

DEVELOPMENT IMPACT FEE STUDY FIRE FACILITIES



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SECTION 1: EXECUTIVE SUMMARY

The Newcastle Fire Protection District (the "District") provides fire protection, fire prevention, emergency medical, technical rescue and disaster response to the community of Newcastle and the surrounding rural area in Placer County.

This study is intended to update the development impact fee imposed by the District. This report summarizes an analysis of the need for fire facilities and equipment to accommodate new development within the District's boundaries and documents a reasonable relationship between new development, the fee, and the facilities and capital equipment to be funded.

Placer County has and will continue to experience growth. As a consequence, local public works are faced with the challenge of providing service to an expanding customer base with limited resources for upgrading the infrastructure necessary to accommodate such expansion. The District too faces the challenge of providing fire facilities and services to service new development within its boundaries. A major funding revenue source available to the District is its fire impact fee program. The impact fees collected as a result of new construction provides a major funding source for the construction of fire facilities and purchase of vehicles and equipment, necessary for this purpose.

This report updates the development impact fee based on the current values of all fire equipment and facilities necessary to protect current residents at current levels. This fee is translated in a per square foot cost that is imposed on any new construction which may occur. Impact fees paid will allow for the District to provide all necessary facilities, vehicles, and equipment necessary to maintain current service levels. All data contained in this report was obtained from the District.

This report supports the adoption of a development impact fee for fire facilities of **\$1.21** per square foot of new construction. This fee is in compliance with the Mitigation Fee Act (California Government Code Section 66000 et. seq.), and this report substantiates the findings required by the Act.

Upon the submittal of this report to the District, it is incumbent upon the District Board of Directors (the "Board"), assisted by staff, to review and evaluate the report for accuracy and agreement with the conclusions presented. Once the Board is satisfied that the legislative requirements of Government Code Section 66000 et. seq. are met and the fee adjustment recommendations are valid, the Board shall submit a recommendation regarding the fee adjustments to the Placer County Board of Supervisors for enactment.

After accepting and considering public input, the County Board of Supervisors shall vote to approve findings and a resolution to set the appropriate fees. If accepted, the fees would be imposed pursuant to the County's development "police powers" under Article XI, Section 7, of the California Constitution.



SECTION 2: METHODOLOGY FOR IMPACT FEE STUDY

Development impact fees are calculated to fund the capital needs that are a direct result of growth due to new development. In order to fund the improvements needed due to growth occurring within the District, it is necessary to determine what the appropriate fee should be, including at what rate the fee should be assessed. There are four basic steps followed in the calculation of any development impact fee, these include:

1. Prepare growth projections;
2. Identify facility standards;
3. Determine the amount and cost of facilities required to accommodate new development based on facility standards and growth projections;
4. Calculate the public facilities fee by allocating the total cost of facilities per unit of development (on a square foot basis).

Facility Standards Methodology

One important issue in development impact fee studies is the identification of facility standards. Projections must be made of the new facilities that will be required to adequately serve new development. Facility standards determine new development's total need for new facilities and each development unit's fair share of those needs. Standards also ensure that new development does not fund deficiencies associated with existing development, as specified by legislative statute.

The types of standards that may be used in a development impact fee study include:

- ◆ **Demand Standards** – determine the amount of facilities required to accommodate growth, for example fire response per thousand new residents.
- ◆ **Cost Standards** – determine the cost per unit of demand based on the estimated cost of facilities, for example cost to provide fire services per capita.
- ◆ **Design Standards** – determine how a facility should be designed to meet expected demand, for example the size of the new fire stations needed.

The capital needs identified in this study are based on **Cost Standards**, whereby, the District will determine the cost per unit of demand based on the estimated cost of facilities per structure in the District.

The most commonly accepted approaches to determining a facility standard are described below.

