

The Economics of Land Use



Final Report

Northwest Triangle Specific Plan Fee Nexus Study Update

Prepared for:

City of Turlock

Prepared by:

Economic & Planning Systems, Inc.

November 12, 2013

*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

Table of Contents

1.	EXECUTIVE SUMMARY	1
	Introduction	1
	Purpose	1
	Existing Citywide Fees	2
	Proposed Updated NWTSP Fees	2
	Report Organization	4
2.	FUTURE DEVELOPMENT AND FACILITY NEEDS	6
	Land Use	6
	Infrastructure Requirements.....	6
3.	COST ALLOCATION AND NWTSP FEES.....	13
	Introduction	13
	Sanitary Sewer Cost Allocation	13
	Potable Water Cost Allocation	15
	Administration	15
4.	IMPLEMENTATION AND UPDATE.....	17
	Fee Collection and Amount.....	17
	Annual Review, Accounting, and Updates	18
	Supplemental Funding	19
5.	AB 1600 NEXUS FINDINGS	21
	Authority	21
	Purpose of Fees	21
	Use of Fees	21
	Relationship between Use of Fees and Type of Development	22
	Relationship between Need for Facility and Type of Project.....	22
	Relationship between Amount of Fees and Cost of or Portion of Facility Attributed to Development on which Fee is Imposed	22

Appendix A: Infrastructure Cost Burden Comparison

List of Tables

Table 1	NWTSP Plan Area Fee Summary	3
Table 2	WISP Plan Area Fee Comparison	5
Table 3	Land Use Summary	8
Table 4	Summary of Backbone Infrastructure Costs.....	9
Table 5	Estimated Sanitary Sewer Facility Costs.....	10
Table 6	Estimated Potable Water Facility Costs	11
Table 7	Sanitary Sewer Facilities Cost Allocation	14
Table 8	Potable Water Facilities Cost Allocation	16

List of Maps

Map 1	NWTSP Area Location	7
-------	---------------------------	---

1. EXECUTIVE SUMMARY

Introduction

The City of Turlock (City) retained Economic & Planning Systems, Inc. (EPS), to update the Northwest Triangle Specific Plan (NWTSP) Development Impact Fee Nexus Study. The NWTSP Area includes land zoned for residential and commercial uses. The City has a NWTSP fee program through which it charges a development impact fee to new development for specific plan infrastructure within the NWTSP Area. The NWTSP fees currently fund transportation, storm drainage, and sanitary sewer improvements needed to serve the NWTSP Area. The City is proposing to remove transportation and storm drainage improvements from the NWTSP fee program and instead to fund these improvements through the citywide fee program. In addition, the City proposes to add potable water improvements to the NWTSP fee program. Thus, the updated NWTSP fee program will fund 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 NWTSP fees.

Purpose

The purpose of this study is to update the nexus between new development in the NWTSP 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 NWTSP 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 NWTSP 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 NWTSP potable water and sanitary sewer improvement fees by land use. The NWTSP 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 NWTSP Area must pay the citywide fees in addition to the NWTSP 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 NWTSP fee funds storm drainage facilities needed by the NWTSP Area development, but, with this fee update, all remaining storm drainage facilities will be moved from the NWTSP 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 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.

Currently, potable water facilities are not included in the NWTSP fee program, but, with this fee update, all remaining potable water improvements needed specifically to serve the NWTSP development will be moved from the citywide fee program to the NWTSP fee program.

- **Capital Facility Fees (CFF)**—Fund capital facilities for roadways, police, fire, and general City government.

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

- **Additional Fees**—In addition to the major fees listed above, the City 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 NWTSP Fees

The NWTSP fees are based on the benefit received by future development in the NWTSP Area for NWTSP facilities still to be constructed. The total proposed potable water and sanitary sewer fees for each land use in the NWTSP Area are shown in **Table 1**. The residential fees will be charged per dwelling unit, and the nonresidential fees will be charged per net acre.

Table 1
Northwest Triangle Specific Plan Fee Nexus Study Update
NWTSP Plan Area Fee Summary (2013\$)

Item	NWTSP Plan Area Fee				
	Sewer	Water	Subtotal	Administration	Total
Residential	<i>per dwelling unit</i>			3%	
Low Density Residential	\$ 23	\$ 1,022	\$ 1,045	\$31	\$ 1,076
Low-Medium Density [1]	\$ 19	\$ 639	\$ 658	\$20	\$ 678
Medium Density [1]	\$ 16	\$ 464	\$ 480	\$14	\$ 494
High Density Residential	\$ 16	\$ 671	\$ 687	\$21	\$ 708
Nonresidential	<i>per net developable acre</i>				
Community Commercial	\$ 74	\$ 2,443	\$ 2,517	\$76	\$ 2,593
Heavy Commercial	\$ 74	\$ 2,443	\$ 2,517	\$76	\$ 2,593
Highway Commercial	\$ 74	\$ 2,443	\$ 2,517	\$76	\$ 2,593

fee sum

[1] There is no remaining developable land with these zonings in the NWTSP. Fee calculated to account for possibility of a zoning change.

Table 2 compares the proposed fees with the current NWTSP fees charged by the City. The current NWTSP fee program includes fees for transportation, storm drainage, and sanitary sewer improvements, whereas the proposed NWTSP fee program will contain fees for sanitary sewer and potable water improvements. In addition, the current fees vary by benefit zones in the NWTSP. For the proposed fees, the benefit zones will be eliminated and all development of a particular land use will pay the same fee per dwelling unit or net acre. For purposes of the fee comparison, the existing Zone 3 fees are shown because this zone contains much of the remaining developable land and includes a mix of development similar to the remaining development for the entire plan area.

