

The Economics of Land Use



Final Report

Westside Industrial Specific Plan Fee Nexus Study Update

Prepared for:

City of Turlock

Prepared by:

Economic & Planning Systems, Inc.

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*Economic & Planning Systems, Inc.
2295 Gateway Oaks Drive, Suite 250
Sacramento, CA 95833-4210
916 649 8010 tel
916 649 2070 fax*

*Berkeley
Denver
Los Angeles
Sacramento*

www.epsys.com

EPS #132018

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1. EXECUTIVE SUMMARY

Introduction

The City of Turlock (City) retained Economic & Planning Systems, Inc. (EPS) to update the Westside Industrial Specific Plan (WISP) Development Impact Fee Nexus Study. The WISP Area includes land zoned for commercial, office, and industrial uses. The City has a WISP fee program through which it charges development impact fees to new development for specific plan infrastructure in the WISP Area. The WISP fees currently fund transportation, storm drainage, recycled water, sanitary sewer, and potable water improvements needed to serve the WISP Area. The City is proposing to remove transportation, storm drainage, and recycled water improvements from the WISP fee program and instead to fund these improvements through the citywide fee program. Thus, the updated WISP fee program will fund only sanitary sewer and potable water improvements. This report summarizes the updated remaining development, the updated remaining sanitary sewer and potable water costs, and the proposed updated WISP Area fees.

Purpose

The purpose of this study is to update the nexus between new development in the WISP Area and the additional potable water and sanitary sewer facilities required to serve that development. This nexus will serve as the basis for updating the WISP fees under Assembly Bill (AB) 1600 legislation, as codified by California Government Code Section 66000 et. seq. This code section sets forth the procedural requirements for establishing and collecting development impact fees. These procedures require that “a reasonable relationship, or nexus, must exist between a governmental exaction and the purpose of the condition.” Specifically, each local agency imposing a fee must perform the following tasks:

- Identify the purpose of the fee.
- Identify how the fee is to be used.
- Determine how a reasonable relationship exists between the fee’s use and the type of development project on which the fee is imposed.
- Determine how a reasonable relationship exists between the need for the public facility and the type of development project on which the fee is imposed.
- Demonstrate a reasonable relationship between the amount of the fee and the cost of public facility or portion of public facility attributable to development on which the fee is imposed.

The WISP fees to be collected for each land use are calculated based on the proportionate share of the total facility use that each land use represents. The result of this calculation is to establish WISP potable water and sanitary sewer improvement fees by land use. The WISP fees do not pay for site-specific infrastructure, which is the responsibility of the developer.

Existing Citywide Fees

The City currently requires payment of citywide fees for all new development within the City boundaries. Thus, development in the WISP Area must pay the citywide fees in addition to the WISP fees. The following fees are included in the citywide fee program:

- **Master Storm Drainage Fee**—Funds the improvement of citywide drainage facilities, including master storm drains and master detention basins.

Currently, the WISP fee funds storm drainage facilities needed by the WISP area development, but, with this fee update, all remaining storm drainage facilities will be moved from the WISP fee program to the citywide fee program.

- **Wastewater Plant Capacity Fees**—Fund sewer treatment plant expansions needed to accommodate added sewer flow resulting from new development.
- **Sewer Trunk Capacity Fees**—Fund the construction of citywide sewer trunk lines or the oversizing of normal-sized sewer lines to become sewer trunk lines.
- **Water Capital Facilities Fee (Water Grid Fee)**—Funds the improvement of major water supply, transmission, and storage facilities.
- **Capital Facility Fees (CFF)**—Fund capital facilities for roadways, police, fire, and general City government.

Currently, the WISP fee funds the majority of transportation improvements needed by the WISP Area development, but, with this fee update, all remaining transportation improvements will be moved from the WISP fee program to the citywide fee program.

- **Additional Fees**—In addition to the major fees listed above, the City also charges some additional fees on new development, including those listed below:
 - **Street Light Development Fees.**
 - **Sewer and Water Connection Fees.**
 - **Water Meter Fees.**

Proposed Updated WISP Fees

The WISP Area fees are based on the benefit received by future development in the WISP Area for WISP facilities still to be constructed. The total proposed potable water and sanitary sewer fees for each of the land uses in the WISP Area are shown in **Table 1**. All of the fees will be charged on a per-net-acre basis.

Table 2 compares the proposed fees with the current WISP fees charged by the City. As shown, the current WISP fee program includes fees for sanitary sewer, potable water, recycled water, storm drainage, and transportation improvements, whereas the proposed WISP fee program will contain fees for sanitary sewer and potable water improvements only. The current transportation fees are charged per 1,000 building square feet, and all other fees are charged

Table 1
Westside Industrial Specific Plan Fee Nexus Study Update
WISP Plan Area Fee Summary (2013\$)

Item	WISP Plan Area Fee per Net Developable Acre				
	Sewer	Water	Subtotal	Administration	Total
				3%	
Business Park	\$ 786	\$ 1,969	\$ 2,755	\$83	\$ 2,838
Community Commercial	\$ 786	\$ 1,969	\$ 2,755	\$83	\$ 2,838
Highway Commercial	\$ 786	\$ 1,969	\$ 2,755	\$83	\$ 2,838
Industrial	\$ 3,457	\$ 5,550	\$ 9,007	\$270	\$ 9,277
Office	\$ 786	\$ 1,969	\$ 2,755	\$83	\$ 2,838

fee sum

Table 2
Westside Industrial Specific Plan Fee Nexus Study Update
WISP Plan Area Fee Comparison (2013\$)

Land Use	Fee per Acre				Total	Fee per 1,000
	Sanitary Sewer	Potable Water	Recycled Water	Storm Drainage		Bldg. Sq. Ft.
						Transportation
Business Park						
Current [1] [2]	\$ 1,701	\$ 3,450	\$ 3,351	\$ 12,522	\$ 21,023	\$ 1,478
Proposed	\$ 786	\$ 1,969	\$ 0	\$ 0	\$ 2,755	\$ 0.0
Difference	(\$ 915)	(\$ 1,480)	(\$ 3,351)	(\$ 12,522)	(\$ 18,268)	(\$ 1,478)
Community Commercial						
Current [1]	\$ 2,382	\$ 4,830	\$ 4,692	\$ 12,522	\$ 24,425	\$ 6,281
Proposed	\$ 786	\$ 1,969	\$ 0	\$ 0	\$ 2,755	\$ 0
Difference	(\$ 1,596)	(\$ 2,861)	(\$ 4,692)	(\$ 12,522)	(\$ 21,670)	(\$ 6,281)
Highway Commercial						
Current [1] [3]	\$ 2,382	\$ 4,830	\$ 4,692	\$ 12,522	\$ 24,425	\$ 6,281
Proposed	\$ 786	\$ 1,969	\$ 0	\$ 0	\$ 2,755	\$ 0.0
Difference	(\$ 1,596)	(\$ 2,861)	(\$ 4,692)	(\$ 12,522)	(\$ 21,670)	(\$ 6,281)
Industrial						
Current [1]	\$ 2,722	\$ 5,519	\$ 5,361	\$ 12,522	\$ 26,125	\$ 724
Proposed	\$ 3,457	\$ 5,550	\$ 0	\$ 0	\$ 9,007	\$ 0
Difference	\$ 735	\$ 31	(\$ 5,361)	(\$ 12,522)	(\$ 17,118)	(\$ 724)
Office						
Current [1]	\$ 1,701	\$ 3,450	\$ 3,351	\$ 12,522	\$ 21,023	\$ 1,478
Proposed	\$ 786	\$ 1,969	\$ 0	\$ 0	\$ 2,755	\$ 0
Difference	(\$ 915)	(\$ 1,480)	(\$ 3,351)	(\$ 12,522)	(\$ 18,268)	(\$ 1,478)

comp

[1] Effective through June 30, 2013.