- ◆ **The Existing Inventory Method** – uses a facility standard based on the ratio of existing facilities to the existing service population. Under this approach, new development funds the expansion of facilities at the same standard currently serving existing development. By definition the existing inventory method results in no facility deficiencies attributable to existing development. This method is often used when a long-range plan for new facilities is not available. Only the initial facilities to be funded with fees are identified in the fee study. Future facilities to serve growth are identified through an annual capital improvement plan and budget process.



- ◆ **The Master Plan or System Method** – calculates the standard based on the ratio of all existing plus planned facilities to total future demand (existing and new development). This method is used when (1) the local agency anticipates increasing its facility standard above the existing inventory standard discussed above, and (2) planned facilities are part of a system that benefit both existing and new development. Using a facility standard that is higher than the existing inventory standard creates a deficiency for existing development. The jurisdiction must secure non-fee funding for that portion of planned facilities required to correct the deficiency.
- ◆ **The Planned Facilities Method** – calculates the standard solely based on the ratio of planned facilities to the increase in demand associated with new development. This method is appropriate when planned facilities only benefit new development, such as a new fire station in a previously undeveloped area. This method also may be used when there is excess capacity in existing facilities that can accommodate new development. In that case new development can fund facilities at a standard lower than the existing inventory standard and still provide an acceptable level of facilities.

This study uses the **Master Plan Method** to determine facility standards. Through use of the Master Plan Method, planned new facilities will benefit both existing and new development therefore the purchase of facilities, equipment, and vehicles necessary to mitigate the increase in demand will be allocated to both. The District currently provides fire and emergency response services to a large response area. Given the District's size and limited response and protection facilities, vehicles, and equipment available at any one time, it is understandable that new construction will only exacerbate the protection challenges of the District. Given such facts, the District has determined that current service levels will be used as a benchmark and that new construction will not adversely affect these service levels.

To mitigate new construction's impact on the District's service capabilities, new development must be required to pay development impact fees. Assuming that the current levels of service being provided to the District's residents are to be considered the standard, any additional construction within the District's boundaries which requires fire or emergency response services, will pay an impact fee that is proportionate to such service. Given the existing demands placed on the District, existing stations and equipment should not be utilized to accommodate new construction at the expense of existing service levels. In order to offset the impact, the development impact fees will be used to construct or purchase new facilities, equipment, and vehicles necessary to accommodate such growth.

The District has the flexibility to alter the list of necessary facilities shown in this report as conditions change. If the overall cost of facilities necessary to mitigate the anticipated residential and commercial growth is altered significantly then the District should update this fee program to incorporate those changes



SECTION 3: THE MITIGATION FEE ACT

In 1987, the California Legislature adopted Assembly Bill 1600 which established a uniform process for formulating, adopting, imposing, collecting, accounting for, and protesting impact fees. In order to impose an impact fee, a local agency must go through a process to establish a reasonable relationship between a development project and the public improvement for which the development fee is charged.

The most important part of AB 1600 is the requirement for findings that connect any impact stemming from a development project to the type and amount of the fee imposed or what is commonly referred to as the "Nexus" requirement. Government Code Section 66001 states that after January 1, 1989, in any action "establishing, increasing, or imposing a fee as a condition of approval of a development project," the local agency shall do all of the following:

- 1) Identify the purpose of the fee.
- 2) Identify how the fee is to be used. If the use is for financing public facilities, the facilities shall be identified.
- 3) Determine how a reasonable relationship exists between the fee's use and the type of development project on which the fee is imposed.
- 4) 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.
- 5) Determine how there is 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 the Fee

The purpose of this development impact fee is to ensure that new development within the District pays its proportionate share of the capital investments to be made by the District along with its share of future capital costs, which are necessary to provide fire protection, fire suppression and other fire safety services adequate to accommodate a growing service population. The District is prudent in requiring that new development not burden existing property owners with the cost of public facilities required to accommodate growth. The District can further this objective through the imposition of development impact fees. The purpose of the development impact fee is to implement this policy by providing a funding source from new development for capital improvements to serve that development. The fee helps to ensure that the level of service is maintained as new development offsets the increased costs of providing service as growth occurs.

