



CITY OF CITRUS HEIGHTS

CITY COUNCIL STAFF REPORT

MEMORANDUM

DATE: June 23, 2022

TO: Mayor and City Council Members
Ashley Feeney, City Manager

FROM: Bill Zenoni, Interim Administrative Services Director
Casey Kempenaar, Community Development Director
Regina Cave, General Services Director

SUBJECT: City Impact Fee Update

Summary and Recommendation

At the May 10, 2022 Council Strategic Retreat, the City Council adopted numerous goals including:

At the June 23, 2022 City Council Meeting, present to City Council for consideration, an analysis and proposed update of the city's development impact fees.

Impact Fees are fees assessed on new development to help mitigate the impact new development imposes on the City. This includes the Housing Linkage Fee (Affordable Housing Impact Fee), Roadway and Transit Impact Fee, Parks Impact Fee, and Fire Capital Facilities Impact Fee. With the exception of the Fire Capital Facilities Impact Fee, these fees have been in place prior to incorporation, or shortly after incorporation and have not been updated to reflect inflation or changing regulations.

At the August 8, 2019 City Council meeting, a contract was approved for Economic & Planning Systems (EPS) to analyze existing City fees and consider updates to fees as appropriate. An Affordable Housing Fee Nexus Study (Attachment 1A) and Multimodal Impact Fee Nexus Study (Attachment 2A) were developed to evaluate existing fees and establish the framework for consideration of new fees as required by AB1600 (Mitigation Fee Act).

In addition to the two City administered fees, the City also collects fees and remits fees for Parks and for Fire Capital Facilities Impact Fees. As special districts, neither Sunrise Recreation and Park District (SRPD) nor Sacramento Metropolitan Fire District (SMFD) are legally able to levy impact fees. As a result, the City has historically collected impact fees on behalf of the districts. This is common for local governments in California to support the Special Districts that provide services within their jurisdiction.

In order to evaluate their respective Impact Fees SRPD prepared a Park Impact Fee Nexus Study (Attachment 3A) and Sacramento Metropolitan Fire District prepared a Fire Capital Facilities Impact Fee Nexus Study (Attachment 4A).

Based on these Nexus Studies, the existing Impact Fees are insufficient to offset the impacts of new development within Citrus Heights. As a result, the following motions are recommended:

- Motion 1: Move to adopt Resolution No. 2022-____ a resolution of the City Council of the City of Citrus Heights, adopting an Affordable Housing Impact Fee Nexus Study and updating the Affordable Housing Impact Fee.
- Motion 2: Move to adopt Resolution No. 2022-____ a resolution of the City Council of the City of Citrus Heights, adopting a Multimodal Impact Fee Nexus Study and updating the Multimodal Impact Fee.
- Motion 3: Move to adopt Resolution No. 2022-____ a resolution of the City Council of the City of Citrus Heights, adopting a Park Impact Fee Nexus Study and updating the Park Impact Fee.
- Motion 4: Move to adopt Resolution No. 2022-____ a resolution of the City Council of the City of Citrus Heights, adopting the Sacramento Metropolitan Fire District Capital Facilities (Impact) Fee Study.
- Motion 5: Move to introduce for first reading, read by title only and waive the full reading of Ordinance 2022-____, an Ordinance of the City Council of the City of Citrus Heights related to Fire Capital Facilities Impact Fee

Fiscal Impact

Revenue from the proposed Impact Fees will vary based on timing and type of new development that will occur in the City. While Impact fees do not fully offset the impact of new development on the City; they serve as an important funding source for grant matches for City and/or partner agency projects and help contribute towards capital investments.

Approximately \$98,000 has been expended to prepare the necessary Nexus Studies to support the Impact Fee Update. Similarly, both SRPD and SMFD have expended significant resources to prepare Nexus Studies. After initiation of the study process, the state passed AB 602 changing the requirements for impact fee studies effective July 1, 2022. Should the Nexus Studies presented to Council, not be approved by this date, significant modifications will be required to comply with AB602, resulting in additional costs to the City and the Districts.

In the case of the Affordable Housing, Multimodal, and Park Impact Fees, funds collected may only be spent within Citrus Heights. The Fire Capital Facilities Fee may be spent elsewhere within SMFD; however, given SMFD's service model and the City's central location within SMFD's jurisdictional boundaries, it is anticipated that necessary investments in Citrus Heights will exceed revenues generated by development in Citrus Heights.