[2] No current business park land use, so office fees are shown for the purposes of comparison.

[3] No current highway commercial land use, so community commercial fees are shown for the purposes of comparison.

per net acre. There are no residential fees shown because the WISP Area does not include any planned residential development. The proposed WISP fees will decrease by approximately \$17,000 to \$22,000 per net acre, excluding the transportation fee. In addition, the transportation fee per 1,000 building square feet will be eliminated, further reducing the fees by approximately \$700 to \$6,300 per 1,000 building square feet, depending on the land use.

Report Organization

This report is divided into five chapters and one appendix:

- **Chapter 1** includes this executive summary.
- **Chapter 2** describes the future development and facility needs.
- **Chapter 3** provides the fee calculation for the improvement of facilities.
- **Chapter 4** describes how the fees will be implemented and updated.
- **Chapter 5** provides the nexus findings for the improvement fees.
- **Appendix A** includes figures and detailed tables showing the comparison of the WISP Area sanitary sewer and potable water fees to the fees in nearby jurisdictions.

2. FUTURE DEVELOPMENT AND FACILITY NEEDS

This chapter describes the amount of development projected to occur in the WISP Area and the public facility improvements necessary to provide adequate services to this new development.

Land Use

In total, the WISP Area encompasses 2,632 acres and is located to the west of and adjacent to State Route 99, north of Linwood Avenue, east of North Washington Road, and south of Fulkert Road. **Map 1** shows the location of the WISP Area. The developable land in the WISP consists of a variety of nonresidential uses.

Table 3 provides a summary of the remaining land still to develop in the WISP. The land use designations and estimated remaining development are based on information provided by the City. The remaining developable land includes land that is undeveloped or considered by the City to be underdeveloped. The land use classifications are more specifically described in the City's General Plan.

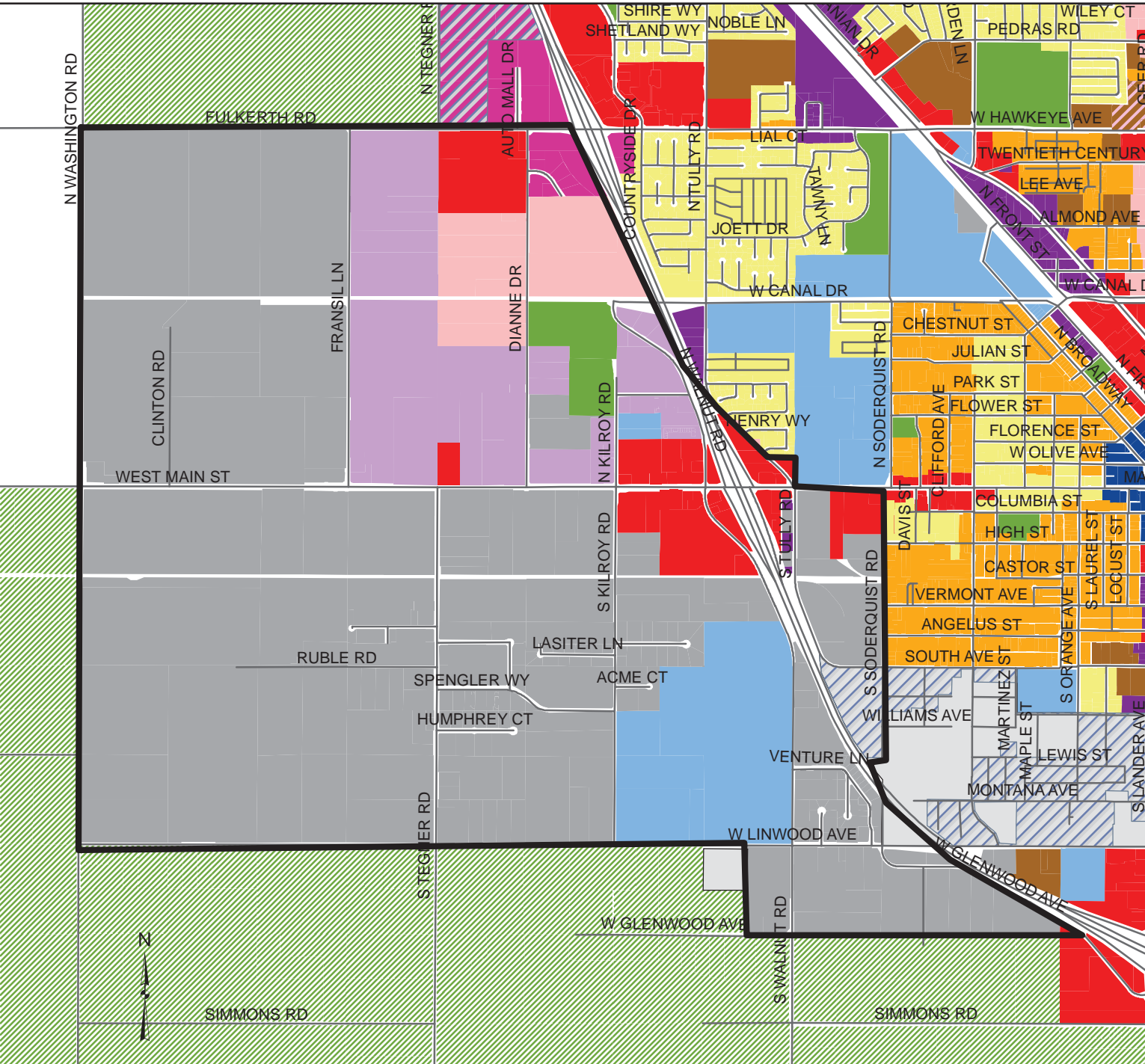
As shown in **Table 3**, there are approximately 1,340 gross developable acres still remaining to develop. Gross developable acres are exclusive of major roadways and lands designated for other public uses, such as storm drain detention basins. These acres are multiplied by a conversion factor of 85 percent to estimate a total of approximately 1,140 net developable acres. Net acres are the acres actually available for development, net of minor roadways and additional lands required for public use, as the land subdivides into developable parcels.

Infrastructure Requirements

To ensure successful development of the WISP Area, infrastructure upgrades are necessary. The WISP Area fee covers the costs of improvements not covered by the existing citywide fee program. The WISP fees currently include funding for transportation, storm drainage, water, and sewer facilities. With this fee update, however, the WISP fee will include funding for potable water and sanitary sewer facilities only. The other facility types will be moved to the citywide fee program.

The City provided cost estimates for the remaining sanitary sewer and potable water infrastructure upgrades to be funded through WISP fees. **Table 4** summarizes these costs. The estimates are reduced by the current sanitary sewer and potable water fee fund balances, which will be used to partially fund the remaining infrastructure. **Table 5** details the sanitary sewer infrastructure requirements and estimated costs, and **Table 6** provides the same information for the potable water improvement.

Map 1 Westside Industrial Specific Plan



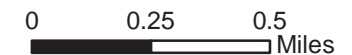
WISP Boundary

General Plan Land Use

- Very Low Density Residential
- Low Density Residential
- Low-Medium Density Residential
- Medium Density Residential
- Medium Density Residential/Office
- High Density Residential
- High Density Residential/Office
- Downtown
- Highway Commercial
- Community Commercial
- Community Commercial/Office
- Community Commercial/High Density Residential
- Heavy Commercial
- Office
- Business Park
- Industrial
- Park
- Public
- Urban Reserve

Updated or new Master Plan required prior to development

Future Master Plan Areas



This map does not represent legal parcel or lot boundaries; it is intended for zoning and/or general plan identification purposes only. Please contact the Planning Division before making any investment decisions based on the information shown on this map or on our website. Direct all inquiries to the Planning Division (209) 668-5640.