The total proposed NWTSP residential fees will decrease by approximately \$1,900 to \$2,400 per dwelling unit, while the nonresidential fees will decrease by approximately \$31,200 per net acre. The proposed fees reflect updated cost and development estimates, removal of transportation and storm drainage facilities from the NWTSP fee program, and the addition of potable water facilities to the fee program.

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 NWTSP Area sanitary sewer and potable water fees to the fees in nearby jurisdictions.

Table 2
Northwest Triangle Specific Plan Fee Nexus Study Update
NWTSP Plan Area Fee Comparison (2013\$)

Land Use	Current [1]	Proposed	Difference
Residential	<i>per dwelling unit</i>		
Low Density	\$ 3,014	\$ 1,076	(\$ 1,938)
Low-Medium Density [2] [3]	\$ 2,885	\$ 678	(\$ 2,207)
Medium Density [2]	\$ 2,885	\$ 494	(\$ 2,391)
High Density	\$ 2,828	\$ 708	(\$ 2,120)
Nonresidential	<i>per net acre</i>		
	\$ 33,748	\$ 2,593	(\$ 31,155)

comp

[1] Zone 3 fees effective through June 30, 2013.

[2] There is no remaining developable land with these zonings in the NWTSP. Fee calculated to account for possibility of a zoning change.

[3] No current Low-Medium Density residential land use. Medium Density fee shown for the purposes of comparison.

2. FUTURE DEVELOPMENT AND FACILITY NEEDS

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

Land Use

In total, the NWTSP Area encompasses 816 acres. It is bounded to the north by Taylor Road and to the south by Fulkerth Road. Its western and eastern boundaries are from just west of State Route 99 to just east of Golden State Boulevard. **Map 1** shows the location of the NWTSP Area. The developable land in the NWTSP consists of a variety of residential and nonresidential uses.

Table 3 provides a summary of the remaining land still to develop in the NWTSP. 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.

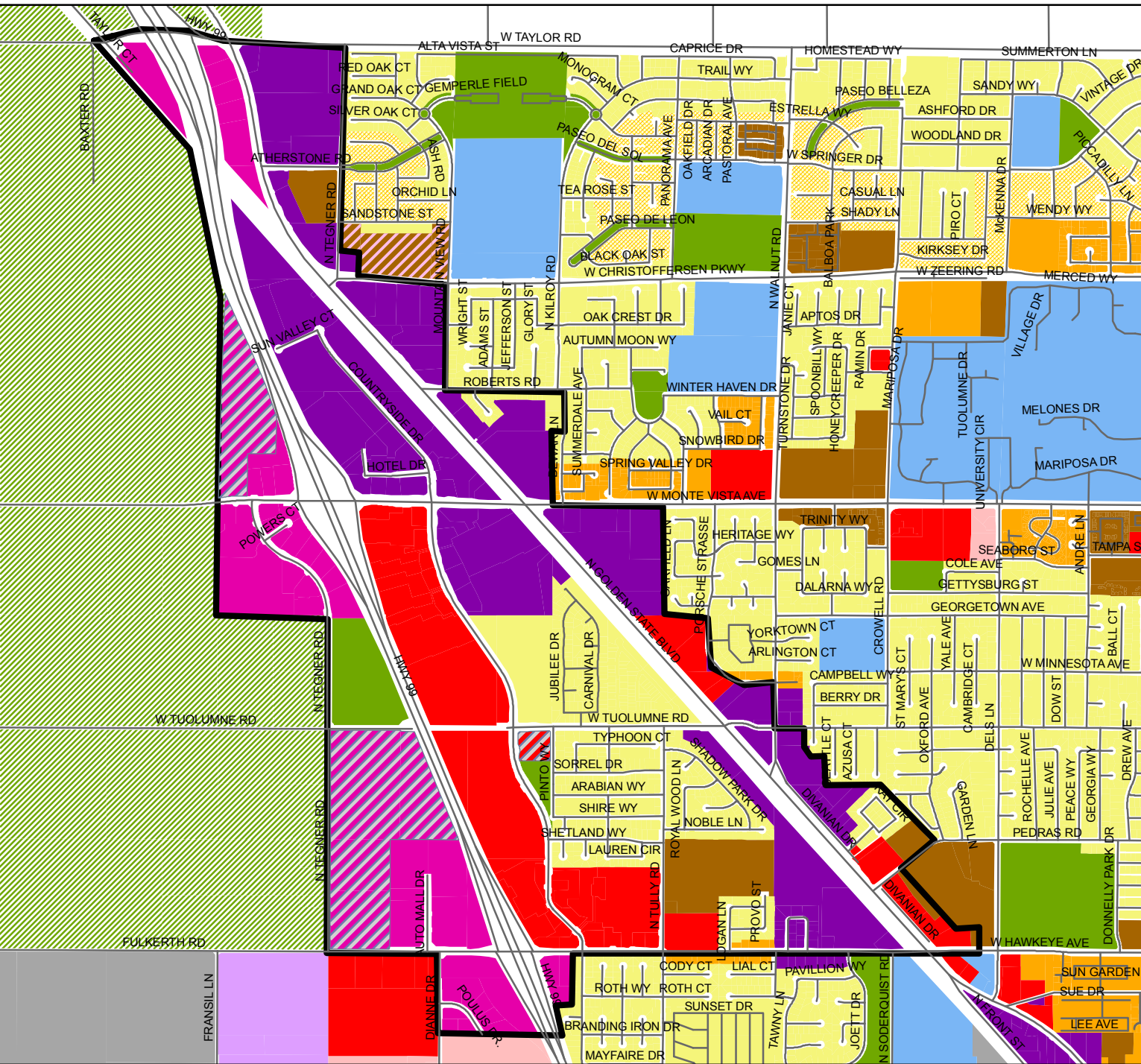
As shown in **Table 3**, there are approximately 275 gross developable acres still remaining to develop. Gross developable acres are exclusive of major roadways and lands designated for other public uses, such as storm drain detention basins. These acres are multiplied by a conversion factor of 85 percent to estimate a total of approximately 234 net developable acres. Net acres are the acres actually available for development, net of minor roadways and additional lands required for public use.

