# Solano County

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## Agenda Submittal

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| **Agenda #:** | 12 | **Status:** | Regular Calendar |
| **Type:** | Resolution | **Department:** | County Administrator |
| **File #:** | 19-539 | **Contact:** | Ian Goldberg, 784-6116 |
| **Agenda date:** | 8/6/2019 | **Final action:** | 8/6/2019 |

**Title:** (Continued from the July 23, 2019 meeting) Receive and consider the report on the Nexus Analysis for Solano County Public Facilities Fee Update; Conduct public hearing regarding the proposed Public Facilities Fee; and Adopt a resolution establishing modified Public Facilities Fee amounts effective October 6, 2019

**Governing body:** Board of Supervisors

**District:** All

**Attachments:** 1. A - Article X. Public Facilities Fees, 2. B1 - Recommended Fee Memo, 3. B2 - Nexus Analysis for Public Facilities Fee Update, 4. C - STA Memo, 5. D - Resolution, 6. E - Public Hearing Notices, 7. F - Accessory Dwelling Unit (ADU) Information, 8. G - Minute Order - July 23, 2019, 9. Minute Order, 10. Adopted Resolution, 11. Minute Order

| Date | Ver. | Action By | Action | Result |
|---|---|---|---|---|
| 8/6/2019 | 1 | Board of Supervisors | | |
| 7/23/2019 | 1 | Board of Supervisors | | |

Published Notice Required? Yes _X___ No __
Public Hearing Required? Yes _X___ No _ _

**DEPARTMENTAL RECOMMENDATION:**

The County Administrator's Office recommends that the Board of Supervisors:

1) Receive and consider the report on the *Nexus Analysis for Solano County Public Facilities Fee Update*;

2) Conduct a public hearing regarding the proposed Public Facilities Fee; and

3) Adopt a resolution establishing modified Public Facilities Fee amounts effective October 6, 2019.

**SUMMARY:**

California Government Code section 66000 et seq. requires that local agencies that collect Public Facilities Fee (PFF) evaluate the assumptions that justify the collection of PFF every five years. Solano County's last evaluation on the criteria for the PFF was completed in 2013. The County Administrator's Office scheduled this *Nexus Analysis for Solano County Public Facilities Fee Update* (Nexus Analysis) in FY2018/19 and subsequently entered into an agreement with Economic and Planning Systems, Inc. (EPS) in August 2018 to conduct the County's five-year review. Based on that analysis, new fee amounts are proposed (Attachment B1). Adoption of the new fee amounts will help assure that the County is able to build facilities in future years that become necessary due to growth within the County.

This Board Agenda Item was originally heard on July 23, 2019 and was continued by the Board to the August 6, 2019 Board meeting. In connection with the continuance the Board requested an expanded discussion on the Public Facilities Fee associated with Accessory Dwelling Units (ADU). Additional information regarding

ADU's is included in Attachment F.

**FINANCIAL IMPACT:**

Adoption of the proposed PFF amounts will result in revenue to ensure that the County is able to build facilities required to provide services to the County's population in 2040. In FY2017/18, the last year in which PFF revenue information is available for a full year, the County collected approximately $6 million. As proposed in the Nexus Analysis Update, the PFF could fund approximately $600 million in capital facilities through 2040 if fees were charged at maximum allowable levels. This represents approximately 52 percent of the total costs of the facilities identified in the updated Nexus Analysis, suggesting that the County would need to identify and obtain funding for approximately $548.5 million from non-PFF sources during the life of the fee program.

For development feasibility reasons, staff is recommending the proposed PFF amounts be set lower than the maximum allowable, at levels that are consistent with the existing fees. The recommended fee levels are slightly higher than the existing fees for single family residential units, and some nonresidential land use categories, while the fees for multifamily residential units, accessory dwelling units, and senior housing, as well as other nonresidential land use categories are lower than the existing amounts.

If fees are adopted at the recommended levels and if new development materializes consistent with the growth projections, the PFF will generate approximately $288.5 million of revenue. This revenue can be used as the local match to leverage other funding opportunities.

The costs associated with preparing the agenda item are nominal and absorbed by the department's FY2019/20 Adopted Budget.

**DISCUSSION:**

*Background*

The County has been collecting Public Facilities Fees (PFF) since 1992 pursuant to the Mitigation Fee Act (Government Code section 66000 et seq.) and Article X of Chapter 11 of the County Code (Attachment A) to assist in the financing of public facility improvements required as the result of new development within Solano County. PFF are collected in both the unincorporated area as well as in the incorporated areas by cities on behalf of the County.

The Mitigation Fee Act requires that the premises and projections upon which PFF were established be evaluated at least every five years. The last evaluation occurred in FY2012/13. On August 28, 2018, the Board approved a contract with EPS to provide the evaluation and analysis for the five-year update. The contract included the following components, based on the scope of work and task list described in the RFQ:

1) Comprehensive study evaluating the relationship between new development within the County, including cities, and the amount of public facilities the County must acquire to accommodate growth through 2040.

2) Analysis to determine what components should be continued, added/eliminated or modified and what fees should be charged so that adequate revenues are raised to cover future costs for additional public facilities as growth occurs. Solano County currently collects the PFF for the following components: Countywide Public Protection (includes Courts), Health and Social Services, Library, General Government, Transportation and an administrative oversight charge.

*Current Nexus Analysis*

The *Nexus Analysis for Solano County Public Facilities Fee Update* (Attachment B2) extends the County's planning horizon to 2040 and documents the relationship between new development in Solano County and the public facilities the County must acquire/build to accommodate growth through 2040. The Nexus Analysis also updates facility requirements as some facilities for which PFF was collected have been completed, and others added. In addition, current population and future population projections have changed significantly from what was included in the 2013 study. Land use categories have been refined to be more reflective of current land uses, and to simplify application of the fee. The estimate of public facilities required to serve growth assumes that new development will provide facilities adequate to maintain County facility standards.

The Nexus Analysis outlines the methodologies used in calculating the proposed fee amounts. Some amounts are established based on the service standards used in the 2007 study, such as the projected 0.76 square feet per capital for new library facilities, which is noted in the report. In cases where new or expanded facilities or infrastructure improvements are determined to be needed entirely to accommodate new growth, 100 percent of the costs are attributed to future development.

*Transportation Component*

The transportation component has two parts. The first part, Part A, of the transportation component of the PFF is designed to generate fair-share funding from new development to recover County debt service obligations on the Vanden Road segment of the Jepson Parkway and Suisun Parkway in the unincorporated area.

The second part, Part B, is the Regional Transportation Impact Fee (RTIF), which has been updated in coordination with the Solano Transportation Authority (STA), in consultation with the STA's RTIF Policy Committee, composed of the seven City Managers, the Mayors, County Administrator, and one County Supervisor. (Attachment C)

According to the RTIF, it is currently estimated that the maximum allowable fee for the RTIF will be approximately $10,997 per dwelling unit equivalent (DUE), which is equivalent to a single-family unit. However, staff recognizes that development impact fees can impose a significant financial challenge on developers, potentially affecting the economic viability of specific projects. Consequently, staff in consultation with the STA recommend adopting the RTIF in an amount that is much lower than the maximum allowable RTIF fee. The recommended fee is $2,500 per DUE or single-family unit, which is 22.7 percent of the maximum allowable fee. The transportation component is expected to generate approximately $72.9 million based on staff recommendation.

Historically, the County has not indexed its fees each year. However, the RTIF Subcommittee (a subcommittee of the STA Board) met on July 10, 2019 and discussed the possibility of indexing the RTIF (Part B) fee, to help keep fee revenue more in line with construction costs. The Subcommittee decided to refer the matter to the Mayors Group for discussion. If the cities are in agreement, the County may elect to increase the RTIF (Part B) component of the fees each year. This request may come to the Board within the year but does not affect the recommended fee levels at this time.

As required by the Government Code, a public notice was published twice and at least 10 days before the Board's consideration of the final report. In addition, letters were sent to individuals requesting advanced 14-day written notice that the Nexus Analysis was available on the County's website, and cities were notified by email. Public outreach meetings were also held on June 26, 2019 and July 10, 2019 to provide the public the opportunity to be part of the review process. The draft public review report was also placed on the County's website.

The Nexus Analysis provides the necessary nexus documentation for the adoption of the updated public facilities fee. The County Code is outlined in Article X of Chapter 11. The new fee amounts would be effective October 6, 2019 with the adoption of the resolution (Attachment D) as authorized by County Code Sec. 11-132.

**ALTERNATIVES:**

The Board of Supervisors could:

1) Choose to establish lower fee rates than those recommended in this report. Selection of this alternative would result in realizing even lower revenues than the fee rates recommended in the report as the Nexus Analysis provides justification for higher maximum allowable fees. Establishing lower fee amounts than those recommended would have an adverse impact on the County being able to fund future facilities to meet projected growth in the county.
2) Choose to defer the proposed new rates until a later date. This would result in the current rates staying in place. This is not recommended as the Nexus Analysis updates the premises and projections for the fee rates with current data assumptions and reduced fee amounts.
3) Direct staff to modify assumptions or components included in the Nexus Analysis and return back to the Board. However, this is not recommended as the consultant has provided a thorough analysis supported by specific findings based on current available data.

**OTHER AGENCY INVOLVEMENT:**

The County Administrator's Office has worked with staff from Auditor-Controller's Office, Ag Commissioner/Weights and Measures, County Counsel, County Library, Resource Management, General Services, Health and Social Services, District Attorney's Office, Sheriff's Office, Probation and Department of Information Technology in providing information to EPS for their comprehensive analysis, and review of the *Nexus Analysis for Solano County Public Facilities Fee Update*. In addition, the County Administrator's Office has shared the report with cities and the development community, including holding public outreach meetings.