Table 3
Westside Industrial Specific Plan Fee Nexus Study Update
Land Use Summary

Land Use	Acres	
	Gross Developable	Net Developable
<i>Formula</i>	<i>a</i>	<i>a * 85%</i>
Business Park	239.0	203.2
Community Commercial	59.1	50.2
Highway Commercial	12.6	10.7
Industrial	920.7	782.6
Office	107.5	91.4
Total	1,339.1	1,138.2

lu

Source: City of Turlock and EPS

Table 4
Westside Industrial Specific Plan Fee Nexus Study Update
Summary of Backbone Infrastructure Costs (2013 \$)

Item	Estimated Costs		Total
	Sanitary Sewer	Potable Water	
Total Construction Cost	\$ 3,062,282	\$ 5,140,780	\$ 8,203,062
Less Fee Fund Balance	(\$ 77,305)	(\$ 96,938)	(\$ 174,243)
Total Cost	\$ 2,984,977	\$ 5,043,842	\$ 8,028,819

cost sum

**Table 5
Westside Industrial Specific Plan Fee Nexus Study Update
Estimated Sanitary Sewer Facility Costs (2013 \$)**

Sanitary Sewer

Project	TOTAL
Sanitary Sewer Project	
5 15' Gravity in Clinton from W. Main 2100' to north	\$ 334,698
13 10" Gravity in Washington from W. Main 1400' to south	\$ 171,640
19 12" Gravity in Washington from Linwood 2800' to north	\$ 377,608
20 12" Force Main in Washington from Linwood to W. Main	\$ 662,040
21 12' Gravity in future road from Linwood 2800' to north	\$ 377,608
22 10" Gravity in Tegner from Linwood 1000' to north	\$ 122,600
23 10" Gravity in Kilroy from Linwood 2000' to north	\$ 245,200
24 15' Gravity in Linwood from Washington 2600' East	\$ 414,388
P5 Proposed Pump Station at Washington and Linwood	\$ 356,500
Subtotal Sanitary Sewer Facility Cost	\$ 3,062,282
Less Fee Fund Balance	(\$ 77,305)
Total Cost	\$ 2,984,977

s cost sum

Source: City of Turlock

**Table 6
Westside Industrial Specific Plan Fee Nexus Study Update
Estimated Potable Water Facility Costs (2013 \$)**

Potable Water

Project	TOTAL
Potable Water Project	
8 12" Water Line in Canal from Washington 2600 east	\$ 318,760
9 12" Water Line in Canal from Fransil to Diane	\$ 318,760
10 12" Water Line in Canal from Diane to Walnut	\$ 159,380
15 12" Water Line in Washington from W. Main to Ruble	\$ 331,020
17 12" Water in Ruble from Washington to Tegner	\$ 662,040
19 12" Water Line in Washington from Ruble to Linwood	\$ 331,020
21 12" Water in Tegner from Linwood 1300 feet north	\$ 331,020
22 12" Water in Kilroy from Linwood 2000' to north	\$ 245,200
23 12" Water in Linwood from Washington to Tegner	\$ 662,040
25 12" Water in Linwood from Tegner to Kilroy	\$ 331,020
26 12" Water in Linwood from Kilroy to Walnut	\$ 331,020
W5 New Potable Well Near Linwood and Washington	\$ 1,119,500
Subtotal Potable Water Facility Cost	\$ 5,140,780
Less Fee Fund Balance	(\$ 96,938)
Total	\$ 5,043,842

w cost sum

Source: City of Turlock

Sewer System Improvements

The WISP fees will fund sanitary sewer improvements needed by the WISP Area. The remaining sewer improvements still to be completed include gravity lines, a force main, and one new pump station. The net sanitary sewer facilities cost to be funded by the WISP fee, after deducting the sanitary sewer fee fund balance, totals approximately \$3.0 million.

Potable Water Improvements

The WISP fees will fund potable water improvements needed by the WISP Area. The remaining water improvements still to be completed include water lines and a new well. The net potable water facilities cost to be funded by the WISP fee, after deducting the potable water fee fund balance, totals approximately \$5.0 million.

3. COST ALLOCATION AND WISP FEES

Introduction

For each facility type, the WISP fees are estimated by allocating the improvement costs (detailed in the previous chapter) to the various land uses, based on each land use's relative demand for the facility type. In addition, the City charges an administration fee to administer the fee program. The WISP fees were summarized in **Table 1** in the first chapter.

The specific steps in allocating the costs and estimating the fees for each facility type are outlined below:

1. Determine the improvement costs benefiting the WISP Area. These costs were detailed in the previous chapter. Subtract the existing fund balances allocated to fund such improvements to estimate the net costs to be funded.
2. Determine the use factor, or level of demand, for each land use.
3. Multiply the use factor by the projected number of remaining net developable acres to derive the facility demand for each land use category. Use these demand estimates to calculate the percentage distribution of total demand across land uses.
4. Allocate the improvement costs to the various land uses based on each land use's percentage of total facility demand.
5. For each land use, divide the allocated cost by the net developable acres to determine the fee per net developable acre.

Sanitary Sewer Cost Allocation

Table 7 details the sanitary sewer cost allocation. Sanitary sewer costs are allocated to the various land uses based on the estimated wastewater treatment flow by land use, expressed in gallons per day (GPD) per acre. The estimated GPD per acre factors were obtained from the Draft City of Turlock Sewer Master Plan Update (2013), currently being prepared. These factors are used to estimate each land use's relative sanitary sewer facility demand. The sanitary sewer costs are allocated to the various land uses based on the demand distribution among the land uses. The fee per net acre for each land use is estimated as the allocated cost divided by the number of acres for that land use.

Potable Water Cost Allocation

Table 8 details the potable water cost allocation. Potable water costs are allocated to the various land uses based on the estimated water demand by land use, expressed in gallons per minute (GPM) per acre. The estimated GPM per acre factors were obtained from the City of Turlock Water Master Plan Update (May 2009). These factors are used to estimate each land use's relative potable water facility demand. The potable water costs are allocated to the

Table 7
Westside Industrial Specific Plan Fee Nexus Study Update
Sanitary Sewer Facilities Cost Allocation (2013 \$)

Sanitary Sewer

Land Use	Net Developable Acres [1]	Cost Allocation Basis			Cost Allocation	
		GPD Per Acre	Total Sewer Demand [2]	Distribution of Sewer Demand	Assigned Cost	per Net Dev. Acre
<i>Formula</i>	<i>a</i>	<i>b</i>	<i>c=a*b</i>	<i>d</i>	<i>e= total cost*d</i>	<i>e/a</i>
Business Park	203.2	750	152,394	5.3%	\$ 159,645	\$ 786
Community Commercial	50.2	750	37,686	1.3%	\$ 39,479	\$ 786
Highway Commercial	10.7	750	8,060	0.3%	\$ 8,444	\$ 786
Industrial	782.6	3,300	2,582,693	90.6%	\$ 2,705,586	\$ 3,457
Office	91.4	750	68,560	2.4%	\$ 71,823	\$ 786
Total	1,138.2		2,849,394	100.00%	\$ 2,984,977	

s alloc

Source: Draft City of Turlock Sewer Master Plan Update (2013), City of Turlock, and EPS

[1] See Table 3.

[2] For purposes of allocating costs among land uses, total sewer demand is estimated using net developable acres. Because the net/gross factor is the same across land uses (85%), the same allocation would result if demand was estimated using gross acres.