Infrastructure Requirements

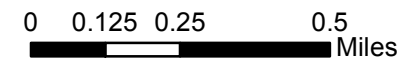
To ensure successful development of the NWTSP Area, infrastructure upgrades are necessary. The NWTSP Area fee covers the costs of improvements not covered by the existing citywide fee program. The NWTSP fees currently include funding for transportation, storm drainage, water, and sewer facilities. With this fee update, however, the NWTSP 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 NWTSP 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 improvements.

Northwest Triangle Specific Plan



- Legend**
- NWTSP 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
Northwest Triangle Specific Plan Fee Nexus Study Update
Land Use Summary

Land Use	Acres		Dwelling Units	
	Gross Developable	Net Developable	Per Gross Dev. Acre	Dwelling Units
<i>Formula</i>	<i>a</i>	<i>a * 85%</i>	<i>b</i>	<i>a*b</i>
Low Density Residential	22.9	19.5	5.0	114
High Density Residential	5.5	4.7	22.5	124
Community Commercial	71.0	60.4	NA	NA
Heavy Commercial	112.6	95.8	NA	NA
Highway Commercial	91.3	77.6	NA	NA
Total	274.9	233.7		0

lu

Source: City of Turlock and EPS

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

Item	Estimated Costs		Total
	Sanitary Sewer	Potable Water	
Total Construction Cost	\$ 422,970	\$ 671,715	\$ 1,094,685
Less Fee Fund Balance	(\$ 405,778)	\$ 0	(\$ 405,778)
Total Cost	\$ 17,192	\$ 671,715	\$ 688,907

cost sum

Table 5
Northwest Triangle Specific Plan Fee Nexus Study Update
Estimated Sanitary Sewer Facility Costs (2013 \$)

Sanitary Sewer

Project	TOTAL
Sanitary Sewer Project	
1 10" Sewer Line in Golden State Blvd from Tuolumne 1800 feet North	\$ 220,680
2 12" Sewer Line in Golden State Blvd from Taylor Rd 1500 feet South	\$ 202,290
Subtotal Sanitary Sewer Facility Cost	\$ 422,970
Less Fee Fund Balance (As of 6/30/12)	(\$ 405,778)
Total Cost	\$ 17,192

s cost sum

Source: City of Turlock

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

Potable Water

Project	TOTAL
Potable Water Project	
1 12" Water line in Golden State from Taylor 400' South	\$ 49,040
2 12" Water Line in Taylor Rd from Golden State to Tegner	\$ 171,640
3 Bore 24" Casing under TID at Tegner	\$ 36,780
4 12" Water Line in Tegner from Taylor 100' South	\$ 9,195
5 12" Line in Tuolumne from Tegner to Countryside	\$ 257,460
6 Bore 24" Casing under Freeway at Tuolumne	\$ 147,600
Subtotal Water Facility Cost	\$ 671,715
Less Fee Fund Balance (As of 06/3012)	\$ 0
Total	\$ 671,715

w cost sum

Source: City of Turlock

Sewer System Improvements

The NWTSP fees will fund sanitary sewer improvements needed by the NWTSP Area. The only remaining sewer improvements still to be completed are two sewer lines. The net sanitary sewer facilities cost to be funded by the NWTSP fee, after deducting the sanitary sewer fee fund balance, totals approximately \$17,200.

Potable Water Improvements

The NWTSP fees will fund potable water improvements needed by the NWTSP Area. The remaining water improvements still to be completed include water lines and bore casings. The net potable water facilities cost to be funded by the NWTSP fee totals approximately \$672,000. Note that potable water improvements are being added to the NWTSP fee program with this fee update. Consequently, there is no current balance in the potable water fee fund that can be applied to fund the facilities.

3. COST ALLOCATION AND NWTSP FEES

Introduction

For each facility type, the NWTSP 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 NWTSP 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 NWTSP Area. Subtract the existing fund balances allocated to fund such improvements to estimate the net costs to be funded. These improvement costs and fund balances were detailed in the previous chapter.
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 net improvement costs from step 1 to the various land uses based on each land use's percentage of total facility demand.
5. For each residential land use, divide the allocated cost by the number of dwelling units to determine the fee per dwelling unit.
6. For each nonresidential 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 and fee estimate. 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. For residential uses, the fee per dwelling unit for each land use is estimated as the allocated cost divided by the number of dwelling units for that land use. For nonresidential uses, the fee per net acre for each land use is estimated as the allocated cost divided by the number of net acres for that land use.

