



GOODWIN CONSULTING GROUP

**CITY OF LATHROP
CENTRAL LATHROP SPECIFIC PLAN (CLSP)
NEIGHBORHOOD PARK
CAPITAL FACILITIES FEES UPDATE
STUDY**



January 20, 2021

CITY OF LATHROP
CLSP NEIGHBORHOOD PARK CAPITAL FACILITIES FEES UPDATE
STUDY

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EXECUTIVE SUMMARY

PURPOSE OF THE CLSP NEIGHBORHOOD PARK CFF UPDATE

The City of Lathrop (“City”) retained Goodwin Consulting Group to assist it in updating the CLSP Neighborhood Park Capital Facilities Fee (“Neighborhood Park CFF”) for the Central Lathrop Specific Plan (“CLSP”) area. As development occurs within the CLSP area it is critical that the Neighborhood Park CFF be updated, as necessary, to ensure that Neighborhood Park CFFs keep up with inflation and rising park development costs. This *City of Lathrop Central Lathrop Specific Plan Neighborhood Park Capital Facilities Fees Update Study* (the “Fee Study”) serves to update the Neighborhood Park CFF rates to be consistent with the actual park development costs realized by the primary developer of the CLSP, Saybrook CLSP, LLC (“Saybrook” or the “Developer”).

CLSP NEIGHBORHOOD PARK CAPITAL FACILITIES FEE UPDATE

The *Assignment and Amendment of Development Agreement by and Between the City of Lathrop, Saybrook CLSP, LLC and Lathrop Land Acquisition, LLC Relating to the Central Lathrop Specific Plan* (the “DA”) states that the City shall establish a fee to fund neighborhood park development costs for the CLSP. The DA also states that the CLSP will include 45 gross acres of neighborhood park land, consisting of nine neighborhood parks, each serving a defined residential area, and a Town Common, serving the Lathrop Center. The cost to construct the CLSP neighborhood park improvements was estimated to be \$250,000 per acre in 2005 and subsequently was inflated to \$298,501 per acre in 2016, based on the ENR 20-City Construction Cost Index (the “CCI”). However, based on the actual development costs for a CLSP neighborhood park constructed by Saybrook in the Stanford Crossing in 2020, the total cost added up to \$390,251 per acre.

For the City to reimburse the Developer for constructing neighborhood parks in CLSP, as required by the DA, City staff determined that the neighborhood park improvement cost needed to be updated to the \$390,251 per acre cost. Based on the \$390,251 per acre park development cost, the Neighborhood Park CFF rates have been updated in this Fee Study and are presented in the table below.

<u>Land Use</u>	<u>Park Fee</u>
Single Family	\$4,113
Multi-Family	\$2,938

FEE ADJUSTMENTS

The Neighborhood Park CFF may be adjusted in future years to reflect revised facility standards, receipt of funding from alternative sources (i.e., state or federal grants), revised costs, or changes in land uses, densities, or development plans. In addition to such adjustments, each year the Neighborhood Park CFF will be adjusted for inflation by the increase in the ENR 20-City CCI over the prior calendar year.

ASSEMBLY BILL NO. 1483 REPORTING REQUIREMENT

On October 9, 2019, Governor Gavin Newsom signed Assembly Bill No. 1483, adding Section 65940.1 to the California Government Code (GC). As it relates to development impact fees, a city, county, or special district that has an internet website shall make the following available on its website:

- A current schedule of fees, exactions, or affordability requirements imposed by the city, county or special district, including any dependent special district applicable to a proposed housing development project, which shall be presented in a manner that clearly identifies the fees, exactions, or affordability requirements that apply to each parcel
- The current and five previous annual fee reports or the current and five previous annual financial reports, that were required pursuant to subdivision (b) of Section 66006 and subdivision (d) of Section 66013 of the GC
- An archive of impact fee nexus studies, cost of service studies, or equivalent, conducted by the public agency on or after January 1, 2018. A cost of service study means the data provided to the public pursuant to subdivision (a) of Section 66016 of the GC

Assembly Bill No. 1483 defines a housing development project as consisting of (a) residential units only; or (b) mixed-use developments consisting of residential and non-residential land uses with at least two-thirds of the square footage designated for residential use; or (c) transitional housing or supportive housing. Assembly Bill No. 1483 also requires a city, county, or special district to update this information on their website within 30 days of any changes made to the information.