Table 8
Westside Industrial Specific Plan Fee Nexus Study Update
Potable Water Facilities Cost Allocation (2013 \$)

Potable Water

Land Use	Net Developable Acres [1]	Cost Allocation Basis				Cost Allocation	
		GPM Per Acre	GPD Per Acre	Total Water Demand [2]	Distribution of Water Demand	Assigned Cost	per Net Dev. Acre
<i>Formula</i>	<i>a</i>	<i>b</i>	<i>c=b * 60 min/hr * 24 hr/day</i>	<i>d=a*c</i>	<i>e</i>	<i>f= total cost*e</i>	<i>f/a</i>
Business Park	203.2	1.1	1,584	321,856	7.9%	\$ 400,150	\$ 1,969
Community Commercial	50.2	1.1	1,584	79,593	2.0%	\$ 98,955	\$ 1,969
Highway Commercial	10.7	1.1	1,584	17,024	0.4%	\$ 21,165	\$ 1,969
Industrial	782.6	3.1	4,464	3,493,680	86.1%	\$ 4,343,549	\$ 5,550
Office	91.4	1.1	1,584	144,800	3.6%	\$ 180,023	\$ 1,969
Total	1,138.2			4,056,952	100.00%	\$ 5,043,842	

w alloc

Source: City of Turlock Water Master Plan Update (2009), City of Turlock, and EPS

[1] See Table 3.

[2] For purposes of allocating costs among land uses, total water demand is estimated using net developable acres. Because the net/gross factor is the same across land uses (85%), the same allocation would result if demand was estimated using gross acres.

various land uses based on the water demand distribution among the land uses. The cost per acre for each land use is calculated using the allocated cost divided by the number of acres for that land use.

Administration

In addition to the sanitary sewer and potable water fees, the City charges a fee to administer the WISP fee program. For each land use, the administration fee is calculated as 3 percent of the sum of the sanitary sewer and potable water costs.

4. IMPLEMENTATION AND UPDATE

The proposed updated WISP fees will need to be adopted by City Resolution as enabled by the current City code. The existing City municipal code allows the City Council to adopt, by resolution, a fee schedule consistent with supporting technical analysis and findings provided in this report. The resolution approach to setting the fee allows periodic adjustments of the fee amount that may be necessary over time, without amending the enabling ordinance.

It is anticipated that the City will update the existing Capital Facilities Fee (CFF) Ordinance as part of this study process. The proposed amendment includes a section stating that the specific plan fee programs shall be administered in accordance with the specifications in the updated CFF Ordinance. This updated ordinance addresses the primary implementation and administrative issues and procedures associated with the CFF and the specific plan fees. A brief summary of the key implementation and administrative elements is provided below.

Fee Collection and Amount

Applicable Land Uses

All new development that occurs in the WISP, except as specifically exempted by the CFF Ordinance, shall pay the WISP fee. While the maximum fee amount will be determined by this Nexus Study Update, the City may elect to charge less for a variety of reasons and under certain circumstances, as described in the CFF Ordinance. In any case, the applicable fees will be published in a Fee Schedule made available by the City and updated periodically. The amount will vary by land use, as summarized in **Table 1** of this report.

It is possible that certain projects may not fit neatly into the categories defined in **Table 1**. In cases where such ambiguity exists, the City Engineer and City Manager will need to make a determination as to the applicable fees. The CFF Ordinance articulates guidelines for resolving discrepancies or disputes.

Fee Escalation

The proposed CFF Ordinance allows for an automatic adjustment of the WISP fees to keep pace with inflation adjusted increases in construction cost. This allows the fee level to keep pace with inflation without requiring an annual approval process. This adjustment is based on the San Francisco Construction Cost Index (CCI) published by the Engineering News Record (ENR), a source widely used in the construction industry and by many jurisdictions as a basis for making annual inflation adjustments to their development impact fees. ENR's San Francisco CCI has been published consistently every month since 1967. As such, it is one of the most reliable and consistent indices that track trends in construction costs.

Timing and Manner of Payment

The proposed CFF Ordinance addresses issues related to the timing and manner of payment for the WISP fee including the potential for fee deferrals, payment plans, credits and reimbursements, exemptions, and related adjustments.

Annual Review, Accounting, and Updates

Annual Review

This report and the technical information it contains should be maintained and reviewed periodically by the City as necessary to ensure the accuracy of the WISP fee estimate and to enable the adequate programming of funding sources. To the extent that improvement requirements, costs, or development potential changes over time, the WISP fee program will need to be updated. Specifically, AB 1600 (at Gov. C. §§ 66001(c), 66006(b)(1)) stipulates that each local agency that requires payment of a fee make specific information available to the public annually within 180 days of the last day of the fiscal year, including this information:

- A description of the type of fee in the account.
- The amount of the fee.
- The beginning and ending balance of the fund.
- The amount of fees collected and interest earned.
- Identification of the improvements constructed.
- The total cost of the improvements constructed.
- The fees expended to construct the improvement.
- The percent of total costs funded by the fee.

If sufficient fees have been collected to fund the construction of an improvement, the agency must specify the approximate date for construction of that improvement. Because of the dynamic nature of growth and infrastructure requirements, the City should monitor development activity, the need for infrastructure improvements, and the adequacy of the fee revenues and other available funding. Formal annual review of the WISP fee program should occur, at which time necessary adjustments should be made to the fee program. The fee program includes an administrative component that funds the costs associated with this monitoring and updating effort.

Surplus Funds

AB 1600 also requires that if any portion of a fee remains unexpended or uncommitted in an account for five years or more after deposit of the fee, the City Council shall make findings once each year: (1) to identify the purpose to which the fee is to be put, (2) to demonstrate a reasonable relationship between the fee and the purpose for which it was charged, (3) to identify all sources and amounts of funding anticipated to complete financing of incomplete improvements, and (4) to designate the approximate dates on which the funding identified in (3) is expected to be deposited into the appropriate fund.

If adequate funding has been collected for a certain improvement, an approximate date must be specified as to when construction on the improvement will begin. If the findings show no need for the unspent funds or if the conditions discussed above are not met, and the administrative costs of the refund do not exceed the refund itself, the local agency that has collected the funds must refund them.

Internal Loaning of Funds

Loans between the WISP fee funds may be used from time to time to facilitate the construction of WISP facilities and assure adequate cash flow. Any such loan shall be made in accordance with

applicable law, as interpreted by the City Attorney of the City of Turlock, and all funds shall be placed in separate accounts on either a facility or geographic basis. The additional following requirements are also placed on loans between WISP fee funds:

1. Funds may be transferred between accounts to expedite the construction of critical projects and facilities.
2. A mechanism to repay accounts shall be established.
3. Interest charged on each loan shall be based upon the Local agency Investment Fund rate in effect at the time of the loan and shall be deposited into the account providing the loan.
4. Inter-fund loan repayments shall take precedence over reimbursements to developers.

Five-Year Update

Fees will be collected from new development within the City immediately; however, use of these funds may need to wait until a sufficient fund balance can be accrued. Per Government Code Section 66006, the City is required to deposit, invest, account for, and expend the fees in a prescribed manner. The fifth fiscal year following the first deposit into the fee account or fund, and every five years thereafter, the City is required to make all of the following findings with respect to that portion of the account or fund remaining unexpended:

- Identify the purpose for which the fee is to be put.
- Demonstrate a reasonable relationship between the fee and the purpose for which it is charged.
- Identify all sources and amounts of funding anticipated to complete financing in incomplete improvements.
- Designate the approximate dates that the funding referred to in the above paragraph is expected to be deposited in the appropriate account or fund.

Once sufficient funds have been collected to complete the specified projects, the City must commence construction within 180 days. If it fails to do this, the City is required to refund the unexpended portion of the fee and any accrued interest to the then current owners.