**Table 7
Northwest Triangle Specific Plan Fee Nexus Study Update
Sanitary Sewer Facilities Cost Allocation (2013 \$)**

Sanitary Sewer

Land Use	Development [1]		Cost Allocation Basis			Cost Allocation		
	Net Developable Acres	Dwelling Units	GPD Per Acre	Total Sewer Demand [2]	Distribution of Sewer Demand	Assigned Cost	per Net Dev. Acre	per Dwelling Unit
<i>Formula</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d=a*c</i>	<i>e</i>	<i>f = total cost*e</i>	<i>f/a</i>	<i>f/b</i>
Low Density Residential	22.9	114	1,350	30,907	15.0%	\$ 2,577		\$23
Low-Medium Density [3]	0.0	0	1,800	0	0.0%	\$ 0		\$19
Medium Density [3]	0.0	0	2,100	0	0.0%	\$ 0		\$16
High Density Residential	5.5	124	4,300	23,608	11.4%	\$ 1,968		\$16
Community Commercial	71.0	NA	750	53,263	25.8%	\$ 4,441	\$ 74	
Heavy Commercial	112.6	NA	750	84,487	41.0%	\$ 7,045	\$ 74	
Highway Commercial	91.3	NA	750	68,441	33.2%	\$ 5,707	\$ 74	
Total	274.9	238		206,191	100.00%	\$ 17,192		

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. Since the net/gross factor is the same across land uses (85%), the same allocation would result if demand was estimated using gross acres.

[3] There is no remaining developable land for some residential land use zonings in the NTWSP. The fee is estimated to account for possibility of a zoning change. Estimated cost per unit calculation is shown below:

	GPD Per Acre	Units Per Acre	GPD Per Unit	EDU Factor	Low Density Cost Per Unit	Cost Per Unit
	<i>a</i>	<i>b</i>	<i>a</i>	<i>b=a / low den. a</i>	<i>c</i>	<i>b*c</i>
Low Density	1,350	5	270	1.00	\$ 23	\$ 23
Low-Medium Density	1,800	8	225	0.83	\$ 23	\$ 19
Medium Density	2,100	11	191	0.71	\$ 23	\$ 16
High Density	4,300	23	191	0.71	\$ 23	\$ 16

Potable Water Cost Allocation

Table 8 details the potable water cost allocation and fee estimate. 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 various land uses based on the water demand distribution among the land uses. For residential uses, the fee per dwelling unit for each land use is estimated as the allocated cost divided by the number of dwelling units for that land use. For nonresidential uses, the fee per net acre for each land use is estimated as the allocated cost divided by the number of net acres for that land use.

Administration

In addition to the sanitary sewer and potable water fees, the City charges a fee to administer the NWTSP fee program. As with the facilities fees, the administration fee is charged per dwelling unit for residential uses and per net acre for nonresidential uses. For each land use, it is calculated as 3 percent of the sum of the sanitary sewer and potable water fees.

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

Potable Water

Land Use	Development [1]		Cost Allocation Basis				Cost Allocation		
	Net Developable Acres	Dwelling Units	GPM Per Acre	GPD Per Acre	Total Water Demand [2]	Distribution of Water Demand	Assigned Cost	per Net Dev. Acre	per Dwelling Unit
<i>Formula</i>	<i>a</i>	<i>b</i>	<i>c</i>	<i>d=c * 60 min/hr * 24 hr/day</i>	<i>e=a*d</i>	<i>f</i>	<i>g = total cost*f</i>	<i>g/a</i>	<i>g/b</i>
Low Density Residential	22.9	114	2.3	3,312	75,826	17.4%	\$ 116,960		\$1,022
Low-Medium Density [3]	0.0	0	2.3	3,312	0	0.0%	\$ 0		\$639
Medium Density [3]	0.0	0	2.3	3,312	0	0.0%	\$ 0		\$464
High Density Residential	5.5	124	6.8	9,792	53,761	12.3%	\$ 82,925		\$671
Community Commercial	71.0	NA	1.1	1,584	112,492	25.8%	\$ 173,517	\$ 2,443	
Heavy Commercial	112.6	NA	1.1	1,584	178,436	41.0%	\$ 275,235	\$ 2,443	
Highway Commercial	91.3	NA	1.1	1,584	144,548	33.2%	\$ 222,963	\$ 2,443	
Total	274.9	238			435,476	100.00%	\$ 671,715		

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. Since the net/gross factor is the same across land uses (85%), the same allocation would result if demand was estimated using gross acres.

[3] There is no remaining developable land for some residential land use zonings in the NTWSP. The fee is estimated to account for possibility of a zoning change. Estimated cost per unit calculation is shown below:

	GPD Per Acre	Units Per Acre	GPD Per Unit	EDU Factor	Low Density Cost Per Unit	Cost Per Unit
	<i>a</i>		<i>b=a / low den. a</i>		<i>c</i>	<i>b*c</i>
Low Density	3,312	5	662	1.00	\$ 1,022	\$ 1,022
Low-Medium Density	3,312	8	414	0.63	\$ 1,022	\$ 639
Medium Density	3,312	11	301	0.45	\$ 1,022	\$ 464
High Density	9,792	23	435	0.66	\$ 1,022	\$ 671

