

The Economics of Land Use



Meeting Materials

Citywide Development Impact Fee Update

Prepared for:

City of Sacramento

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SUMMARY OF FEE PROPOSALS



CITYWIDE DEVELOPMENT IMPACT FEE (CDIF) PROGRAM

Background

For several decades now the City has utilized existing infrastructure capacity to support new development and when capacity is no longer available has relied on proposed development to fund new infrastructure. In-depth analysis showed that the City's development impact fee (CDIF) system is outdated, piecemeal, difficult to navigate, and falls far short of funding infrastructure required to support the build out of the 2035 General Plan. Also, the City's incremental evolution of fees has resulted in a complex system that is cumbersome for the City to manage and for developers to determine financial feasibility of projects. Finally, in several parts of the City, infrastructure deficiencies have halted new development and urban infill development is seldom able to pay for the type of large scale off-site infrastructure required through exactions.

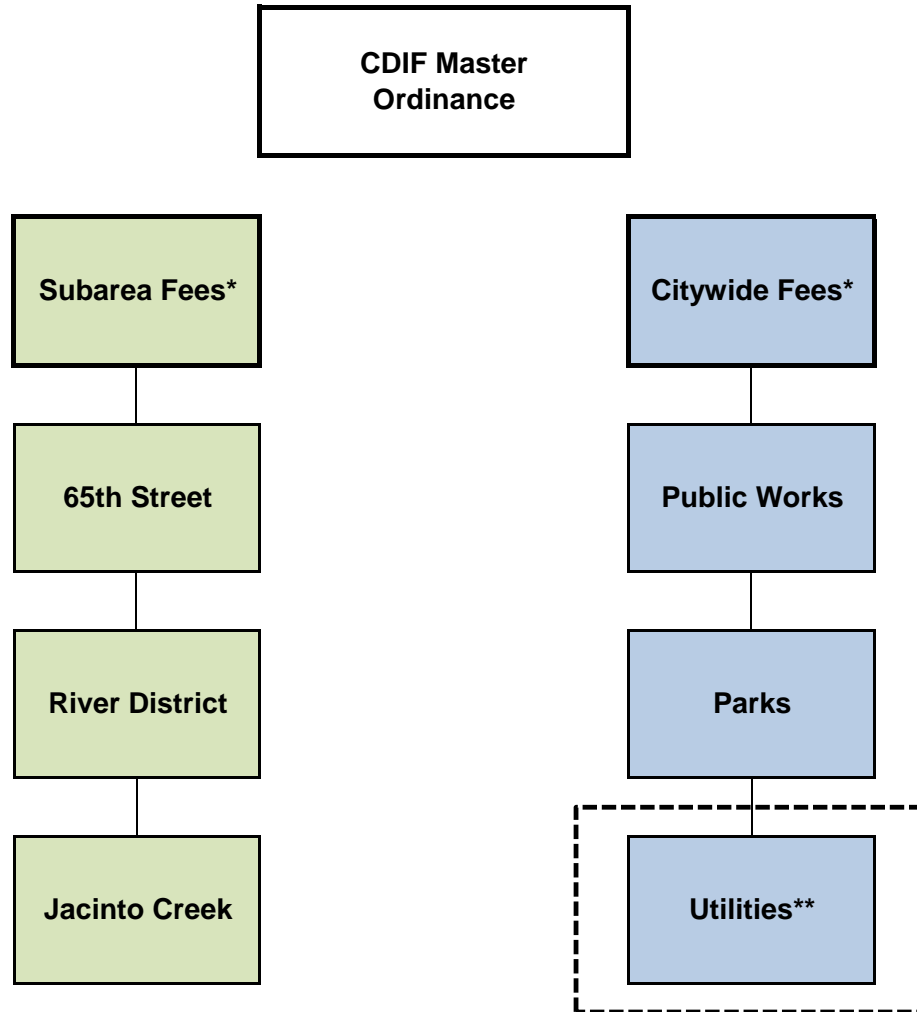
Proposal

This program will streamline the current system by establishing a common set of rules and administration policies for all impact fees while also providing funding for critical transportation needs and desirable park improvements. Additionally, the program creates financing districts (for 65th Street, River District, and Jacinto Creek) that support localized infrastructure needs by providing a funding and reimbursement mechanism where none currently exists. Finally, the proposal includes a fee deferral ordinance which postpones payment of fees from permit issuance until final building permit inspection, saving developers thousands of dollars per unit. The CDIF program provides more consistency and certainty for developers and staff, provides funding for needed infrastructure and offers a financial incentive to developers.

Below is a summary of the benefits of the program:

- Provides for a streamlined master ordinance, with a common set of rules and requirements for fee administration that would apply to all new fees, and would consolidate all fees into section 18 of City Code.
- Provides consistency and more certainty for developers and staff.
- Promotes infill development by reducing the required number of park acres built, while providing funding to improve the parks we have, including new funding for regional parks.
- The fee deferral and finance district elements provide for flexibility on the timing of payments.
- Economic incentives for River District and 65th Street Finance Plans allows projects to incorporate the costs into pro-formas.
- Provides a mechanism to allow credit for prior use and credits for impact fees previously paid on the same property.
- Offers a uniform refund and protest policy.
- Includes a reimbursement process for infrastructure which serves more than the project itself.
- Transportation DIF: funds transportation improvement projects citywide and leverages local match funds when competing for grants.
- Park DIF: funds neighborhood, community and citywide parks facilities while reducing the required park acreage (Quimby). Reduced LOS means more developable land in our core, while funding more robust improvements and money for regional parks.
- Subarea fee funds local infrastructure and catalyzes development (for 65th Street, River District, etc.).
- Implementation of a fee deferral program to assist infill development. For residential, mixed use, and large non-residential (greater than 100,000 square feet) fees could be deferred to final inspection. This would allow developers to pull more permits at once, developing economies of scale, while also saving on costly soft-cost financing.

