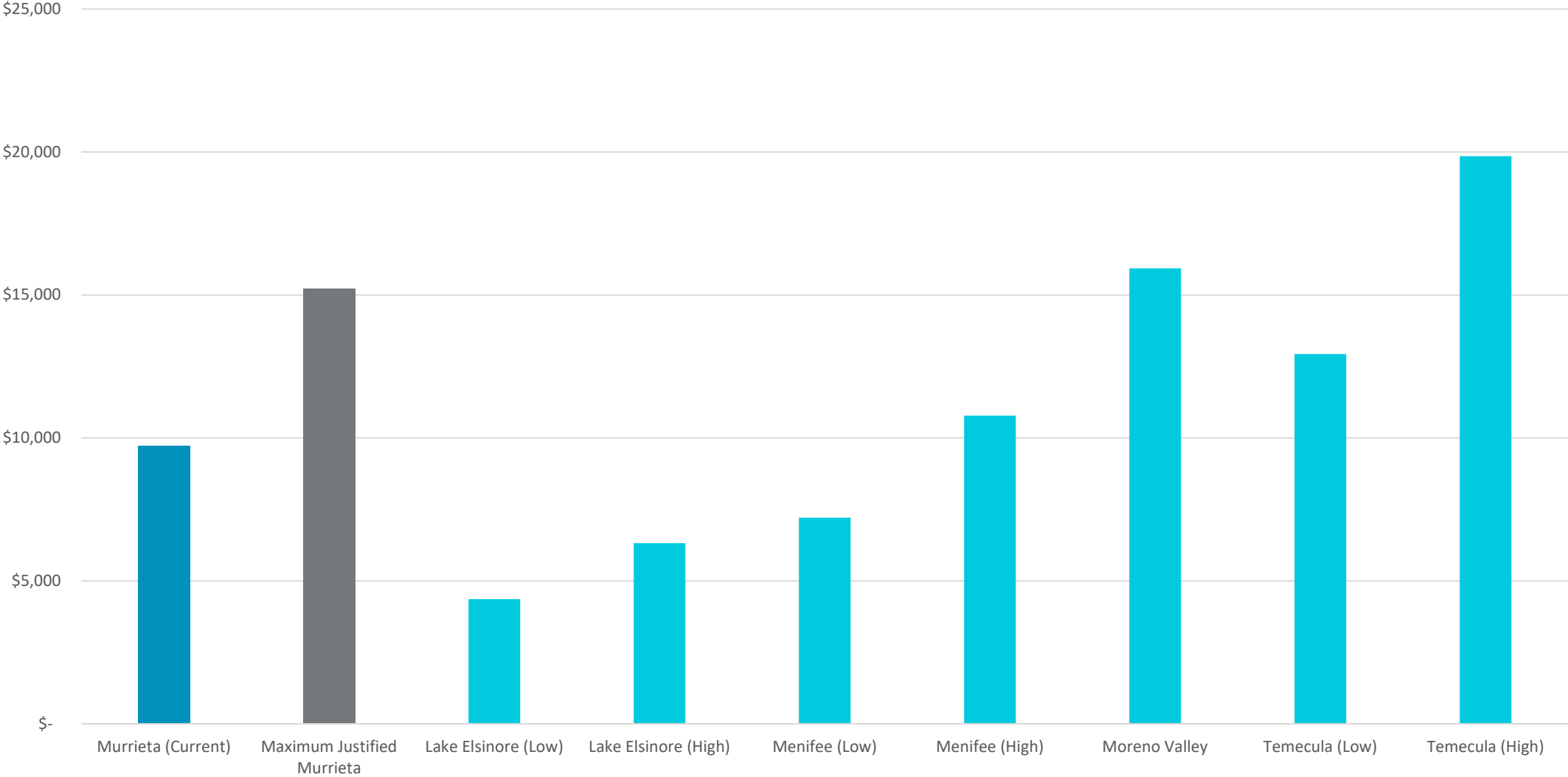
Projected Impact Fee Revenue

Fee Category	Total Project Cost	Projected Impact Fee Revenue	Additional Funding Required
Law Enforcement	\$ 59,670,000	\$ 59,670,000	\$ -
Fire Protection	85,521,000	85,521,000	-
Streets, Minor Bridges & Culverts	355,740,973	286,035,438	69,705,535
Traffic Signals	43,751,507	25,870,312	17,881,195
Storm Drainage	12,983,598	7,850,999	5,132,599
General Facilities	18,131,000	18,131,000	-
Parkland Facilities	97,204,000	97,204,000	-
Community Centers	2,288,000	2,288,000	-
Public Library	<u>7,100,000</u>	<u>3,325,104</u>	<u>3,774,896</u>
Total	\$ 682,390,078	\$ 585,895,853	\$ 96,494,225