Background and Analysis

Development Impact Fees Overview

Development Impact Fees (DIF) are one-time fees paid by new development to fund the cost of providing municipal facilities to serve that development. This authorization exists through the enactment of California Government Code sections 66001 through 66025 (also known as the “Mitigation Fee Act” and sometimes referred to as “AB1600”).

The Mitigation Fee Act is premised on the concept that new development pays its own way, or, put another way, new development has to mitigate its own impacts on the system. The Mitigation Fee Act requires a rational nexus and rough proportionality between the type and scale of development and the fee imposed. This is what makes a DIF a “fee” and not a tax; DIF cannot be used for general purposes, such as maintenance. Development Impact Fees are paid to ensure that new growth pays its fair share and that existing residents and businesses do not shoulder the burden associated with the incremental need for new infrastructure and facilities presented by increasing population or service demands.

This process includes making a determination that there is a reasonable relationship between the purpose of the fee, the fee’s use and the type of development project on which the fee is imposed. In order for DIF to be legally enforceable, a community must conduct an analysis that identifies anticipated growth that is related to infrastructure costs and apportion those costs to project development. This is distributed by type of development, square foot, dwelling unit, or per trip basis - with the intent that this impact fee type distribution equitably mitigates the impact of development on City resources, amenities and infrastructure.

A key principal of the fee studies is to establish a maximum (ceiling) for development fees the city may consider charging. The subsequent staff recommendations reflect a developer contribution towards the local gap amount rather than the full mitigation cost. This is intended to recognize that the full mitigation cost could be a barrier to development and that typically these types of projects (affordable housing, roadway infrastructure, parks and fire facilities) obtain a variety of subsidies or grants in order to be built over time.

Existing City Fee Context

Shortly after incorporation the City Council adopted various regulations, fees, and associated actions from Sacramento County. Both the Housing Linkage Fee (Affordable Housing Fee) and the Roadway/Transit Fee were adopted in the 1990s and have never been updated or increased. Although development in the city is relatively limited, these fees are an important tool for the city to offset the impacts of development by providing affordable housing and roadway/transit improvements.

Since neither fee was indexed to inflation, the relative buying power of these fees has diminished considerably since incorporation. In order to ensure the impact fees are providing resources to offset development impacts, the city commissioned a Nexus Study for both the Housing Linkage Fee (Attachment 1a) and the Roadway/Transit Fee, rebranded as the Multi-Modal Impact Fee (Attachment 2a).

Housing Linkage Fee (Affordable Housing Impact Fee)

The Housing Linkage Fee (formerly Sacramento County Housing Trust Fund) was adopted in 1990 to increase and improve the supply of affordable housing units to very-low income households. The ordinance established square footage fees on non-residential developments based on an economic nexus analysis.

New commercial buildings create new jobs, a share of which are lower paying, resulting in new lower income households which in turn create additional demand for affordable housing. The Housing Linkage Fee specifically provides funding to help address the affordability gap or the difference between the cost of developing affordable units and the rent charged based on the income of the tenant for those in the workforce.

The analysis determined a nexus between the construction of various commercial and industrial buildings or land use types and the number of very-low income employee households. The fee amounts have not been updated since 1992 and are not indexed to inflation. Currently, the fees are assessed at the point of building permit issuance with fees ranging from \$0.26 per square foot to \$0.97 per square foot depending on the use.

As detailed in the Nexus Study, the analysis links the development of six types of workplace buildings to the estimated number of lower income housing units required in each of three income categories. Then, the cost of providing affordable housing to the worker households is determined and expressed per square foot of building area. Findings represent the full mitigation cost for the affordable housing impacts of new development and the ceiling for any affordable housing fee that may be imposed.

The Nexus Study also points out that many of the assumptions made err on the conservative side and may be considerably understated. The subsequent recommendations then reflect a contribution towards the local gap amount rather than the full mitigation cost recognizing that the full mitigation cost could be a barrier to development and that affordable housing projects obtain a variety of subsidies in order to be built and remain affordable over time.