Citywide Development Impact Fee (CDIF) Program Overview



* Citywide Fees pay for backbone infrastructure of citywide benefit. Subarea fees pay for local infrastructure improvements benefiting specific subarea.

** Utilities Fee to be implemented at a later date.

overview

Table 1
City of Sacramento
Citywide Development Impact Fee Updates
Proposed Fee Increase – Single-Family Residential Development

Proposed Fees—
Single-Family Residential
(Preliminary - Subject to Change)

		East Sacramento			North & South Sacramento (Housing Incentive Zone)			Central City (Downtown)			North Natomas		
Item	Assumptions	Existing	Potential	Net Increase	Existing	Potential	Net Increase	Existing	Potential	Net Increase	Existing	Potential	Net Increase
Development Assumptions													
Unit Sq. Ft.	2,000												
Density (Units/Acre)	8.0												
Development Impact Fee													
		-----fee per unit-----			-----fee per unit-----			-----fee per unit-----			-----fee per unit-----		
Parks [1] [2]													
Central City [3]		NA	NA	NA	NA	NA	NA	\$2,770	\$3,200	\$430	NA	NA	NA
Remaining City		\$5,962	\$5,100	(\$862)	\$5,962	\$3,200	(\$2,762)	NA	NA	NA	\$5,962	\$5,100	(\$862)
Transportation													
Baseline		\$0	\$2,152	\$2,152	\$0	\$1,291	\$1,291	NA	NA	NA	\$0	\$450	\$450
Transit Center		NA	NA	NA	NA	NA	NA	\$0	\$1,219	\$1,219	NA	NA	NA
Total		\$5,962	\$7,252	\$1,290	\$5,962	\$4,491	(\$1,471)	\$2,770	\$4,419	\$1,649	\$5,962	\$5,550	(\$412)

"proposed_increase"

Source: City of Sacramento; EPS.

- [1] Parks fee is charged per living area square foot. Residential rates are subject to a minimum fee based on a 750 square foot unit and a maximum fee based on a 2,000 square foot unit.
[2] Changes to the Quimby ordinance result in lower level of service and in-lieu fees in all areas.
[3] Assumes project would be eligible for the Specified Infill rate, which is \$2,770 per single-family residential unit. Note that because the proposed PIF would be charged on a per square foot basis, smaller units would pay a lower fee. A 1,700 square foot unit (current median size) in the Central City would pay \$2,720 per unit under the current proposal.

Table 2
City of Sacramento
Citywide Development Impact Fee Updates
Proposed Fee Increase – Multi-Unit Residential Development

Proposed Fees—
Multi-Unit Residential
(Preliminary - Subject to Change)

		East Sacramento			North & South Sacramento (Housing Incentive Zone)			Central City (Downtown)			North Natomas		
Item	Assumptions	Existing	Potential	Net Increase	Existing	Potential	Net Increase	Existing	Potential	Net Increase	Existing	Potential	Net Increase
Development Assumptions													
Unit Sq. Ft.	1,000												
Density (Units/Acre)	20.0												
Development Impact Fee													
		-----fee per unit-----			-----fee per unit-----			-----fee per unit-----			-----fee per unit-----		
Parks [1] [2]													
Central City [3]		NA	NA	NA	NA	NA	NA	\$1,636	\$1,600	(\$36)	NA	NA	NA
Remaining City		\$3,513	\$2,550	(\$963)	\$3,513	\$1,600	(\$1,913)	NA	NA	NA	\$3,513	\$2,550	(\$963)
Transportation													
Baseline		\$0	\$1,236	\$1,236	\$0	\$742	\$742	NA	NA	NA	\$0	\$259	\$259
Transit Center		NA	NA	NA	NA	NA	NA	\$0	\$700	\$700	NA	NA	NA
Total		\$3,513	\$3,786	\$273	\$3,513	\$2,342	(\$1,171)	\$1,636	\$2,300	\$664	\$3,513	\$2,809	(\$704)

"proposed_increase_mfr"

Source: City of Sacramento; EPS.

[1] Parks fee is charged per living area square foot. Residential rates are subject to a minimum fee based on a 750 square foot unit and a maximum fee based on a 2,000 square foot unit.

[2] Changes to the Quimby ordinance result in lower level of service and in-lieu fees in all areas.

[3] Assumes project would be eligible for the Specified Infill rate, which is \$1,626 per multi-unit residential unit.

