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GOODWIN CONSULTING GROUP



CITY OF
ELK GROVE

**LAGUNA RIDGE
PARK FEE PROGRAM NEXUS STUDY
UPDATE**

March 8, 2019

**CITY OF ELK GROVE
LAGUNA RIDGE
PARK FEE PROGRAM NEXUS STUDY UPDATE**

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
Executive Summary	i
I. Introduction	1
II. Fee Methodology	5
III. Land Use Categories	8
IV. Park Capital Improvement Plan	10
V. Park Fee and Nexus Findings	11
VI. Ongoing Administration of the Laguna Ridge Park Fee Program.....	15
Boundary Map of the Laguna Ridge Park Fee Program.....	3

APPENDIX

Appendix A - Laguna Ridge Park Fee Program Calculations

EXECUTIVE SUMMARY

BACKGROUND

The Laguna Ridge Specific Plan (“LRSP”), the Elk Grove Auto Mall (“Auto Mall”), and the Lent Ranch Special Planning Area (“Lent Ranch SPA”), collectively referred to as the Laguna Ridge Area, are located in the City of Elk Grove (the “City”). The City is located in the south central portion of Sacramento County along Highway 99, approximately 20 miles south of downtown Sacramento. The Laguna Ridge Area is located in the southern portion of the City and lies west of Highway 99. A map identifying the Laguna Ridge Park Fee Program boundaries is shown on page 3 of this report.

The Laguna Ridge Area is estimated to include 7,309 residential units at project buildout, including 4,976 single family units, 1,550 multi-family units, and 783 age restricted units. Currently, slightly more than half of these planned units have already had permits pulled for construction. The Laguna Ridge Area also includes approximately 446 acres of land zoned for commercial and office development, including an estimated 3.9 million square feet of commercial space and 1.2 million square feet of office space. To date, building permits for 118 acres of nonresidential development have been issued by the City’s building department. These development numbers are used in this Nexus Study to determine the updated park fees (“Laguna Ridge Park Fees”) for the Laguna Ridge Area.

PURPOSE OF STUDY

As the Laguna Ridge Area develops, park facilities will be constructed to meet the demands of future development. Some of these facilities will be funded through fee revenue from the Laguna Ridge Park Fee Program (“Fee Program”), while others will be constructed by LRSP developers and dedicated to the City pursuant to development agreements. Since these facilities are needed as a result of development in the Laguna Ridge Area, the cost of these facilities will be borne primarily by development in the Laguna Ridge Area. The Laguna Ridge Park Fees discussed in this report will apply only to development within the Laguna Ridge Area.

The City of Elk Grove retained Goodwin Consulting Group, Inc. to assist in updating the Laguna Ridge Park Fee Program. The Fee Program was originally adopted by the City Council in October

2006. Over time, however, City staff has identified the need to update the facilities, costs, and the development projections within the Laguna Ridge Area. This update of the Park Fee Program will address these issues.

CHANGES INCLUDED IN THIS NEXUS STUDY

This Laguna Ridge Park Fee Program Nexus Study Update report (this “Nexus Study”) is an update of the City of Elk Grove’s original Laguna Ridge Park Fee Program Nexus Study report (the “2006 Nexus Study”). This report contains the following changes and additions as compared to the 2006 Nexus Study:

- Additional Civic Center Community Park facilities have been added to the Fee Program. These facilities include: a community center, which will also include a senior center and veteran’s hall; an aquatic center at the Civic Center; and Civic Center pedestrian trails and landscaping. Table A-2 in Appendix A shows costs of these facilities. The total cost of the updated Laguna Ridge parks capital improvement plan (the “Parks CIP”) is \$87.3 million.
- Development estimates for the Laguna Ridge Area have been updated in this Nexus Study and show that in terms of the total development, not a great deal has changed since 2006. For example, the 2006 Nexus Study estimated that the development area would include 7,323 residential units and 4.9 million square feet of building space at build out. Now with approximately 50% of the residential units in the development already constructed, the City estimates that a total of 7,309 residential units and approximately 5.0 million square feet of building space will be constructed by build out. The building space total does not include an estimated 400,000 square feet of space in the Lent Ranch SPA that is planned for development of the Wilton Rancheria casino. Because the casino would be owned by the Wilton Indian Tribe, it would not be subject to the Laguna Ridge Area Park Fee.
- The 2006 Nexus Study assumes buffers for its residential and nonresidential development estimates. For example, the initial residential development estimates used in the 2006 Nexus Study were reduced by 9% and the nonresidential estimates were reduced by 10%. These percentages were based on the City’s review of past tentative maps, which showed that prior development projections over-estimated the amounts that were actually developed in the City by a factor of 9% for residential development and 10% for nonresidential development. However, with approximately 50% of the Laguna Ridge Area already developed, City staff

feels confident in their current build out estimates and therefore they did not apply the reduction factors to the development estimates used in this Nexus Study.

- The administration fee in this Nexus Study is a 4.0% charge on top of the Laguna Ridge Park Fees that the City uses to fund administration of the Fee Program. City staff analyzed administrative costs compared to eligible facilities and land acquisition costs for this Fee Program and found that administrative costs reached as high as 5.0% of expenditures on eligible facilities and land acquisition. Therefore it is reasonable to infer that such administrative cost trends will continue and thus justifies a 4.0% administrative fee. Costs included in the administration program include, but are not limited to, preparation of the nexus study; preparation of updates to the nexus study; preparation of annual reports for the fee; and administration costs for maintaining the fee fund. The City will continue to monitor its costs in the following years and adjust the rate, as necessary. The 4.0% rate will be applied to the base fee rate. If fee rates are reduced due to public land dedications or improvements, the 4.0% administration fee shall still be applied to the full base fee rate.

LAGUNA RIDGE PARKS CAPITAL IMPROVEMENT PLAN

The Laguna Ridge Park Fee Program provides funding for the park facilities that will serve development in the Laguna Ridge Area. These park facilities, which originally were described in the Laguna Ridge Specific Plan and the Laguna Ridge Finance Plan have been reviewed and updated by City staff to be consistent with the vision the City has for the Civic Center Community Park. A detailed review was conducted by City staff to identify the park facilities and costs. The result of this effort is the updated Laguna Ridge parks capital improvement plan included in this report. The total cost of park facilities included in the Parks CIP is estimated to be \$87.3 million and includes costs for the following facilities:

- Community Center - Senior Center/Veteran’s Hall
- Civic Center – Aquatic Center and Commons
- Civic Center – Landscaping and Pedestrian Trails
- Bartholomew Sports Park – LRSP Cost Share

Cost estimates for the above-referenced facilities are summarized in Table ES-1 below.