The results of the Nexus Study are heavily driven by two factors: the density of employees within buildings and the occupational make-up of the workforce. Retail has both high employment density and a high proportion of lower paying jobs, factors that in combination result in the highest affordable housing impacts and maximum fee level conclusions among the various types. Warehouse and residential care facilities have a high proportion of lower paying jobs, but a low density of employment, resulting in lower maximum fee level conclusions compared to other land uses.

Table 1 provides the existing fees; maximum fees established by the Nexus Analysis; and the Indexed fees, if the ordinance had provided for the annual indexing of the fee.

Table 1

Development Type	Existing Fee	Indexed cost for inflation	Maximum Fee
Office	\$ 0.97	\$ 2.39	\$ 12.83
Hotel	\$ 0.92	\$ 2.27	\$ 60.48
Research and Development	\$ 0.82	\$ 2.02	\$ 7.94
Commercial	\$ 0.77	\$ 1.90	\$ 74.53

Regional Context

As part of the analysis, staff compared proposed fees to surrounding local agencies. These fees vary across the region, and a number of these fees are currently being studied. Fees of nearby agencies are depicted in Table 2.

Table 2

Existing /Proposed Fee/SF				
Agency	Office*	Hotel	Commercial	Industrial**
Citrus Heights (Existing)	\$ 0.97	\$ 0.92	\$ 0.77	\$ 0.61
Sacramento County	\$ 3.00	\$ 3.00	\$ 2.00	\$ 2.00
Rancho Cordova	\$ 0.97	\$ 0.92	\$ 0.77	\$ 0.61
City of Sacramento	\$ 2.76	\$ 2.63	\$ 2.22	\$ 1.73
Folsom	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.70
Elk Grove	\$ -	\$ 2.29	\$ 0.78	\$ 0.88
Placer County	\$ 2.00	\$ 2.00	\$ 2.00	\$ 2.00

* Office includes Medical Services and Assisted living

** Industrial includes Flex and Research & Development

On January 11, 2022, Sacramento County adopted updated Housing Trust Fund Impact fees for the first time since 1992. The adopted fees are well below the maximum fee levels identified by the County Nexus Study. County staff indicated they attempted to strike a balance between supporting affordable housing and minimizing development costs as feasible.

Affordable Housing Impact Fee Options

Council has the discretion to establish Impact Fees any point below the maximum fee identified in Table 1. Staff has evaluated three potential options for the Council's Consideration. The following identifies the options for consideration and a brief discussion of each option:

1. Adopt the impact fee indexed to inflation – As discussed, the original impact fee adopted in 1992 was not indexed to inflation. As a result, the fee has lost its buying power. Adjusting the original fee to inflation (3% annually) would increase the buying power of fees moving forward and still be among the lower fees within the region.

2. Adopt an average of all the other regional fees – This option would increase the impact fee, however would be based on the average of regional fees.
3. Match the Impact Fees adopted by Sacramento County – Setting this fee to match Sacramento County would help create regional consistency for the development community. Staff is aware of at least one other local agency considering this approach.

Table 3

Existing /Proposed Fee/SF				
	Office*	Hotel	Commercial	Industrial**
Existing	\$ 0.97	\$ 0.92	\$ 0.77	\$ 0.61
Options				
1. Indexed to Inflation (3% Annually)	\$ 2.39	\$ 2.27	\$ 1.90	\$ 2.02
2. Adjust to Regional Average	\$ 1.74	\$ 2.09	\$ 1.58	\$ 1.49
3. Match Sacramento County	\$ 3.00	\$ 3.00	\$ 2.00	\$ 2.00

* Office includes Medical Services and Assisted living

** Industrial includes Flex and Research & Development

Multimodal Impact Fee (Roadway/Transit Impact Fee)

The Roadway and Transit Impact Fee was adopted by Sacramento County in 1988 to offset the impact of new development on the City's Transportation Network. The initial Roadway/Transit Impact Fees were adopted by Sacramento County as a condition for receiving Measure A funds.

The fees were adopted by Citrus Heights as part of the incorporation but the fee amounts have not been updated since 1988 and are not indexed to inflation.

The study identified a nexus between the construction of new development and the impact on the City's Transportation network. The Impact Fee is intended to fund construction of roadway and transit improvements to accommodate traffic and transit ridership generated by new land development allowed by the General Plan and land use zoning.