Use of the Fee

The development impact fee will fund new fire stations, apparatus, vehicles, and capital equipment needed to serve new development. All facilities and capital equipment will be located within the boundaries of the District. As detailed in the following sections of this report, these facilities include:

- ◆ land for new fire stations
- ◆ fire station construction or expansion
- ◆ fire apparatus acquisition
- ◆ vehicle acquisition
- ◆ capital equipment acquisition
- ◆ financing costs associated with the above listed capital expenditures

This report provides the cost estimates for projected facility needs.

Benefit Relationship

The District will restrict fee revenues to the acquisition of land, construction/reconstruction/expansion of buildings, and purchase of apparatus, vehicles and capital equipment and related financing costs to serve new development. Fire facilities and capital equipment funded by the fee will further the District-wide network of services accessible to the additional residences and businesses associated with new development. Thus, there is a reasonable relationship between the use of fee revenues and the residential and non-residential types of new development that will pay the fee.

Burden Relationship

The purpose of assessing an impact fee is to provide the capital resources necessary to sustain a constant level of service for fire protection, emergency medical response, rescue and extrication, containment and mitigation of hazardous materials exposure, and other life safety services that is required of a growing service population. The relationship between the fee’s use and the specific type of development is dependent upon the available development statistics. The impact fee is assessed uniformly to new construction, including residential, commercial, office, and industrial building space rather than on a tiered basis.

Proportionality

The reasonable proportionality relationship can be established by identifying the facility costs attributable to future development, then establishing fee rates that allocate those costs in proportion to the demands created by each type of development project. The fee apportions costs between the existing population and new development in a manner proportional to their contribution of the need for that facility. Further, fees are imposed based on building size as measured by habitable and enclosed square feet of each building. Thus, larger buildings that have a greater demand for service pay a proportionately higher fee than smaller buildings.

Other Requirements of AB 1600

In addition to the Nexus requirements, AB 1600 also outlines the accounting for future revenue received through imposition of impact fees on new construction projects. AB1600 requires that upon receipt of a fee, the local agency deposit into a separate capital facilities account or fund, in a manner to avoid any commingling of the fees with other revenues and funds of the agency, and expend the fees solely for the purpose for which the fee was collected. Interest gained on the capital facilities accounts or funds shall be separated, accounted and expended in the same manner.

The agency Board shall make findings once each fiscal year with respect to any portion of the fee remaining unexpended or uncommitted in its account five or more years after the

deposit of the fee. The findings shall identify the purpose to which the fee is to be put and to demonstrate a reasonable relationship between the fee and the purpose for which it was charged.

The agency shall refund to the current record owner(s) of the project, on a prorated basis, the unexpended or uncommitted portion of the fee, with interest, for which the required findings cannot be made. Upon certain circumstances, with appropriately noticed hearings, the legislation allows alternative actions.