**TABLE ES-1
LAGUNA RIDGE CAPITAL IMPROVEMENT PLAN**

<u>Facilities</u>	<u>Total Cost</u>
Community Center - Senior Center/Veteran's Hall	\$ 25,411,206
Civic Center - Aquatics Center and Commons	\$ 42,190,986
Civic Center - Landscaping and Pedestrian Trails	\$ 17,647,500
Bartholomew Sports Park - LRSP Cost Share	<u>\$ 2,060,890</u>
Total (rounded)	\$ 87,311,000

SUMMARY OF THE LAGUNA RIDGE PARK FEES

Table ES-2 below summarizes the Laguna Ridge Park Fees calculated in this report.

**TABLE ES-2
PROPOSED LAGUNA RIDGE PARK FEES**

	Park Fee per Unit or SF	Administration Fee (4.0%) /1	Proposed Park Fee per Unit or SF
<hr/>			
<u>Residential</u>	<i>per Unit</i>		
Single Family (1-2 units - includes duplexes)	\$3,882	\$155	\$4,037
Multi-Family (3 or more units)	\$2,623	\$105	\$2,728
Age-Restricted - Single Family Residential (SFR)	\$2,168	\$87	\$2,255
Age-Restricted - Multi-Family Residential (MFR)	\$1,516	\$61	\$1,577
<u>Nonresidential</u>	<i>per Bldg. SF</i>		
Commercial	\$0.21	\$0.01	\$0.22
Office	\$0.35	\$0.01	\$0.36
Industrial	\$0.09	\$0.00	\$0.09

/1 To fund the City of Elk Grove's administration costs related to the Laguna Ridge Park Fee Program.

FEE ADJUSTMENTS

The Laguna Ridge Park Fee may be adjusted in future years to reflect revised facility costs, receipt of funding from alternative sources or changes in demographics or development land use plans within the Laguna Ridge Area. In addition to such adjustments, the Laguna Ridge Park Fee will be automatically inflated each year by a construction cost index, as outlined in Section VI in this report.

I. INTRODUCTION

The Laguna Ridge Area is located in the City of Elk Grove. The City is located in the south central portion of Sacramento County along Highway 99, approximately 20 miles south of downtown Sacramento. The LRSP area is located in the south portion of the City and lies west of Highway 99, south of Elk Grove Boulevard, east of Bruceville Road and the East Franklin Specific Plan, and north of Bilby Road and the future development area in the City referred to as the Southeast Policy Area. The Auto Mall is located northeast of, and adjacent to, the LRSP area, south of Elk Grove Boulevard, and west of Highway 99. The Lent Ranch SPA is southeast of the LRSP and is bordered by Highway 99 to the east, Kammerer Road to the south, and the Sterling Meadows development to the west. A map identifying the Laguna Ridge Park Fee Program boundary is shown on page 3 of this report.

In 2005 the Public Facilities Financing Plan for the LRSP area established a capital improvement program for park facilities based on the projected needs of future development. In October 2006 the Elk Grove City Council adopted the Laguna Ridge Park Fee Program Nexus Study that provided impact fees to fund future park facilities for the Laguna Ridge Area. This Nexus Study provides updated development estimates, park facilities, and costs for the Laguna Ridge Area based on the City's evolving vision for this development area.

PURPOSE OF STUDY

As the Laguna Ridge Area develops, new park facilities will be required to meet the demands of future development. Some of these facilities will be funded through fee revenue from the Laguna Ridge Park Fee Program, while others will be constructed by LRSP developers and dedicated to the City pursuant to development agreements. The park fees discussed in this report will apply only to development within the Laguna Ridge Area.

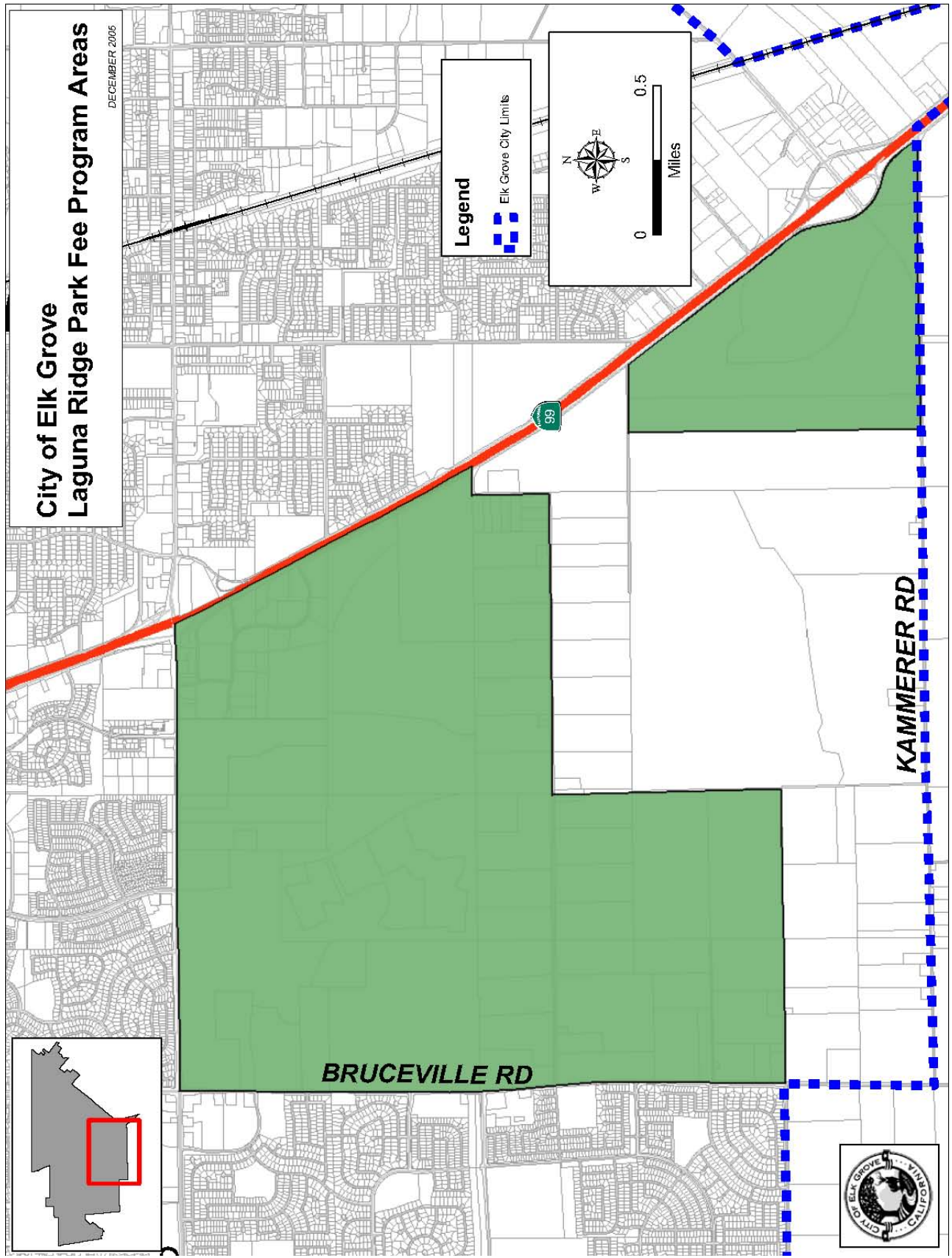
The Fee Program update will be implemented by the Elk Grove City Council through the adoption of this Nexus Study. The Fee Program is compliant with the requirements set forth in the Mitigation Fee Act, also known as AB 1600, and ensures that a rational nexus exists between future development in the Laguna Ridge Area and (i) the use and need of the proposed park facilities, and (ii) the amount of the park fees assigned to future development. This Nexus Study demonstrates that a reasonable relationship exists between the park fees to be levied on each type of land use and the cost of the park facilities attributable to the land uses.