The fee amounts have not been updated since 1988 and are not indexed to inflation. Currently, the fees are assessed at the point of building permit issuance with fees ranging from \$3.64 - \$4.45 per square foot for non-residential uses, and \$1,313-\$1,434 per unit for residential uses.

In 2021, the City contracted with EPS to develop the Nexus Study, rebranding the study as a Multi-Modal Impact Fee Study to reflect the City's complete streets approach to the transportation network. As detailed in the Nexus Study, the analysis attempts to reduce the impact of new development on the City's transportation network. The study evaluated projected land use growth in Citrus Heights from 2016-2040, utilizing data from the Sacramento Area Council of Governments SACSIM travel demand model. Additionally, the city evaluated its long term capital improvement project list to understand the relationship between projected land use development, existing conditions and potential impacts on the city's infrastructure and transportation system.

Table 4 provides the existing fees; and the Indexed fees, if the ordinance had provided for the annual indexing of the fee.

Table 4

Roadway Impact Fees - Existing, Indexed, and Proposed				
Land Use Category	Citrus Heights (existing)	Citrus Heights (indexed @ 3% since 89)	Citrus Heights (indexed @ 3% since 98)	Citrus Heights (proposed)
Single-Family	\$1,434 per unit	\$3,804 per unit	\$3,002 per unit	\$2,614 per unit
Multi-Family	\$1,313 per unit	\$3,482 per unit	\$2,749 per unit	\$1,418 per unit
Commercial/Retail	\$4.45 per. sf.	\$11.80 per sf	\$9.32 per sf	\$3.87-\$6.26 per sf.
Employment / Business	\$3.64 per sf.	\$9.65 per sf	\$7.62 per sf	\$2.83-\$7.88 per sf.

Regional Context

As part of the analysis, staff compared proposed fees to surrounding local agencies. These fees vary across the region, and a number of these fees are currently being studied. Fees of nearby agencies are depicted in Table 5.

Table 5

Roadway Impact Fee Comparison to Nearby Agencies							
Land Use Category	West Sacramento	Roseville	Rancho Cordova	Folsom	Sacramento County	Citrus Heights (existing)	Citrus Heights (proposed)
Single-Family	\$1,640-\$8,364	\$6,135 per unit ¹	\$14,306 per unit	\$8,168 per unit	\$18,620 per unit ²	\$1,434 per unit	\$2,614 per unit
Multi-Family	See above	\$3,804 per unit	\$9,417 per unit	\$5,717 per unit	\$10,613 per unit ⁶	\$1,313 per unit	\$1,418 per unit
Commercial/Retail	\$7.00-\$7.44 per sf	\$7.79 per sq. ft. ³	\$15.71 per sf	\$12.27 per sf	\$20.29 per sq. ft. ⁴	\$4.45 per. sf.	\$3.87-\$6.26 per sf.
Professional Office	\$7.28-\$9.63 per sf	\$7.36 per sq. ft. ⁵	\$12.57 per sf	\$5.33-\$12.77 per sf	\$17.20 per sq. ft.	\$3.64 per. sf.	\$2.83-\$7.88 per sf.

Notes:

¹ Fee shown is applied for infill areas of the City. Does not include other roadway fees including SPRTA and City of Roseville/Placer County joint roadways fee program.

² Fee shown is for District 2 (adjacent to City) for units between 1,200 and 2,500 sq. ft. Source: <https://sacdot.saccounty.net/Pages/DevelopmentFees.aspx>.

³ Fee shown is applied for infill areas and for retail less than 200,000 sq. ft.

⁴ Fee shown is for District 2 (adjacent to City) for retail less than 175,000 sq. ft.

⁵ Fee shown is applied for infill areas and for professional office less than 50,000 sq. ft.

⁶ Fee shown is for District 2

Source: EPS, 2021.

It is important to note that for the Citrus Heights existing fees referenced above, specifically for Single-Family and Multi-Family units, an administration fee is required in the amount of \$28.12 and \$25.74 per unit, respectively. This fee equates to a 2% charge in addition to the existing Roadway and Transit fees. The Multimodal Nexus Study references (Page 17) the ability to include an Administration fee to implement and administer the program, however, the proposed fees do not include an Administration Fee, nor is that the recommendation of staff at this time.