Supplemental Funding

Although the WISP fees are intended to fully fund the identified WISP facilities, it is possible that the City may use supplemental funds for future facilities. Supplemental funding may include but is not limited to the following sources:

- **General Fund Revenues.** In any given year, the City could allocate a portion of its General Fund revenues for discretionary expenditures. Depending on the revenues generated relative to costs and City priorities, the City may allocate General Fund revenues to fund WISP facilities costs not covered by the WISP fee program or other funding sources.
- **Assessments and Special Taxes.** The City could fund a portion of facilities costs using assessments and special taxes. For example, the establishment of a Mello-Roos Community

Facilities District would allow the City to levy a special tax to pay debt service on bonds sold to fund construction of capital facilities or to directly fund capital facilities.

- **State or Federal Funds.** The City might seek and obtain grants of matching funds from State and Federal sources to help offset the costs of required facilities and improvements. As part of its funding effort, the City should research and monitor these outside revenue sources and apply for funds as appropriate.

It should be noted that during the past few decades, there has been an increasing shift of infrastructure financing responsibilities from State and federal government to the local level. This shift, combined with the effects of the Great Recession (i.e., reduced property values), has left cities with very limited resources, and competition for General Fund revenues is high. Additionally, many grant programs that once funded major highway improvements and water and sewer infrastructure improvements were long ago abandoned. As the economy improves, assessments and special districts, which require voter approval may become more feasible, but at this time, development impact fees are one of the few funding sources that Turlock's City Council can control.

5. AB 1600 NEXUS FINDINGS

Authority

This report has been prepared to update development impact fees for the WISP Area in the City in accordance with the procedural guidelines established in AB 1600, which are codified in California Government Code Section 66000 et. seq. These code sections set forth the procedural requirements for establishing and collecting development impact fees. These procedures require that “a reasonable relationship or nexus must exist between a governmental exaction and the purpose of the condition.”¹

Specifically, each local agency imposing a fee must perform the following tasks:

- Identify the purpose of the fee.
- Identify how the fee is to be used.
- Determine how a reasonable relationship exists between the fee’s use and the type of development project on which the fee is imposed.
- Determine how a reasonable relationship exists between the need for the public facility and the type of development project on which the fee is imposed.
- Demonstrate a reasonable relationship between the amount of the fee and the cost of the public facility or portion of the public facility attributable to the development on which the fee is imposed.

Purpose of Fees

New development in the WISP Area will increase the demand for sanitary sewer and potable water facilities. Funding by the WISP fees will provide for these needed infrastructure improvements. The sanitary sewer and potable water improvements are described in more detail in **Chapter 2**.

Use of Fees

WISP Area fees from new development will be used to fund the following improvements:

- **Sanitary Sewer Improvements**—WISP fees will fund new sanitary sewer infrastructure needed to convey sewage from planned new development into the citywide sewer system. Required new sanitary sewer facilities include a series of sewer lines and a new pump station.
- **Potable Water Improvements**—WISP fees will fund potable water facilities needed to accommodate increased water usage by new development. Required new water facilities include a well and a series of water lines throughout the WISP Area.

¹ *Public Needs & Private Dollars*; William Abbott, Marian E. Moe, and Marilee Hanson, page 109.

Relationship between Use of Fees and Type of Development

The WISP fee will fund sanitary sewer and potable water facilities needed to serve new development in the WISP Area, as summarized below:

- **Sanitary Sewer Improvements**—New nonresidential development will create sewer flow in the WISP Area. Additional gravity trunk lines will create capacity for the sewage system to accommodate the demands of future development.
- **Potable Water Improvements**—New nonresidential development will create demand for additional potable water in the WISP Area. Construction of an additional well and a series of water lines in the WISP Area will create capacity for the water system to accommodate the demands of future development.

Relationship between Need for Facility and Type of Project

- **Sanitary Sewer Improvements**—The City has capacity available in the out-of-area sewer collection system and the recently expanded wastewater treatment plant to support development in the WISP Area. For development to occur in the WISP Area, new sewer lines are necessary to connect to the existing collection system. The relatively flat topography of the area requires facilities to pump sewage generated from new development into the existing gravity sewer collection system; thus, a pump station also will be needed.
- **Potable Water Improvements**—Potable water improvements are necessary to maintain the existing level of water capacity to serve new development in the WISP Area. An additional water well and water lines in the WISP Area are needed so existing water resources will not be negatively impacted by new development.

Relationship between Amount of Fees and Cost of or Portion of Facility Attributed to Development on which Fee is Imposed

All costs of the local WISP Area infrastructure improvements are allocated to new development in the WISP Area, which will receive benefits from WISP Area infrastructure. As a result, development impact fees will support all costs associated with these infrastructure improvements. The infrastructure costs are allocated to the land uses based on each land use's relative demand for the improvements, as described below:

- **Sanitary Sewer Improvements**—Costs are allocated to the land uses based on each land use’s estimated demand for sanitary sewer facilities, as measured by wastewater treatment flow factors by land use, expressed in GPD per acre. The cost allocation is the basis for the fee estimates by land use.
- **Potable Water Improvements**—Costs are allocated to the land uses based on each land use’s estimated demand for potable water facilities, as measured by water demand by land use factors, expressed in GPM per acre. The cost allocation is the basis for the fee estimates by land use.



APPENDIX A: Infrastructure Cost Burden Comparison

Table A-1	Sewer Development Impact Fee Comparison— Single-Family Development	A-2
Table A-2	Sewer Development Impact Fee Comparison— Retail Development	A-3
Table A-3	Sewer Development Impact Fee Comparison— Industrial Development	A-4
Table A-4	Water Development Impact Fee Comparison— Single-Family Development	A-5
Table A-5	Water Development Impact Fee Comparison— Retail Development	A-6
Table A-6	Water Development Impact Fee Comparison— Industrial Development	A-7

APPENDIX A: SUMMARY

This appendix contains sanitary sewer and potable water development impact fee comparison tables and charts to compare the NWTSP proposed sewer and water development impact fees to the same fees in neighboring cities. For both sewer and water fees, separate single family, retail, and industrial comparisons are included.

The two Turlock specific plan areas included in the comparisons pay both city and plan area fees, whereas new development in the comparison cities pays only city fees. Some cities, however, (such as Manteca and Merced) have different fees for development in different areas of the city.

The following common assumptions were made for each land use:

- **Single-Family**
 - Fees calculated per dwelling unit
 - Sewer Meter Size: 5/8 inch
 - Water Meter Size: 5/8 inch

- **Retail**
 - Fees calculated per acre
 - Project Size: 10 acres
 - Floor to Area Ratio (FAR): 0.25
 - Sewer Meters per Project: 1
 - Sewer Meter Size: 2 inch
 - Water Meters per Project: 2
 - Water Meter Size: 2 inch

- **Industrial**
 - Fees calculated per acre
 - Project Size: 20 acres
 - Floor to Area Ratio (FAR): 0.40
 - Sewer Meters per Project: 1
 - Sewer Meter Size: 2 inch
 - Water Meters per Project: 2
 - Water Meter Size: 2 inch

**Table A-1
Westside Industrial Specific Plan Fee Nexus Study Update
Sewer Development Impact Fee Comparison - Single-Family Development**