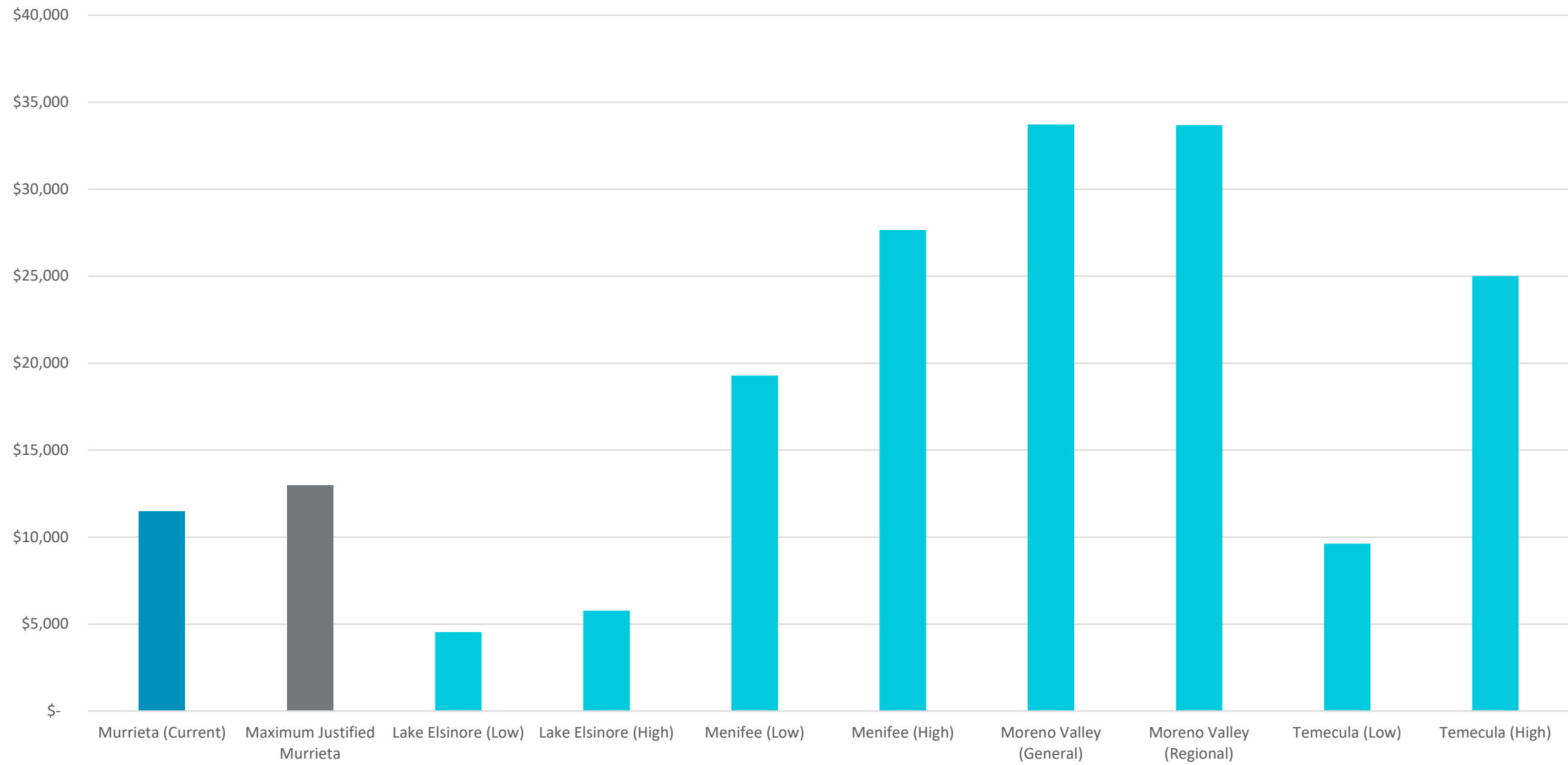
Fee Comparison: Single Family Unit, 2,555 Square Feet