Park Impact Fee

Existing Park Impact Fee Context

In 1999, the City Council adopted Resolution 99-56, adopting the Citrus Heights Park Facility Impact Fee Study and established the Park Facility Impact Fee for all new development in Citrus Heights.

Shortly after the adoption of the fee, the City entered into a Memorandum of Understanding (MOU) with the District which outlines the collection and use of the fee as well as the process for requesting the fee. The District must obtain prior approval from the City Council before expending the fee.

The City/District Park 2x2 committee, which consists of two District Board Members and two City Council Members, serves as the reviewing committee for Park Facilities Impact Fee funding requests. This committee then sends their recommendation to the full City Council for a vote. The fee can be used for the following:

- The cost of new or expanded parks and recreational facilities in the City limits
- The cost of new recreational facilities in existing parks that expand service capacity in the City limits
- Park and recreational facility costs already incurred that provide growth related capacity in the City limits
- The proportional cost of park and recreational facility renovation projects that expand service capacity in the City limits

Recently, the Council authorized the use of \$90,000 in Park Facility Impact Fees to replace/modernize and expand playground equipment and install security cameras in Rusch Park.

These fees have not been updated on an annual basis for inflation. As a result, the District has been unable to keep pace with demand from increasing population growth.

Proposed Park Impact Fee

Park Impact Fees are needed to ensure that the District can build new parks and develop park and recreation facilities and improvements needed for the resident and nonresident employee growth created by new development in the City. In order to reflect changing demographics, facility needs, and anticipated growth, the District in coordination with City staff contracted with SCI to prepare the Park Impact Fee Nexus Study.

The purpose of the Park Impact Fee is to fund the one-time cost of building new parks and expanding the District's park and recreational facilities in order to meet the impact of new development within the District's City service area. The study is based upon the cost components are based on the District's level of service ("LOS") standards and defined on a per capita basis.

For the residential Park Impact Fee, the total per capita costs are applied to five residential land use categories according to their respective dwelling unit occupancy factor to establish a cost/fee per new dwelling unit.

For the nonresidential Park Impact Fee, an equivalent cost per employee is determined and applied to three nonresidential land uses according to their respective employment density factors to establish a cost/fee per square foot of new nonresidential building area. Table 6 depicts the existing and proposed Park Impact Fees:

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Table 6

Land Use Category	Unit ¹	Maximum Current Park Park Impact		\$ Change	% Change
		Impact Fee	Fee		
	Calc	a	b	c = a - b	d = c / a - 1
Single-Family Detached Housing	DU	\$1,079	\$6,089	\$5,010.50	464.6%
2 to 4 Unit Attached Housing	DU	\$801	\$4,722	\$3,921.35	489.8%
5 + Unit Attached Housing	DU	\$665	\$4,453	\$3,787.62	569.2%
Mobile Homes	DU	\$578	\$3,459	\$2,881.36	498.8%
Accessory Dwelling Unit		----- See Note 3 -----			
Retail / Commercial	BSQFT	\$0.09; \$0.18	\$0.36	\$0.09; \$0.27	26%; 74%
Office	BSQFT	\$0.185; \$0.37	\$0.56	\$0.185; \$0.375	34%; 66%
Industrial	BSQFT	\$0.045; \$0.09	\$0.24	\$0.045; \$0.195	20%; 80%

Notes:

¹ DU means dwelling unit; BSQFT means building square feet.

² Established by Citrus Heights City Council on July 28, 1999 by Ordinance No. 99-12

³ Accessory dwelling units less than 750 square feet of living area are exempt. Accessory dwelling units 750 square feet or greater shall be imposed 50% of the effective fee of the existing land use category.

It is projected the Park Impact Fee may generate approximately \$16.7 million (in 2021 dollars) by 2036 from within the City service area.

Nearby Agency Comparison

The current park impact fee was established in 1999 and has not increased. The proposed fee is a significant increase from the existing Park Impact Fee mainly due to construction costs increases that have occurred over the past 20 years; however, as compared to nearby Park District's, the fees proposed are among the lowest. On June 7, 2022, Sacramento County adopted a similar Nexus Study for the SRPD Parks located outside Citrus Heights.