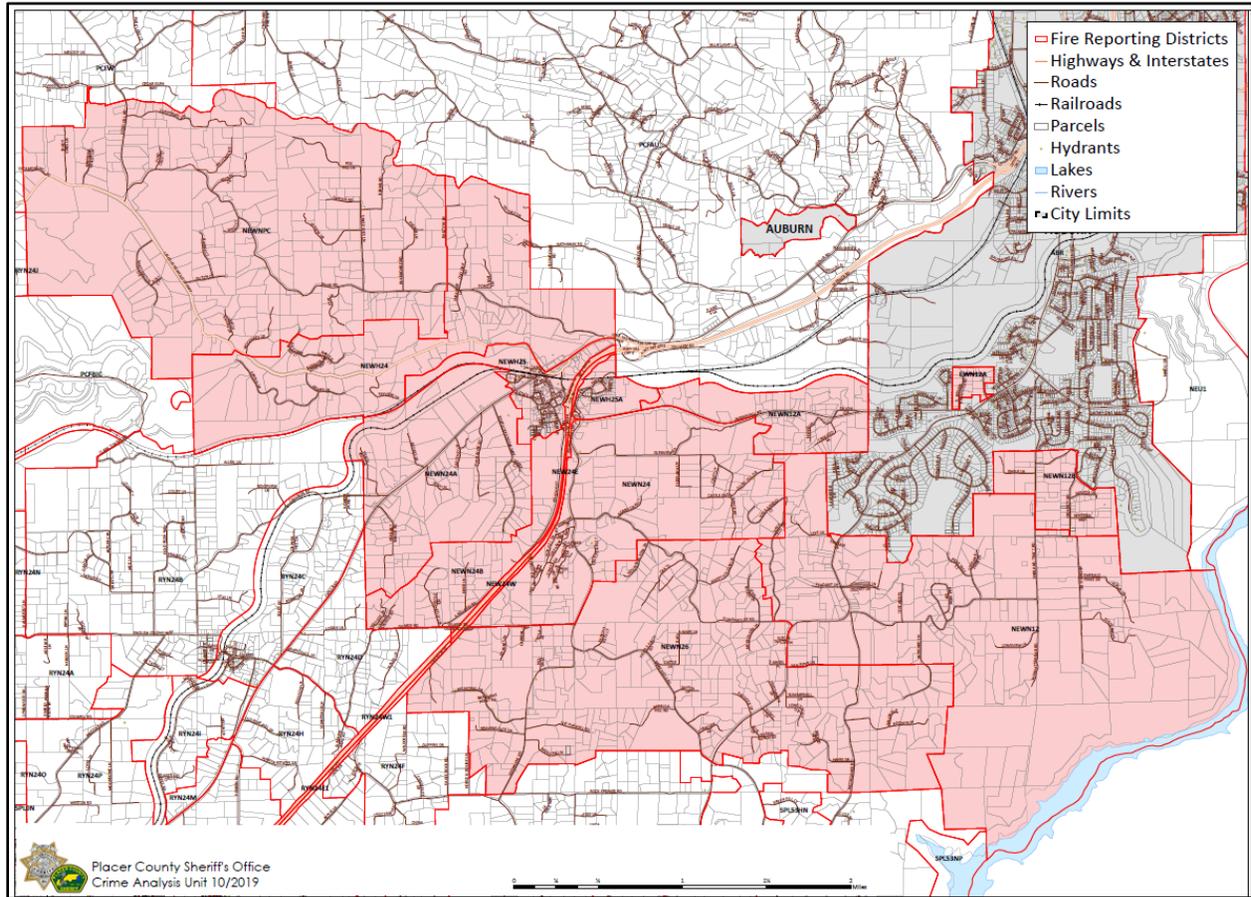
The agency shall annually adopt and update, by resolution at a publicly noticed hearing, any capital improvement plan defined in this legislation.



SECTION 4: DISTRICT DEMOGRAPHIC DATA

The District serves the unincorporated community of Newcastle, as well as the surrounding rural area in the Sierra Foothills of Placer County. As shown in **Figure 1**, the District is located south of the City of Auburn and west of the North Fork American River.