IMPACT FEE NEXUS REQUIREMENTS (AB 1600)

Assembly Bill (AB) 1600, which was enacted by the State of California in 1987, created Section 66000 et seq. of the Government Code. AB 1600 requires that all public agencies satisfy the following requirements when establishing, increasing, or imposing a fee as a condition of approval for a development project:

1. Identify the purpose of the fee
2. Identify the use to which the fee will be put
3. Determine how there is a reasonable relationship between:
 - A. The fee's use and the type of development project on which the fee is imposed
 - B. The need for the public facility and the type of development project on which the fee is imposed.
 - C. 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.

The assumptions and cost allocation methodology that were used to establish the nexus between the Laguna Ridge Park Fee and the development on which it will be levied are summarized in the following sections of this report.



ORGANIZATION OF REPORT

The remainder of this report has been organized into the following sections:

- | | |
|-------------|--|
| Section II | Provides a general explanation of the methodology used to calculate the fees. |
| Section III | Discusses the Laguna Ridge Area land use categories to be used in the application of the fees. |
| Section IV | Discusses components of the Laguna Ridge Park CIP and their related costs |
| Sections V | Discusses the calculation of the Laguna Ridge Park Fee for each land use category and the nexus findings |
| Section VI | Addresses future fee adjustments, credit/reimbursement policies, exemptions, and fee implementation for the Fee Program. |

II. FEE METHODOLOGY

When impact fees are calculated, an analysis must be presented in enough detail to demonstrate that a logical and thorough consideration was applied in the process of determining how the fee relates to the impacts from new development. Various findings pursuant to AB 1600 must be made to ensure that there is a reasonable relationship between the fee and the development on which that impact fee will be levied. The following section of the report outlines the methodology used in this Nexus Study to calculate the Laguna Ridge Park Fee.

FEE METHODOLOGY

The method used to calculate the Laguna Ridge Park Fee ensures that each land use category funds its equitable share of park improvements based on the amount of benefit that its residents or employees will receive from the improvements. Following is a summary of the steps used to calculate the Laguna Ridge Park Fee:

- Step 1: Determine the amount of existing and future development, by land use category, expected within the Laguna Ridge Area that will be served by the park facilities.
- Step 2: Determine the park facilities needed to serve development in the Laguna Ridge Area that will be funded through revenue from the Fee Program. These facilities have been identified in the Laguna Ridge Specific Plan.
- Step 3: Estimate the total cost of the park facilities, or attributable portion of the park facilities identified in Step 2, that will serve development in the Laguna Ridge Area.
- Step 4: Subtract revenues available from alternative funding sources to identify a net park cost that will be allocated to future development.
- Step 5: Based on development projections of residential units and nonresidential square feet, and applying an average persons per household and a resident-equivalent employee per square foot factor, calculate a dwelling unit equivalent (DUE) factor for each land use category.

- Step 6: Calculate the total park DUEs in the Laguna Ridge Area that will be generated from existing and future development in all residential and commercial land use categories by multiplying each land use in the Laguna Ridge Area by its calculated DUE factor.
- Step 7: Divide the park cost in the Parks CIP by the total park DUEs calculated in Step 6 to allocate costs between existing and future development in the Laguna Ridge Area. Apply alternate funding to determine the net facilities cost. Calculate the cost per park DUE.
- Step 8: Multiply the cost per park DUE from Step 7 by the land use's DUE factor to determine the Laguna Ridge Park Fee for each residential and nonresidential land use category.
- Step 9: Apply a 4% administration charge to fund the City's cost of administering the Fee Program. City staff analyzed administrative costs compared to eligible facilities and land acquisition costs for similar fee programs and found that administrative costs reached as high as 5.0% of expenditures on eligible facilities and land acquisition. Therefore it is reasonable to infer that such administrative cost trends will continue and thus justifies a 4.0% administrative fee. Costs included in the administration program include, but are not limited to, preparation of the nexus study; preparation of updates to the nexus study; preparation of annual reports for the fee; and administration costs for maintaining the fee fund. The City will continue to monitor its costs in the following years and adjust the rate, as necessary. The 4.0% rate will be applied to the base fee rate. If fee rates are reduced due to public land dedications or improvements, the 4.0% administration fee shall still be applied to the full base fee rate.

By applying this fee methodology, the amount of the Laguna Ridge Park Fee applied to each land use category is based on the estimated benefit received from the park improvements, and thus a nexus, or reasonable relationship, is established between the amount of the Laguna Ridge Park Fee and the cost of facilities attributable to each type of development.

DWELLING UNIT EQUIVALENT (DUE) FACTORS

Development in the Laguna Ridge Area will create demand for park facilities. For purposes of this Fee Program, demand is measured by the number of residential and nonresidential park user-

equivalents anticipated in the Laguna Ridge Area. By allocating facilities costs to each land use category based on its anticipated demand for park facilities, this Nexus Study ensures that each land use category will fund its fair-share of the required park facilities.