Table 7

	Existing /Proposed Fee/SF						
	Per Unit				Per SF		
Agency	Single Family	2-4 Unit	5+ Unit	Mobile Homes	Retail/Commercial	Office	Industrial
SRPD/Citrus Heights (Existing)	\$ 1,078.50	\$ 800.65	\$ 665.38	\$ 577.64	\$ 0.18	\$ 0.37	\$ 0.09
SRPD/Citrus Heights(Proposed)	\$ 6,089.00	\$ 4,722.00	\$ 4,453.00	\$ 3,459.00	\$ 0.36	\$ 0.56	\$ 0.24
Arcade Creek	\$ 6,741.00	\$ 6,467.00	\$ 5,347.00	\$ 4,936.00	\$ 0.39	\$ 0.61	\$ 0.26
Carmichael	\$ 6,791.00	\$ 6,178.00	\$ 5,592.00	\$ 5,752.00	\$ 0.45	\$ 0.70	\$ 0.30
Fair Oaks	\$ 7,124.00	\$ 6,456.00	\$ 4,926.00	\$ 6,011.00	\$ 0.49	\$ 0.76	\$ 0.32
Mission Oaks	\$ 6,540.00	\$ 5,939.00	\$ 5,232.00	\$ 5,651.00	\$ 0.44	\$ 0.69	\$ 0.29
North Highlands	\$ 9,377.00	\$ 5,983.00	\$ 6,235.00	\$ 5,430.00	\$ 0.41	\$ 0.64	\$ 0.27
Orangevale	\$ 6,993.00	\$ 5,987.00	\$ 4,628.00	\$ 4,377.00	\$ 0.44	\$ 0.68	\$ 0.29
Rio Linda/Elverta	\$ 8,131.00	\$ 8,208.00	\$ 5,335.00	\$ 5,540.00	\$ 0.45	\$ 0.70	\$ 0.30

Park Impact Fee Conclusion

The District has an extensive need to improve facilities and equipment to keep up with the growing population within Citrus Heights providing for community vibrancy and quality of life. The Impact Fee is anticipated to generate about \$16M in revenue by 2036.

Fire Capital Facilities Impact Fee

Existing Fire Capital Facilities Impact Fee Context

In 2004, the City began collecting Fire Impact Fees on behalf of the District. These fees have been updated on an annual basis for inflation; however, a comprehensive update has not been completed. In order to reflect changing demographics, calls for service, facility needs, and anticipated growth, the District contracted with NBS to prepare the Study.

The Study includes the anticipated costs for existing facilities and planned facilities with estimated building construction cost for future buildings, depreciated replacement cost for existing buildings, and estimated land cost (for future facilities) or land value (for existing facilities).

The Study also includes the replacement cost and depreciated replacement cost for the District's existing firefighting apparatus and vehicles. The report identifies a cost of nearly \$600M in today's dollars.

This fee is distributed to new development to cover the costs of serving new development. The fee is based upon 2040 projections of development throughout the District's territory. The fee is proportionally assigned to varying land uses based upon average calls for service. As illustrated below, the proposed fee increase ranges between 7% for Single Family homes to 68% increase for commercial development. Updated costs and level of service as previously described results in the following proposed Fire Fees.

Table 8

Land Use Category	Existing Fire Fee [per unit]	Proposed Fire Fee [per unit or 1,000 SF]¹	Increase and Percent Change
Single-Family Residential	\$1,478	\$1,582	\$104/7%
Multi-Family Residential	\$1,154	\$1,239	\$85/7%
Commercial	\$779	\$1,310	\$531/68%
Office	\$1,293	\$1,664	\$371/29%
Industrial	\$701	\$890	\$189/27%
Institutional/Other	\$1,237	\$1,585	\$348/28%

Administrative Fee

¹ As discussed in the Outreach portion of this report, the District considered this issue and agreed to remove such land values from the fee calculation. The fees presented here reflect this removal (approximately 7% reduction)

The Nexus Study recognizes each agency administering the Fire Fee will incur overhead costs. Administration of the proposed Fire Fee will involve several administrative tasks including annual adjustment as described below, legal review, fee collection, accounting, reconciliation, and preparation of annual reports. The City currently applies and proposes to continue to apply an administrative fee of three percent (3%) of the Fire Fee to recover these costs.