1. INTRODUCTION

BACKGROUND

The City of Lathrop is located in the San Joaquin central valley, approximately 58 miles south of Sacramento and 80 miles east of San Francisco. When the City incorporated in 1989, its population was approximately 6,500; as of January 2020, the California Department of Finance estimates the City's population is 26,833.

PURPOSE OF THE FEE STUDY

The City retained Goodwin Consulting Group to assist it in updating the Neighborhood Park CFF pursuant to the provisions in the DA. This Fee Study demonstrates that the fees calculated herein comply with the Mitigation Fee Act. The assumptions, methodologies, facility standards, costs, and cost allocation factors that were used to establish the nexus between the proposed Neighborhood Park CFF and the development on which the fees will be levied are summarized in subsequent sections of this report.

MITIGATION FEE ACT (AB 1600)

The Mitigation Fee Act, commonly known as Assembly Bill (AB) 1600, was enacted by the State of California in 1987 and 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

ORGANIZATION OF REPORT

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

Chapter 2	Provides a brief summary of the land uses planned for CLSP
Chapter 3	Provides an explanation of the fee methodology used to calculate the fees in the this Fee Study
Chapter 4	Provides details of the fee calculation for the proposed Neighborhood Park CFF
Chapter 5	Discusses the nexus findings for the Neighborhood Park CFF
Chapter 6	Addresses implementation of the update to the fee program, future fee adjustments, and administrative duties required by the fee law, including the newly enacted AB 1483 website posting requirements for impact fees

2. *LAND USES IN THE CLSP*

The CLSP abuts the northern boundary of Mossdale Village and includes 1,521 gross acres that are currently planned for 5,144 residential units and approximately 4.7 million square feet of commercial space. Exhibit 1 on the following page illustrates the location of the CLSP area in the City. The 5,144 units include 4,854 single family residential (“SFR”) units and 290 multifamily residential (“MFR”) units. Phase 1A of Stanford Crossing consists of 418 SFD lots and the remainder of Phase 1 includes another 1,152 SFR and 290 MFR units, for a total 1,860 units.

Table 1 below identifies the net acreage in the CLSP area. The total net acreage does not include public land uses, parks and open space, or major/existing roadways. Several updates to the net acreage have occurred since the CLSP was adopted and these changes have been incorporated into Table 1. For example, an 18-acre site that was previously planned for a K-8 school was rezoned to Variable Density Residential. The City also rezoned 12.56 acres of park land to residential development; and 5.76 acres that were planned for Residential Mixed Use were developed as the City’s Generation Center. After incorporating these zoning changes, the total net developable acreage in the CLSP area equals 1,128.6 acres.

Table 1
CLSP Net Acreage Summary

Land Use		Acreage (Net)¹
Variable Density Residential	VR ²	760.8
High Density Residential	HR	14.5
Residential (Mixed Use)	R(MU) ³	26.1
Office/Commercial (Mixed)	OC/VR	67.0
Office/Commercial	OC/VR	239.7
Neighborhood Commercial	NC	12.6
Specialty Commercial	SPC	7.9
CLSP Net Acreage¹		1128.6

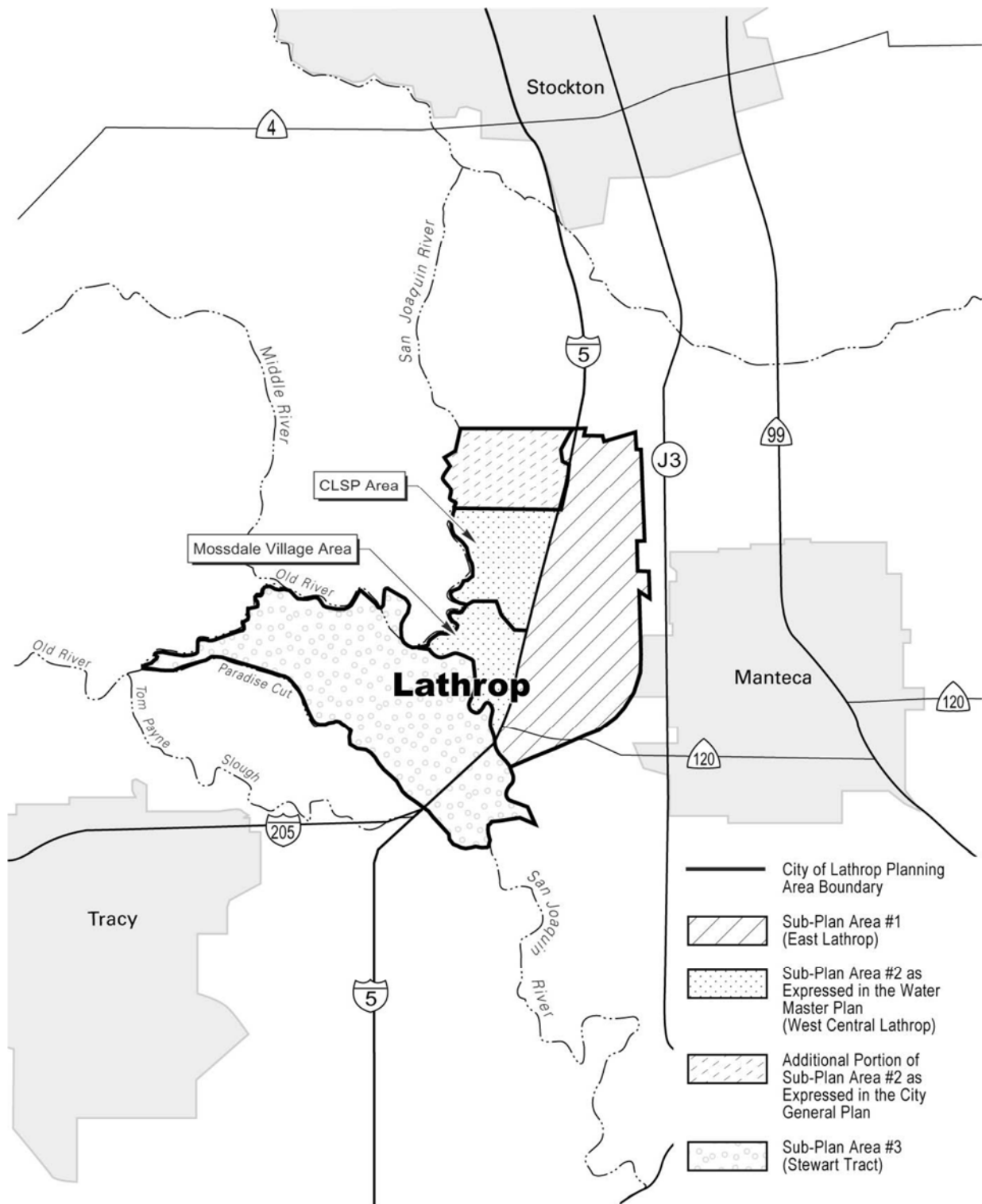
¹ Net acreage does not include public uses, parks and open space, or major/existing roadways.

² Variable Density Residential acreage includes a formerly planned 18-acre K-8 schoolsite that was rezoned to VR; 13.34 acres that were planned for Mixed Use Residential, but are developed as Variable Density Residential; and 12.56 acres that were rezoned from park land to residential development.

³ Residential Mixed Use acreage exludes 19.1 acres that were planned for R(MU); 13.34 acres were developed as Variable Density Residential and an additional 5.76 acres were developed as the Lathrop Generations Center.

Source: *Central Lathrop Specific Plan; MacKay & Somps*

Exhibit 1 – Location Map of Central Lathrop Specific Plan



3. 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 determining how the fees relate to the impacts from new development. Various findings pursuant to the impact fee statute must be made to ensure that a reasonable relationship exists between the fee amount and the impact caused by the development on which the fee will be levied. Following is a discussion of the methodology used in this Fee Study to allocate facilities costs to development and determine the fees in the fee program.

FEE METHODOLOGY

The plan-based fee methodology is used in this Fee Study. This methodology is used for facilities that must be designed based on future demand projections within a geographic location. Typically, a formal plan such as a specific plan, facilities needs assessment, or master plan identifies the level of facilities required to serve the plan area. This plan may consider the existing facilities already in place and determine what additional facilities would be necessary to accommodate new development. For example, the need for park improvements depends specifically on the projected number of residents that must be accommodated. An analysis of existing facilities and current levels of service must be completed in order to identify the future park needs. This information is analyzed in conjunction with a projection of the amount and location of future development in the plan area to determine the adequacy of existing facilities and the demand for new facilities and improvements that will be required. Depending on the level of existing facilities, the plan-based fee methodology may allocate planned facilities costs to either future development only or to future and existing development. The steps to calculate a fee under the plan-based fee methodology include the following:

- Step 1** Identify existing facilities and estimate future demand for facilities at build out of the plan area
- Step 2** Determine facilities needed to serve anticipated growth in the plan area
- Step 3** Estimate the gross cost of facilities needed to serve the future development in the plan area
- Step 4** Subtract the gross cost of any facilities included in the facilities plan that will cure an existing deficiency in service or will serve other development areas

- Step 5** Subtract revenues available from alternative funding sources, if any, to identify a net facilities cost that will be allocated to future development.
- Step 6** Select cost allocation factors (e.g., persons per household) that will be used to allocate facility costs on a proportional impact basis; apply cost allocation factors to each of the land use categories based on their relative service demand or impact on each type of facility
- Step 7** Estimate the total impact from future development by multiplying the total number of units/acres/square feet for each respective land use by its cost allocation factor. Sum the total cost allocation factors for each land use category
- Step 8** Determine the percentage distribution of the cost allocation factors for each land use category by dividing the total of the cost allocation factors for each land use category by the total of all cost allocation factors for all land use categories
- Step 9** Multiply the percent distribution for each land use category, as determined in Step 8, by the total facilities cost to determine the portion of the facility cost that is allocated to each land use category
- Step 10** Divide the facilities cost that is allocated to each land use category, as determined in Step 9, by the number of units to determine the facilities fees

4. CLSP NEIGHBORHOOD PARK CAPITAL FACILITIES FEE

This section of the report identifies the costs, park improvements, and the updated Neighborhood Park CFF rates required to fund the reimbursement of the cost of the CLSP neighborhood parks.

BACKGROUND

The Neighborhood Park CFF was created to reimburse the Developer for designing and constructing neighborhood parks in the CLSP area. Due to increasing construction costs, the actual cost of developing park land within the Stanford Crossing development has exceeded the inflation-adjusted cost identified in the DA. As a result, the park development cost has been increased in this Fee Study based on the actual cost of park development in 2020, as provided by the Developer and verified by the City.

FACILITIES AND COSTS

Table 2 below shows the development costs for the 18.73 acres of neighborhood park land in Stanford Crossing. The neighborhood park development cost was estimated in the DA to be \$298,501 per acre in 2016. Inflated by the ENR index, this cost increased to \$322,625 per acre in 2020 dollars. However, the actual cost of neighborhood park land development in 2020 was found to be \$390,251 per acre based on the \$1,611,737 total cost to design and construct the 4.13 acre neighborhood park in Phase 1A of Stanford Crossing. Assuming future neighborhood parks will cost \$390,251 per acre, before inflation, to construct, the total development cost of the 18.73 acres of neighborhood parks in Stanford Crossing is estimated to be \$7.3 million in today's dollars, as shown in the Table 2.

Table 2 – Neighborhood Park Development Costs

<u>Park Development Cost Calculation</u>			
Item	Park Acres	Park Cost Per Acre (2020 \$)	Total Cost
Phase 1A	4.13	\$390,251	\$1,611,737
Phase 1B	5.09	\$390,251	\$1,986,378
Phase 1C	5.00	\$390,251	\$1,951,255
Phase 1D	4.51	\$390,251	\$1,760,032
Total	18.73		\$7,309,401

FEE CALCULATION

Table 3 below shows the Neighborhood Park CFF calculation. Residential development's impact on neighborhood parks is based the average persons per household ("PPH") per SFR and MFR unit. The Neighborhood Park CFF assumes that SFR units have on average 2.8 PPH, and multifamily units have 2.0 PPH. Converting this to equivalent dwelling units and if a single family unit equals 1.0 EDU, then the EDU factor for a MFR unit is calculated to be 0.71 EDUs ($2.0/2.8 = 0.71$ EDUs).

Applying these EDU factors to the 1,860 residential units in Phase 1 of the CLSP development produces a total 1,777 EDUs. Dividing the total cost of \$7.3 million by the 1,777 EDUs produces a cost per EDU of \$4,113. The fee amounts are then calculated by multiplying the \$4,113 cost per EDU by the EDU factors assigned to the SFR and MFR units. Based on these calculations the Neighborhood Park CFF is \$4,113 for a SFR unit and \$2,938 for a MFR unit, as shown in Table 3 below.

Table 3 – CLSP Neighborhood Park Fee Calculation Summary

<u>EDU Calculation</u>				
	<u>Units</u>	<u>EDU/Unit</u>	<u>Total EDUs</u>	
SFR	1,570	1.00	1,570	
MFR	290	0.71	207	
Total	1,860		1,777	
<u>Cost Per EDU</u>				
Total Park Development Costs			\$7,309,401	
Number of EDUs for CLSP			1,777	
Cost Per EDU			\$4,113	
<hr/>				
<u>Fee Calculation</u>				
<u>Land Use</u>	<u>Persons per Household</u>	<u>Equivalent Dwelling Unit</u>	<u>Cost Per EDU</u>	<u>Neighborhood Park Fee</u>
Single Family	2.8	1.00	\$4,113	\$4,113
Multi-Family	2.0	0.71	\$4,113	\$2,938

5. NEXUS FINDINGS

Development in the CLSP area will create a need for neighborhood park facilities to serve future residents. The Neighborhood Park CFF will provide funding for park facilities in accordance with the policies and goals set forth in the DA. As required pursuant to the Mitigation Fee Act, the Neighborhood Park CFFs calculated in this Fee Study meet the nexus requirements of the law, as outlined below.

NEXUS TEST

Purpose of the Fees

The purpose of the Neighborhood Park CFF is to provide funding to reimburse the Developer for construction of the neighborhood parks identified in this Fee Study.

Use of Fee

Neighborhood Park CFF revenue will be used to reimburse of the cost of neighborhood parks that are or will be constructed by the Developer. These parks will serve residential development in the CLSP.

Determine how there is a reasonable relationship between the need for the public facility and the type of development project on which the fee is imposed.

New residential development will generate additional demand for the park facilities identified in this Fee Study. The park facilities included in this Fee Study will ensure that the City will maintain the desired level of park service standards that are identified for the CLSP.

Determine how there is a reasonable relationship between the fee's use and the type of development project on which the fee is imposed.

Neighborhood Park CFF revenue will fund the neighborhood park facilities included in this Fee Study. These facilities will serve development in the CLSP and the proposed fees in this Fee Study are a fair-share cost allocation based on the impact that future development will have on these facilities and improvements.

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.

A reasonable relationship between the amount of the Neighborhood Park CFF and the cost of the public facility, or portion thereof, is established in this Fee Study using cost allocation factors to estimate the demand for a facility or the impact that a land use will have on a facility.

For example, residential development's impact on neighborhood parks is based the average PPH for SFR and MFR units. The average PPH values for SFR and MFR are then converted to EDUs. The cost allocation for the Neighborhood Park CFF is based on the development cost per EDU for each residential land use category within the respective service area of each neighborhood park. Since residential development primarily benefits from neighborhood park facilities, the cost of neighborhood parks is allocated entirely to residential land uses based on a fair-share cost allocation approach.

By assigning the demand for park facilities based on the cost allocation factors for each land use and quantifying that demand in the calculation of the Neighborhood Park CFF, a reasonable relationship is established between the amount of the fee and the cost of the park facilities attributable to the residential land uses in the CLSP.