4. IMPLEMENTATION AND UPDATE

The proposed updated NWTSP 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 NWTSP, except as specifically exempted by the CFF Ordinance, shall pay the NWTSP 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 NWTSP 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 NWTSP 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 NWTSP 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 NWTSP fee program will need to be updated. Specifically, AB 1600 (at Gov. C. §§ 66001(c), 66006(b)(1)) stipulates 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 the following 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 NWTSP 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 NWTSP fee funds may be used from time to time to facilitate the construction of NWTSP 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 NWTSP 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 NWTSP fees are intended to fully fund the identified NWTSP 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 NWTSP facilities costs not covered by the NWTSP 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 NWTSP 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 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 NWTSP Area will increase the demand for sanitary sewer and potable water facilities. Funding by the NWTSP 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

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

- **Sanitary Sewer Improvements**—NWTSP 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**—NWTSP fees will fund potable water facilities needed to accommodate increased water usage by new development. Required new water facilities include a series of water lines throughout the NWTSP 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 NWTSP fee will fund sanitary sewer and potable water facilities needed to serve new development in the NWTSP Area, as summarized below:

- **Sanitary Sewer Improvements**—New residential and nonresidential development will create sewer flow in the NWTSP Area. Additional sewer lines will create capacity for the sewage system to accommodate the demands of future development.
- **Potable Water Improvements**—New residential and nonresidential development will create demand for additional potable water in the NWTSP Area. Construction of a series of water lines in the NWTSP 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 NWTSP Area. For development to occur in the NWTSP Area, new sewer lines are necessary to connect to the existing collection system.
- **Potable Water Improvements**—Potable water improvements are necessary to maintain the existing level of water capacity to serve new development in the NWTSP Area. Additional water lines in the NWTSP 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 NWTSP Area infrastructure improvements are allocated to new development in the NWTSP Area, which will receive benefit from NWTSP Area infrastructure. As a result, development impact fees will support all the 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
 - 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
Northwest Triangle Specific Plan Fee Nexus Study Update
Sewer Development Impact Fee Comparison - Single-Family Development**

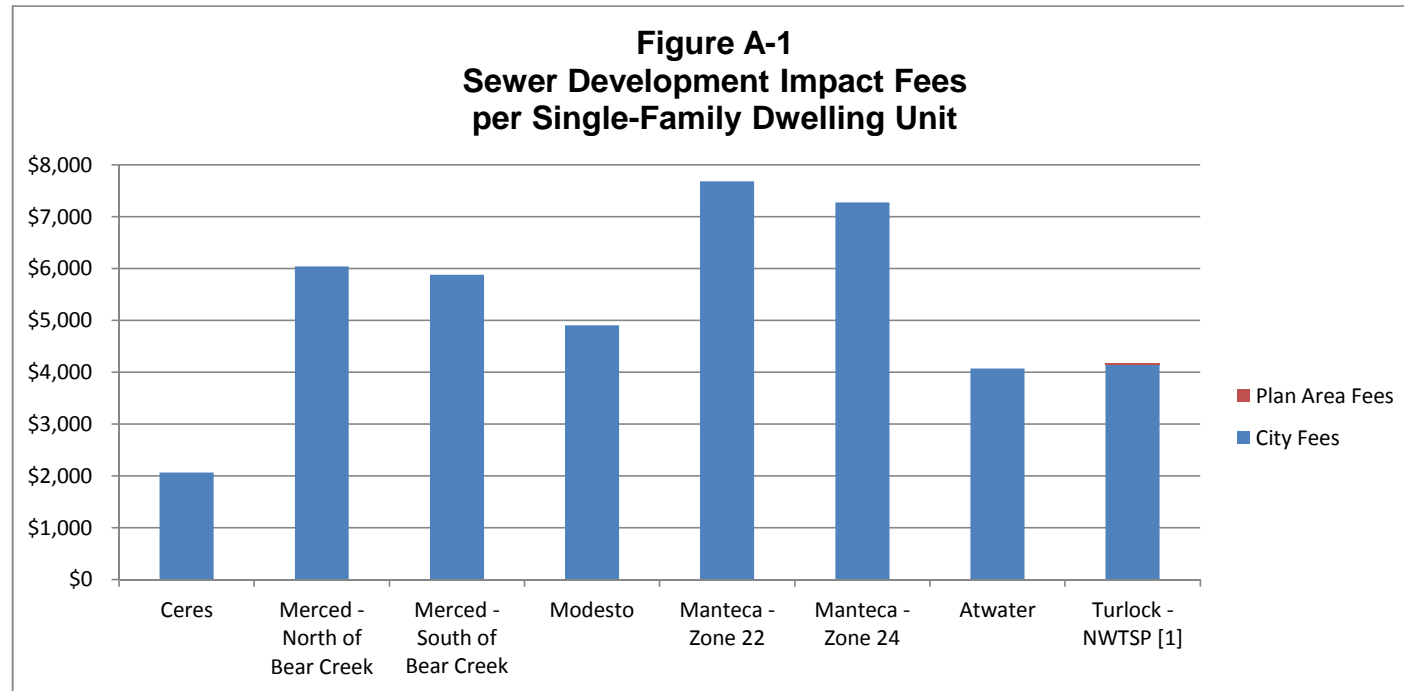
Land Use Category	Fee per Dwelling Unit by Jurisdiction (2013 \$)							
	Ceres	Merced - North of Bear Creek	Merced - South of Bear Creek	Modesto	Manteca - Zone 22	Manteca - Zone 24	Atwater	Turlock - NWTSP [1]
Plan Area Fees	NA	NA	NA	NA	NA	NA	NA	\$24
City Fees	\$2,063	\$6,036	\$5,875	\$4,906	\$7,678	\$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
Northwest Triangle Specific Plan Fee Nexus Study Update
Sewer Development Impact Fee Comparison - Retail Development