Table 3
City of Sacramento
Citywide Development Impact Fee Updates
Proposed Fee Increase – Retail Development

**Proposed Fees—
Retail Development**
(Preliminary - Subject to Change)

		East Sacramento			North & South Sacramento (Housing Incentive Zone)			Central City (Downtown)			North Natomas		
Item	Assumptions	Existing	Potential	Net Increase	Existing	Potential	Net Increase	Existing	Potential	Net Increase	Existing	Potential	Net Increase
Development Assumptions													
	Building Sq. Ft.	20,000											
	Acres	2.00											
	Density (FAR)	0.23											
Development Impact Fee													
		-----fee per 1,000 bldg. sq. ft.-----			-----fee per 1,000 bldg. sq. ft.-----			-----fee per 1,000 bldg. sq. ft.-----			-----fee per 1,000 bldg. sq. ft.-----		
Parks [1]													
	Central City [2]	NA	NA	NA	NA	NA	NA	\$190	\$160	(\$30)	NA	NA	NA
	Remaining City	\$420	\$420	\$0	\$420	\$160	(\$260)	NA	NA	NA	\$420	\$420	\$0
Transportation [3]													
	Baseline	\$0	\$2,503	\$2,503	\$0	\$1,502	\$1,502	NA	NA	NA	\$0	\$519	\$519
	Transit Center	NA	NA	NA	NA	NA	NA	\$0	\$1,418	\$1,418	NA	NA	NA
Total		\$420	\$2,923	\$2,503	\$420	\$1,662	\$1,242	\$190	\$1,578	\$1,388	\$420	\$939	\$519

Source: City of Sacramento; EPS.

"increase_retail"

[1] Changes to the Quimby ordinance result in lower level of service and in-lieu fees in all areas.

[2] Assumes nonresidential project would be eligible for the Specified Infill rate, which is \$0.19 per building square foot.

[3] Retail development projects are charged 10 percent of the full proposed TDIF rate for the first 5,000 square feet of development.

Table 4
City of Sacramento
Citywide Development Impact Fee Updates
Proposed Fee Increase – Office Development

**Proposed Fees—
Office Development**
(Preliminary - Subject to Change)

		East Sacramento			North & South Sacramento (Housing Incentive Zone)			Central City (Downtown)			North Natomas		
Item	Assumptions	Existing	Potential	Net Increase	Existing	Potential	Net Increase	Existing	Potential	Net Increase	Existing	Potential	Net Increase
Development Assumptions													
Building Sq. Ft.	20,000												
Acres	2.00												
Density (FAR)	0.23												
Development Impact Fee													
		-----fee per 1,000 bldg. sq. ft.-----			-----fee per 1,000 bldg. sq. ft.-----			-----fee per 1,000 bldg. sq. ft.-----			-----fee per 1,000 bldg. sq. ft.-----		
Parks [1]													
Central City [2]		NA	NA	NA	NA	NA	NA	\$270	\$230	(\$40)	NA	NA	NA
Remaining City		\$570	\$570	\$0	\$570	\$230	(\$340)	NA	NA	NA	\$570	\$570	\$0
Transportation [3]													
Baseline		\$0	\$2,472	\$2,472	\$0	\$1,483	\$1,483	NA	NA	NA	\$0	\$519	\$519
Transit Center		NA	NA	NA	NA	NA	NA	\$0	\$1,400	\$1,400	NA	NA	NA
Total		\$570	\$3,042	\$2,472	\$570	\$1,713	\$1,143	\$270	\$1,630	\$1,360	\$570	\$1,089	\$519

Source: City of Sacramento; EPS.

"increase_office"

[1] Changes to the Quimby ordinance result in lower level of service and in-lieu fees in all areas.

[2] Assumes nonresidential project would be eligible for the Specified Infill rate, which is \$0.27 per building square foot.

[3] Office development projects are charged 10 percent of the full proposed TDIF rate for the first 5,000 square feet of development.



REGIONAL FEE COMPARISONS

Existing Total Infrastructure
Burden Compared to Regional Median

Figure 1
City of Sacramento
Citywide Development Impact Fee Updates
Single-Family Residential Infrastructure Cost Burden Comparison
2,000 Sq. Ft. Home, 3 Bedrooms, 8.0 Units/Acre