FIGURE 1

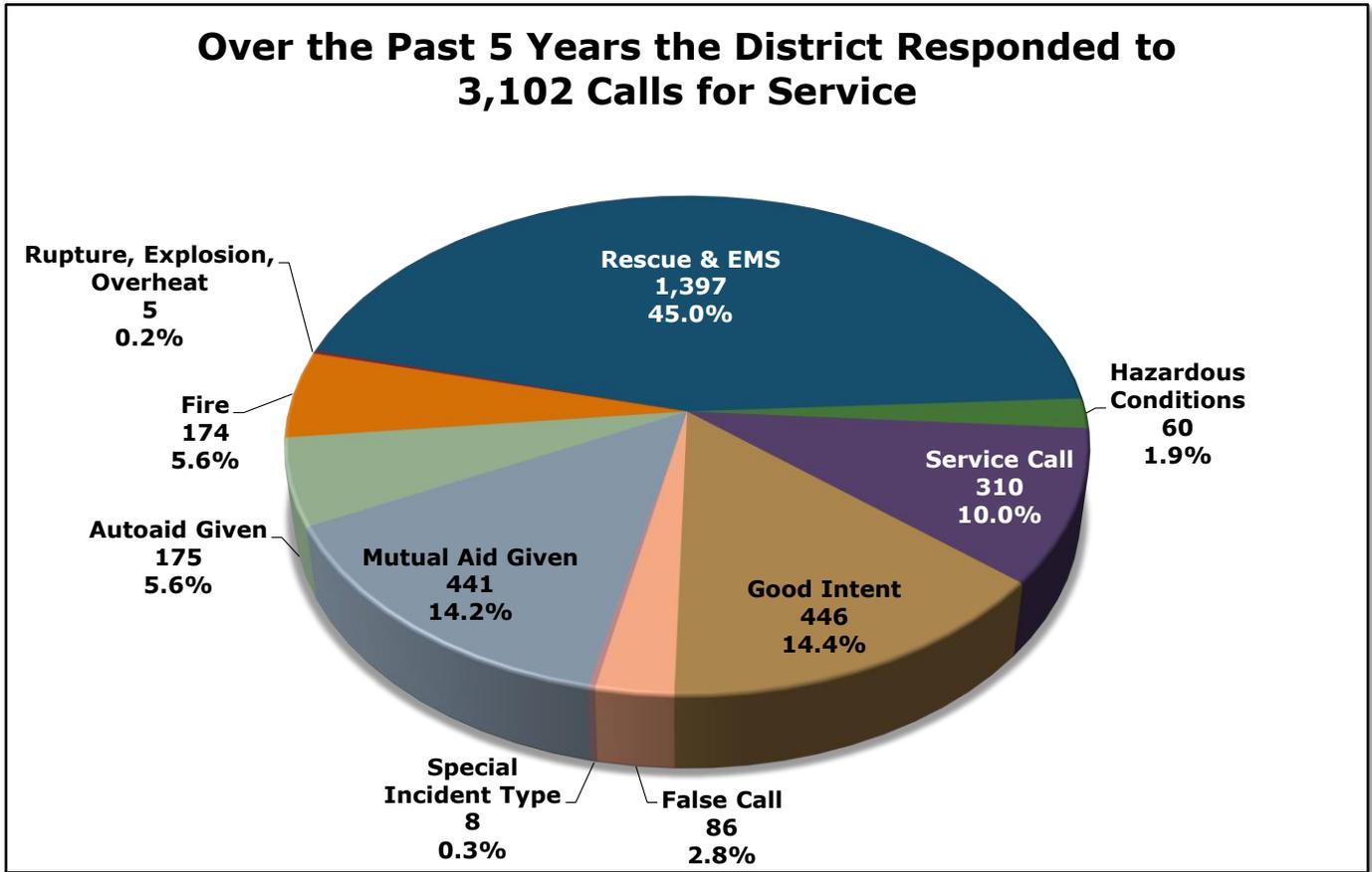


The District was established in 1868 and has been located in the same building since 1922 in the town of Newcastle. The District is responsible for the protection of a variety of geographical areas, ranging from residential neighborhoods, commercial and industrial buildings, rural areas, as well as a portion of Highway 193. The District covers 15 square miles and serves a population of approximately 2,000 people residing in almost 1,600 housing units.

The District provides a full range of services, including fire prevention; fire suppression; and emergency medical response in addition to a variety of other miscellaneous requests, responding to an average of approximately 620 calls per year. Additional services include a year-round Fire Prevention program incorporating building occupancy inspections, new building plan reviews and an aggressive risk reduction and Public Education delivery model. The District is a Special District, a self-governed agency led by a five-member Board of Directors. The District is composed of 6 full time employees, 2-3 volunteers and occasional interns.