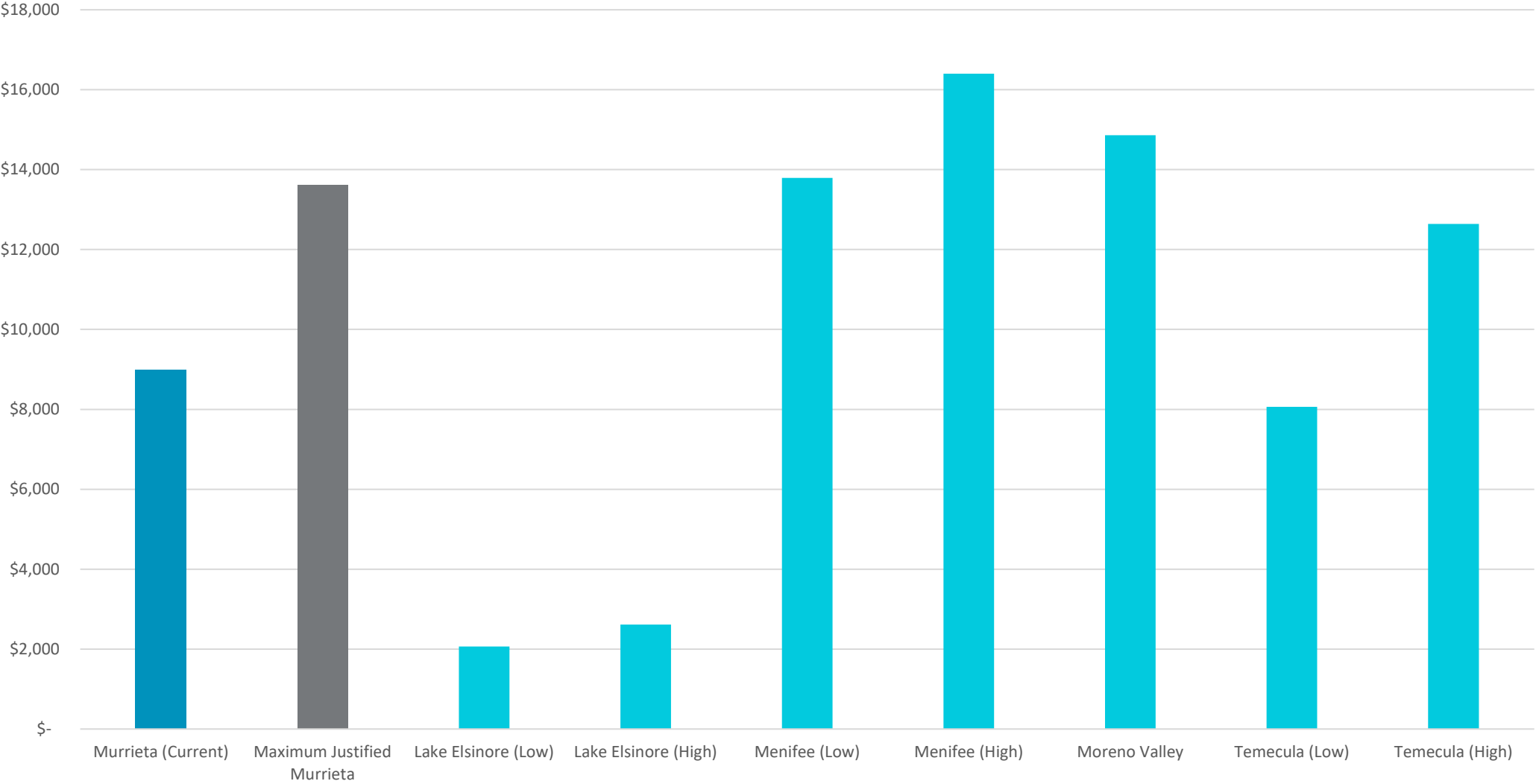
Fee Comparison: Multifamily Unit, 1,198 Square Feet



Fee Comparison: Commercial – 1,000 Square Feet



Fee Comparison: Office, 1,000 Square Feet



Fee Comparison: Industrial – 1,000 Square Feet