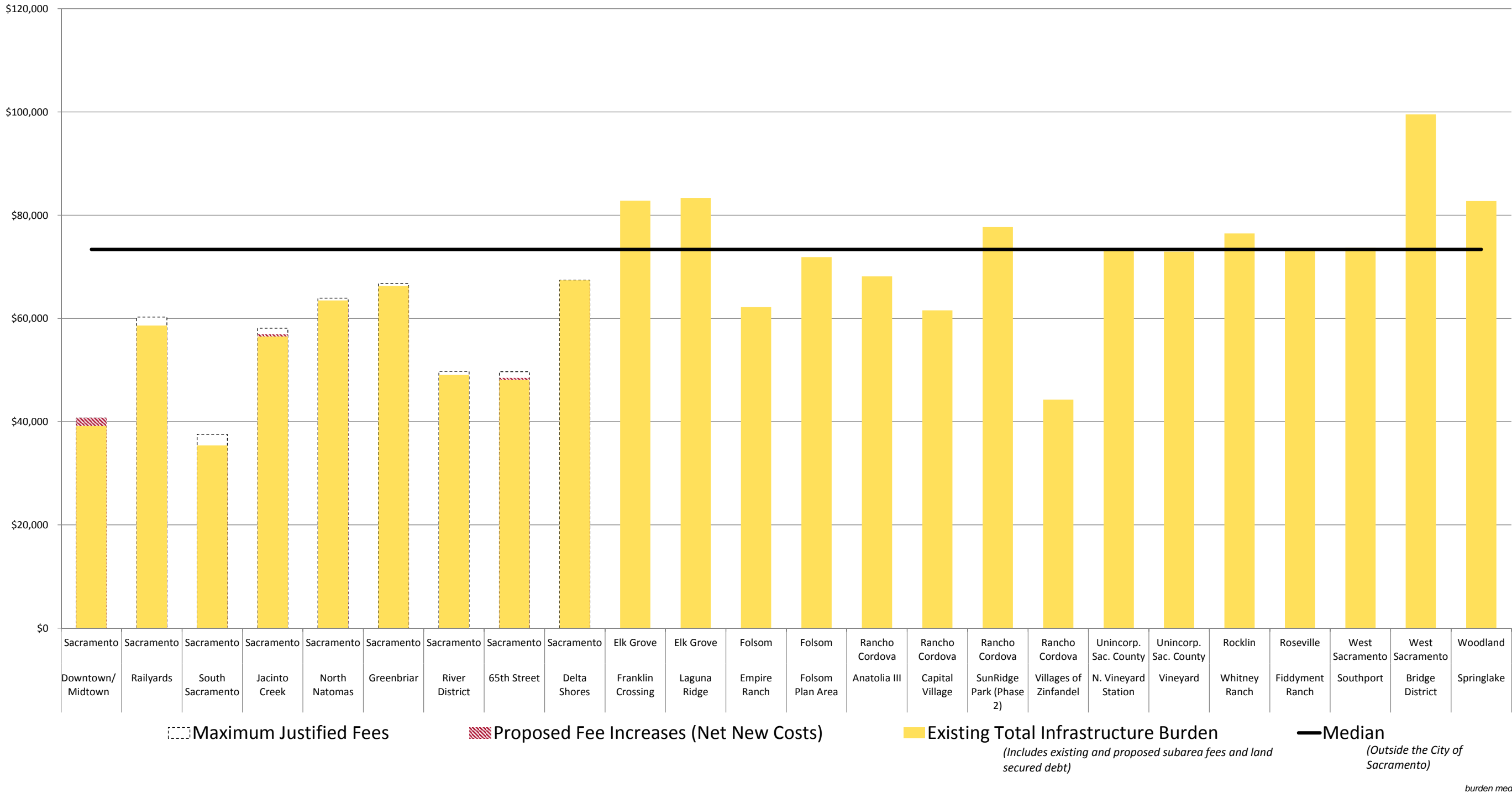
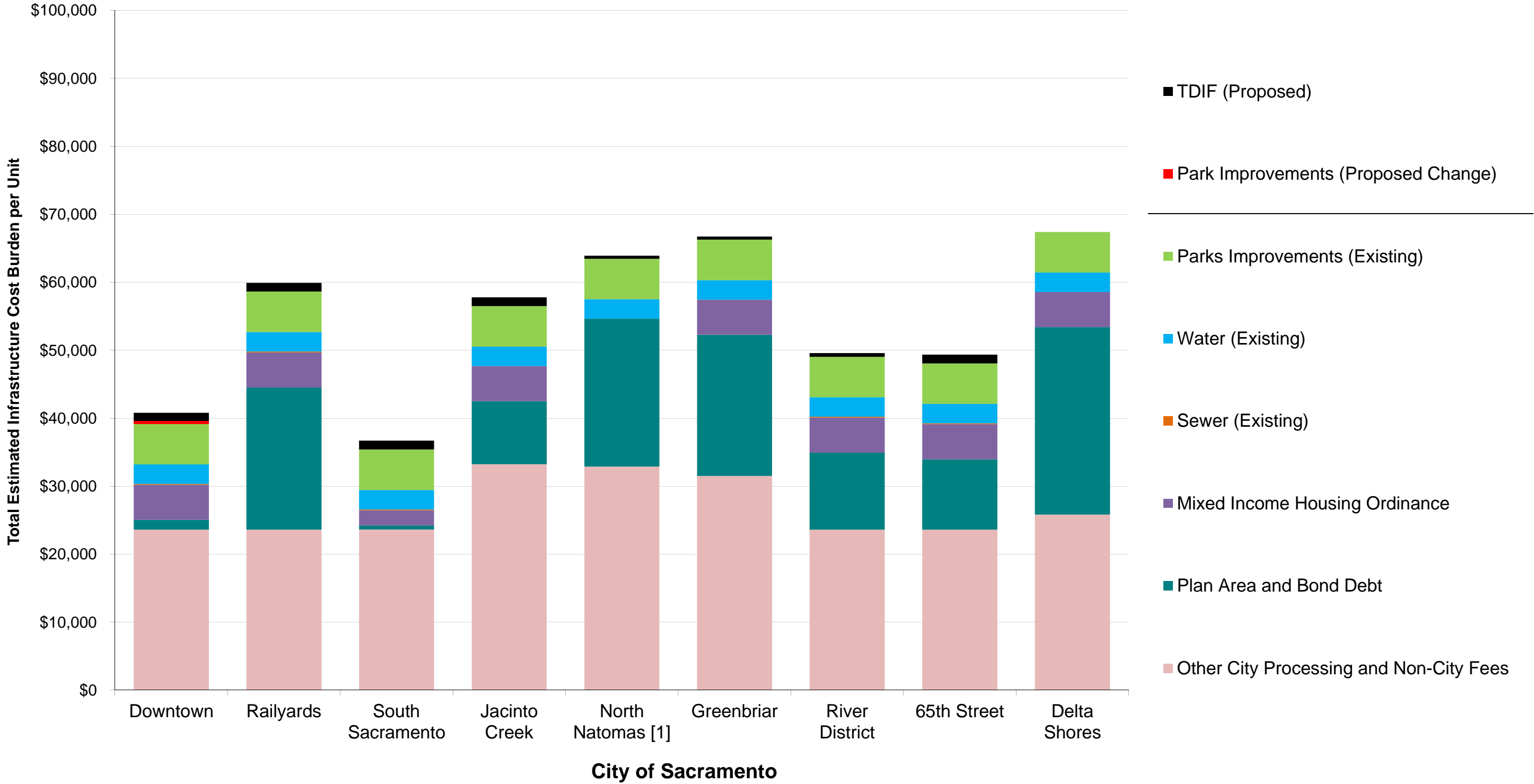


Figure 2
City of Sacramento
Citywide Development Impact Fee Updates
Single-Family Residential Infrastructure Cost Burden Comparison
2,000 Sq. Ft. Unit and 8.0 Units/Acre

Single-Family
Development Cost
Burden per Unit



[1] Mixed income housing ordinance for the North Natomas area is already met through construction of affordable units or through development agreements.

sfr proposed chart



PARK IMPACT FEE DETAIL

Table 5
City Parkland Dedication Ordinance Average Land Values

No.	Community Plan Area	Existing* Land Cost per Acre	Proposed ** Land Cost per Acre
1	Central City	\$250,000	\$360,000
2	Land Park	\$250,000	\$225,000
3	Pocket	\$375,000	\$265,000
4	South Area		
	<i>South of 34th; W of RR Lines</i>	\$160,000	\$140,000
	<i>South of Fruitridge to Florin</i>	\$100,000	\$80,000
	<i>South of Florin; East of RR Lines</i>	\$330,000	\$235,000
5	Fruitridge Broadway		
	<i>North of Fruitridge</i>	\$115,000	\$155,000
	<i>South of Fruitridge</i>	\$100,000	\$110,000
6	East Sacramento	\$250,000	\$330,000
7	Arden Arcade	\$115,000	\$95,000
8	North Sacramento	\$105,000	\$100,000
9	South Natomas	\$295,000	\$135,000
10	North Natomas	\$687,500	\$310,000

* Last updated in 2004

"land_value"

** Updated using vacant land sales data and housing sales data for 6/2014 - 12/2015

EXPLANATION OF CITY'S MODIFIED PARK IMPACT FEE NEXUS STUDY AND WHAT THE FEES WILL "BUY"

The Park Impact Fee Nexus Study Update is based on a "Level of Service" rather than a detailed list of capital improvements. The Nexus Study analyzes the addition of 1.75 acres of neighborhood and community parkland for every 1,000 Central City residents and 3.5 acres of neighborhood and community parkland per 1,000 people for all other areas of the City. The proposed fee is based on the cost to develop this neighborhood and community parkland.

The proposed Level of Service is a reduction from what is currently (5 acres of neighborhood and community parkland for every 1,000 people). To offset this difference, but still keeping park fees at a reasonable rate overall, a new fee is being introduced which will fund a small portion of the development costs for citywide parks, parkways, and facilities. The new component may be used to fund regional park improvements, pools, community centers or gymnasiums.

Regional Parks and Parkways

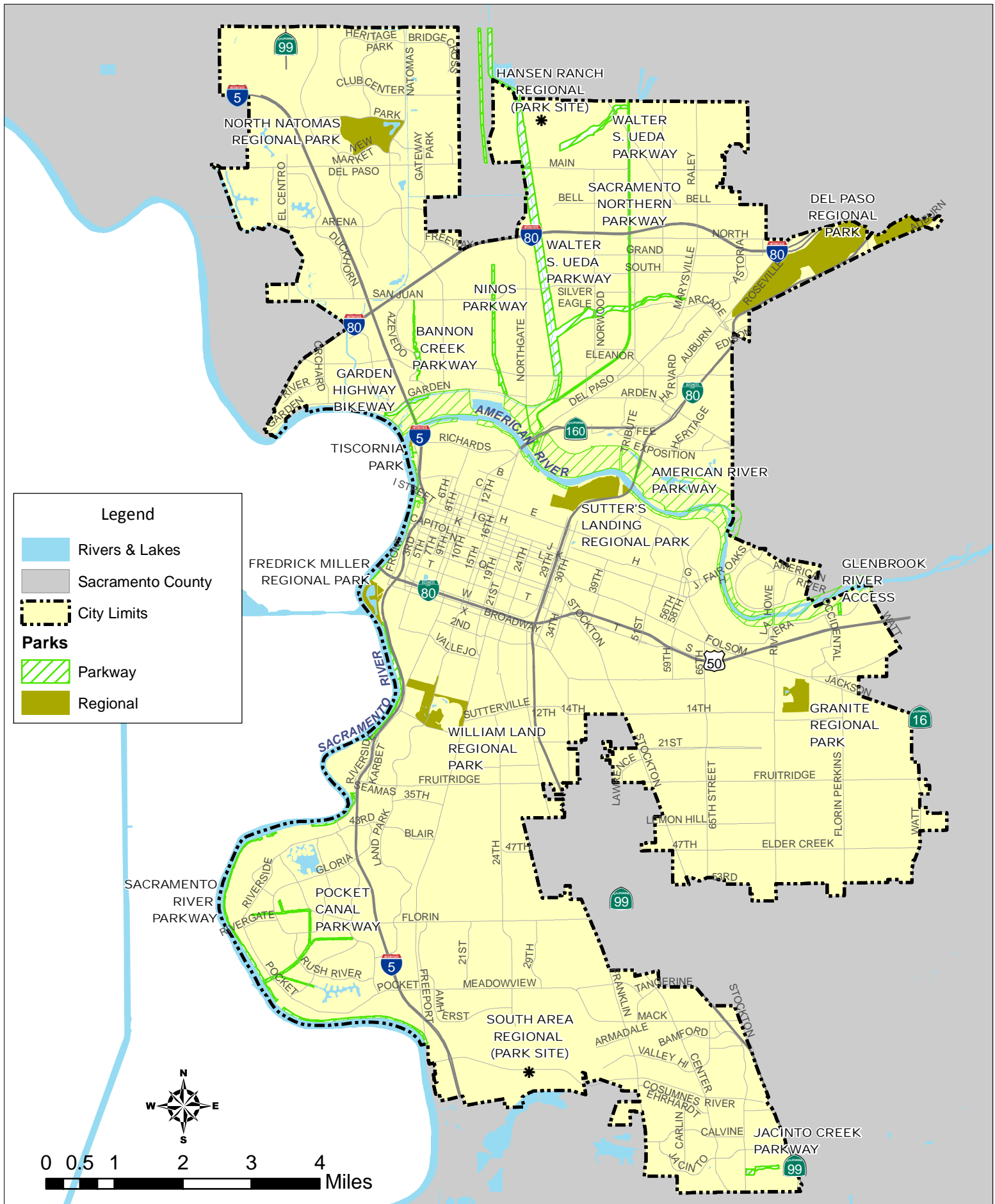


Table 6
City of Sacramento
Citywide Development Impact Fee Updates
FY 2015-16 Park Development Impact Fee

**Current Park
Development
Impact Fee**

Land Use Category	FY 2015-16 PIF
Standard Development	
Residential	<i>per unit</i>
Single-Family Unit	\$5,962
Duplex Unit	\$4,491
Multifamily Unit	\$3,513
Nonresidential	<i>per bldg. sq. ft.</i>
Commercial Retail	\$0.42
Office	\$0.57
Industrial	\$0.18
Specified Infill Development [1]	
Residential	<i>per unit</i>
Single-Family Unit	\$2,770
Duplex Unit	\$2,090
Multifamily Unit	\$1,636
Nonresidential	<i>per bldg. sq. ft.</i>
Commercial Retail	\$0.19
Office	\$0.27

"existing_pif"

Source: City of Sacramento, May 2016.

- [1] Per City Resolution 2004-820, the City's Specified Infill rates apply to development projects that meet the following criteria:
- A. Residential infill projects of 20 units or less in residential infill target areas.
 - B. Commercial projects of 20,000 square feet or less and mixed use projects with at least two residential units and not more than 20,000 square feet in commercial corridors.
 - C. Urban residential, mixed use, and small commercial projects in the Central City (excluding the Railyards), and within the 65th Street Transit Village Area. These include residential projects, small commercial and office projects of 20,000 square feet or less, and mixed-use projects consisting of at least two units of residential and 20,000 square feet or less of commercial or office development.

Table 7
City of Sacramento
Citywide Development Impact Fee Updates
Park Development Impact Fee - Proposed Fee

**Park Development Impact Fee -
Proposed Fees**

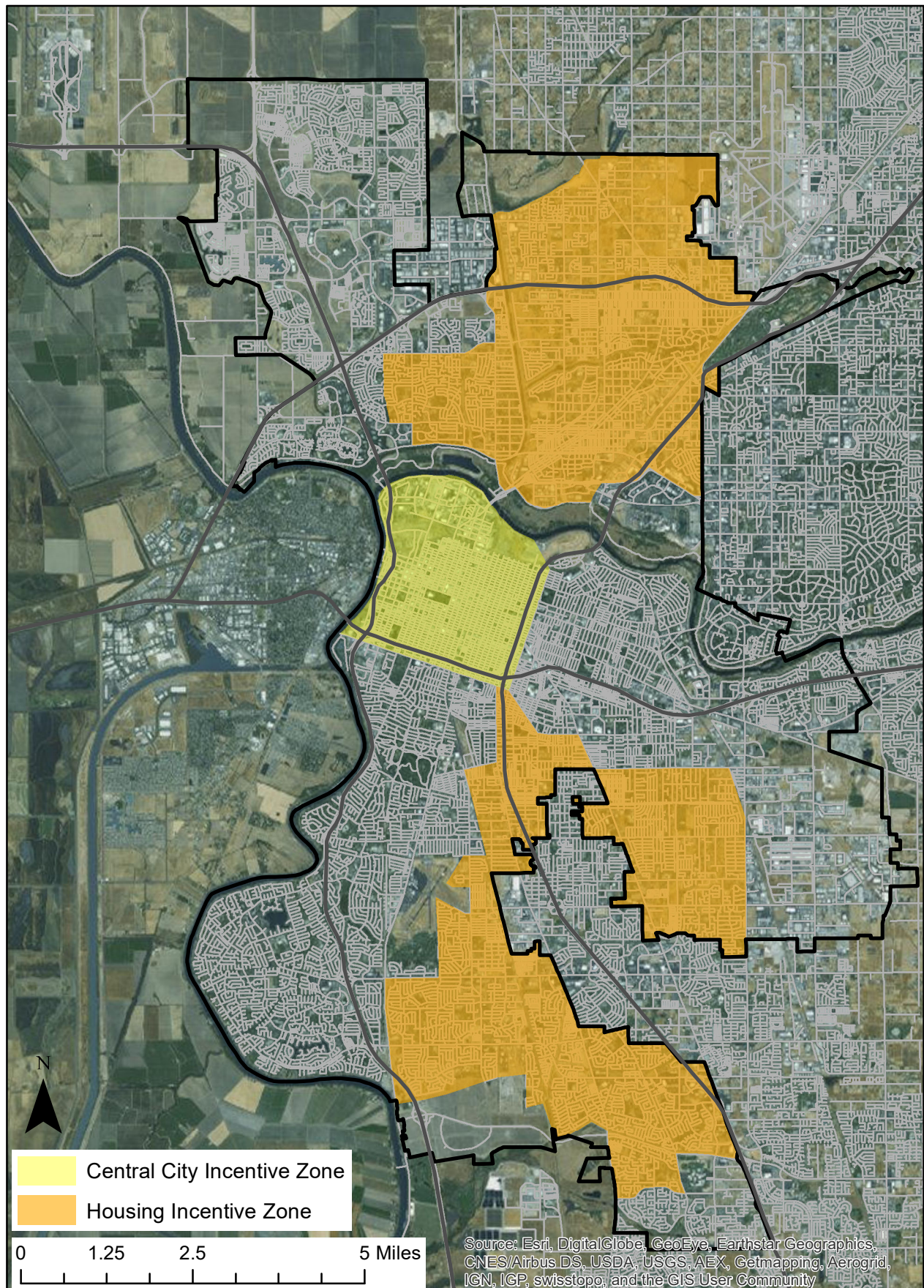
Land Use Category	Central City			Remainder of City			Housing Incentive Zones		
	Neighborhood/ Community Parks	Citywide Parks [1]	Total	Neighborhood/ Community Parks	Citywide Parks [1]	Total	Neighborhood/ Community Parks	Citywide Parks [1]	Total
Target Level of Service Standard Funded by PIF (Acres per 1,000 Population)	1.75	1.50	3.25	3.50	1.50	5.00	3.50	1.50	5.00
Residential	----- <i>per sq ft</i> ----- \$1.00	\$0.60	\$1.60	----- <i>per sq ft</i> ----- \$1.69	\$0.86	\$2.55	----- <i>per sq ft</i> ----- \$1.00	\$0.60	\$1.60
Nonresidential	----- <i>per bldg. sq. ft.</i> -----			----- <i>per bldg. sq. ft.</i> -----			----- <i>per bldg. sq. ft.</i> -----		
Commercial Retail	\$0.09	\$0.07	\$0.16	\$0.29	\$0.13	\$0.42	\$0.09	\$0.07	\$0.16
Office	\$0.15	\$0.08	\$0.23	\$0.47	\$0.10	\$0.57	\$0.15	\$0.08	\$0.23
Industrial	\$0.04	\$0.12	\$0.16	\$0.14	\$0.04	\$0.18	\$0.04	\$0.12	\$0.16

"pif_proposed"

Source: City of Sacramento; New Economics & Advisory. Based on Proposed Changes as of August 9, 2016.

[1] Includes citywide parks (regional parks, linear parks/parkways, open space) and facilities (community centers, outdoor pool facilities).

PIF Rate Incentive Zones





TDIF DETAIL

Table 8
City of Sacramento
Citywide Development Impact Fee Updates
TDIF Roadway Improvement Costs

Preliminary -
Subject to Change

Item	TDIF Program Cost [1]	Percent of Total
Roadway Improvements		
Bell Ave. Widening (Norwood Ave. to Raley Blvd.)	\$5,845,408	3.4%
East Commerce Way Widening (Club Center Dr. to Del Paso Rd.)	\$1,908,281	1.1%
East Commerce Way Widening (Arena Blvd. to Natomas Crossing Dr.)	\$575,232	0.3%
East Commerce Way Extension (Natomas Crossing Dr. to San Juan Rd.)	\$1,391,164	0.8%
El Centro Road Overcrossing	\$5,557,815	3.2%
Elder Creek Road Widening (Florin Perkins Rd. to S. Watt Ave.)	\$3,033,600	1.8%
14th Ave./Jackson Hwy (SR16) Road Realignment (Power Inn Rd. to S. Watt Ave.)	\$9,024,900	5.2%
Lower American River Crossing	\$9,205,600	5.3%
Main Ave Widening (Norwood Ave. to Rio Linda Blvd.)	\$3,800,265	2.2%
Main Ave Extension (Rio Linda Blvd. to Marysville Blvd.)	\$3,947,490	2.3%
Natomas Crossing Dr. Overcrossing	\$4,761,819	2.8%
Power Inn Road Widening (Fruitridge Rd. to 14th Ave.)	\$6,207,900	3.6%
Richards/I-5 Interchange	\$23,388,350	13.6%
West El Camino Ave/I-80 Interchange	\$6,654,000	3.9%
South Watt Ave Widening (Elder Creek Rd. to Fruitridge Rd.)	\$5,524,200	3.2%
South Watt Ave Widening (Fruitridge Rd. to Kiefer Blvd.)	\$3,229,100	1.9%
Hwy. 99 Meister Way Overcrossing	\$5,590,136	3.2%
SR 99/Elkhorn Blvd Interchange	\$2,000,000	1.2%
5th and 6th Streets	\$20,158,073	11.7%
Riverfront Reconnection Project	\$3,701,440	2.1%
Subtotal Roadway Improvements	\$125,504,772	72.7%
Programmatic Projects		
Grid 3.0 Projects	\$16,500,000	9.6%
Alternative Modes (20% of Roadway Project and Grid 3.0 Projects Costs)	\$30,549,875	17.7%
Total	\$172,554,648	100.0%

"tdif_cip"

Source: City of Sacramento.

[1] Reflects costs attributable to new development only.

Table 9
City of Sacramento
Transportation Development Impact Fee
Summary of TDIF by Subarea - Proposed Fee Rate

**TDIF -
Proposed Fees**

Land Use		Total Baseline Fee (Including Admin.)		Housing Incentive/Transit Center Fee [1] (Including Administration)				Delta Shores [2]
		Baseline	North	Baseline	North	River	Downtown	
			Natomas		Natomas	District		
In Finance Plan Area								
Residential Land Use Categories		----- per unit -----		----- per unit -----				
	Single-Family/Duplex Dwelling	\$2,152	\$450	\$1,291	\$270	\$550	\$1,219	P
	Multi-Unit Dwelling	\$1,236	\$259	\$742	\$155	\$322	\$700	P
Nonresidential Land Use Categories		----- per sq. ft. -----		----- per sq. ft. -----				
Retail	First 5000 SF	\$0.32	\$0.07	\$0.19	\$0.04	\$0.08	\$0.18	P
	5001 SF and above	\$3.23	\$0.67	\$1.94	\$0.40	\$0.83	\$1.83	P
Office	First 5000 SF	\$0.32	\$0.07	\$0.19	\$0.04	\$0.08	\$0.18	P
	5001 SF and above	\$3.19	\$0.67	\$1.91	\$0.40	\$0.81	\$1.81	P
Hospital	First 5000 SF	\$0.31	\$0.07	\$0.18	\$0.04	\$0.08	\$0.17	P
	5001 SF and above	\$3.07	\$0.65	\$1.84	\$0.39	\$0.78	\$1.74	P
Schools [3]	First 5000 SF	\$0.12	\$0.03	\$0.07	\$0.02	\$0.03	\$0.07	P
	5001 SF and above	\$1.20	\$0.25	\$0.72	\$0.15	\$0.31	\$0.68	P
Church/Assembly	First 5000 SF	\$0.07	\$0.01	\$0.04	\$0.01	\$0.02	\$0.04	P
	5001 SF and above	\$0.67	\$0.13	\$0.40	\$0.08	\$0.17	\$0.38	P
Industrial	First 5000 SF	\$0.22	\$0.05	\$0.13	\$0.03	\$0.06	\$0.12	P
	5001 SF and above	\$2.19	\$0.45	\$1.31	\$0.27	\$0.56	\$1.24	P
Warehouse	First 5000 SF	\$0.10	\$0.02	\$0.06	\$0.01	\$0.03	\$0.06	P
	5001 SF and above	\$1.04	\$0.22	\$0.62	\$0.13	\$0.26	\$0.59	P
		----- per pump -----		----- per pump -----				
Gas Station		\$2,126	\$668	\$1,276	\$401	\$827	\$1,832	P
		----- per room -----		----- per room -----				
Hotel/Motel		\$888	\$185	\$533	\$111	\$227	\$502	P
		----- per trip -----		----- per trip -----				
Other (calculation to be based on City traffic analysis)		\$2,191	\$458	\$1,315	\$275	\$560	\$1,241	P

"tdif_prop"

[1] See attached maps of areas.

[2] P -- Under the terms of the *Cost Sharing Agreement: I-5 Interchange & Cosumnes River Boulevard Extension* (C2012-0059), the property owners for Delta Shores advanced payment and TDIF fees are not due until prepayment has been exhausted under the terms of the Agreement.

[3] Includes primary, secondary, colleges, and universities.

TDIF Rate Incentive Zones