As shown in the chart below, from 2015 through 2019, the District responded to 3,102 calls for service. Approximately 45% of the calls were for Rescue and EMS.



Source: Newcastle Fire Protection District

SECTION 5: PREVIOUS STUDIES/CURRENT FEES

The Newcastle Fire Protection District's previous development impact fee study was prepared in March 2014. Based upon the analysis performed by Willdan Financial Services, **Table 1** below shows the development impact fees for fire facilities that were recommended:

TABLE 1

Current Impact Fees	
Construction Type	Impact Fee
Residential	\$0.64 per square foot
Commercial	\$0.64 per square foot
Office	\$0.61 per square foot
Industrial	\$0.33 per square foot
Agricultural	\$0.29 per square foot

Capitol Public Finance Group, LLC was contracted by the Newcastle Fire Protection District to provide this updated Development Impact Fee Study. This study is intended to establish the legal and policy basis for the calculation and imposition of impact fees on all new development within the District. The study will analyze the impact of recent and future construction on the needs of District, evaluate the existing mitigation program that was adopted in March 2014, and consider the changes that have occurred in the development community since the study was completed.

Ultimately, this study will demonstrate the need for an increased development impact fee due to the increasing amount of development within the District's boundaries and the rapidly increasing cost of building public facilities.



SECTION 6: ANTICIPATED GROWTH

Placer County and the District have and continue to experience growth given the relative affordability of land and homes and proximity to major urban centers. Over the last five years the District has seen the addition of 7 residential units per year, as shown in **Table 2** below. It is expected that this rate of growth will continue over the next five years for a total of approximately 35 new residential units.

TABLE 2

5 Year Historical Residential Development	
Year	# of Residential Units
2015	15
2016	8
2017	5
2018	6
2019	3
Average	7

Source: ParcelQuest

As the demand for fire suppression and emergency response increases due to new construction, the capabilities and overall quality of protection services and personnel provided, degrades proportionally. The only plausible mitigation from the District's perspective is the addition of facilities, equipment, and personnel to provide existing service levels to any new construction which may occur. This is accomplished through the modernization and upgrade of existing facilities, or the construction of entirely new facilities. This will serve to support timely response and maintain adequate supplies of apparatus and equipment so that the District may maintain its current service levels while accommodating any new growth.

As residential construction continues, an inherent demand for commercial facilities may also be created. As these developments may significantly affect the District's service requirements, the District must consider these properties when planning and assessing its ability to maintain high levels of service to existing residents as well as these new properties that will be added to its service population.



SECTION 7: NECESSARY FACILITIES

The District has determined that a new station is necessary to provide fire service at adequate levels. The new station will enable the District to maintain existing levels of service to its current residents while providing for the same high-quality service to all new development which occurs within the District’s boundaries. The specific facilities to be constructed are categorized based on the following categories:

- ◆ Land
- ◆ New Station
- ◆ Apparatus and Vehicles
- ◆ Capital Equipment

Facilities Costs

The District currently services its population out of a single fire station. In order to adequately serve the fire and emergency medical service demands of the District’s current and future population, the District has determined that the existing fire station will need to be replaced with a new fire station. The new station will be constructed with sufficient capacity to store apparatus, vehicles, equipment, and the people necessary to accommodate both the current service population and any additional growth. **The estimated cost to construct and furnish a new station is approximately \$3,560,000.** The land was donated to the District and is not a part of this cost.

Apparatus, Vehicle & Capital Equipment Costs

The District’s existing service capabilities are currently at maximum capacity. The District has a policy that new development will not adversely impact the existing service levels and subsequently response capabilities. As the District’s existing fleet ages, new apparatus and equipment will need to be purchased to both meet the demands of the existing service population and offset the increased demand and meet the standards set forth in Section 7. The District has projected that it will require acquisition of the apparatus, vehicle and equipment shown in **Table 3**.

TABLE 3

Apparatus, Vehicle and Equipment Needs		
Apparatus Type	Year Needed	Estimated Cost
Type 1 Pumper	2020	\$700,000
Extractor	2020	\$17,500
Rescue Tools	2022	\$32,000
Thermal Imaging Cameras	2022	\$10,000
Utility Vehicle	2025	\$85,000
Air Bags Rescue System	2025	\$32,000
Total Cost		\$876,500

Source: Newcastle Fire Protection District

Available Revenue Sources

The District intends to commit all available developer fee funds to the projects. As of May 2020, the District had \$71,012 in developer fees available to commit to facilities projects.

Total Estimated Costs

Therefore, the District’s total unfunded facilities need is equal to the total amount of facilities costs less any available funding sources. In total, the District projects that it will require an estimated \$4,365,488 of facilities, apparatus, vehicles and equipment over the next 5 years. The estimated costs are summarized in **Table 4** below.

TABLE 4

Total Estimated Costs	
Component	Estimated Costs
New Station	\$3,560,000
Apparatus, Vehicle & Equipment	\$876,500
Total	\$4,436,500
Less Development Fee Balance	\$71,012
Total Estimated Costs	\$4,365,488

Source: Newcastle Fire Protection District

The District is currently utilizing all available mitigation and General Fund revenues to fund existing expenditures and will not have sufficient funds to offset the cost of future capital needs.

SECTION 8: DEVELOPMENT IMPACT FEE CALCULATION

The District has not increased its development impact fees since the approval of the impact fee study performed in 2014; all the while, facilities, apparatus, vehicles and equipment costs have increased.

To properly express the impact of new construction on the service quality and capabilities of the District, the District's impact fee will be justified by taking the total value of assets of the District and dividing the value across all assessable improved parcels within the District boundaries. Then, the average size of units within the District will be applied to the per unit value to determine a per square foot value.

Impact Fee Calculation

To calculate the amount of the development impact fee necessary on a per square foot basis, for all properties within the District's boundaries, we will identify the cost to provide facilities and equipment to new construction at existing levels. To accomplish this goal, we must first identify the total number of improved parcels within the District. Although the District covers a wide ranging service area, including open land and large forest areas, the impact fee calculated will include solely improved parcels with assessable square footage.

Based on information provided by the District, the total number of improved parcels within the District's boundaries is approximately 1,601. As stated in Section 6, the District expects an additional 35 new residential units to be constructed over the next five years. Therefore, the total number of improved parcels expected to be within the District's boundaries is approximately 1,636.

As it is the District policy that new development will have no impact on the service levels and quality afforded to existing residents and protected structures, the only plausible mitigation for proposed new construction, is payment of impact fees that will serve to provide facilities and equipment at existing levels. To calculate the fee, a per square foot value will be calculated, representing the total fee necessary on a per square foot basis, to provide the land, facilities, apparatus, vehicles and equipment necessary, on a proportional basis.

In Section 7 it was determined the District has a total estimated cost of \$4,365,488 for new facilities, apparatus, vehicles and equipment. With, a combined 1,636 new and future improved parcels in the District, the capital cost per improved parcel is approximately \$2,668.

Per Improved Parcel Value

$$\$4,365,488 / 1,636 \text{ improved parcels} = \$2,668 \text{ per improved parcel}$$

The final piece of the impact fee calculation is the determination, on a per square foot basis, the total impact fee that is necessary to mitigate the effect of new construction. As the mitigation fees are being charged on a per square foot basis, this can be calculated by dividing the "per dwelling value" by the average square footage of dwellings within the District. This calculation, will then provide the fee, on a per square foot basis, that will



provide the necessary resources to offset the impact of construction, at the existing levels. Using ParcelQuest, it was determined that the average square footage of a single-family home within the District is approximately 2,200, the per square foot impact fee calculation is as follows:

<p style="text-align: center;"><u>Per Square Foot Impact Fee Calculation</u></p> <p style="text-align: center;">\$2,668 per dwelling / 2,200 avg. sq. ft. = \$1.21 per sq. ft.</p>

Therefore, the District can justify a development impact fee for fire facilities of **\$1.21** per square foot of new construction.

Imposing the Fee on Different Types of Property Types

For all calls that the District receives, the Type 1 engine is the first to respond, with the exception of wildfire/vegetation calls, when the Type 3 engine is first. The type of property does not impact the apparatus or equipment that is used for response. As such, the same fee is applied to all new construction, regardless of the use of the property.

SECTION 9: ASSESSING THE FEE

The fee is a uniform fee that will be applicable to new construction, including residential, commercial, office, and industrial building space as well as to additions to existing buildings which requires the issuance of a permit or approval from the County of Placer.

Future large or specialized commercial/industrial development may require special considerations and should be judged on a project-by-project basis. Commercial and industrial development should be reevaluated during the routine review of impact fees for fire and hazmat response data to support the different fee structure. The actual designation of future structures into the appropriate fee category should be made by the fire chief, according to published National Fire Protection Association standards.

Residential categories other than single-family dwellings, are differentiated by their size as the fee is assessed on a per square foot basis. These fees are recommended to include the square footage of all classes of covered structures constructed within the District. A covered structure is defined as a roof assembly, as the same is described within the Uniform Building Code, or as defined by the Placer County Fire Development fee ordinance.

The District reserves the right to charge a reasonable cost for administering and collecting all fees assessed.



SECTION 10: IMPLEMENTATION

If the District Board concurs with and chooses to increase the fee as provided for in this study, the following process should be followed for fee implementation.

Fire District Board Approval

The District Board should adopt a resolution and make a recommendation to the County Board of Supervisors to adopt this fee pursuant to the County's "police powers" under Article XI, section 7 of the California Constitution.

County Board of Supervisors Approval

The County Board of Supervisors should adopt the proposed fee schedule in compliance with California Government Code section 66016 through 66018. The County should:

- ◆ Send a notice of a public hearing at least 14 days prior to the hearing to any party that has submitted a written request for such a notice. Have this report and all supporting documentation available for review by the public at least 10 days prior to the hearing. Publish notice of the public hearing in a newspaper of general circulation at least 10 days prior to the scheduled hearing, with a second notice published at least 5 days after the first hearing notice. The notice should include the time and place of the meeting as well as a general explanation of the matter to be considered;
- ◆ Hold the public hearing to consider adoption of the development impact fee;
- ◆ Adopt an implementing ordinance to establish the County and Fire District's authority to impose the proposed fee and automatically adjust the fee annually for inflation, and adopt a resolution or ordinance to set the fee;
- ◆ Begin collecting the fee no sooner than 60 days following adoption of the ordinance and resolution.

Fee Accounting

The District should deposit all fee revenues into a new restricted public facility fee account. Interest earned on fund balances should be credited to the fund.

Use of the Fee

The District should only use fee revenues for projects that expand the District ability to deliver fire services to accommodate new development. Use of the fee in this manner documents a reasonable relationship between new development and the use of fee revenue. The Fire District may alter the scope of the planned projects, or substitute new projects as long as the project continues to represent an expansion of the District's capabilities. If the total cost of all planned projects varies from the total cost used as a basis for the fee, the District should revise the fee accordingly.



Inflation Adjustment

The Fire District should adjust the fee annually for inflation in the cost of projects to be funded by the fee. A construction cost index should be based on a reputable and easily identifiable source such as the *Engineering News Record*. Any inflationary adjustment must first be authorized in the enacting resolution or ordinance approved by the County.

Reporting Requirements

The District should comply with the annual and five-year reporting requirements of Government Code section 66000 et. seq. Annually, the District must identify the fee revenues received and for what purposes they were expended.