A Dwelling Unit Equivalent (DUE) is a factor that quantifies different land use types in terms of their equivalence to a single family unit. A single family unit is assigned a DUE factor of 1.0 and the DUE factor for each of the other land use categories is determined based on the park user equivalents expected for each land use category relative to the park user equivalents for a single family unit. For example, a single family unit is assumed to have an average of 3.33 persons per household, whereby each person would represent one user equivalent, for a total of 3.33 park user equivalents. A multi-family unit with an average of 2.25 persons per household would generate 2.25 park user equivalents. By dividing 2.25 by 3.33, a DUE factor of 0.68 is calculated for a multi-family residential unit.

Table A-3 in Appendix A shows the calculation of DUE factors for each land use type. Table A-4 in Appendix A summarizes the anticipated park DUEs for each land use type based on residential and nonresidential build out estimates for the Laguna Ridge Area. The number of park user-equivalents is derived from a persons per household factor for residential land uses and a building square feet per employee factor for nonresidential land uses. The persons per household and building square feet per employee assumptions used in this Nexus Study are derived from the City's analysis of population data from the US Census Bureau's 2016 American Community Survey and Goodwin Consulting Group's commercial, office, and industrial land use knowledge and experience.

III. LAND USE CATEGORIES

LAND USE CATEGORIES

The Mitigation Fee Act requires that a reasonable relationship exist between the need for public facilities and the type of development on which an impact fee is imposed. The need for public facilities is related to the level of service demanded, which varies in proportion to the number of residents or employees generated by a particular land use type. Therefore, land use categories have been defined in order to distinguish between relative impacts on facilities. The Laguna Ridge Park Fee has been calculated per dwelling unit for residential land use categories and per square foot of building space for nonresidential land use categories. The following land use categories are identified for purposes of the Laguna Ridge Park Fee:

- Single Family Residential (SFR)** All single family residential development categories, including estate residential, low density residential, and medium density residential. Also includes, but is not limited to, duplexes, halfplexes, row houses, townhomes, and other similar residential developments.
- Multi-Family Residential (MFR):** All multi-family residential development categories, including units located on land zoned RD-15, RD-20, RD-30 (except age restricted). If a multifamily development meets the definition of "Age Restricted" (below), it shall pay the age restricted rate per unit.
- Age Restricted Single Family Residential (SFR):** All single family residential development categories (as defined above) which are restricted to adults or senior citizens who meet the definition of senior, qualifying residents, permitted health care resident, or qualified permanent resident, as such terms are defined in Section 51.3 of the Civil Code.
- Age Restricted Multi-Family Residential (MFR)** All multi-family residential development categories (as defined above) which are restricted to adults or senior citizens who meet the definition of senior, qualifying residents, permitted health care resident, or qualified permanent resident, as such terms are defined in Section 51.3 of the Civil Code.
- Commercial:** Buildings in which retail and service businesses are the primary uses, including, but not limited to, retail stores, clothing stores, book stores, video rental stores, drug stores, barber shops, dry cleaners, hospitals, movie theaters, appliance and electronics stores, home supply stores, tire stores, auto parts stores, auto service centers, oil change service centers and other retail-based businesses providing auto-related products and services, restaurants, supermarkets, gas stations, day/child care facilities, private schools, motels/hotels, residential care facilities (as defined in EGMC Title 23) and health clubs.

Office: Includes, but is not limited to, buildings in which the primary uses are professional, insurance, real estate, banking, administrative or in-office medical or dental activities.

Industrial: Includes, but is not limited to, warehouses, mini-storage facilities, manufacturing, heavy and light industrial uses, processing, fabricating, assembly, refining, repairing, packaging, or treatment of goods, material, or produce, sheet metal and welding shops, wholesale lumber yards, contractor yards, auto wrecking yards, or similar.

The City will make the final determination as to which land use category a particular development will be assigned. The Finance Director is authorized to determine the land use category that corresponds most directly to the land use. Alternatively, the Finance Director can determine that no land use category adequately corresponds to the development in question and may determine a mixed rate or an applicable ad hoc fee.

LAND USE QUANTITIES

The Laguna Ridge Area is estimated to include 7,309 residential units at project buildout, including 4,976 single family units, 1,550 multi-family units, and 783 age restricted units. The Laguna Ridge Area also includes approximately 446 acres of land zoned for commercial and office development, which is anticipated to include 3.9 million square feet of commercial space and 1.2 million square feet of office space. Of the project totals mentioned, the Lent Ranch SPA is expected to include 280 multifamily units and 2.4 million square feet of commercial space and approximately 318,000 square feet of office space.

Currently, slightly more than half of the Laguna Ridge Area's planned residential units have been constructed and building permits for 118 acres of nonresidential development have been issued by the City's building department. Table A-1 in Appendix A shows the planned development in the Laguna Ridge Area development.

IV. PARK CAPITAL IMPROVEMENT PLAN

The Laguna Ridge Park Fee provides funding for the park facilities that will serve development in the Laguna Ridge Area. These park facilities were originally described in the Laguna Ridge Specific Plan. An analysis was conducted to identify the park facilities as well as associated costs; the result of this effort is the Laguna Ridge Park CIP, as summarized in Table A-2 of Appendix A. The total cost of the Laguna Ridge Park facilities that will serve the Laguna Ridge Area is estimated at \$87.3 million and includes the following facilities:

- Community Center - Senior Center/Veteran's Hall
- Civic Center – Aquatic Center and Commons
- Civic Center – Landscaping and Pedestrian Trails
- Bartholomew Sports Park – LRSP Cost Share

Facilities that will be funded with Fee Program revenue include the Civic Center community center that will include a senior center and veteran's hall (\$25.4 million), a Civic Center aquatic center (\$42.2 million), Civic Center pedestrian trails and landscape (\$17.6 million), and a share of the Bartholomew Sports Park cost (\$2.1 million). Funding for these facilities will come from the Fee Program as well as community facilities district bond proceeds and other City revenue sources.

The Bartholomew Sports Park will serve the entire Elk Grove Community Services District service area, which includes the Laguna Ridge Area. The portion of the sports park cost that will be funded through the Laguna Ridge Park Fee is approximately \$2.1 million. This amount is based on a fair-share allocation of the total cost. The allocation of the total cost is consistent with the allocation methodology used in Laguna Ridge Finance Plan as well as the East Franklin Park Fee Update Nexus Study.

V. PARK FEE AND NEXUS FINDINGS

Future development within the Laguna Ridge Area will create demand for park facilities that will serve future residents and employees. The Laguna Ridge Finance Plan specifies the type and size of park facilities needed to serve future Laguna Ridge residents and employees. Consequently, the Fee Program includes funding for development and construction of the Civic Center community center, aquatic center, pedestrian trails and landscape, and a share of the Bartholomew Sports Park cost. The Laguna Ridge Park Fee calculated in this report meets the AB 1600 nexus requirements, as outlined below.

Purpose of Fee

The purpose of the Laguna Ridge Park Fee is to fund park facilities that will serve the Laguna Ridge Area.

Use of Fee

Laguna Ridge Park Fee revenue will be used to fund park facilities, which include construction of the Civic Center community center, an aquatic center, pedestrian trails and landscape, and a fair-share of the Bartholomew Sports Park cost. These facilities and their costs are identified in Appendix A of this report.

Reasonable Relationship Between the Fee's Use and the Type of Development

New development in the Laguna Ridge Area will generate residents and employees who will demand park facilities. These park facilities will be funded by park fee revenue from both residential and nonresidential development in the Laguna Ridge Area. Consequently, the cost of these facilities is allocated to both residential and nonresidential development in the Laguna Ridge Area.

Reasonable Relationship Between the Need for the Facility and the Type of Development

Residential and nonresidential development in the Laguna Ridge Area will generate residents and employees that will demand park facilities. However, a resident and an employee will not create the same amount of demand for park facilities. To estimate the relative amount of demand from each, residents and employees are converted into user-equivalents, which quantify the relative demand that residents and employees create for park facilities. The assumption that determines this conversion factor is the estimated potential for residents and employees to use park facilities. A resident, for example, can potentially utilize park facilities 12 hours per day 7 days a week, or a total of 84 hours per week. An employee, however, has the potential to use parks facilities on average 1.5 hours per day, 5 days a week, or a total of 7.5 hours per week. The conversion factor to determine

relative park demand between a resident and an employee is calculated by dividing 7.5 hours by 84 hours, which is approximately 0.09. Therefore, since residents are assigned a user equivalent factor of 1.00, employees would be 0.09 of a user equivalent. In effect, it is reasonable to infer, based on a standard lunch hour and two breaks a day, that an employee will have 9%, or less than one-tenth of the impact on park facilities that a resident will.

Reasonable Relationship Between the Amount of the Fee and the Cost of the Facility

The Laguna Ridge Park Fee Program provides funding for the park facilities needed to serve development in the Laguna Ridge Area. These park facilities, as described in the Laguna Ridge Specific Plan and the Laguna Ridge Finance Plan have been determined by the City Staff to be entirely attributable to the Laguna Ridge Area. The relationship between the amount of the fee and the portion of the facilities cost attributable to the development type is based on park DUEs. All Laguna Ridge Area residents and employees benefit from park facilities funded through the Fee Program. As such, a fair-share portion of the cost of these facilities has been allocated to residential and nonresidential development based on an estimate of the number of user-equivalents in the Laguna Ridge Area at buildout.

User-equivalents are applied to estimate potential benefits created by park facilities for residents and employees that use those facilities. The user-equivalent factor is calculated on a per-unit basis for residential land uses and on a per 1,000 square feet basis for nonresidential land uses.

Based on the potential benefit from facilities funded through the Park Fee Program to residents and employees, a proportionate share of the cost for such facilities is allocated to residential and nonresidential land uses in the Laguna Ridge Area. This cost allocation establishes the Laguna Ridge Park Fee for each land use category in this Nexus Study as well as the reasonable relationship between the Park Fee and the portion of the park facilities (and its cost) that benefits each development type in the Laguna Ridge Area.

LAGUNA RIDGE PARK FEE CALCULATION

Table A-5 in the appendix shows the existing and future development in the Laguna Ridge Area based on development data provided by the City. This development was converted to Dwelling Unit Equivalents based on the DUE rates shown in Table A-5 and shows that existing development totals 3,425 DUEs and future development is expected to total 3,327 DUEs. This results in a 51% to 49% DUE breakdown between existing and future development in the Laguna Ridge Area.

Table A-6 applies the aforementioned DUE percentages to the total \$87.3 million Park CIP to allocate the total facility cost between existing and the future development in the Laguna Ridge Area. This results in \$44.4 million of the total cost allocated to existing development and \$42.9 million allocated to future development.

Table A-7 shows the facilities cost allocation of \$44.4 million to existing development is, or will be, fully funded by existing Laguna Ridge Park Fee revenue as well as funding from other sources. Table A-8 shows the funding for future development's \$42.9 million share of the Park CIP. Of this total amount, the City is crediting \$30.0 million that it has already received from other sources towards future development's responsibility, leaving a net total of \$12.9 million that will be funded through the Laguna Ridge Park Fee Program.

Table A-9 in the appendix shows the calculation of the Laguna Ridge Park Fees. The net Park Fee Program cost of \$12.9 million is allocated to future residential and nonresidential land uses in the Laguna Ridge Area based on the park DUE factors. The cost per DUE, based on the \$12.9 million cost, is \$3,882. The Laguna Ridge Park Fee is calculated by multiplying the \$3,882 cost per DUE by the DUE factor assigned to each land use category.

VI. ONGOING ADMINISTRATION OF THE LAGUNA RIDGE PARK FEE PROGRAM

The City will administer the Fee Program. This will include, but is not limited to, the following ongoing duties:

- Annually update the Laguna Ridge Park Fee rates due to inflation
- Update Nexus Study as necessary
- Collect fee revenues and allocating to fee accounts
- Enter into credit/reimbursement agreements for land dedications or park improvements
- Manage and track existing fee credits and reimbursements
- Complete annual and five year reporting requirements pursuant to the Mitigation Fee Act

FEE ADJUSTMENTS

The Laguna Ridge Park Fees may be adjusted in future years to reflect revised facility costs or receipt of funding from alternative sources. In addition to such adjustments, in January of each calendar year, the Laguna Ridge Park Fees, facilities costs, and land costs in the Fee Program should be inflated automatically based on the average change in the San Francisco Construction Cost Index (CCI) and the change in the 20-City CCI as reported in the *Engineering News Record* for the 12-month period ending October of the previous year, or equivalent, as determined by the Finance Director if these numbers are not available. For example, the adjustment for January 2020 will be determined by calculating the change from October 2018 to October 2019 in the 20-City and San Francisco CCIs. These two rates of change will be averaged, and the resulting value will be the adjustment factor that will be applied to the Laguna Ridge Park Fee in January 2020.

The fee categories summarized in this report may not be applicable to specialized development projects in the City. For example, development of a cemetery, golf course, and/or stadium would not fall under one of the fee categories in this study. For specialized development projects, the Finance Director, in conjunction with the City Engineer, will review the specialized development and decide on an applicable fee based on the impact to park facilities from the development.

Certain redevelopment projects may also be eligible for a fee adjustment. If, for example, a project applicant demolishes an existing 10,000 square foot building and rebuilds a 20,000 square foot building of the same land use, the applicant may be eligible for a waiver of 50% of the Park Fee. If a redevelopment project results in a change of land use on a particular parcel, City staff will determine the appropriate Laguna Ridge Park Fee adjustment to reflect the different characteristics of the

original and new land uses. The Finance Director, in conjunction with the City Engineer, will review redevelopment requests for fee adjustments on a case-by-case basis. If the previously built structure has been vacant for more than five years, the parcel will be treated as if it was undeveloped, and no such adjustment will be applied.

NEXUS STUDY UPDATES

The Nexus Study will be subject to periodic updates based on changes in developable land, land uses, facilities and land costs, or economic conditions. The City will periodically review the costs, fees, and account balances to determine if an update to the Laguna Ridge Park Fee is warranted. During the periodic reviews, the City may analyze the following items that would impact the Fee Program:

- Changes to the required facilities included in the Fee Program
- Actual changes in land costs that are inconsistent with the inflated cost of land
- Changes in zoning or density
- Changes in the cost to administer the Fee Program

FEE CREDITS AND REIMBURSEMENTS

Fee credits and reimbursements will be available as part of the Fee Program. Fee credits and reimbursements will not be available for the administration component of the Laguna Ridge Park Fee. The City will determine which park facilities will be eligible for developers to construct or dedicate. Facilities that have not yet been accepted by the City prior to the adoption of this Nexus Study must meet City standards for acquisition projects in order to be eligible for fee credits or reimbursements. All future construction contracts, construction work, and requests for credit/reimbursement associated with park facilities must be performed in conformance with the most current “Reimbursement Policies and Procedures for Privately Constructed Public Facilities”, which is available from the City Engineer. Developers will be responsible for complying with all applicable laws, codes, and regulations relating to contracting and construction of public projects that are not currently under contract with the City.

Fee credits and reimbursements will be given only to projects included in the Fee Program that are fully completed and have been accepted by the City. The City will reimburse the developer for acquisition or installation of facilities under the applicable fee based upon the lesser of either of the following:

1. The actual construction cost of the eligible facilities, as determined at the sole discretion of the City through its review of the construction contract, plus allowance for soft costs (e.g., engineering, mobilization, staking) associated with the actual construction costs, as determined by the City; or
2. The value of the improvements as provided in the program (as listed in the schedule of quantities and values, plus annual cost inflation adjustments, as applicable). Fee credits will be provided up to the total fee obligation for the developer and reimbursement will be provided for any remaining amount up to the value of those improvements as provided in the program. Project costs incurred in excess of the cost shown in the Nexus Study plus inflation adjustments will not be credited or reimbursed.

In no instance will the City provide credit or reimbursement in excess of the lesser of the value in the program or the actual construction costs. Costs are subject to binder review (including certified payroll and actual amounts billed) by the City. For example, if the value of the improvements under the schedule is \$2.0 million and the contract value is \$1.7 million, the City will only reimburse or provide credit to a maximum of \$1.7 million. Likewise, if the value of the improvements under the schedule is \$2.0 million and the contract value is \$2.3 million, the City will only reimburse or provide credit to a maximum of \$2.0 million.

Fee credits will be provided up to the total fee obligation for the developer and reimbursement will be provided for any remaining amount. Project costs incurred in excess of the cost shown in the Nexus Study will not be credited or reimbursed.

The City will determine the most efficient method of applying fee credits. It may allow application of full fee credits on a per unit basis until the entire credit amount is exhausted or it may calculate a reduced net fee that proportionately allocates the total credit to all lots within a final subdivision map. The developer must enter into a credit agreement with the City.

The Finance Director will determine the priority of the reimbursement, and the reimbursement will only be paid after the City has accepted the developer-funded facility or land dedication. All reimbursements will be an obligation of the individual fee funds accounts within the Fee Program.

ADMINISTRATION FEE

The City will charge an administration fee that equals 4.0% of the total costs. City staff analyzed administrative costs compared to eligible facilities and land acquisition costs for similar fee programs and found that administrative costs reached as high as 5.0% of expenditures on eligible facilities and land acquisition. Therefore it is reasonable to infer that such administrative cost trends will continue and thus justifies a 4.0% administrative fee. Costs included in the administration program include, but are not limited to, preparation of the nexus study; preparation of updates to the nexus study; preparation of annual reports for the fee; and administration costs for maintaining the fee fund. The City will continue to monitor its costs in the following years and adjust the rate, as necessary. The 4.0% rate will be applied to the base fee rate. If fee rates are reduced due to public land dedications or improvements, the 4.0% administration fee shall still be applied to the full base fee rate.

FEE EXEMPTIONS

All determinations regarding the exemptions provided in this section shall be made by the City Finance Director or his/her designee. The following shall be exempted from payment of the Laguna Ridge Park Fee:

Public Agencies

All federal and state agencies, public school districts, fire stations, and the City of Elk Grove will be exempt from the Laguna Ridge Park Fee. Other non-City public agencies will be subject to payment of the fees; however, the City may choose to waive some or all of the Laguna Ridge Park Fee in certain cases.

Replacement/Reconstruction

- a. Any replacement or reconstruction (no change in use) of any residential unit, if the fee was previously paid, or nonresidential square footage that is damaged or destroyed as a result of fire, flood, explosion, wind, earthquake, riot, or other calamity, or act of God shall be exempt from the Laguna Ridge Park Fee, provided the fee was properly remitted to the City at the time the now damaged structure was originally built. However, if the residential unit(s) replaced or reconstructed exceeds the documented total number of units of the damaged/destroyed residential structure, the excess units are subject to the Laguna Ridge Park Fee. If a residential structure has been vacant for more than five years, the exemption will not apply.

- b. If a residential and/or non-residential structure is replaced with an alternative land use, such as replacing an office building with a retail building, then City staff will determine the appropriate Laguna Ridge Park Fee adjustment to reflect the different characteristics of the original and new land uses that may require the payment of additional fees. No refund shall be granted. If replaced with additional square footage, then the additional square footage is subject to the fee. If a structure has been vacant for more than five years, the exemption will not apply.
- c. Any replacement of existing square footage (non-residential) will be assessed for the additional square footage.

ANNUAL AND FIVE-YEAR REPORTING REQUIREMENTS

The Mitigation Fee Act requires the City to report every year and every fifth year certain financial information regarding the fees. The City must make available within 180 days after the last day of each fiscal year the following information from the prior fiscal year:

- 1) A brief description of the type of fee in the account or fund
- 2) The amount of the fee
- 3) The beginning and ending balance in the account or fund
- 4) The amount of the fee collected and the interest earned
- 5) An identification of each public improvement for which fees were expended and the amount of expenditures
- 6) An identification of an approximate date by which time construction on the improvement will commence if it is determined that sufficient funds exist to complete the project
- 7) A description of each interfund transfer or loan made from the account and when it will be repaid
- 8) Identification of any refunds made once it is determined that sufficient monies have been collected to fund all fee-related projects

The City must make this information available for public review and must also present it at the next regularly scheduled public meeting not less than 15 days after this information is made available to the public.

For the fifth fiscal year following the first deposit into the fee account, and every five years thereafter, the City must make the following findings with respect to any remaining funds in the fee account, regardless of whether those funds are committed or uncommitted:

- 1) Identify the purpose to which the fee is to be put
- 2) Demonstrate a reasonable relationship between the fee and the purpose for which it is charged
- 3) Identify all sources and amounts of funding anticipated to complete financing any incomplete improvements
- 4) Designate the approximate dates on which funding in item (3) above is expected to be deposited into the fee account

As with the annual disclosure, the five-year report must be made public within 180 days after the end of the City's fiscal year and must be reviewed at the next regularly scheduled public meeting. The City must make these findings, otherwise the law requires that the City refund the money on a prorated basis to the then current record owners of the development project.

APPENDIX A

LAGUNA RIDGE PARK FEE PROGRAM CALCULATIONS

Table A-1
Laguna Ridge Area Planned Development

Laguna Ridge Specific Plan

<u>Residential</u>	<u>Units</u>	<u>Population</u>	<u>PPH</u>
Single Family (less than 3 units)	4,976	16,570	3.33
Multi-Family (3 or more units)	1,270	2,858	2.25
Age Restricted - SFR	648	1,205	1.86
Age Restricted - MFR	135	176	1.30
Subtotal	7,029	20,808	--

<u>Nonresidential</u>	<u>SF</u>	<u>Emp</u>	<u>SF/Emp</u>
Commercial	1,479,802	2,960	500
Office	850,269	2,834	300
Subtotal	2,330,071	5,794	--

Lent Ranch Special Planning Area ¹

<u>Residential</u>	<u>Units</u>	<u>Population</u>	<u>PPH</u>
Single Family (less than 3 units)	0	0	3.33
Multi-Family (3 or more units)	280	630	2.25
Age Restricted - SFR	0	0	1.86
Age Restricted - MFR	0	0	1.30
Subtotal	280	630	--

<u>Nonresidential</u>	<u>SF</u>	<u>Emp</u>	<u>SF/Emp</u>
Commercial	2,373,000	4,746	500
Office	318,000	1,060	300
Subtotal	2,691,000	5,806	--

Total Development

<u>Residential</u>	<u>Units</u>	<u>Population</u>	<u>PPH</u>
Single Family (less than 3 units)	4,976	16,570	3.33
Multi-Family (3 or more units)	1,550	3,488	2.25
Age Restricted - SFR	648	1,205	1.86
Age Restricted - MFR	135	176	1.30
Subtotal	7,309	21,438	--

<u>Nonresidential</u>	<u>SF</u>	<u>Emp</u>	<u>SF/Emp</u>
Commercial	3,852,802	7,706	500
Office	1,168,269	3,894	300
Subtotal	5,021,071	11,600	--

1. Does not include the development on 35.9 acres of land that is planned for development of an Indian casino.

Table A-2

Facilities Costs

<u>Facilities</u>	<u>Total Cost</u>
Community Center - Senior Center/Veteran's Hall	\$ 25,411,206
Civic Center - Aquatics Center and Commons	\$ 42,190,986
Civic Center - Landscaping and Pedestrian Trails	\$ 17,647,500
Bartholomew Sports Park - LRSP Cost Share	\$ 2,060,890
Total (rounded)	\$ 87,311,000

Source: City of Elk Grove

Table A-3
Dwelling Unit Equivalent (DUE) Calculation

Land Use	Persons per Household (PPH)	Building Square Feet per Employee	User Equivalents per Resident or Employee	User Equivalents per Unit or per 1,000 SF	DUE Factor per Unit or per 1,000 SF
<u>Residential</u>					
			<i>per Resident</i>	<i>per Unit</i>	<i>per Unit</i>
Single Family	3.33	-	1.00	3.33	1.00
Multi-Family	2.25	-	1.00	2.25	0.68
Age Restricted - SFR	1.86	-	1.00	1.86	0.56
Age Restricted - MFR	1.30		1.00	1.30	0.39
<u>Nonresidential</u>					
			<i>per Employee /1</i>	<i>per 1,000 SF</i>	<i>per 1,000 SF</i>
Commercial	-	500	0.09	0.18	0.05
Office	-	300	0.09	0.30	0.09
Industrial	-	1200	0.09	0.08	0.02

/1 Assumes a resident can utilize parks an average of 12 hours per day 7 days a week (84 hours) and an employee can utilize parks an average of 1.5 hours per day 5 days a week (7.5 hours); this translates to 1.0 employee equaling approximately 0.09 residents ($7.5/84 = 0.09$).

Source: City of Elk Grove; Goodwin Consulting Group, Inc.

Table A-4
Total Park DUEs

	Laguna Ridge		Lent Ranch SPA		TOTAL	
Land Use	Units or SF	DUEs	Units or SF	DUEs	Units or SF	DUEs
<u>Residential</u>	<u>Units</u>		<u>Units</u>		<u>Units</u>	
Single Family	4,976	4,976	0	0	4,976	4,976
Multi-Family	1,270	858	280	189	1,550	1,047
Age Restricted - SFR	648	362	0	0	648	362
Age Restricted - MFR	135	53	0	0	135	53
Subtotal Residential	7,029	6,249	280	189	7,309	6,438
<u>Nonresidential</u>	<u>Bldg. SF</u>		<u>Bldg. SF</u>		<u>Bldg. SF</u>	
Commercial	1,479,802	80	2,373,000	128	3,852,802	208
Office	850,269	77	318,000	29	1,168,269	105
Subtotal Nonresidential	2,330,071	157	2,691,000	157	5,021,071	314
Total DUEs		6,405		346		6,751
Percentage of Total		94.9%		5.1%		100.0%

Source: Goodwin Consulting Group, Inc.

Table A-5
Calculation of Existing and Future Park DUEs

	<u>Units</u>			<u>DUE Rates</u>	<u>Existing DUEs</u>	<u>Future DUEs</u>	<u>Total DUEs</u>
	<u>Existing</u>	<u>Future</u>	<u>Total</u>				
<u>Residential</u>							
Single Family	2,679	2,297	4,976	1.00	2,679	2,297	4,976
Multi-Family	481	1,069	1,550	0.68	325	722	1,047
Age Restricted - SFR	632	16	648	0.56	353	9	362
Age Restricted - MFR	0	135	135	0.39	-	53	53
Subtotal	3,792	3,517	7,309	-	3,357	3,081	6,438
<u>Nonresidential</u>							
	<u>Existing</u>	<u>Future</u>	<u>Total</u>				
Commercial	1,257	2,596	3,853	0.05	68	140	208
Office	0	1,168	1,168	0.09	-	105	105
Subtotal	1,257	3,764	5,021	-	68	246	314
Total DUEs					3,425	3,327	6,751
DUE Percentages					50.7%	49.3%	100.0%

Source: City of Elk Grove; Goodwin Consulting Group, Inc.

Table A-6

Cost Allocation Between Existing and Future Development in the Fee Program

Facility	Total Facilities Cost	Existing Development	Future (New) Development
DUE Allocation:	100.0%	50.7%	49.3%
Community Center - Senior Center/Veteran's Hall	\$25,411,206	\$12,890,861	\$12,520,345
Civic Center - Aquatics Center and Commons	\$42,190,986	\$21,403,082	\$20,787,904
Civic Center Landscape and Pedestrian Trails	\$17,647,500	\$8,952,407	\$8,695,093
Bartholomew Sports Park	\$2,060,890	\$1,143,623	\$917,267
Totals	\$87,310,582	\$44,389,973	\$42,920,609

Source: City of Elk Grove; Goodwin Consulting Group, Inc.

Table A-7
Funding For Existing Development in the Fee Program

Facility	Existing Development Facility Cost Allocation	Funding From Existing Development & Other Funding Sources	Existing Development's Future Obligation	Funding Provided in Excess of Existing Development's Allocated Cost
Community Center - Senior Center/Veteran's Hall	\$12,890,861	\$25,411,206	\$0	(\$12,520,345)
Civic Center - Aquatics Center and Commons	\$21,403,082	\$42,190,986	\$0	(\$20,787,904)
Civic Center Landscape and Pedestrian Trails	\$8,952,407	\$7,133,573	\$1,818,834	\$0
Bartholomew Sports Park	\$1,143,623	\$1,143,623	\$0	\$0
Totals	\$44,389,973	\$75,879,388	\$1,818,834	(\$33,308,250)

Source: City of Elk Grove

Table A-8
Funding For Future Development in the Fee Program

Facility	Future Development Facility Cost Allocation	Funding From Existing Development & Other Funding Sources Identified For Facility With No Required Repayment from New Development	New Development's Net Obligation for Facility Allocated Cost
Community Center - Senior Center/Veteran's Hall	\$12,520,345	\$9,219,014	\$3,301,331
Civic Center - Aquatics Center and Commons	\$20,787,904	\$20,787,904	\$0
Civic Center Landscape and Pedestrian Trails	\$8,695,093	\$0	\$8,695,093
Bartholomew Sports Park	\$917,267	\$0	\$917,267
Totals	\$42,920,609	\$30,006,918	\$12,913,691

Source: City of Elk Grove

**Table A-9
Fee Program Costs**

Item	Estimated Costs	Future Develop. DUES	Cost Per DUE	Fees							
				SFR	MFR	SFR Age-Restricted	MFR Age-Restricted	Commercial	Office	Indus.	
				<u>Per Unit</u>	<u>Per Unit</u>	<u>Per Unit</u>	<u>Per Unit</u>	<u>Per Sq Ft</u>	<u>Per Sq Ft</u>	<u>Per Sq Ft</u>	
Community Center - Senior Center/Veteran's Hall	\$3,301,331	3,327	\$992	\$992	\$671	\$554	\$387	\$0.05	\$0.09	\$0.02	
Civic Center - Aquatics Center and Commons	\$0	3,327	\$0	\$0	\$0	\$0	\$0	\$0.00	\$0.00	\$0.00	
Civic Center Landscape and Pedestrian Trails	\$8,695,093	3,327	\$2,614	\$2,614	\$1,766	\$1,460	\$1,020	\$0.14	\$0.24	\$0.06	
Bartholomew Sports Park - LRSP Cost Share	\$917,267	3,327	\$276	\$276	\$186	\$154	\$108	\$0.01	\$0.02	\$0.01	
Total	\$12,913,691		\$3,882	\$3,882	\$2,623	\$2,168	\$1,516	\$0.21	\$0.35	\$0.09	

Source: Goodwin Consulting Group, Inc.

Table A-10
Laguna Ridge Park Fee Program Summary

	Park Fee per Unit or SF	Administration Fee (4.0%) /1	Proposed Park Fee per Unit or SF	Current Park Fee per Unit or SF	Percent Increase Over Current Fee
<u>Residential</u>					
	<i>per Unit</i>				
Single Family	\$3,882	\$155	\$4,037	\$3,543	13.9%
Multi-Family	\$2,623	\$105	\$2,728	\$2,363	15.4%
Age-Restricted - SFR	\$2,168	\$87	\$2,255	\$2,027	11.3%
Age-Restricted - MFR	\$1,516	\$61	\$1,577	na	na
<u>Nonresidential</u>					
	<i>per Bldg. SF</i>				
Commercial	\$0.21	\$0.01	\$0.22	\$0.27	-18.5%
Office	\$0.35	\$0.01	\$0.36	\$0.44	-18.2%
Industrial	\$0.09	\$0.00	\$0.09	\$0.10	-10.0%

/1 To fund the City of Elk Grove's administration costs related to the Laguna Ridge Park Fee Program.

Source: Goodwin Consulting Group, Inc.