Inflationary Adjustment

As discussed previously, three of the four Impact Fees were established either prior to incorporation or shortly thereafter. When adopted, these fees did not include provisions to increase the fees to keep pace with inflation. This has resulted in reduced buying power and inability to keep pace with the impacts caused by growth.

As a result, each of the proposed fees includes an annual adjustment on January 1, by averaging the net percentage change in the Engineering News-Record Construction Cost Index for San Francisco and the 20 U.S. Cities Index for the preceding year

Outreach

As part of the fee update process, staff conducted outreach to the Land Development industry and Affordable Housing Advocates. The outreach effort also includes a dedicated webpage with information on the Nexus Study.

Notice of today's hearing for Affordable Housing Impact Fee, Multimodal Impact Fee, and Fire Capital Facilities Impact Fee was published in the Citrus Heights Messenger on May 20 and May 27, 2022. Notice of today's hearing for Park Impact Fees was published in the Sacramento Bee on May 23 and May 31, 2022.

Staff worked in close coordination with the SMFD to conduct outreach with the North State Building Industry Association (BIA) and the Land Development industry at large.

The BIA challenged the inclusion of land values for certain existing facilities in the inventory in cases where actual acquisition costs could not be substantiated. The District considered this issue and agreed to remove such land values from the fee calculation. The rates set forth above reflect the final rates, including a 7% reduction to reflect the implications of acquisition costs raised by the BIA.

Conclusion

Based on the Nexus Fee Studies prepared for the City and Districts, fees currently collected are insufficient to offset the impacts of new development on City facilities within Citrus Heights. The motions contained in the Staff Report would update the Impact Fees collected by the City and allow for an annual inflationary adjustment to ensure the collected fees keep pace with inflation. This action will ensure that new growth pays its fair share and that existing residents and businesses do not shoulder the burden associated with the incremental need for new infrastructure and facilities presented by increasing population or service demands.

Assembly Bill 602, signed by the Governor in October 2021, requires changes to nexus studies approved after July 1, 2022 (often including assessing impact fees based on square footage). The City and the District's effort to update the four nexus studies began about two years ago, and the significant cost would be incurred to revise the four nexus studies if not approved by July 1, 2022.

Attachments

1. Resolution No. 2022-_____ a Resolution of the City Council of the City of Citrus Heights, California, Adopting the Affordable Housing Impact Fee Nexus Study and updating the Affordable Housing Impact Fee
 - A. Affordable Housing Impact Fee Nexus Study
 - B. Affordable Housing Impact Fee
2. Resolution No. 2022-_____ a Resolution of the City Council of the City of Citrus Heights, California, Adopting the Multimodal Impact Fee Study, Renaming the Roadway and Transit Impact Fee to the Multimodal Impact Fee and Updating the Multimodal Impact Fee
 - A. Multimodal Impact Fee Nexus Study
 - B. Multimodal Impact Fee
3. Resolution No. 2022-_____ a resolution of the City Council of the City of Citrus Heights, adopting a Park Impact Fee Nexus Study and updating the Park Impact Fee.
 - A. Park Impact Fee Nexus Study
4. Resolution No. 2022-____ a resolution of the City Council of the City of Citrus Heights, adopting the Sacramento Metropolitan Fire District Capital Facilities (Impact) Fee Study
 - A. Capital Facilities Impact Fee Study
5. Ordinance 2022-____, an Ordinance of the City Council of the City of Citrus Heights related to Fire Capital Facilities Impact Fee

RESOLUTION NO. 2022 - ____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CITRUS HEIGHTS,
CALIFORNIA, ADOPTING THE AFFORDABLE HOUSING IMPACT FEE NEXUS
STUDY AND UPDATING THE AFFORDABLE HOUSING IMPACT FEE**

WHEREAS the City of Citrus Heights has, since the date of its incorporation January 1, 1997, assessed a fee on non-residential construction (Chapter 16.89 Municipal Code) to be used to increase the supply of affordable housing; and

WHEREAS in November 2003, the City Council of the City of Citrus Heights adopted an updated Ordinance Amending Chapter 16.89 relating to Housing Impact Fees on non-residential construction to fund specified low and very low income housing;

WHEREAS in November 2003, the City Council of the City of Citrus Heights adopted Resolution 2003- 123, specifying the purpose, intent, exceptions, and procedures for calculation of the Housing Impact Fees for non-residential development in Citrus Heights;

WHEREAS on May 27, 2021, the City Council of the City of Citrus Heights Adopted Resolution 2021-037, adopting an updated General Plan Housing Element Update required by State law, which includes numerous goals, policies, and objectives to support the development of affordable housing in Citrus Heights.