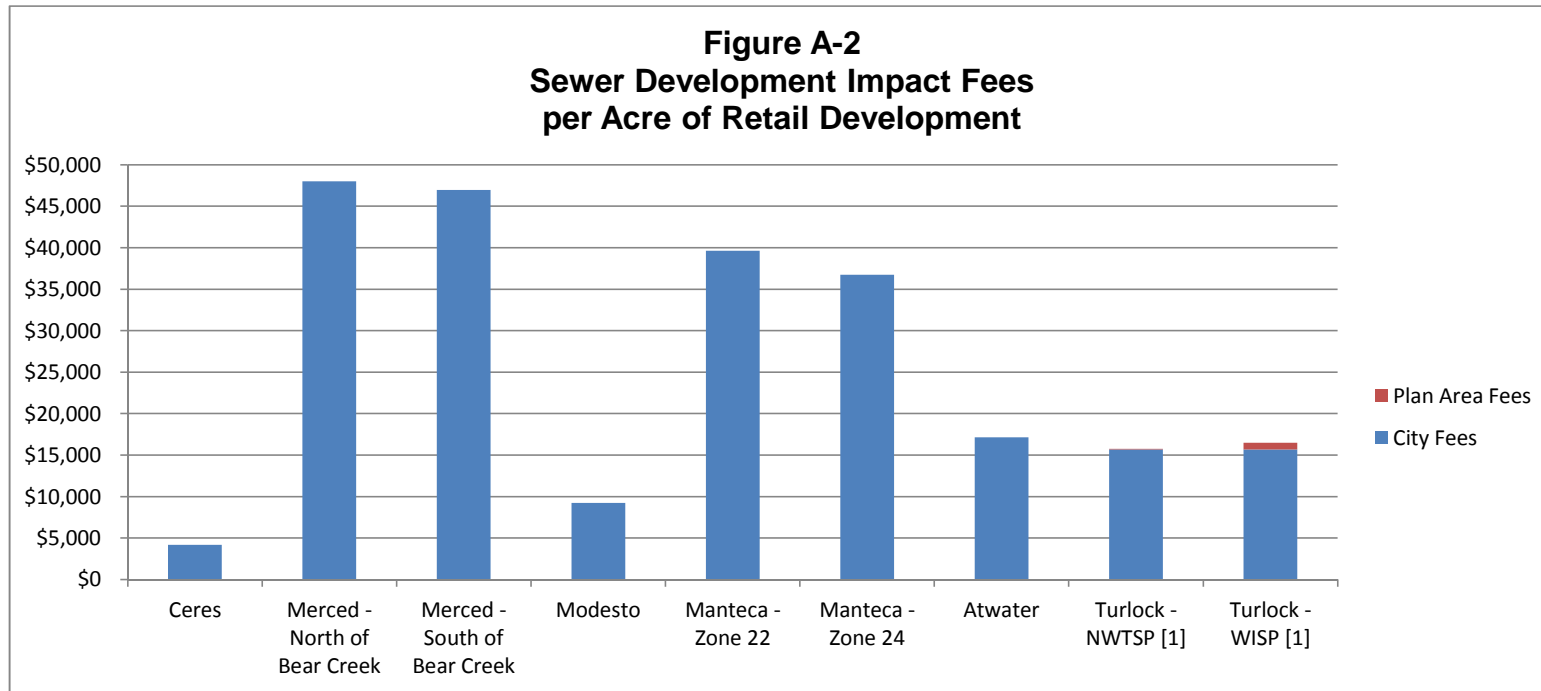
Land Use Category	Fee per Acre by Jurisdiction (2013 \$)								
	Ceres	Merced - North of Bear Creek	Merced - South of Bear Creek	Modesto	Manteca - Zone 22	Manteca - Zone 24	Atwater	Turlock - NWTSP [1]	Turlock - WISP [1]
Plan Area Fees	NA	NA	NA	NA	NA	NA	NA	\$76	\$809
City Fees	\$4,190	\$48,014	\$46,936	\$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
Northwest Triangle 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

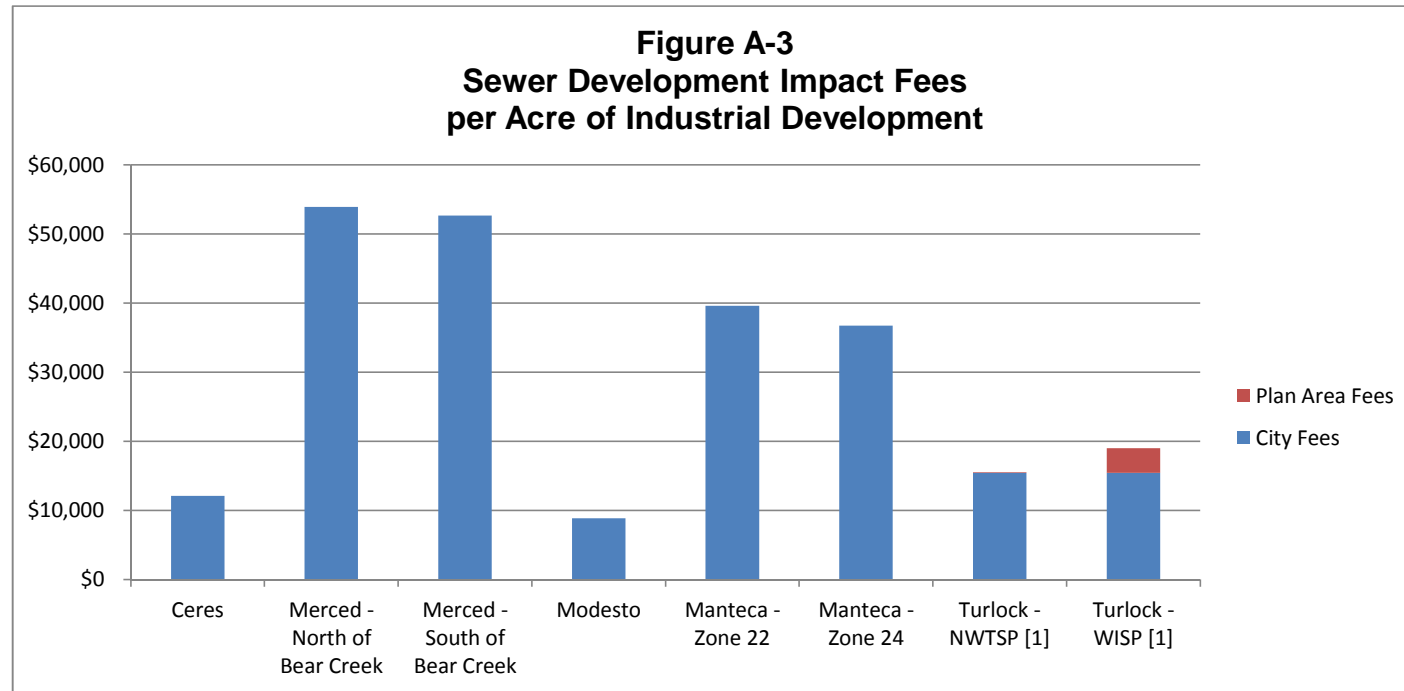


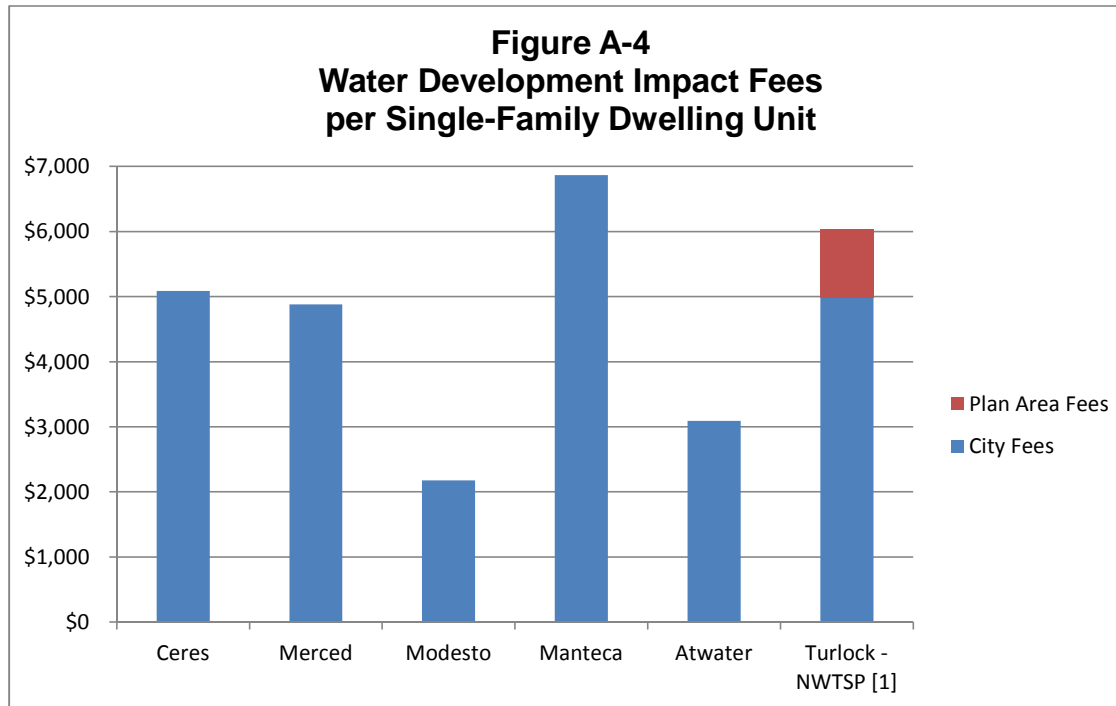
Table A-4
Northwest Triangle Specific Plan Fee Nexus Study Update
Water Development Impact Fee Comparison - Single-Family Development

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
Northwest Triangle 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**

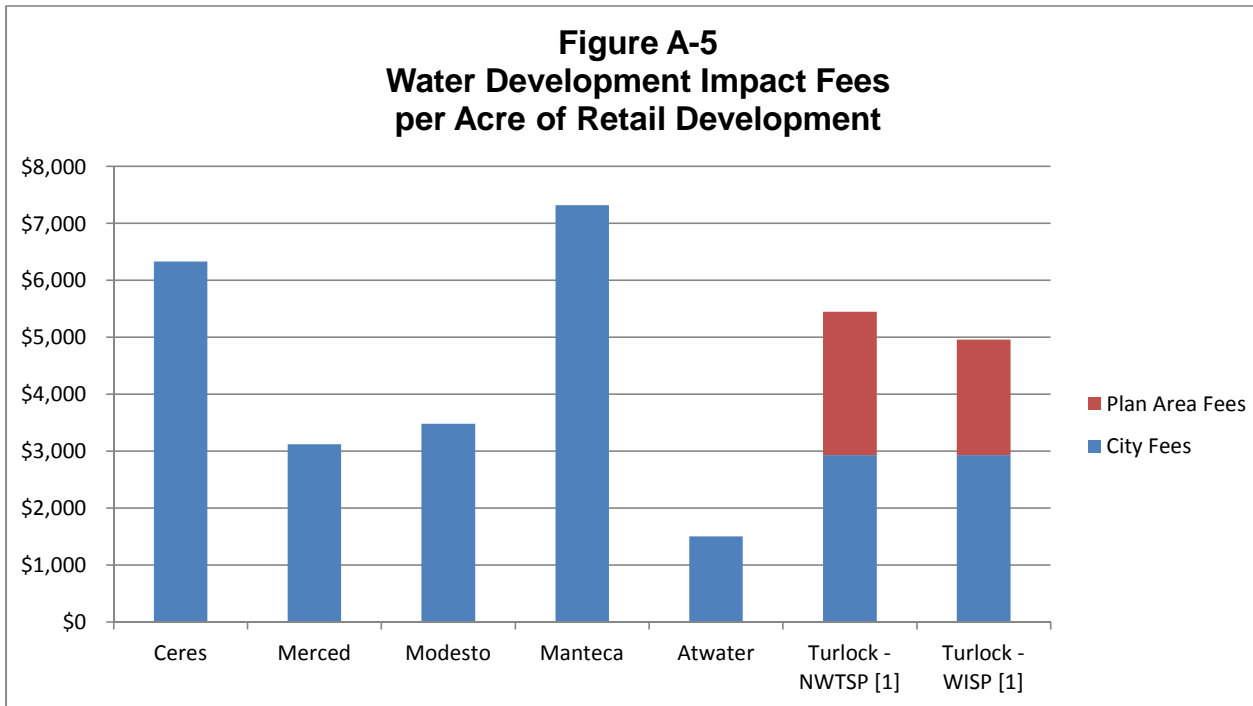


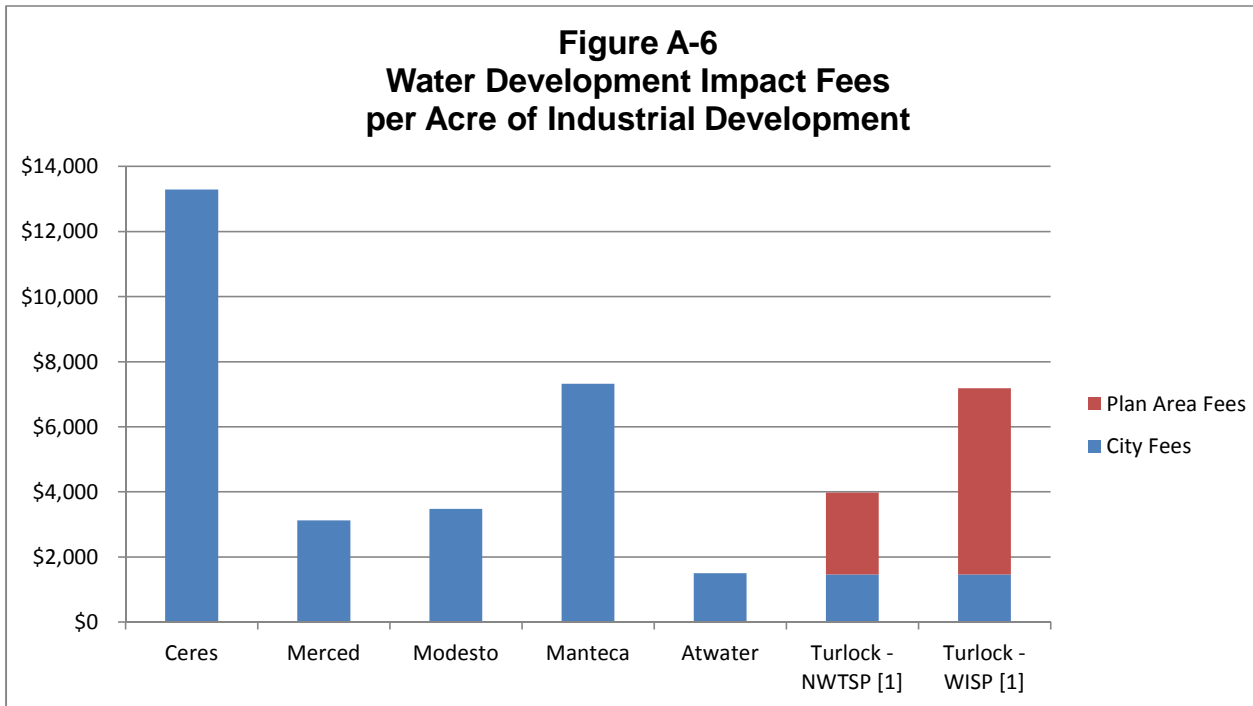
Table A-6
Northwest Triangle Specific Plan Fee Nexus Study Update
Water Development Impact Fee Comparison - Industrial Development

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