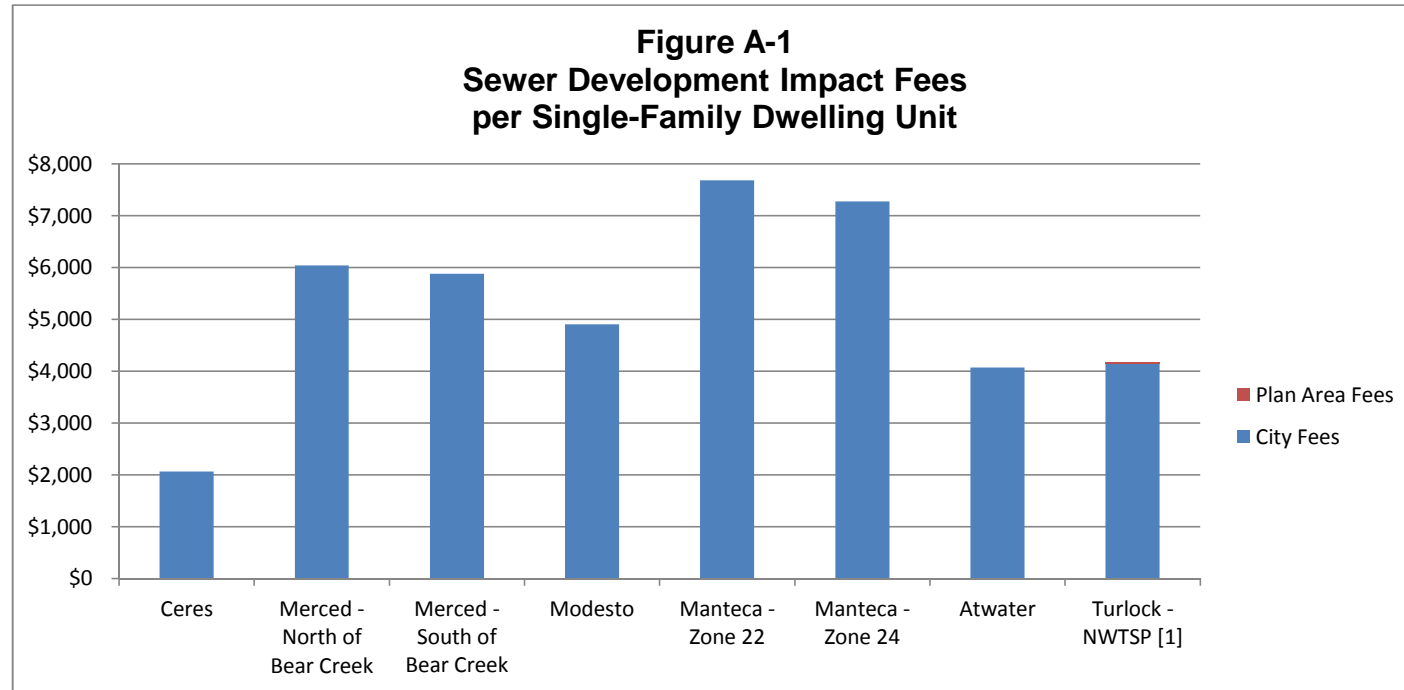
Land Use Category	Fee per Dwelling Unit by Jurisdiction (2013 \$)							
	Ceres	Merced - North of Bear Creek	Merced - South of Bear Creek	Modesto	Manteca - Zone 22	Manteca - Zone 24	Atwater	Turlock - NWTSP [1]
Plan Area Fees	NA	NA	NA	NA	NA	NA	NA	\$24
City Fees	\$2,063	\$6,036	\$5,875	\$4,906	\$7,678	\$7,270	\$4,067	\$4,138
Total Fees	\$2,063	\$6,036	\$5,875	\$4,906	\$7,678	\$7,270	\$4,067	\$4,161

SS

Sources: Cities of Ceres, Lodi, Merced, Modesto, Manteca, Atwater, & Turlock; and Economic & Planning Systems, Inc.

[1] Turlock plan area fees include a 3% administrative fee.

**Figure A-1
Sewer Development Impact Fees
per Single-Family Dwelling Unit**



A-2

Table A-2
Westside Industrial Specific Plan Fee Nexus Study Update
Sewer Development Impact Fee Comparison - Retail Development

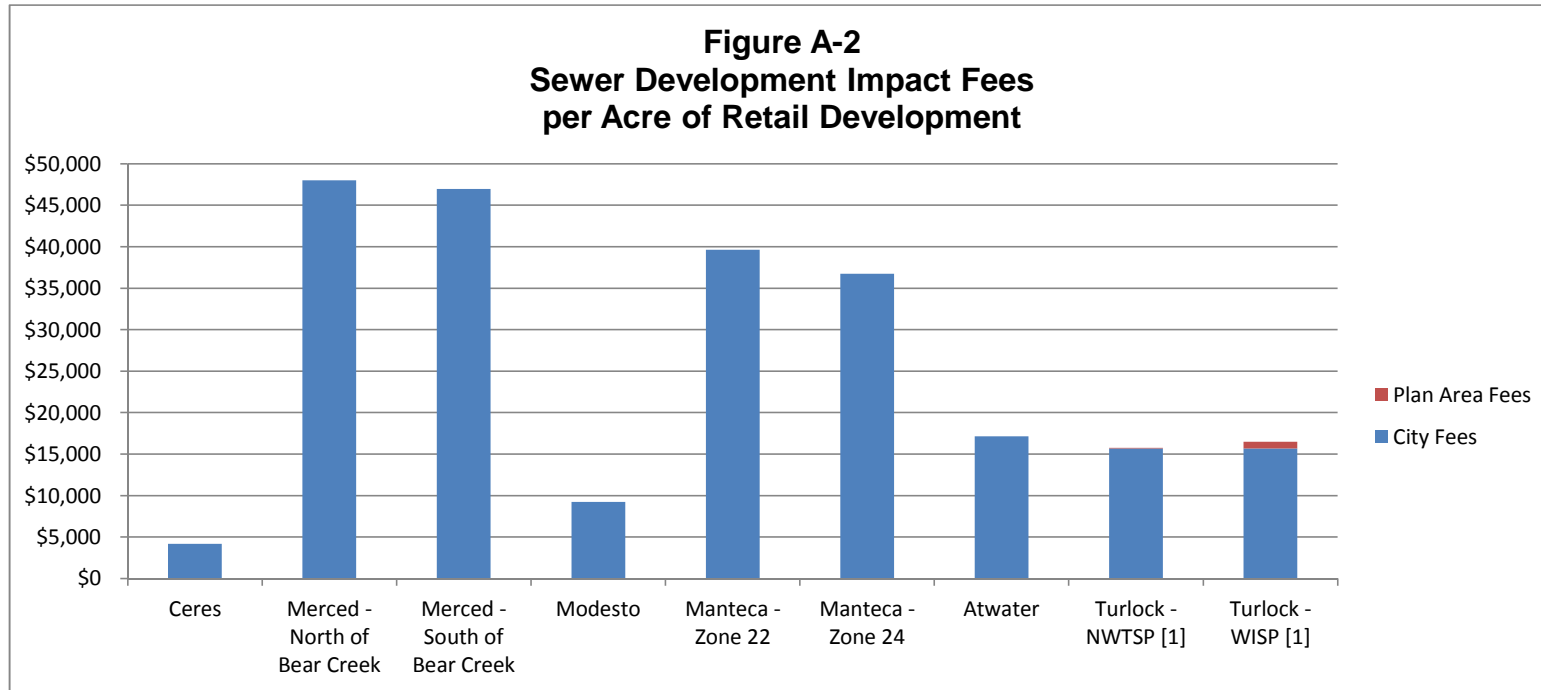
Land Use Category	Fee per Acre by Jurisdiction (2013 \$)								
	Ceres	Merced - North of Bear Creek	Merced - South of Bear Creek	Modesto	Manteca - Zone 22	Manteca - Zone 24	Atwater	Turlock - NWTSP [1]	Turlock - WISP [1]
Plan Area Fees	NA	NA	NA	NA	NA	NA	NA	\$76	\$809
City Fees	\$4,190	\$48,014	\$46,936	\$9,257	\$39,613	\$36,745	\$17,163	\$15,691	\$15,691
Total Fees	\$4,190	\$48,014	\$46,936	\$9,257	\$39,613	\$36,745	\$17,163	\$15,768	\$16,501

SR

Sources: Cities of Ceres, Lodi, Merced, Modesto, Manteca, Atwater, & Turlock; and Economic & Planning Systems, Inc.

[1] Turlock plan area fees include a 3% administrative fee.

A-3



**Table A-3
Westside Industrial Specific Plan Fee Nexus Study Update
Sewer Development Impact Fee Comparison - Industrial Development**

Land Use Category	Fee per Acre by Jurisdiction (2013 \$)							
	Ceres	Merced - North of Bear Creek	Merced - South of Bear Creek	Modesto	Manteca - Zone 22	Manteca - Zone 24	Turlock - NWTSP [1]	Turlock - WISP [1]
Plan Area Fees	NA	NA	NA	NA	NA	NA	\$76	\$3,561
City Fees	\$12,115	\$53,875	\$52,655	\$8,886	\$39,613	\$36,745	\$15,455	\$15,455
Total Fees	\$12,115	\$53,875	\$52,655	\$8,886	\$39,613	\$36,745	\$15,531	\$19,015

SI

Sources: Cities of Ceres, Lodi, Merced, Modesto, Manteca, Atwater, & Turlock; and Economic & Planning Systems, Inc.

[1] Turlock plan area fees include a 3% administrative fee.

A-4

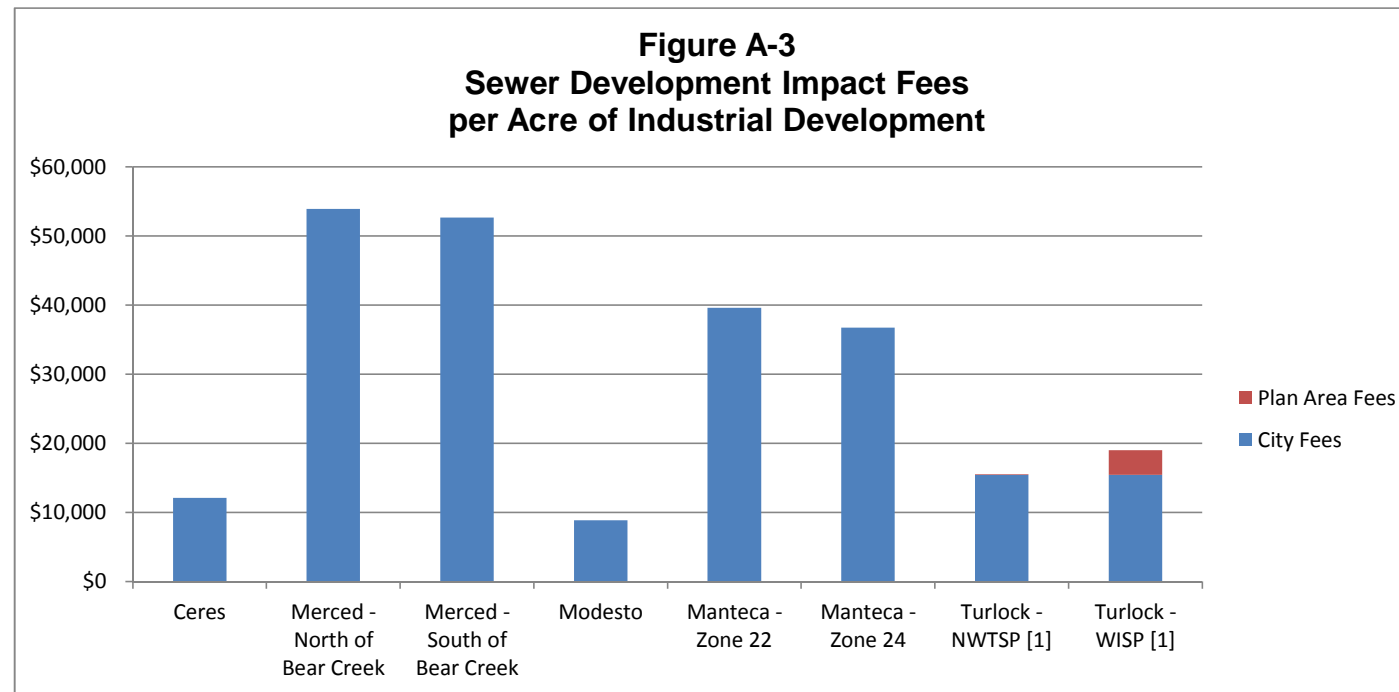


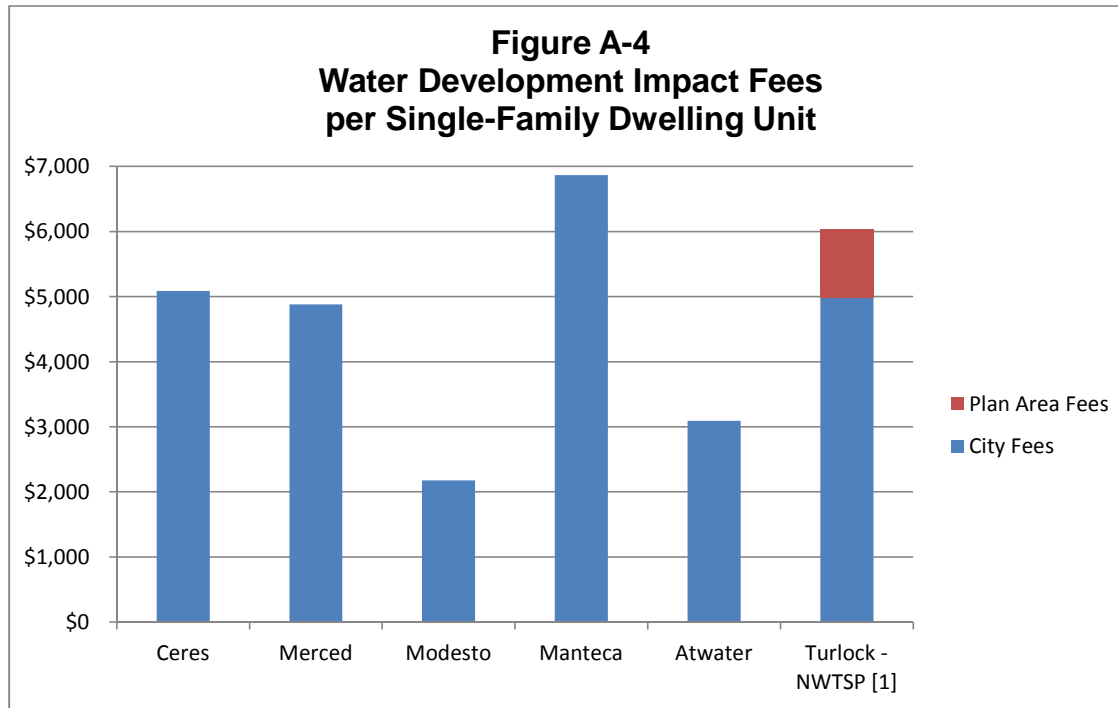
Table A-4
Westside Industrial Specific Plan Fee Nexus Study Update
Water Development Impact Fee Comparison - Single-Family Development

Land Use Category	Fee per Dwelling Unit by Jurisdiction (2013 \$)					
	Ceres	Merced	Modesto	Manteca	Atwater	Turlock - NWTSP [1]
Plan Area Fees	NA	NA	NA	NA	NA	\$1,053
City Fees	\$5,086	\$4,879	\$2,175	\$6,867	\$3,089	\$4,976
Total Fees	\$5,086	\$4,879	\$2,175	\$6,867	\$3,089	\$6,029

WS

Sources: Cities of Ceres, Lodi, Merced, Modesto, Manteca, Atwater, & Turlock; and Economic & Planning

[1] Turlock plan area fees include a 3% administrative fee.



**Table A-5
Westside Industrial Specific Plan Fee Nexus Study Update
Water Development Impact Fee Comparison - Retail Development**

Land Use Category	Fee per Acre by Jurisdiction (2013 \$)						
	Ceres	Merced	Modesto	Manteca	Atwater	Turlock - NWTSP [1]	Turlock - WISP [1]
Plan Area Fees	NA	NA	NA	NA	NA	\$2,516	\$2,028
City Fees	\$6,329	\$3,123	\$3,479	\$7,320	\$1,507	\$2,931	\$2,931
Total Fees	\$6,329	\$3,123	\$3,479	\$7,320	\$1,507	\$5,448	\$4,960

WR

Sources: Cities of Ceres, Lodi, Merced, Modesto, Manteca, Atwater, & Turlock; and Economic & Planning Systems, Inc.

[1] Turlock plan area fees include a 3% administrative fee.

**Figure A-5
Water Development Impact Fees
per Acre of Retail Development**

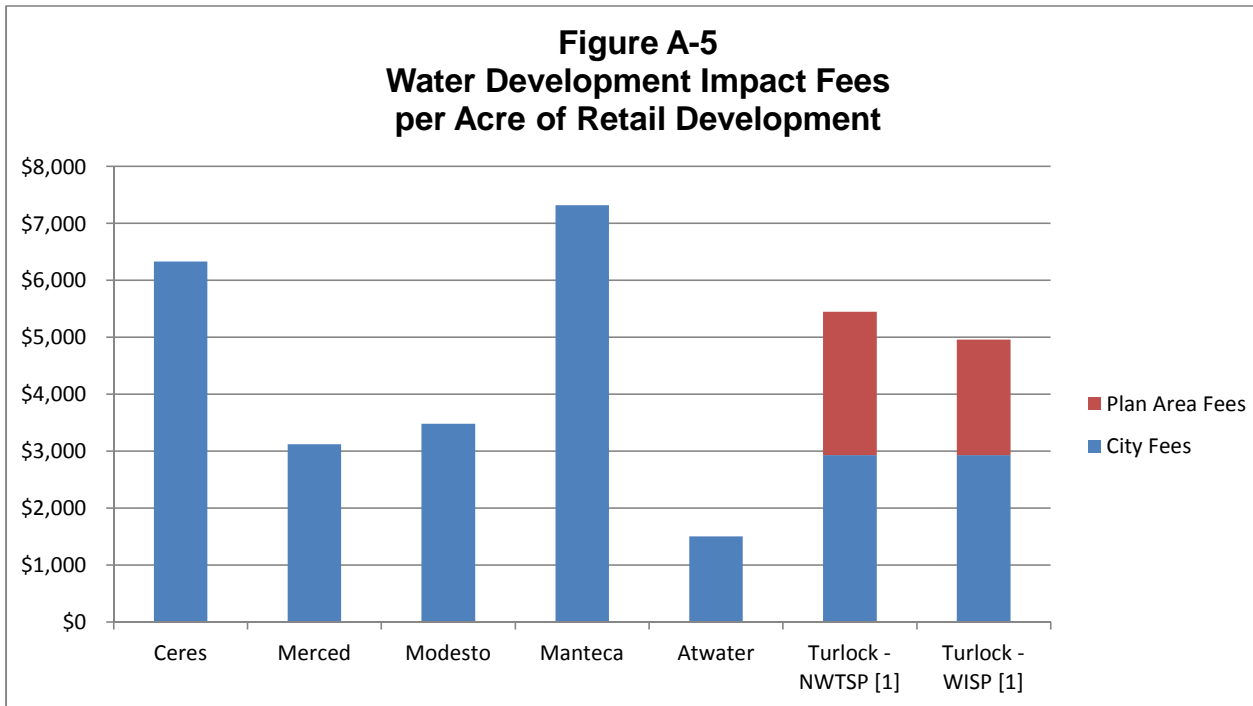


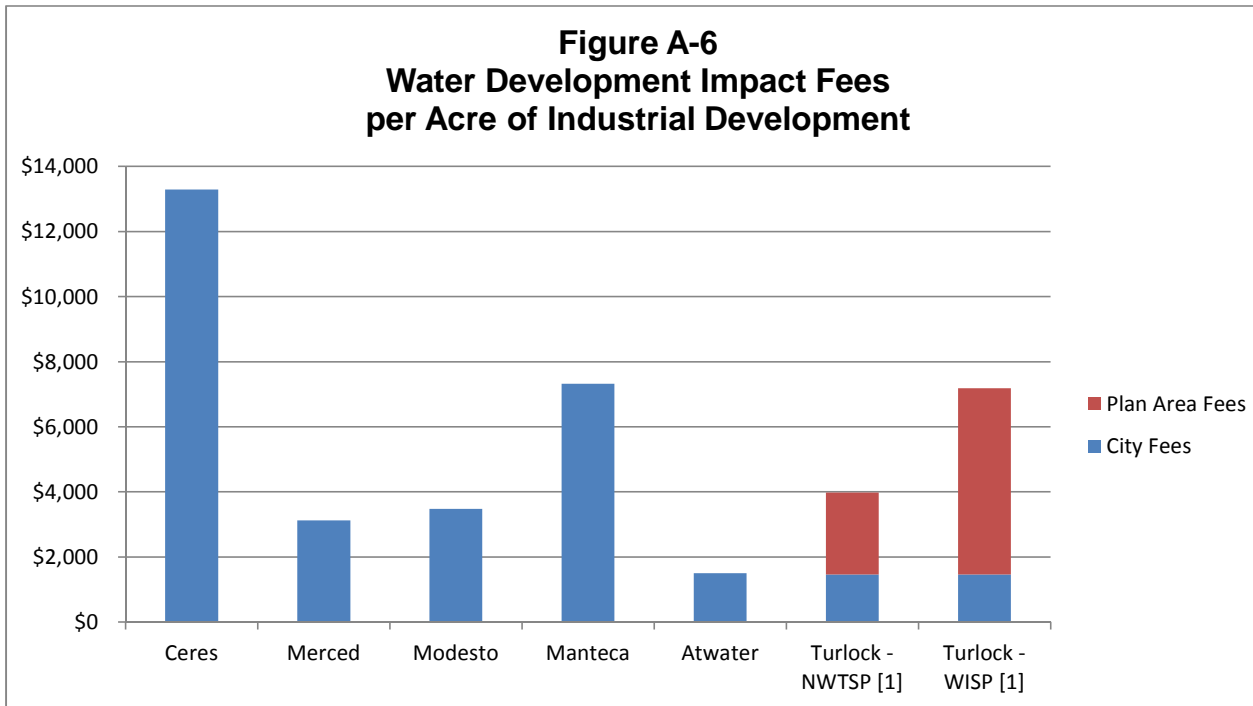
Table A-6
Westside Industrial Specific Plan Fee Nexus Study Update
Water Development Impact Fee Comparison - Industrial Development

Land Use Category	Fee per Acre by Jurisdiction (2013 \$)						
	Ceres	Merced	Modesto	Manteca	Atwater	Turlock - NWTSP [1]	Turlock - WISP [1]
Plan Area Fees	NA	NA	NA	NA	NA	\$2,516	\$5,716
City Fees	\$13,292	\$3,123	\$3,479	\$7,320	\$1,507	\$1,466	\$1,466
Total Fees	\$13,292	\$3,123	\$3,479	\$7,320	\$1,507	\$3,982	\$7,182

W/

Sources: Cities of Ceres, Lodi, Merced, Modesto, Manteca, Atwater, & Turlock; and Economic & Planning Systems, Inc.

[1] Turlock plan area fees include a 3% administrative fee.



A-7