6. FEE PROGRAM ADMINISTRATION

FEE IMPLEMENTATION

According to the California Government Code, prior to levying a new fee or increasing an existing fee, a public agency must hold at least one open and public meeting. At least 10 days prior to this meeting, the agency must make data on facility costs and funding sources available to the public. Notice of the time and place of the meeting, and a general explanation of the matter, are to be published in accordance with Section 6062a of the Government Code, which states that publication of notice shall be posted over a 10-day period in a newspaper regularly published once a week or more. Two publications, with at least five days intervening between the dates of the first and last publication, not counting such publication dates, are sufficient. The Fee Study and fees established herein will be adopted through a City ordinance and resolution. Once the proposed fees are adopted by the Lathrop City Council, they shall become effective no sooner than sixty days after the final legislative action.

FEE ADJUSTMENTS

The Neighborhood Park CFF may be adjusted in future years to reflect revised facility standards, receipt of funding from alternative sources (i.e., state or federal grants), revised costs, or changes in land uses or development plans. In addition to such adjustments, each year the Neighborhood Park CFF will be adjusted by the change in the Engineering News Record 20-City CCI over the prior calendar year.

ASSEMBLY BILL NO. 1483 REPORTING REQUIREMENT

On October 9, 2019, Governor Gavin Newsom signed Assembly Bill No. 1483, adding Section 65940.1 to the California Government Code (GC). As it relates to development impact fees, a city, county, or special district that has an internet website shall make the following available on its website:

- A current schedule of fees, exactions, or affordability requirements imposed by the city, county or special district, including any dependent special district applicable to a proposed housing development project, which shall be presented in a manner that clearly identifies the fees, exactions, or affordability requirements that apply to each parcel

- The current and five previous annual fee reports or the current and five previous annual financial reports, that were required pursuant to subdivision (b) of Section 66006 and subdivision (d) of Section 66013 of the GC
- An archive of impact fee nexus studies, cost of service studies, or equivalent, conducted by the public agency on or after January 1, 2018. A cost of service study means the data provided to the public pursuant to subdivision (a) of Section 66016 of the GC

Assembly Bill No. 1483 defines a housing development project as consisting of (a) residential units only; or (b) mixed-use developments consisting of residential and non-residential land uses with at least two-thirds of the square footage designated for residential use; or (c) transitional housing or supportive housing. Assembly Bill No. 1483 also requires a city, county, or special district to update this information on their website within 30 days of any changes made to the information.

ANNUAL ADMINISTRATIVE DUTIES

The Government Code requires a public agency to report, every year and every fifth year, certain financial information regarding their impact fees. Within 180 days after the last day of each fiscal year the public agency must make the following information available for the past fiscal year:

- (a) A brief description of the type of fee in the account or fund
- (b) The amount of the fee
- (c) The beginning and ending balance of the account or fund
- (d) The amount of fee revenue collected and interest earned
- (e) An identification of each public improvement on which fees were expended and the amount of expenditures on each improvement, including the total percentage of the cost of public improvement that was funded with fees
- (f) An identification of an approximate date by which time construction on the improvement will commence if the local agency determines that sufficient funds have been collected to complete financing on an incomplete public improvement
- (g) A description of each interfund transfer or loan made from the account or fund, when it will be repaid and at what interest rate
- (h) The amount of any refunds made once it is determined that sufficient monies have been collected to fund all projects

The public agency 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.

FIFTH-YEAR ADMINISTRATIVE DUTIES

For the fifth year following the first deposit into the fee account and every five years thereafter, the public agency must make the following findings with respect to any remaining funds in the fee accounts:

- (a) Identify the purpose to which the fee is to be put
- (b) Demonstrate a reasonable relationship between the fee and the purpose for which it is charged
- (c) Identify all sources and amounts of funding anticipated to complete financing incomplete improvements
- (d) Designate the approximate dates on which funding is expected to be deposited into the appropriate accounts or funds

As with the annual report, the five-year report must be made public within 180 days after the end of the public agency's fiscal year and must be reviewed at the next regularly scheduled public meeting. The public agency must make these findings, otherwise the law states that the City must refund the fee revenue to the then current owners of the development project.