WHEREAS on June 23, 2022, the City Council considered and adopted the technical study prepared by Economic Planning Systems, Inc., entitled “Affordable Housing Fee Nexus Study” (“Nexus Study”), dated February 2022, which, in accordance with the provisions of State law, has identified the purpose of the impact fee, identified the intended use of the fee, determined how there is a reasonable relationship between the intended use of the fee and the types of development projects on which the fee is to be imposed, determined how there is a reasonable relationship between the need for affordable housing and the types of development projects on which the fee is to be imposed, and determined how there is a reasonable relationship between the amount of the fee and the cost attributable to the development projects on which the fee is to be imposed, ; and

WHEREAS consistent with the requirements of Government Code 66016.5, the Nexus Study identified the current level of service for the applicable public facilities, the proposed new level of service, and an explanation of why the new level of service is appropriate; and

WHEREAS, the City Council desires to adopt this resolution, adopting Affordable Housing Fee Nexus Study;

WHEREAS, notice of the public hearing to adopt the Nexus Study was published as required by Government Code 66016.5; and,

WHEREAS, the City Council also intends to hold a duly noticed public hearing on June 23, 2022, at which data and findings related to the Nexus Study will be further considered; and,

WHEREAS, the City Council recognizes that the maximum impact fees identified in the Nexus Study could impact feasibility of new development and redevelopment, therefore the City Council has identified the Impact Fees in Exhibit B as appropriate;

WHEREAS, at least ten days prior to the date this resolution is being heard, data was made available to the public indicating the amount of cost, or estimated cost, required to provide the service for which the fee or service charge is levied and the revenue sources anticipated to provide the service, including general fund revenues in accordance with Government Code Section 66019; and,

WHEREAS, at least fourteen days prior to the date this resolution is being heard, notice was provided to those persons or organizations who had requested notice of these fees, in accordance with Government Code Section 66019; and,

WHEREAS, notice of the hearing on the proposed fees was published twice in the manner set forth in Government Code 6602a and as required by Government Code Section 66018; and,

WHEREAS, a public hearing was conducted by the City Council on June 23, 2022.

WHEREAS, based upon all written and oral reports received, the City Council finds and determines that the proposed modifications to the City's Housing Impact Fee as set forth herein are necessary to offset the impacts of new commercial development on affordable housing and that these fees do not exceed the proportional cost of the service or benefit attributable to the fee payer.

NOW, THEREFORE, BE IT RESOLVED AND ORDERED that the City Council of the City of Citrus Heights does hereby declare, find, determine and order as follows:

- A) The Recitals set forth above are true and correct and incorporated herein by this reference.
- B) The Affordable Housing Impact Fee Nexus Study attached hereto as "Exhibit A" complies with the requirements of Government Code 66016.5 and is hereby adopted and approved as presented.
- C) The Impact Fees attached hereto as "Exhibit B" hereby adopted and approved as presented and may be updated annually on January 1, based upon the US Bureau of Labor Statistics Consumer Price Index, all items, San Francisco Area as of October of the previous calendar year, with adjustments, as recommended by the City Manager, rounded to the nearest whole dollar.
- (D) The adoption of this Resolution is not a project under the California Environmental Quality Act because it is the creation of a government funding mechanism that does not involve any commitment to any specific project. (CEQA Guidelines 15378(b)(4).
- (E) This Resolution shall go into full force and effect 60 days following adoption.
- (F) The City Clerk shall certify the passage and adoption of this Resolution and enter it into the book of original resolutions.

PASSED AND ADOPTED by the City Council of the City of Citrus Heights, California, this 23rd day of June 2022, by the following vote, to wit:

AYES:	Council Members:
NOES:	Council Members:
ABSTAIN:	Council Members:
ABSENT:	Council Members:

Porsche Middleton, Mayor

ATTEST: