

# CITY OF EAST PALO ALTO

## DEVELOPMENT IMPACT FEE NEXUS STUDY UPDATE

### SCENARIO 2

### PUBLIC REVIEW DRAFT

**JUNE 14, 2024**



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# Executive Summary

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This report summarizes an analysis of development impact fees needed to support future development in the City of East Palo Alto through 2045. It is the City's intent that developers pay the full cost of public facilities and infrastructure improvements necessitated by their development in the form of a development impact fee, also known as a public facilities fee, to the extent permitted by law. The public facilities and improvements included in this analysis are divided into the fee categories listed below:

- Parks and Trails
- Public Facilities
- Citywide Transportation
- Ravenswood Business District (RBD) Transportation
- Water Capacity
- Storm Drainage

## Background and Study Objectives

The primary policy objective of a development impact fee program is to ensure that new development pays the capital costs associated with growth. The primary purpose of this report is to calculate fees that will enable the City to expand its inventory of public facilities, as new development creates increases in service demands.

The City imposes public facilities and infrastructure impact fees under authority granted by the *Mitigation Fee Act* (the *Act*), contained in *California Government Code* Sections 66000 *et seq.*, as recently amended by AB 602. This report provides the necessary findings required by the *Act* for adoption of the fees presented in the fee schedules contained herein.

Though not legally required, all development impact fee-funded capital projects are linked to the City's Capital Improvement Plan (CIP). Using a CIP can help the City identify and direct its fee revenue to public facilities projects that are required to accommodate future growth. By providing a nexus between fee revenues and specific capital projects, the City can help ensure a reasonable relationship between the impact of new development and the intended use and amount of fee revenues, as required by the *Mitigation Fee Act*.

## Facility Standards and Costs

There are several approaches typically used to calculate facilities standards and allocate the costs of planned facilities to accommodate growth in compliance with the *Mitigation Fee Act* requirements.

The **system plan** approach is based on a master facility plan in situations where the needed public facilities and infrastructure improvements to serve both existing and new development. To ensure rough proportionality, this approach allocates existing and planned facilities across existing and new development to determine new development's fair share of facility and infrastructure needs. This approach is used when it is not possible to differentiate the benefits of new public facilities between new and existing development, such as a fire station that will respond to calls from both existing and new development. Often the system plan is based on increasing facility standards, so the City must find non-impact fee revenue sources to fund existing development's fair share of planned facilities. This approach is used for the parks and trail, and public facility fees in this report.

The **planned facilities** approach allocates costs based on the ratio of planned public facilities that are necessitated by the increase in demand associated with new development. This approach is appropriate when specific planned facilities that only benefit new development can be identified, or when the specific share of facilities benefiting new development can be identified. Examples include street improvements to avoid deficient levels of service or a sewer trunk line

extension to a previously undeveloped area. This approach is used for the transportation, water facilities and storm drainage facilities fees in this report.

The **buy-in method** is typically used when the existing system has sufficient capacity to serve new development now and into the future. Under the buy-in methodology, new development “buys” a proportionate share of existing capacity at the current value of the existing facilities. This approach is typically used for utility fees, where existing facilities are built with excess capacity to serve future development. This approach is used for a component of the water capacity fees in this report pertaining the City’s water supply allocation.

The **existing inventory** approach is based on a facility standard derived from the City’s existing level of facilities and existing demand for services. This approach results in no facility deficiencies attributable to existing development. This approach is often used when a long-range plan for new facilities is not available. Only the initial facilities to be funded with fees are identified in the fee study. Future facilities to serve growth will be identified through the City’s annual capital improvement plan and budget process and/or completion of a new facility master plan. This approach is not used in this report because the fee calculations are driven by facilities master plans, though the existing level of service is identified as appropriate to comply with provisions of AB 602.

## Use of Fee Revenues

The Mitigation Fee Act requires that this analysis “Identify the use to which the fee is to be put. If the use is financing public facilities, the facilities shall be identified. That identification may, but need not, be made by reference to a capital improvement plan as specified in Section 65403 or 66002, may be made in applicable general or specific plan requirements, or may be made in other public documents that identify the public facilities for which the fee is charged.”<sup>1</sup> Each chapter in this report identifies the appropriate use of impact fee revenues for each impact fee category.

Impact fee revenue must be spent on new facilities or expansion of current facilities to serve new development. Facilities can be generally defined as capital acquisition items with a useful life greater than five years. Impact fee revenue can be spent on capital facilities to serve new development, including but not limited to land acquisition, construction of buildings, infrastructure, the acquisition of vehicles or equipment, information technology, software licenses and equipment.

## Impact Fee Zones

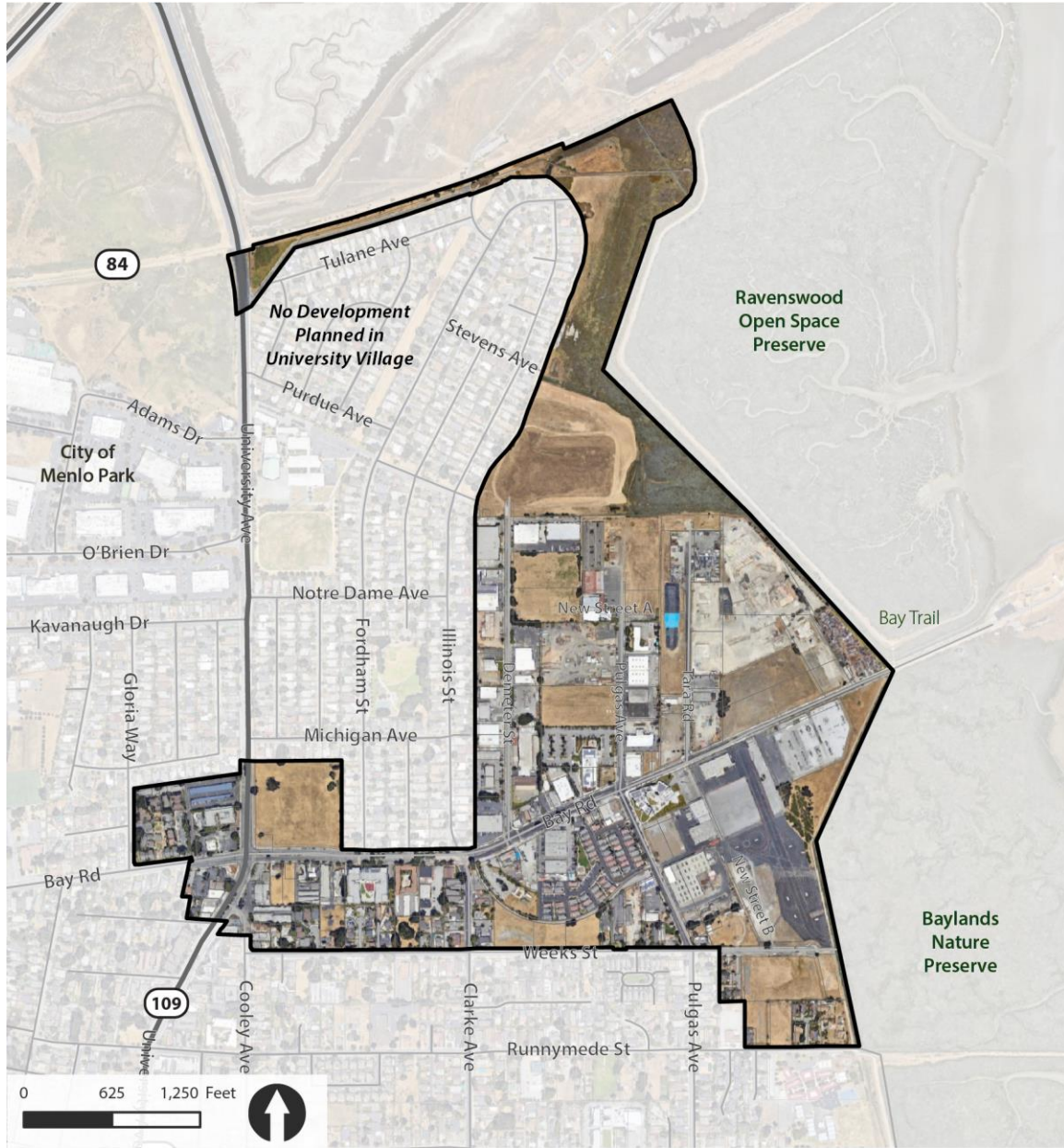
In some cases, fees in this study are calculated for different geographies. The parks and trails facilities and public facilities impact fees are calculated Citywide because those facilities comprise a network of facilities that provide benefit to anyone in the City regardless of where they are located. However, the transportation infrastructure, water capacity, and storm drainage impact fees make a distinction between facilities needed to serve the Ravenswood Business District/4 Corners Specific Plan (RBD) area and the other non-RBD areas of the City. Consequently, growth projections are presented for the entire City (including RBD), and for RBD separately. **Figure 1** displays the RBD boundaries.

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<sup>1</sup> California Government Code §66001 (a) (2).



**Figure 1: Ravenswood Business District/4 Corners Specific Plan Boundaries**



## Development Impact Fee Schedule Summary

**Table E.1** summarizes the development impact fees that meet the City’s identified needs and comply with the requirements of the *Mitigation Fee Act*.

**Table E.2** summarizes the City’s current impact fee schedule, as of July 2024.



**E.1: Maximum Justified Development Impact Fee Schedule**

Land Use	Parks and Trails	Public Facilities	Citywide Transportation	RBD Transportation	Water	Storm Drainage	Administration <sup>4</sup>	Total
<b>Non RBD</b>								
<i>Residential per Sq. Ft.</i>								
Single Family	\$ 10.06	\$ 8.47	\$ 0.64	\$ -	\$ 8.81	Varies	\$ 0.56	\$ 28.54
Multifamily	13.98	11.78	0.72	-	10.61	Varies	0.74	37.83
<i>Nonresidential per Sq. Ft.</i>								
Retail	\$ 2.33	\$ 1.97	\$ 3.00	\$ -	Varies	Varies	\$ 0.15	\$ 7.45
Office and R&D	3.50	2.95	1.59	-	Varies	Varies	0.16	8.20
Industrial	1.40	1.18	0.89	-	Varies	Varies	0.07	3.54
<b>RBD</b>								
<i>Residential - per Dwelling Unit</i>								
Single Family	\$ 10.06	\$ 8.47	\$ 0.64	\$ 3.76	\$ 2.67	Varies	\$ 0.51	\$ 26.11
Multifamily	13.98	11.78	0.72	4.20	3.22	Varies	0.68	34.58
<i>Nonresidential - per 1,000 Square Feet</i>								
Retail	\$ 2.33	\$ 1.97	\$ 3.00	\$ 17.53	Varies	Varies	\$ 0.50	\$ 25.33
Office and R&D	3.50	2.95	1.59	9.31	Varies	Varies	0.35	17.70
Industrial	1.40	1.18	0.89	5.19	Varies	Varies	0.17	8.83

<sup>1</sup> Shows "with Loop Road" fee scenario. Refer to Table 6.5 for without Loop Road fee scenario.

<sup>2</sup> Nonresidential water fee varies by meter size. Refer to Table 7.9 for more information.

<sup>3</sup> Storm drainage fee based on impervious surface. Refer to Table 8.4 for more information.

<sup>4</sup> Administrative charge of 2.0 percent for (1) legal, accounting, and other administrative support and (2) impact fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

Sources: Tables 3.9, 4.7, 5.5, 6.6, 7.9 and 8.5.

**Table E.2: Current Impact Fee Schedule**

	Parks and Trails	Public Facilities	Storm Drain RBD	Storm Drain Non-RBD	Transportation	Water Capacity	Total
<i>Residential - Fees per Dwelling Unit</i>							
Single-Family	\$ 4,987.16	\$ 8,745.93	\$ 5,840.27	\$ 3,378.68	\$ 2,845.32	\$ 9,830.72	\$ 35,628.08
Townhouse	4,987.16	8,745.93	-	-	2,845.32	9,830.72	26,409.13
Multi-Family Housing	3,435.39	6,024.90	-	-	2,141.84	6,050.23	17,652.36
Detached ADU	1,994.62	3,498.14	2,336.12	1,351.47	1,137.89	6,050.23	16,368.47
<i>Nonresidential - Fees per Square Foot</i>							
Office/Research & Developmen	\$ 1.40	\$ 2.42	\$ -	\$ -	\$ 8.84	\$ -	\$ 12.66
Industrial	0.55	0.99	-	-	5.76	-	7.30
Retail	0.92	1.61	-	-	8.84	-	11.37
<i>Nonresidential - Fees per Peak Service Population</i>							
Other Non-Residential	\$ 1,107.72	\$ 1,943.95	\$ -	\$ -	\$ -	\$ -	\$ 3,051.67
<i>Nonresidential - Fees per Impervious Acre</i>							
Other Non-Residential	\$ -	\$ -	\$ 146,006.87	\$ 84,466.79	\$ -	\$ -	\$ 230,473.66
<i>Nonresidential - Fees per Water Meter Size</i>							
Meter Size - 3/4"	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,367.80	\$ 14,367.80
Meter Size - 1"	-	-	-	-	-	23,946.33	23,946.33
Meter Size - 1.5"	-	-	-	-	-	47,893.88	47,893.88
Meter Size - 2"	-	-	-	-	-	76,629.47	76,629.47
Meter Size > 2", Gallons Per D	-	-	-	-	-	37.80	37.80
<i>Nonresidential - Fees PM Peak Hour Vehicle Trips &amp; Internal Trips Percentage</i>							
Other Non-Residential	\$ -	\$ -	\$ -	\$ -	\$ 8,323.60	\$ -	\$ 8,323.60

Source: City of East Palo Alto Comprehensive Fee Schedule, Effective July 1, 2024.

## Other Funding Needed

Impact fees may only fund the share of public facilities related to new development in East Palo Alto. They may not be used to fund the share of facility needs generated by existing development or by development outside of the City. As shown in **Table E.2**, approximately \$184.3 million in additional funding will be needed to complete the facility projects associated with new development projects that the City currently plans to develop. The “Additional Funding Required” column shows non-impact fee funding required to fund a share of the improvements partially funded by impact fees. Non-fee funding is needed because these facilities are needed partially to remedy existing deficiencies and partly to accommodate new development.

The City will need to develop alternative funding sources to fund existing development’s share of the planned facilities. Existing development’s share must be funded with any funding source other than impact fee revenue. Potential sources of revenue include but are not limited to existing or new general fund revenues, existing or new taxes, special assessments, and grants.

**Table E.2: Non-Impact Fee Funding Required**

Fee Category	Total Project Cost	Development Fee Revenue	Additional Funding Required
Parks and Trails	\$ 88,799,000	\$ 60,406,016	\$ 28,392,984
Public Facilities	127,120,000	50,882,304	76,237,696
Citywide Transportation	19,175,203	10,229,746	8,945,457
RBD Transportation <sup>1</sup>	54,149,274	40,576,887	13,572,387
Water	68,854,000	40,235,500	28,618,500
Storm Drainage	79,857,000	51,292,500	28,564,500
Total	\$ 437,954,477	\$ 253,622,954	\$ 184,331,524

<sup>1</sup> "With Loop Road" fee scenario shown.

Sources: Tables 3.7, 4.6, 5.3, 6.3, 7.4, and 8.3.

# 1. Introduction

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This report presents an analysis of the need for public facilities to accommodate new development in the City of East Palo Alto. This chapter provides background for the study and explains the study approach under the following sections:

- Organization of the Report;
- Public Facilities Financing in California;
- Study Objectives;
- Fee Program Maintenance; and
- Study Methodology.

## Organization of the Report

The determination of a development impact fee begins with the selection of a planning horizon and development of growth projections for population and employment. These projections are used throughout the analysis of different facility categories and are summarized in Chapter 2.

Chapters 3 through 8 identify facility standards and planned facilities, allocate the cost of planned facilities between new development and other development, and identify the appropriate development impact fee for each of the following facility categories:

- Parks and Trails
- Public Facilities
- Citywide Transportation
- RBD Transportation
- Water
- Storm Drainage

Chapter 9 describes how this study complies with the requirements of AB 602.

Chapter 10 details the procedures that the City must follow when implementing a development impact fee program. Impact fee program adoption procedures are found in *California Government Code* Sections 66016 through 66018.

## Public Facilities Financing in California

The changing fiscal landscape in California during the past 45 years has steadily undercut the financial capacity of local governments to fund infrastructure. Four dominant trends stand out:

- The passage of a string of tax limitation measures, starting with Proposition 13 in 1978 and continuing through the passage of Proposition 218 in 1996;
- Declining popular support for bond measures to finance infrastructure for the next generation of residents and businesses;
- Unfunded state and federal mandates; and
- Steep reductions in federal and state assistance.

Faced with these trends, many cities and counties have had to adopt a policy of “growth pays its own way.” This policy shifts the burden of funding infrastructure expansion from existing ratepayers and taxpayers onto new development. This funding shift has been accomplished primarily through the imposition of assessments, special taxes, and development impact fees also known as public facilities fees. Assessments and special taxes require the approval of all property owners and are appropriate when the funded facilities are directly related to the real property.

Development impact fees, on the other hand, are an appropriate funding source for facilities that benefit all development within the identified impact fee geography.

## Study Objectives

The primary policy objective of a public facilities fee program is to ensure that new development pays the capital costs associated with growth. *Policy 3.1* of the City's General Plan states "**New development.** Require new development to pay its fair share of required improvements to public facilities and services through impact fees or other financial and regulatory mechanisms." The primary purpose of this report is to update the City's impact fees based on the most current available facility plans, project cost estimates, and growth projections. The proposed fees will enable the City to expand its inventory of public facilities necessitated by new development. This report supports the General Plan policy stated above.

The City imposes public facilities fees under authority granted by the Mitigation Fee Act (the Act), contained in California Government Code Sections 66000 et seq., as recently amended. This report provides the necessary findings required by the Act for adoption of the fees presented in the fee schedules presented in this report.

East Palo Alto is forecast to have moderate growth through this study's planning horizon of 2045. This growth will create an increase in demand for public services and the facilities required to deliver them. Given the revenue challenges described above, East Palo Alto enacted a development impact fee program for water capacity improvements in 2018 and transportation infrastructure, parks and trails, public facilities, and storm drainage improvements in 2019 to ensure that new development funds its share of facility costs associated with growth. This report makes use of the most current available growth forecasts and capital facilities planning documents to update the City's existing fee program to ensure that the fee program accurately represents the facility needs resulting from new development.

## Fee Program Maintenance

Once a fee program has been adopted it must be properly maintained to ensure that the revenue collected adequately funds the facilities needed by new development. To avoid collecting inadequate revenue, the inventories of existing facilities and costs for planned facilities must be updated periodically for inflation, and the fees recalculated to reflect the higher costs. The use of established indices for each facility included in the inventories (land, buildings, and equipment), such as the *California Construction Cost Index*, is necessary to accurately adjust the impact fees.

While fee updates using inflation indices are appropriate for annual or periodic updates to ensure that fee revenues keep up with increases in the costs of public facilities, it is recommended to conduct more extensive updates of the fee documentation and calculation (such as this study) when significant new data on growth forecasts and/or facility plans become available. For further detail on fee program implementation, see Chapter 10.

## Study Methodology

Development impact fees are calculated to fund the cost of facilities required to accommodate growth. The six steps followed in this development impact fee study include:

1. **Estimate existing development and future growth:** Identify a base year for existing development and a growth forecast that reflects increased demand for public facilities;
2. **Identify facility standards:** Determine the facility standards used to plan for new and expanded facilities;

3. **Determine facilities required to serve new development:** Estimate the total amount of planned facilities, and identify the share required to accommodate new development;
4. **Determine the cost of facilities required to serve new development:** Estimate the total amount and the share of the cost of planned facilities required to accommodate new development net of other identified funding;
5. **Calculate fee schedule:** Allocate facilities costs per unit of new development to calculate the development impact fee schedule; and
6. **Identify alternative funding requirements:** Determine if any non-fee funding is required to complete projects.

The key public policy issue in development impact fee studies is the identification of facility standards (step #2, above). Facility standards document a reasonable relationship between new development and the need for new facilities. Standards ensure that new development does not fund deficiencies associated with existing development.

## Types of Facility Standards

There are three separate components of facility standards:

- ◆ *Demand standards* determine the amount of facilities required to accommodate growth, for example, park acres per thousand residents, square feet of library space per capita, or gallons of water per day. Demand standards may also reflect a level of service such as the vehicle volume-to-capacity (V/C) ratio used in traffic planning.
- ◆ *Design standards* determine how a facility should be designed to meet expected demand, for example, park improvement requirements and technology infrastructure for City office space. Design standards are typically not explicitly evaluated as part of an impact fee analysis but can have a significant impact on the cost of facilities. Our approach incorporates the cost of planned facilities built to satisfy the City's facility design standards.
- ◆ *Cost standards* are an alternate method for determining the amount of facilities required to accommodate growth based on facility costs per unit of demand, such as service population, vehicle trips, water flow generation or impervious surface. *Cost standards* are useful when demand standards were not explicitly developed for the facility planning process. *Cost standards* also enable different types of facilities to be analyzed based on a single measure (cost or value) and are useful when different facilities are funded by a single fee program. Examples include facility costs per capita, cost per vehicle trip, or cost per gallon of water per day.

## New Development Facility Needs and Costs

A number of approaches are used to identify facility needs and costs to serve new development. This is often a two-step process: (1) identify total facility needs, and (2) allocate to new development its fair share of those needs.

There are several common methods for determining new development's fair share of planned facilities costs: the **system plan method**, the **planned facilities method**, the **buy in method** and the **existing inventory method**. The formula used by each approach and the advantages and disadvantages of each method is summarized below:

### *System Plan Method*

This method calculates the fee based on the value of existing facilities plus the cost of planned facilities, divided by demand from existing plus new development:



$$\frac{\text{Value of Existing Facilities} + \text{Cost of Planned Facilities}}{\text{Existing} + \text{New Development Demand}} = \text{cost per unit of demand}$$

This method is useful when planned facilities need to be analyzed as part of a system that benefits both existing and new development. It is difficult, for example, to allocate a new fire station solely to new development when that station will operate as part of an integrated system of fire stations that together achieve the desired level of service.

The system plan method ensures that new development does not pay for existing deficiencies. Often facility standards based on policies such as those found in General Plans are higher than the existing facility standards. This method enables the calculation of the existing deficiency required to bring existing development up to the policy-based standard. The local agency must secure non-fee funding for that portion of planned facilities required to correct the deficiency to ensure that new development receives the level of service funded by the impact fee. This approach is used for the parks and trail, and public facility fees in this report so that new development can fund its fair share of the future level of service indicated by the planned facilities..

### ***Planned Facilities Method***

The planned facilities method allocates costs based on the ratio of planned facility costs to demand from new development as follows:

$$\frac{\text{Cost of Planned Facilities}}{\text{New Development Demand}} = \text{cost per unit of demand}$$

This method is appropriate when planned facilities will entirely serve new development, or when a fair share allocation of planned facilities to new development can be estimated. An example of the former is a Wastewater trunk line extension to a previously undeveloped area. An example of the latter is a portion of a roadway that has been identified as necessary to mitigate the impact from new development through traffic modeling analysis. Under this method new development will fund the expansion of facilities at the standards used in the applicable planning documents. This approach is used for the transportation, water capacity and storm drainage facility fees in this report because the share of facilities needed to accommodate growth can be identified.

### ***Buy-In Method***

The buy-in method is based on the value of the existing system's capacity. This method is typically used when the existing system has sufficient capacity to serve new development now and into the future. Under the buy-in methodology, new development "buys" a proportionate share of existing capacity at the current value of the existing facilities.

The buy-in fee is determined by taking the current value of assets (replacement cost new, less depreciation) divided by the current capacity provided by the system. Responsibility for new capital improvements is then shared equally by all customers. A simplified version of the calculation equation is:

$$\frac{\text{Present Value of Existing Facilities}}{\text{Existing System Capacity}} = \text{cost per unit of demand}$$

This approach is typically used for utility fees, where existing facilities are built with excess capacity to serve future development. This approach is used for component of the water capacity fees in this report.

### ***Existing Inventory Method***

The existing inventory method allocates costs based on the ratio of existing facilities to demand from existing development as follows:

$$\frac{\text{Current Value of Existing Facilities}}{\text{Existing Development Demand}} = \text{cost per unit of demand}$$

Under this method new development will fund the expansion of facilities at the same standard currently serving existing development. By definition the existing inventory method results in no facility deficiencies attributable to existing development. This method is often used when a long-range plan for new facilities is not available. Only the initial facilities to be funded with fees are identified in the fee study. Future facilities to serve growth are identified through an annual capital improvement plan and budget process, possibly after completion of a new facility master plan. This approach is not used to calculate fees in this report, though the existing level of service is identified to comply with AB 602..

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## 2. Growth Forecasts

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Growth projections are used as indicators of demand to determine facility needs and allocate those needs between existing and new development. This chapter explains the source for the growth projections used in this study based on a 2023 base year and a planning horizon of 2045.

Estimates of existing development and projections of future growth are critical assumptions used throughout this report. These estimates are used as follows:

- The estimate of existing development in 2023 is used as an indicator of existing facility demand and to determine existing facility standards.
- The estimate of total development at the 2045 planning horizon is used as an indicator of future demand to determine total facilities needed to accommodate growth and remedy existing facility deficiencies, if any.
- Estimates of growth from 2023 through 2045 are used to (1) allocate facility costs between new development and existing development, and (2) estimate total fee revenues.

The demand for public facilities is based on the service population, dwelling units or nonresidential development creating the need for the facilities.

### Land Use Types

To ensure proportionality between each fee and the impact of development by type of development, growth projections distinguish between different land use types. The land use types that impact fees have been calculated for are defined below.

- **Single Family Residential:** Detached and attached one-unit dwellings. Fees are calculated per square foot of living space.
- **Multifamily Residential:** All attached multifamily dwellings including duplexes and condominiums. Fees are calculated per square foot of living space, excluding common areas and garages.
- **Retail:** All commercial, retail, and educational development.
- **Office and Research & Development:** All general, professional, medical, and R&D office development.
- **Industrial:** All manufacturing and other industrial development, warehouse and distribution center development

Some developments may include more than one land use type, such as a mixed-use development with both residential and commercial uses. Another similar situation would be a warehousing facility that contains office space. In those cases, the facilities fee would be calculated separately for each land use type included within the building.

The City has the discretion to determine which land use type best reflects a development project's characteristics for purposes of imposing an impact fee and may adjust fees for special or unique uses to reflect the impact characteristics of the use.

### Impact Fee Zones

To ensure the requisite nexus between the fee and the development, in some cases, fees in this study are calculated for different geographies. The parks and trail facilities and public facilities fees are calculated Citywide because those facilities comprise a network of facilities that provide

benefit to anyone in the City regardless of where they are located. However, the transportation facilities, water facilities and storm drainage facilities fees make a distinction between facilities needed to serve the Ravenswood Business District/4 Corners Specific Plan Area (RBD) and the other non RBD areas of the City. Consequently, growth projections are presented for the entire City (including RBD), and for RBD separately.

## Existing and Future Development - Citywide

**Table 2.1** shows the estimated number of residents, dwelling units, employees, and building square feet in East Palo Alto, both in 2023 and in 2045. The base year estimates of residents and dwelling units come from the California Department of Finance. The projected population increase was estimated by multiplying the estimated increase in dwelling units by current occupancy density assumptions of 3.79 residents per single family unit and 2.71 residents per multifamily unit, based on data from the US Census' American Community Survey. The projected increase in dwelling units is consistent with the non-RBD increase in dwelling units from City of East Palo Alto Development Impact Fee Program Nexus Study, 2019, plus the projected increase in dwelling units from Ravenswood Specific Plan Update.

Base year employees were estimated based on data obtained from the U.S. Census Bureau's OnTheMap Application. The projected Citywide increase in employment is based on the non-RBD increase in building square feet from the 2019 Nexus Study, plus the projected increase in employment from the Ravenswood Specific Plan Update shown in Table 2.2.

Base year nonresidential building square feet estimated were by Raimi and Associates as part of the RBD Specific Plan Update. The increase in building square feet is based on the increase in building square feet from the 2019 Nexus Study for non-RBD development plus the increase in square feet from the Ravenswood Specific Plan Update, also shown in Table 2.2.

**Table 2.1: Existing and New Development - Citywide**

	2023	2045	Increase
<u>Residents</u> <sup>1</sup>	28,430	38,402	9,972
<u>Dwelling Units</u> <sup>2</sup>			
Single Family	4,732	5,725	993
Multifamily	3,409	5,700	2,291
Total	8,141	11,425	3,284
<u>Employment</u> <sup>3</sup>			
Retail	1,799	2,356	557
Office and R&D	2,560	12,658	10,098
Industrial	323	648	325
Total	4,682	15,661	10,979
<u>Building Square Feet (000s)</u> <sup>3</sup>			
Retail	550	883	333
Office and R&D	725	4,764	4,039
Industrial	200	525	325
Total	1,475	6,172	4,697

<sup>1</sup> 2023 population and dwelling units identified in Table E-5, from the California Department of Finance. Population increase estimated by multiplying increase in dwelling units by current occupancy density assumptions of 3.79 residents per single family unit and 2.71 residents per multifamily unit, based on ACS data. Increase in dwelling units based on non-RBD increase in dwelling units from City of East Palo Alto Development Impact Fee Program Nexus Study, 2019, plus projected increase in dwelling units from Ravenswood Specific Plan Update.

<sup>2</sup> Current estimates of primary jobs from the US Census' OnTheMap. Increase in employment based on non-RBD increase in building square feet from the 2019 Nexus Study, plus projected increase in from Ravenswood Specific Plan Update shown in Table 2.2.

<sup>3</sup> Base year building square feet estimated by Raimi and Associates. Increase in building square feet identified in 2019 Nexus Study for non-RBD development plus increase in square feet from the Ravenswood Specific Plan Update.

Sources: California Department of Finance, Table E-5, 2023; Ravenswood Specific Plan Update Transportation Analysis; OnTheMap Application, <http://onthemap.ces.census.gov>; Table 2.3, Raimi and Associates; Willdan Financial Services.

## Existing and Future Development - RBD

**Table 2.2** shows the estimated number of residents, dwelling units, employees, and building square feet in RBD, both in 2023 and in 2045. The base year estimates of dwelling units were provided by Raimi and Associates. The dwelling units were multiplied by the estimates of current occupant density by type of unit to estimate current population. The projected population increase was estimated by multiplying the estimated increase in dwelling units from the Specific Plan growth scenario by the same occupancy density assumptions.

Base year employees were estimated based on data obtained from the U.S. Census Bureau's OnTheMap Application. The projected increase in employment is based on the projected increase in building square feet, and the occupancy density assumptions from **Table 2.3**.

Base year nonresidential building square feet estimated were by Raimi and Associates as part of the RBD Specific Plan Update. The increase in building square feet is also consistent with the RBD Specific Plan Update.

**Table 2.2 : Existing and New Development - RBD – Scenario 1 (3.35m Square Feet)**

	2023	2045	Increase
<u>Residents</u> <sup>1</sup>	1,168	5,504	4,336
<u>Dwelling Units</u> <sup>1</sup>			
Single Family	203	203	-
Multifamily	147	1,747	1,600
Total	350	1,950	1,600
<u>Employment</u> <sup>2</sup>			
Retail	95	283	188
Office and R&D	533	8,871	8,338
Industrial	120	445	325
Total	748	9,599	8,851
<u>Building Square Feet (000s)</u> <sup>3</sup>			
Retail	125	237	112
Office and R&D	200	3,535	3,335
Industrial	125	450	325
Total	450	4,222	3,772

<sup>1</sup> Base year dwelling units identified by Raimi and Associates. Assumes same proportion of single family to multifamily in RBD as Citywide. Projection of dwelling units based on Ravenswood Specific Plan Update Transportation Analysis. Population estimated by multiplying increase in dwelling units by current occupancy density assumptions of 3.79 residents per single family unit and 2.71 residents per multifamily unit, based on ACS data.

<sup>2</sup> Current estimates of primary jobs from the US Census' OnTheMap. Projection based on increase in building square feet from the Ravenswood Specific Plan Update Transportation Analysis and occupancy density assumptions from Table 2.3.

<sup>3</sup> Base year building square feet estimated by Raimi and Associates. Increase in building square feet identified in feet from the Ravenswood Specific Plan Update Transportation Analysis.

Sources: Ravenswood Specific Plan Update Transportation Analysis; OnTheMap Application, <http://onthemap.ces.census.gov>; Raimi and Associates; Table 2.3, Willdan Financial Services.



## Occupant Densities

All fees in this report are calculated based on dwelling units or building square feet. Occupant density assumptions ensure a reasonable relationship between the size of a development project, the increase in service population associated with the project, and the amount of the fee.

Occupant densities (residents per dwelling unit or workers per building square foot) are the most appropriate characteristics to use for most impact fees. The fee imposed should be based on the land use type that most closely represents the probable occupant density of the development.

The average occupant density factor used in this report is shown in Table 2.3.

The residential density factors are calculated based on the latest available data from the American Community Survey for the City of East Palo Alto. The assumptions average square feet per type of dwelling unit are divided by the dwelling unit density assumptions to determine square feet of living space per person, by type of unit. These figures are used to calculate the fees per square foot of living space for the parks and trail facilities and public facilities fees.

The nonresidential occupancy factors are derived from data from the City’s General Plan Update and are consistent with assumptions from the RBD Specific Plan Update.

**Table 2.3: Occupant Density**

	<b>Persons per Unit or 1,000 KSF</b>	<b>Square Feet per Unit</b>	<b>Square Feet per Person</b>
<i>Residential</i>			
Single Family	3.79	1,700	449
Multifamily	2.71	875	323
<i>Nonresidential</i>			
Retail	1.67	1,000	600
Office and R&D	2.50	1,000	400
Industrial	1.00	1,000	1,000

Sources: U.S. Census Bureau, 2022 American Community Survey 5-Year Estimates, Tables B25024 and B25033; East Palo Alto General Plan Update (Water Supply Assessment), Raimi + Associates; Willdan Financial Services.

# 3. Parks and Trail Facilities

The following chapter documents the nexus analysis, demonstrating the need for new parks and trail facilities demanded by new development.

## Service Population

Parks and trail facilities in East Palo Alto serve residents and workers. Therefore, demand for services and associated facilities are based on the City's service population including residents and workers.

**Table 3.1** shows the existing and future projected service population for parks and trail facilities. While specific data is not available to estimate the actual ratio of demand per resident to demand by businesses (per worker) for this service, it is reasonable to assume that demand for these services is less for one employee compared to one resident, because nonresidential buildings are typically occupied less intensively than dwelling units. The 0.31-weighting factor for workers is based on a 40-hour workweek divided by the total number of non-work hours in a week (128) and reflects the degree to which nonresidential development yields a lesser demand for parks and trail facilities.

**Table 3.1: Parks and Trail Facilities Service Population**

	A Persons	B Weighting Factor	A x B = C Service Population
<i><u>Residents</u></i>			
Existing (2023)	28,430	1.00	28,430
New Development (2023-2045)	9,972	1.00	9,972
Total (2045)	38,402		38,402
<i><u>Workers</u></i> <sup>1</sup>			
Existing (2023)	4,682	0.31	1,451
New Development (2023-2045)	10,979	0.31	3,404
Total (2045)	15,661		4,855
<i><u>Combined</u></i>			
Existing (2023)			29,881
New Development (2023-2045)			13,376
Total (2045)			43,257

<sup>1</sup> Workers are weighted at 0.31 of residents based on a 40 hour work week out of a possible 128 non-work hours in a week (40/128 = 0.31)

Sources: Table 2.1, Willdan Financial Services.

## Existing Park Inventory

The City of East Palo Alto owns and maintains several parks throughout the city. **Table 3.2** summarizes the City's existing parkland inventory in 2023. All facilities are located within the city limits. In total, the inventory includes a total of 23.89 acres of improved parkland.

**Table 3.2: Existing Park Inventory**

Name	Developed Acres
Jack Farrell Park	3.73
Pocket Park at Newbridge	0.14
Bell Street Park	2.56
Joel Davis Memorial Park	1.94
Martin Luther King Jr. Park	5.49
Cooley Landing	10.03
Total	23.89

Source: East Palo Alto, Parks, Recreation, and Open Space Master Plan, Final Draft, March 24, 2023.

## Parkland and Park Facilities Unit Costs

**Table 3.3** displays the unit costs necessary to acquire and improve parkland in East Palo Alto. The land cost assumption is based on the City's assumed cost to acquire an acre of land for a library. An estimate of \$1,200,000 per acre for standard parkland improvements is based on the identified life cycled replacement cost estimate from the City's recent Parks Master Plan. In total, it is assumed to cost \$4.5 million to acquire and improve an acre of parkland in East Palo Alto.

**Table 3.3: Park Facilities Unit Costs**

	Cost Per Acre	Share of Total Costs
Standard Park Improvements	\$ 1,200,000	27%
Land Acquisition	<u>3,260,000</u>	<u>73%</u>
Total Cost per Acre	\$ 4,460,000	100%

<sup>1</sup> Based life cycle replacement cost estimates (Tier A) identified in Table 4-8 of the East Palo Alto Parks Master Plan.

Sources: East Palo Alto, Parks, Recreation, and Open Space Master Plan, Final Draft, March 24, 2023, Willdan Financial Services.

**Table 3.4** displays the replacement cost of the City's existing park facilities. The total cost per acre from **Table 3.3** is multiplied by the total existing improved acres from **Table 3.2** to determine the replacement cost of the City's parks.

**Table 3.4: Replacement Cost of Existing Park Facilities**

Park Acres	23.89
Replacement Cost per Acre	\$ 4,460,000
Total Replacement Cost	\$ 106,549,400

Sources: Tables 3.2 and 3.3.

## Planned Facilities

**Table 3.5** displays the City's planned parks and trail facilities. These facilities were identified in the City's Parks, Recreation, and Open Space Master Plan. The planned facilities will serve both existing and new development Citywide. The cost of these facilities, net of existing identified funding is \$91.1 million.

**Table 3.5: Planned Parks and Trail Facilities**

Project Number	Project Name	Total Cost	Funded	Net Cost
PK-04	MLK JR Park Expansion	\$21,000,000	\$ -	\$21,000,000
PK-05	Joel Davis Park Restroom	1,621,695	424,695	1,197,000
PK-06	New Trails and Sidewalks in Ravenswood	15,000,000	-	15,000,000
PK-07	San Francisquito Park and Trail	5,108,000	-	5,108,000
PK-08	Jack Farrell Park Improvements	2,421,000	2,306,000	115,000
PK-09	Baylands Park	4,400,000	-	4,400,000
PK-10	Bell Street Park Improvements	16,000,000	-	16,000,000
PK-11	New Parks in Ravenswood/4 Corners Area	22,300,000	-	22,300,000
PK-12	Hetch Hetchy Aqueduct Linear Park	3,100,000	-	3,100,000
PK-14	Park Fitness Equipment Installation	95,000	-	95,000
PK-20	Rutgers Trail Gate	100,000	-	100,000
PK-21	Pocket Park at Newbridge	384,000	-	384,000
Total		\$91,529,695	\$2,730,695	\$88,799,000

Source: City of East Palo Alto.

## Cost Allocation

### Existing Level of Service

**Table 3.6** expresses the City's current parks and trail facilities level of service in terms of an existing cost per capita. This cost per capita is not used in the fee calculation, rather it is shown here for informational purposes only. Once the planned facilities have been constructed and new development has increased the City's service population the resulting facility cost per capita will be higher than the cost per capita shown in Table 3.6. The increased facility standard is needed to ensure that the City can fund the planned parks and trail facilities identified in Table 3.5.

**Table 3.6: Existing Level of Service**

<b>Scenario 2</b>		
Value of Existing Facilities	A	\$ 106,549,400
Existing Service Population	B	<u>29,881</u>
Existing Cost per Capita	$C = A / B$	\$ 3,566

Sources: Table 3.1 and 3.4.

## Future Level of Service

**Table 3.7** shows new development’s projected per capita investment in parks and trail facilities at the planning horizon. This level of service drives the fee calculation. This value is calculated by dividing cost of existing and planned facilities by the projected service population at the planning horizon.

**Table 3.7: Parks and Trail Facilities System Standard**

<b>Scenario 2</b>		
Value of Existing Facilities	A	\$ 106,549,400
Cost of Planned Facilities	B	<u>88,799,000</u>
Total System Value (2045)	$C = A + B$	\$ 195,348,400
Future Service Population (2045)	D	<u>43,257</u>
Cost per Capita	$E = C / D$	\$ 4,516
Cost per Worker	$F = E \times \text{Worker Weighting Factor}$	1,400

Sources: Tables 3.1, 3.4, 3.5.

## Use of Fee Revenue

The City can use parks and trail facilities fee revenues for the construction or purchase of buildings, land, vehicles and equipment that are part of the system of parks and trail facilities serving new development. A list of planned facilities is included in Table 3.5.

## Non-Fee Funding Required

Completing the planned facilities will provide a higher value of facilities per capita than is currently provided in East Palo Alto. Impact fee revenue may not be used to increase the level of service provided to existing development. Therefore, impact fee revenue will not fully fund the planned parks and trail facilities and some non-fee funding will be required. **Table 3.8** shows the projected fee revenue representing new development’s share of facility costs, and the non-fee funding required through 2045 needed to correct existing deficiencies. After accounting for the projected future impact fee revenue, approximately \$28.4 million in non-fee funding will be needed to complete the planned parks and trail facilities. The City will need to use alternative funding sources to fund existing development’s share of the planned facilities. Potential sources of revenue include but are not limited to existing or new general fund revenues, existing or new taxes, special assessments, and grants.

**Table 3.8: Projected Fee Revenue**

	<b>Scenario 2</b>
Projected Service Population Growth	13,376
Cost per Capita	4,516
Projected Fee Revenue	\$ 60,406,016
Net Project Cost	\$ 88,799,000
Projected Fee Revenue	60,406,016
Existing Deficiency	\$ 28,392,984

Sources: Tables 3.1, 3.4, 3.5.

## Fee Schedule

**Table 3.9** shows the maximum justified parks and trail facilities fee schedule. The cost per capita is converted to a fee per square foot of new development based on the square feet per person assumptions shown in Table 2.3.

**Table 3.9: Parks and Trail Facilities Fee Schedule**

Land Use	A	B	C = A / B	
	Cost per Capita	Sq. Ft. per Capita	Fee per Sq. Ft.	
<i>Residential</i>				
Single Family	\$ 4,516	449	\$	10.06
Multifamily	4,516	323		13.98
<i>Nonresidential</i>				
Retail	\$ 1,400	600	\$	2.33
Office and R&D	1,400	400		3.50
Industrial	1,400	1,000		1.40

Sources: Tables 2.3 and 3.7.

## Mitigation Fee Act Findings

The five statutory findings required for adoption of the parks and trail facilities fees documented in this chapter are presented below and supported in detail by the analysis above. All statutory references are to the *Act*.

### Purpose of Fee

- ♦ *Identify the purpose of the fee (§66001(a)(1) of the Act).*

The parks and trail facilities fee is designed to ensure that new development will not burden the existing service population with the cost of parks and trail facilities required to accommodate growth. The purpose of the fees documented in this chapter is to provide a funding source from



new development for capital improvements to serve that development. The fees advance a legitimate City interest by enabling the City to provide parks and trails to serve new development.

## Use of Fee Revenues

- ◆ *Identify the use to which the fees will be put. If the use is financing facilities, the facilities shall be identified. That identification may, but need not, be made by reference to a capital improvement plan as specified in §65403 or §66002, may be made in applicable general or specific plan requirements, or may be made in other public documents that identify the facilities for which the fees are charged (§66001(a)(2) of the Act).*

Parks and trail facilities fees, if enacted by the City, would be used to fund expanded parks and trails to serve new development Citywide. Facilities funded by these fees are designated to be located within the City limits. A list of planned parks and trails projects is included in Table 3.5 which were sourced from the City's CIP.

## Benefit Relationship

- ◆ *Determine the reasonable relationship between the fees' use and the type of development project on which the fees are imposed (§66001(a)(3) of the Act).*

The City will restrict fee revenue to the acquisition of land, construction of facilities and buildings, and purchase of related equipment, furnishings, vehicles, and services used to serve new development. Facilities funded by the fees are expected to provide a citywide network of facilities accessible to the residents and workers associated with new development, who represent demand for parks and trails facilities. Using the system plan cost allocation methodology outlined in Chapter 1, and the cost per capita standard calculated in Table 3.7, the resulting fees ensure that new development will only fund its fair share of improvements, and impact fee revenue will not be used to correct existing deficiencies. A deficiency associated with existing development's share of the planned facilities is identified in Table 3.8, which will not be funded by impact fee revenue. Thus, a reasonable relationship can be shown between the use of fee revenue and the new development residential and non-residential use classifications that will pay the fees.

## Burden Relationship

- ◆ *Determine the reasonable relationship between the need for the public facilities and the types of development on which the fees are imposed (§66001(a)(4) of the Act).*

New residential and nonresidential development will generate additional population growth. An increase in residents and workers will increase the demand for parks and trail facilities. Facilities need is based on a facility standard that represents the demand generated by new development for those facilities. For the parks and trail facilities fee, demand is measured by a single facility standard (cost per capita at the planning horizon) that can be applied across land use types to ensure a reasonable relationship to the type of development. The service population standards are calculated based upon the number of residents associated with residential development and the number of workers associated with non-residential development. To calculate a single, per capita standard, one worker is weighted less than one resident based on an analysis of the relative use demand between residential and non-residential development. See the *Service Population* section above for a discussion of the worker weighting factor.

The standard used to allocate facilities costs to new development is also used to determine if planned facilities will partially serve the existing service population by correcting existing deficiencies. This approach ensures that new development will only be responsible for its fair share of planned facilities, and that the fees will not unfairly burden new development with the cost of facilities associated with serving the existing service population.

## Proportionality

- ◆ *Determine how there is a reasonable relationship between the fees amount and the cost of the facilities or portion of the facilities attributable to the development on which the fee is imposed (§66001(b) of the Act).*

The reasonable relationship between each facilities fee for a specific new development project and the cost of the facilities attributable to that project is based on the estimated residential and nonresidential population growth the project will accommodate. Fees for a specific project are based on the project's size. Larger development projects can result in a higher service population resulting in higher fee revenue than smaller projects in the same land use classification. Thus, the fees ensure a reasonable relationship between a specific new development project and the cost of the facilities attributable to that project. See Table 2.3 for the occupancy density assumptions that ensure proportionality of the fees between the land uses included in this study.

# 4. Public Facilities

The purpose of the public facilities impact fee is to fund the public facilities needed to serve new development. A maximum justified fee is presented based on the system plan standard of public facilities per capita.

## Service Population

Public facilities serve both residents and businesses. Therefore, demand for services and associated facilities are based on the City’s service population including residents and workers.

**Table 4.1** shows the existing and future projected service population for public facilities. While specific data is not available to estimate the actual ratio of demand per resident to demand by businesses (per worker) for this service, it is reasonable to assume that demand for these services is less for one employee compared to one resident, because nonresidential buildings are typically occupied less intensively than dwelling units. The 0.31-weighting factor for workers is based on a 40-hour workweek divided by the total number of non-work hours in a week (128) and reflects the degree to which nonresidential development yields a lesser demand for public facilities.

**Table 4.1: Public Facilities Service Population**

	A Persons	B Weighting Factor	A x B = C Service Population
<i>Residents</i>			
Existing (2023)	28,430	1.00	28,430
New Development (2023-2045)	9,972	1.00	9,972
Total (2045)	38,402		38,402
<i>Workers<sup>1</sup></i>			
Existing (2023)	4,682	0.31	1,451
New Development (2023-2045)	10,979	0.31	3,404
Total (2045)	15,661		4,855
<i>Combined</i>			
Existing (2023)			29,881
New Development (2023-2045)			13,376
Total (2045)			43,257

<sup>1</sup> Workers are weighted at 0.31 of residents based on a 40 hour work week out of a possible 128 non-work hours in a week (40/128 = 0.31)

Sources: Table 2.1; Willdan Financial Services.

## Facility Inventories and Standards

This section describes the City’s public facility inventory and facility standards.

## Existing Inventory

The City's public facility inventory consists of relatively few facilities compared to other cities because most facilities that provide services are leased. **Table 4.2** summarizes the City's owned inventory of public land, buildings and vehicles. The assumed cost of land acquisition is based on the City's estimate for acquired land for a future library. In total, the City's existing inventory of public facilities is estimated at \$37.4 million.

**Table 4.2: Existing Public Facilities Inventory**

	Quantity	Units	Unit Cost	Replacement Cost
<i>Land (acres)</i>				
CEDD - 1960 Tate St.	0.71	acres	\$ 3,260,000	\$ 2,304,527
Reentry - 2277 University Ave	0.35	acres	3,260,000	1,141,000
Library	1.00	acres	3,260,000	3,260,000
Subtotal - Land	2.06			\$ 6,705,527
<i>Buildings (square feet)<sup>1</sup></i>				
Cooley Landing Building	3,800	sq. ft.	\$ 350	\$ 1,330,000
CEDD, 1960 Tate St.	29,820	sq. ft.	350	10,437,000
Reentry	15,316	sq. ft.	350	5,360,600
Senior Center	28,875	sq. ft.	350	10,106,250
Cummings Loft Mezzanine	1,190	sq. ft.	350	416,500
Subtotal - Buildings	79,001			\$ 27,650,350
<i>Vehicles</i>				
	125	Vehicles	\$ 24,500	\$ 3,062,486
Total Value - Existing Facilities				\$ 37,418,363

Sources: City of East Palo Alto; Willdan Financial Services.

## Planned Facilities

**Table 4.3** summarizes the planned public facilities needed to serve the City through 2045. The City plans for many new facilities including a city hall, community development building, corporation yard, library and police department building. New facilities costs are estimated to total approximately \$127.1 million through 2045, net of existing identified funding.

**Table 4.3: Planned Public Facilities**

Project No.	Description	Total Cost	Funded	Net Cost
FA-02	Community Development building	\$ 120,000	\$ -	\$ 120,000
FA-05	New Police Department Building	25,000,000	-	25,000,000
FA-06	Corporation Yard	100,000	-	100,000
FA-07	City Hall Purchase	60,000,000	-	60,000,000
FA-09	New Facilities in Ravenswood Specific Plan Area	10,000,000	-	10,000,000
FA-10	Electric Vehicle Charging Station	350,000	-	350,000
FA-11	City Facility Energy Upgrades	100,000	-	100,000
FA-13	City Hall Tenant Improvement	350,000	-	350,000
FA-16	City of East Palo Alto Library	33,000,000	1,900,000	31,100,000
FA-17	Police Department Facility Improvements	400,000	400,000	-
Total		\$ 129,420,000	\$ 2,300,000	\$ 127,120,000

Sources: City of East Palo Alto CIP.

## Cost Allocation

### Existing Level of Service

**Table 4.4** expresses the City’s current public facilities level of service in terms of an existing cost per capita. This cost per capita is not used in the fee calculation, rather it is shown here for informational purposes only. Once the planned facilities have been constructed and new development has increased the City’s service population the resulting facility cost per capita will be higher than the cost per capita shown in Table 4.4. The increased facility standard is needed to ensure that the City has adequate facilities to provide public services to the City.

**Table 4.4: Existing Level of Service**

Value of Existing Facilities	\$ 37,418,363
Existing Service Population	<u>29,881</u>
Cost per Capita	\$ 1,252
Facility Standard per Resident	\$ 1,252
Facility Standard per Worker <sup>1</sup>	388

<sup>1</sup> Based on a weighing factor of 0.31.

Sources: Tables 4.1 and 4.2.

### Future Level of Service

**Table 4.5** shows new development’s projected per capita investment in public facilities at the planning horizon. This level of service drives the fee calculation. This value is calculated by dividing cost of existing and planned facilities by the service population at the planning horizon. The value per capita is multiplied by the worker weighting factor of 0.31 to determine the value per worker.

**Table 4.5: Public Facilities System Standard**

Scenario 2	
Value of Existing Facilities	\$ 37,418,363
Cost of Planned Facilities	<u>127,120,000</u>
Total System Value (2045)	\$ 164,538,363
Future Service Population (2045)	<u>43,257</u>
Cost per Capita	\$ 3,804
Cost Allocation per Resident	\$ 3,804
Cost Allocation per Worker <sup>1</sup>	1,179

<sup>1</sup> Based on a weighting factor of 0.31.

Sources: Tables 4.1, 4.2 and 4.3.

## Use of Fee Revenue

The City can use public facilities fee revenues for the construction or purchase of buildings, land, and equipment that are part of the system of public facilities serving new development. A list of planned facilities is included in Table 4.3.

## Non-Fee Funding Required

Completing the planned facilities will provide a higher value of facilities per capita than is currently provided in East Palo Alto. Impact fee revenue may not be used to increase the level of service provided to existing development. Therefore, impact fee revenue will not fully fund the planned public facilities and some non-fee funding will be required. **Table 4.6** shows the projected fee revenue and the non-fee funding required through 2045. After accounting for the projected future impact fee revenue, approximately \$74.3 million in non-fee funding will be needed to complete the planned public facilities.

The City will need to use alternative funding sources to fund existing development's share of the planned public facilities. Potential sources of revenue include but are not limited to existing or new general fund revenues, existing or new taxes, special assessments, and grants.

**Table 4.6: Revenue Projection - System Standard**

	<b>Scenario 2</b>
Cost per Capita	\$ 3,804
Growth in Service Population (2023 to 2045)	13,376
Projected Fee Revenue	\$ 50,882,304
Cost of Planned Facilities	\$ 127,120,000
Identified Funding - Library Project	1,900,000
Projected Fee Revenue	50,882,304
Existing Deficiency	\$ 74,337,696

Sources: Tables 4.1, 4.3 and 4.4.

## Fee Schedule

**Table 4.7** shows the maximum justified public facilities fee schedule. The cost per capita is converted to a fee per square foot of new development based on the square feet per person assumptions shown in Table 2.3.

**Table 4.7: Public Facilities Fee Schedule**

Land Use	A	B	C = A / B
	Cost per Capita	Sq. Ft. per Capita	Fee per Sq. Ft.
<i>Residential</i>			
Single Family	\$ 3,804	449	\$ 8.47
Multifamily	3,804	323	11.78
<i>Nonresidential</i>			
Retail	\$ 1,179	600	\$ 1.97
Office and R&D	1,179	400	2.95
Industrial	1,179	1,000	1.18

Sources: Tables 2.3 and 4.4.

## Mitigation Fee Act Findings

The five statutory findings required for adoption of the public facilities fees documented in this chapter are presented below and supported in detail by the analysis above. All statutory references are to the *Act*.

### Purpose of Fee

- ♦ Identify the purpose of the fee (§66001(a)(1) of the Act).



The public facilities fee is designed to ensure that new development will not burden the existing service population with the cost of public facilities required to accommodate growth. The purpose of the fees documented in this chapter is to provide a funding source from new development for capital improvements to serve that development. The fees advance a legitimate City interest by enabling the City to provide public facilities to serve new development.

## Use of Fee Revenues

- ♦ *Identify the use to which the fees will be put. If the use is financing facilities, the facilities shall be identified. That identification may, but need not, be made by reference to a capital improvement plan as specified in §65403 or §66002, may be made in applicable general or specific plan requirements, or may be made in other public documents that identify the facilities for which the fees are charged (§66001(a)(2) of the Act).*

Public facilities fees, if enacted by the City, would be used to fund expanded public facilities to serve new development Citywide. Facilities funded by these fees are designated to be located within the City limits. A list of planned public facilities projects is included in Table 4.3 (Planned Public Facilities), which is sourced from the City's adopted Capital Improvement Plan.

## Benefit Relationship

- ♦ *Determine the reasonable relationship between the fees' use and the type of development project on which the fees are imposed (§66001(a)(3) of the Act).*

The City will restrict fee revenue to the acquisition of land, construction of facilities and buildings, and purchase of related equipment, furnishings, vehicles, and services used to serve new development. Facilities funded by the fees are expected to provide a citywide network of facilities accessible to the residents and workers associated with new development, who represent demand for public facilities. Using the system plan cost allocation methodology outlined in Chapter 1, and the cost per capita standard calculated in Table 4.5, the resulting fees ensure that new development will only fund its fair share of improvements, and impact fee revenue will not be used to correct existing deficiencies. A deficiency associated with existing development's share of the planned facilities is identified in Table 4.6, which will not be funded by impact fee revenue. Thus, a reasonable relationship can be shown between the use of fee revenue and the new development residential and non-residential use classifications that will pay the fees.

## Burden Relationship

- ♦ *Determine the reasonable relationship between the need for the public facilities and the types of development on which the fees are imposed (§66001(a)(4) of the Act).*

New residential and nonresidential development will generate additional population growth. An increase in residents and workers will increase the demand for public facilities. Facilities need is based on a facility standard that represents the demand generated by new development for those facilities. For the public facilities fee, demand is measured by a single facility standard (cost per capita at the planning horizon) that can be applied across land use types to ensure a reasonable relationship to the type of development. The service population standards are calculated based upon the number of residents associated with residential development and the number of workers associated with non-residential development. To calculate a single, per capita standard, one worker is weighted less than one resident based on an analysis of the relative use demand between residential and non-residential development. See the *Service Population* section above for a discussion of the worker weighting factor.

The standard used to allocate facilities costs to new development is also used to determine if planned facilities will partially serve the existing service population by correcting existing deficiencies. This approach ensures that new development will only be responsible for its fair

share of planned facilities, and that the fees will not unfairly burden new development with the cost of facilities associated with serving the existing service population.

## Proportionality

- ◆ *Determine how there is a reasonable relationship between the fees amount and the cost of the facilities or portion of the facilities attributable to the development on which the fee is imposed (§66001(b) of the Act).*

The reasonable relationship between each facilities fee for a specific new development project and the cost of the facilities attributable to that project is based on the estimated residential and nonresidential population growth the project will accommodate. Fees for a specific project are based on the project's size. Larger development projects can result in a higher service population resulting in higher fee revenue than smaller projects in the same land use classification. Thus, the fees ensure a reasonable relationship between a specific new development project and the cost of the facilities attributable to that project. See Table 2.3 for the occupancy density assumptions that drive the proportionality of the fees between the land uses included in this study.

# 5. Transportation Facilities

This chapter summarizes an analysis of the need for transportation infrastructure to accommodate new development. The chapter documents a reasonable relationship between new development Citywide and an impact fee for funding of these facilities.

## Trip Demand

The need for transportation facilities is based on the trip demand placed on the system by development. A reasonable measure of demand is the number of PM peak hour vehicle trips, adjusted for pass-by trips. Pass-by trips are intermediate stops between an origin and a destination that require no diversion from the route, such as stopping to get gas on the way to work. Vehicle trip generation rates are a reasonable measure of demand on the City's system of transportation facilities across all modes because alternate modes (transit, bicycle, pedestrian) often substitute for vehicle trips. Pass-by trips are deducted from the trip generation rate.

**Table 5.1** shows the calculation of trip demand factors by land use category based on the pass-by trip adjustment described above. The data for trip rates, and the pass-by trip assumption all come from the latest data available from the Institute of Traffic Engineers.

**Table 5.1: Adjusted Trip Rates**

ITE Category		Pass-by Trips <sup>1</sup>	PM Peak Hour Trips <sup>2</sup>	Net PM Peak Hour Trips <sup>3</sup>	Adjusted Trip Rate
		A	B	$C = B \times 0.6$	$D = (1 - A) \times C$
<i>Residential - per Dwelling Unit</i>					
Single Family	Single Family Housing (210)	0%	0.99	0.59	0.59
Multifamily	Multifamily Housing (Low-Rise) (220)	0%	0.57	0.34	0.34
<i>Nonresidential - per 1,000 Sq. Ft.</i>					
Retail	Shopping Center (820)	34%	4.09	2.45	1.62
Office and R&D	General Office (710)	0%	1.44	0.86	0.86
Industrial	General Light Industrial (110)	0%	0.80	0.48	0.48

<sup>1</sup> Percent of total trips. A pass-by trip is made as an intermediate stop on the way from an origin to a primary trip destination without a route diversion. Pass-by trips are not considered to add traffic to the road network. Assumption based on ITE Trip Generation Handbook

<sup>2</sup> Trips per dwelling unit or per 1,000 building square feet.

<sup>3</sup> Assumes 40% trip reduction.

Sources: Institute of Traffic Engineers, Trip Generation Manual, 11th Edition; Institute of Traffic Engineers, Trip Generation Handbook 3rd Edition; Willdan Financial Services.

## Trip Growth

The planning horizon for this analysis is 2045. **Table 5.2** lists the 2023 and 2045 land use assumptions used in this study. The trip demand factors calculated in Table 5.1 are multiplied by the existing and future dwelling units and building square feet to determine the increase in trips caused by new development Citywide.

**Table 5.2: Land Use Scenario and Total Trips**

Land Use	Trip Demand Factor	2023		Growth 2023 to 2045		Total - 2045	
		DU or KSF	Trips	DU or KSF	Trips	DU or KSF	Trips
<b>Citywide</b>							
<i>Residential - per Dwelling Unit</i>							
Single Family	0.59	4,732	2,792	993	586	5,725	3,378
Multifamily	0.34	3,409	1,159	2,291	779	5,700	1,938
Subtotal		8,141	3,951	3,284	1,365	11,425	5,316
<i>Nonresidential - per 1,000 Sq. Ft.</i>							
Retail	1.62	550	891	333	540	883	1,431
Office and R&D	0.86	725	624	4,039	3,473	4,764	4,097
Industrial	0.48	200	96	325	156	525	252
Subtotal		1,475	1,611	4,697	4,169	6,172	5,780
Total Trips			5,562		5,534		11,096
Share of Total Trips			50.1%		49.9%		100.0%

Sources: Tables 2.1 and 5.1.

## Project Costs

Cost estimates are summarized in **Table 5.3** and were sourced from the City's CIP. Any funding that has been identified for these projects is netted out of the total cost. The net costs for the two traffic signals projects are allocated 100% to new development because they are solely needed to accommodate growth. The costs for the remaining projects are allocated to new development proportionally to new development's share of trip demand at the planning horizon identified in Table 5.2 because the projects will serve both existing and new development.

**Table 5.3: Planned Facilities**

No.	Description	Total Cost	Less Identified Funding	Net Cost	Allocation to New Development	Total Cost Allocated to New Development
ST-24C	Weeks at Pulgas Traffic Signal	\$ 660,000	\$ -	\$ 660,000	100.0%	\$ 660,000
ST-24D	Weeks at Clarke Traffic Signal	660,000	-	660,000	100.0%	660,000
ST-28	East Bayshore Improvements	2,000,000	400,000	1,600,000	49.9%	798,400
ST-29	University Avenue Grand Corridor	15,000,000	-	15,000,000	49.9%	7,485,000
	Bay Road	<u>1,255,203</u>	<u>-</u>	<u>1,255,203</u>	49.9%	<u>626,346</u>
Total		\$ 19,575,203	\$ 400,000	\$ 19,175,203		\$ 10,229,746

Source: City of East Palo Alto CIP; Table 5.2, Willdan Financial Services.

## Fee per Trip Demand Unit

Every impact fee consists of a dollar amount, or the cost of projects that can be funded by a fee, divided by a measure of development. In this case, all fees are first calculated as a cost per trip demand unit. Then these amounts are translated into square feet (cost per residential square feet) and employment space (cost per 1,000 building square feet) by multiplying the cost per trip by the trip generation rate for each land use category. These amounts become the fee schedule.

**Table 5.4** calculates the cost the cost per trip demand unit by dividing the total project costs attributable to new development by transportation fee category summarized in Table 5.3, by the total growth in trips calculated in Table 5.2.

The cost per trip in Table 5.4 can also be used to calculate a fee for land uses that have significantly different trip generation rates compared to the land uses included in the fee schedule.

**Table 5.4: Cost per Trip to Accommodate Growth**

Costs Allocated to New Development	\$ 10,229,746
Growth in Trip Demand (2023 to 2045)	<u>5,534</u>
Cost per Trip	\$ 1,849

Sources: Tables 5.2 and 5.3.

## Projected Fee Revenue

**Table 5.5** shows the projected fee revenue. The difference between the net project cost and the projected fee revenue is existing development’s share of the planned facilities, often referred to as an existing deficiency. This existing deficiency cannot be funded through the impact fees. The City can use any funding source other than the impact fees to pay for the existing deficiency.

**Table 5.5: Projected Fee Revenue**

Net Project Cost	\$ 19,175,203
Projected Fee Revenue	<u>10,229,746</u>
Existing Deficiency	\$ 8,945,457

Source: Table 5.3.

## Fee Schedule

**Table 5.6** shows the maximum justified Citywide transportation fee schedule. The maximum justified fees are based on the costs per trip shown in Table 5.4. The cost per trip is multiplied by the trip demand factors in Table 5.1 to determine a fee per unit of new development. The fee per average single family or multifamily dwelling unit is converted into a fee per square foot by dividing the fee per dwelling unit by the assumed average square footage of a dwelling unit from

Table 2.3. Note that development in RBD would pay this Citywide transportation impact fee, plus the RBD specific transportation impact fee presented in the following chapter.

**Table 5.6: Citywide Transportation Facilities Impact Fee Schedule**

Land Use	A	B	C = A x B	D = C / Average
	Cost per Trip	Trip Demand Factor	Total Fee <sup>1</sup>	Fee per Sq. Ft. <sup>2</sup>
<i>Residential Dwelling Unit</i>				
Single Family	\$ 1,849	0.59	\$ 1,091	\$ 0.64
Multifamily	1,849	0.34	629	0.72
<i>Nonresidential - per 1,000 Sq. Ft.</i>				
Retail	\$ 1,849	1.62	\$ 2,995	\$ 3.00
Office and R&D	1,849	0.86	1,590	1.59
Industrial	1,849	0.48	888	0.89

<sup>1</sup> Fee per average sized dwelling unit or per 1,000 square feet of nonresidential.

<sup>2</sup> Assumes 1,700 square feet per single family unit and 875 square feet per multifamily unit.

Sources: Tables 5.1 and 5.4.

## Mitigation Fee Act Findings

The five statutory findings required for adoption of the citywide transportation facilities fees documented in this chapter are presented below and supported in detail by the analysis above. All statutory references are to the Act.

### Purpose of Fee

- ◆ Identify the purpose of the fee (§66001(a)(1) of the Act).

The Citywide transportation facilities fee is designed to ensure that new development will not burden existing development with the cost of transportation facilities required to accommodate growth. The purpose of the fees documented in this chapter is to provide a funding source from new development for capital improvements to serve that development. The fees advance a legitimate City interest by enabling the City to provide Citywide transportation facilities to serve new development.

### Use of Fee Revenues

- ◆ Identify the use to which the fees will be put. If the use is financing facilities, the facilities shall be identified. That identification may, but need not, be made by reference to a capital improvement plan as specified in §65403 or §66002, may be made in applicable general or specific plan requirements, or may be made in other public documents that identify the facilities for which the fees are charged (§66001(a)(2) of the Act).

If enacted by the City the Citywide transportation facilities fees would be used to fund capacity expanding transportation facilities to serve new development Citywide. Facilities funded by these fees are designated to be located within the City limits. A list of planned transportation facilities projects is included in Table 5.3.



## Benefit Relationship

- ◆ *Determine the reasonable relationship between the fees' use and the type of development project on which the fees are imposed (§66001(a)(3) of the Act).*

The City will restrict fee revenue to the acquisition of land, construction of facilities and transportation infrastructure, and purchase of related equipment, used to serve new development. Facilities funded by the fees are expected to provide a citywide network of facilities accessible to the residents and workers associated with new development. Using the planned facilities cost allocation methodology outlined in Chapter 1, and the cost per trip standard calculated in Table 5.4, the resulting fees ensure that new development will only fund its fair share of improvements, and impact fee revenue will not be used to correct existing deficiencies. A deficiency associated with existing development's share of the planned facilities is identified in Table 5.5, which will not be funded by impact fee revenue. Thus, a reasonable relationship can be shown between the use of fee revenue and the new development that will pay the fees.

## Burden Relationship

- ◆ *Determine the reasonable relationship between the need for the Citywide transportation facilities and the types of development on which the fees are imposed (§66001(a)(4) of the Act).*

New residential and nonresidential development will generate additional population growth, which in turn will generate vehicle trips. An increase in vehicle trip generation will increase the demand for transportation facilities. Facilities need is based on a facility standard that represents the demand generated by new development for those facilities. For the Citywide transportation facilities fee, demand is measured by a single facility standard (cost per trip) that can be applied across land use types to ensure a reasonable relationship to the type of development. Project costs in Table 5.3 are allocated to new development as follows: Projects that are solely needed to accommodate increased demand from growth are allocated 100% to new development. Projects that are partially needed to accommodate demand from growth and partially needed to accommodate existing demand are allocated to new development based on new development's share of total trip demand at the planning horizon, identified in Table 5.2. The cost per trip standard is calculated by dividing the net costs allocated to new development by the increase in trip demand associated with residential and nonresidential development. See the *Trip Demand* and *Trip Growth* sections above for a discussion of trip demand and an estimate of current and projected vehicle trips.

The standard used to allocate facilities costs to new trip demand is also used to determine if planned facilities will partially serve existing trip demand by correcting existing deficiencies. This approach ensures that new development will only be responsible for its fair share of planned facilities, and that the fees will not unfairly burden new development with the cost of facilities associated with serving existing vehicle trips.

## Proportionality

- ◆ *Determine how there is a reasonable relationship between the fees amount and the cost of the facilities or portion of the facilities attributable to the development on which the fee is imposed (§66001(b) of the Act).*

The reasonable relationship between each facilities fee for a specific new development project and the cost of the facilities attributable to that project is based on the estimated trip generation produced by each development project. Fees for a specific project are based on the project's size. Larger development projects can result in a higher trip generation resulting in higher fee revenue than smaller projects in the same land use classification. Thus, the fees ensure a reasonable relationship between a specific new development project and the cost of the facilities

attributable to that project. See Table 5.1 for the trip generation assumptions that drive the proportionality of the fees between the land uses included in this study.

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# 6. RBD Transportation Facilities

This chapter summarizes an analysis of the need for transportation facilities to accommodate new development in RBD. The chapter documents a reasonable relationship between new development and the impact fee for funding of these facilities.

## Trip Demand

The need for transportation facilities is based on the trip demand placed on the system by development. A reasonable measure of demand is the number of PM peak hour vehicle trips, adjusted for pass-by trips. Pass-by trips are intermediates stops between an origin and a final destination that require no diversion from the route, such as stopping to get gas on the way to work. Vehicle trip generation rates are a reasonable measure of demand on the City's system of transportation facilities across all modes because alternate modes (transit, bicycle, pedestrian) often substitute for vehicle trips. Pass-by trips are deducted from the trip generation rate. **Table 6.1** shows the calculation of trip demand factors by land use category based on the pass-by trip adjustment described above.

**Table 6.1: Trip Rate Adjustment Factors**

ITE Category		Pass-by Trips <sup>1</sup>	PM Peak Hour Trips <sup>2</sup>	Net PM Peak Hour Trips <sup>3</sup>	Adjusted Trip Rate
		A	B	$C = B \times 0.6$	$D = (1 - A) \times C$
<i>Residential - per Dwelling Unit</i>					
Single Family	Single Family Housing (210)	0%	0.99	0.59	0.59
Multifamily	Multifamily Housing (Low-Rise) (220)	0%	0.57	0.34	0.34
<i>Nonresidential - per 1,000 Sq. Ft.</i>					
Retail	Shopping Center (820)	34%	4.09	2.45	1.62
Office and R&D	General Office (710)	0%	1.44	0.86	0.86
Industrial	General Light Industrial (110)	0%	0.80	0.48	0.48

<sup>1</sup> Percent of total trips. A pass-by trip is made as an intermediate stop on the way from an origin to a primary trip destination without a route diversion. Pass-by trips are not considered to add traffic to the road network. Assumption based on ITE Trip Generation Handbook data.

<sup>2</sup> Trips per dwelling unit or per 1,000 building square feet.

<sup>3</sup> Assumes 40% trip reduction.

Sources: Institute of Traffic Engineers, Trip Generation Manual, 11th Edition; Institute of Traffic Engineers, Trip Generation Handbook 3rd Edition; Willdan Financial Services.

## Trip Growth

The planning horizon for this analysis is 2045. **Table 6.2** lists the 2023 and 2045 land use assumptions for RBD used in this study. The trip demand factors calculated in Table 6.1 are multiplied by the existing and future dwelling units and building square feet to determine the increase in trips caused by new development.

**Table 6.2: Land Use Scenario and Total Trips**

Land Use	Trip Demand Factor	2023		Growth 2023 to 2045		Total - 2045	
		DU or KSF	Trips	DU or KSF	Trips	DU or KSF	Trips
<i>Residential - per Dwelling Unit</i>							
Single Family	0.59	203	120	-	-	203	120
Multifamily	0.34	147	50	1,600	544	1,747	594
Subtotal		350	170	1,600	544	1,950	714
<i>Nonresidential - per 1,000 Sq. Ft.</i>							
Retail	1.62	125	203	112	182	237	385
Office and R&D	0.86	200	172	3,335	2,868	3,535	3,040
Industrial	0.48	125	60	325	156	450	216
Subtotal		450	435	3,772	3,206	4,222	3,641
Total			605		3,750		4,355
			13.9%		86.1%		100%

Sources: Tables 2.1 and 6.1.

## Project Costs

Cost estimates are summarized in Table 6.3 and were sourced from the RBD Update Transportation Analysis from Hexagon Transportation Consultants. That analysis provided the total project costs, other identified funding and allocation to new development within the RBD. The one exception is the Loop Road project, whose cost estimate was sourced from the City's CIP. Allocation factors and resulting fees are provided with and without the Loop Road project. The City Council will have to decide whether it will want to pursue the Loop Road project.

**Table 6.3: Planned Facilities**

Project No.	Intersection	Total Cost	Other Funding	Without Loop Scenario 2		With Loop Scenario 2	
				Allocation	Cost Allocated	Allocation	Cost Allocated
1	Willow Rd (SR 114) and Bayfront Expy (SR 84)	\$ 1,224,738	\$ 208,205	8.22%	\$ 100,669	7.93%	\$ 97,154
2	Willow Rd (SR 114) and Newbridge St	307,997	307,997	0.00%	-	0.00%	-
3	University Ave (SR 109) and Bayfront Expy (SR 84)	329,565	56,026	6.25%	20,592	6.88%	22,664
4	Newbridge Street and Bay Rd	1,000,000	-	100.00%	1,000,000	100.00%	1,000,000
5	Euclid Ave and Donohoe St	1,505,823	597,061	63.31%	953,327	60.27%	907,599
6	US 101 Northbound On Ramp and Donohoe St	2,133,250	845,837	63.31%	1,350,546	60.27%	1,285,766
7	University Ave (SR 109) and Loop Rd (future)	1,000,000	-	0.00%	-	0.00%	-
		1,225,000	-	0.00%	-	100.00%	1,225,000
8	University Ave (SR 109) and Purdue Ave	1,000,000	-	100.00%	1,000,000	0.00%	-
11	University Ave and Bay Rd	1,750,000	14,300	0.00%	-	100.00%	1,735,700
		2,000,000	14,300	100.00%	1,985,700	0.00%	-
14	University Ave and Donohoe St	5,925,693	507,708	100.00%	5,417,985	100.00%	5,417,985
18	US 101 NB Off Ramp and Donohoe St	139,428	3,073	100.00%	136,355	100.00%	136,355
19	Cooley Ave and Donohoe St	83,657	1,583	100.00%	82,074	100.00%	82,074
20	East Bayshore Rd and Donohoe St	-	-	0.00%	-	0.00%	-
21	Clarke Ave and Bay Rd	1,000,000	62,469	0.00%	-	100.00%	937,531
		1,225,000	62,469	100.00%	1,162,531	0.00%	-
23	Clarke Ave and Runnymede St	1,000,000	-	100.00%	1,000,000	100.00%	1,000,000
26	Demeter St and Bay Rd	1,000,000	-	100.00%	1,000,000	100.00%	1,000,000
27	Pulgas Ave and Bay Rd	1,250,000	94,556	100.00%	1,155,444	100.00%	1,155,444
		-	-	0.00%	-	100.00%	-
28	Pulgas Ave and Weeks St	1,000,000	36,477	100.00%	963,523	100.00%	963,523
29	Pulgas Ave and Runnymede St	1,000,000	31,908	0.00%	-	100.00%	968,092
		1,225,000	31,908	100.00%	1,193,092	0.00%	-
30	Pulgas Ave and O'Connor St	1,000,000	-	100.00%	1,000,000	100.00%	1,000,000
34	University Ave (SR 109) and Adams Dr	1,249,276	1,249,276	0.00%	-	0.00%	-
35	Clarke Ave and Schembri Lane/Garden Street	1,000,000	-	100.00%	1,000,000	100.00%	1,000,000
42	Pulgas Ave and Emmerson St (Future)	700,000	-	100.00%	700,000	100.00%	700,000
45	Tara Rd and Bay Rd	1,000,000	-	100.00%	1,000,000	100.00%	1,000,000
ST-17	Loop Road <sup>1</sup>	25,000,000	-	0.00%	-	75.77%	18,942,000
	Total	\$58,274,427	\$ 4,125,152		\$ 22,221,839		\$ 40,576,887

<sup>1</sup> The allocation to new development for the Loop Road project assumes 12% of trips using Loop Road will originate and end outside of the City, and cannot be funded through the impact fee. Of the remainder, 86.1% of the costs are allocated to the impact fee, corresponding with new development's share of total trips at the planning horizon identified in Table 6.2.

Source: Ravenswood Specific Plan Update Transportation Analysis, Hexagon Transportation Consultants.

## Fee per Trip Demand Unit

Every impact fee consists of a dollar amount, or the cost of projects that can be funded by a fee, divided by a measure of development. In this case, all fees are first calculated as a cost per trip demand unit. Then these amounts are translated into housing unit (cost per dwelling unit) and employment space (cost per 1,000 building square feet) by multiplying the cost per trip by the trip generation rate for each land use category. These amounts become the fee schedule.

**Table 6.4** calculates the cost the cost per trip demand unit by dividing the total project costs attributable to new RBD development by transportation fee category summarized in Table 6.3, by the total growth in trips calculated in Table 6.2.

**Table 6.4: Cost per Trip to Accommodate Growth**

	Without Loop	With Loop
Costs Allocated to New Development	\$ 22,221,839	\$ 40,576,887
Growth in Trip Demand (2023 to 2045)	3,750	3,750
Cost per Trip	\$ 5,926	\$ 10,821

Sources: Tables 6.2 and 6.3.

## Projected Fee Revenue

**Table 6.5** shows the projected fee revenue. The difference between the net project cost and the projected fee revenue is existing development's share of the planned facilities, often referred to as an existing deficiency. This existing deficiency cannot be funded through the impact fees. The City can use any funding source other than the impact fees to pay for the existing deficiency.

**Table 6.5: Projected Fee Revenue**

	Without Loop	With Loop
Net Project Cost	\$29,149,274	\$54,149,274
Projected Fee Revenue	22,221,839	40,576,887
Existing Deficiency	\$ 6,927,435	\$ 13,572,387

Source: Table 6.3.

## Fee Schedule

**Table 6.6** shows the maximum justified transportation fee schedule excluding the Loop Road project. The maximum justified fees are based on the costs per trip shown in Table 6.4. The cost per trip is multiplied by the trip demand factors in Table 6.1 to determine a fee per unit of new RBD development. The fee per average single family or multifamily dwelling unit is converted into a fee per square foot by dividing the fee per dwelling unit by the assumed average square footage of a dwelling unit from Table 2.3.

**Table 6.6: RBD Transportation Facilities Impact Fee Schedule (Without Loop)**

Land Use	Trip		C = A x B Total Fee <sup>1</sup>	D = C / Average Fee per Sq. Ft. <sup>2</sup>
	A Cost per Trip	B Demand Factor		
<i>Residential Dwelling Unit</i>				
Single Family	\$ 5,926	0.59	\$ 3,496	\$ 2.06
Multifamily	5,926	0.34	2,015	2.30
<i>Nonresidential - per 1,000 Sq. Ft.</i>				
Retail	\$ 5,926	1.62	\$ 9,600	\$ 9.60
Office and R&D	5,926	0.86	5,096	5.10
Industrial	5,926	0.48	2,844	2.84

<sup>1</sup> Fee per average sized dwelling unit or per 1,000 square feet of nonresidential.

<sup>2</sup> Assumes 1,700 square feet per single family unit and 875 square feet per multifamily unit.

Sources: Tables 6.1 and 6.4.

**Table 6.7** shows the fee schedule if Loop Road is included in the calculation.

**Table 6.7: RBD Transportation Facilities Impact Fee Schedule (With Loop)**

Land Use	A	B	C = A x B	D = C / Average
	Cost per Trip	Trip Demand Factor	Total Fee <sup>1</sup>	Fee per Sq. Ft. <sup>2</sup>
<i>Residential Dwelling Unit</i>				
Single Family	\$ 10,821	0.59	\$ 6,384	\$ 3.76
Multifamily	10,821	0.34	3,679	4.20
<i>Nonresidential - per 1,000 Sq. Ft.</i>				
Retail	\$ 10,821	1.62	\$ 17,530	\$ 17.53
Office and R&D	10,821	0.86	9,306	9.31
Industrial	10,821	0.48	5,194	5.19

<sup>1</sup> Fee per average sized dwelling unit or per 1,000 square feet of nonresidential.

<sup>2</sup> Assumes 1,700 square feet per single family unit and 875 square feet per multifamily unit.

Sources: Tables 6.1 and 6.4.

## Mitigation Fee Act Findings

The five statutory findings required for adoption of the RBD transportation facilities fees documented in this chapter are presented below and supported in detail by the analysis above. All statutory references are to the Act.

### Purpose of Fee

- ♦ Identify the purpose of the fee (§66001(a)(1) of the Act).

The RBD transportation facilities fee is designed to ensure that new development in RBD will not burden existing development in the City with the cost of transportation facilities required to accommodate growth. The purpose of the fees documented in this chapter is to provide a funding source from new development in RBD for capital improvements to serve that development. The fees advance a legitimate City interest by enabling the City to provide transportation facilities to serve new development in RBD.

### Use of Fee Revenues

- ♦ Identify the use to which the fees will be put. If the use is financing facilities, the facilities shall be identified. That identification may, but need not, be made by reference to a capital improvement plan as specified in §65403 or §66002, may be made in applicable general or specific plan requirements, or may be made in other public documents that identify the facilities for which the fees are charged (§66001(a)(2) of the Act).

If enacted by the City the RBD transportation facilities fee would be used to fund capacity expanding transportation facilities to serve new development in the RBD. Facilities funded by these fees are designated to be located within the RBD boundaries. A list of planned transportation facilities projects is included in Table 6.3.



## Benefit Relationship

- ◆ *Determine the reasonable relationship between the fees' use and the type of development project on which the fees are imposed (§66001(a)(3) of the Act).*

The City will restrict fee revenue to the acquisition of land, construction of facilities and transportation infrastructure, and purchase of related equipment, used to serve new development. Facilities funded by the fees are expected to provide a network of facilities accessible to the residents and workers associated with new development. While the facilities will be publicly accessible, the City is only pursuing these improvements to facilitate development in the RBD, so it is appropriate to allocate costs to new development within this geography. Using the planned facilities cost allocation methodology outlined in Chapter 1, and the cost per trip calculated in Table 6.4, the resulting fees ensure that new development will only fund its fair share of improvements, and impact fee revenue will not be used to correct existing deficiencies. A deficiency associated with existing development's share of the planned facilities is identified in Table 6.5, which will not be funded by impact fee revenue. Thus, a reasonable relationship can be shown between the use of fee revenue and the new development residential and non-residential use classifications that will pay the fees.

## Burden Relationship

- ◆ *Determine the reasonable relationship between the need for the Citywide transportation facilities and the types of development on which the fees are imposed (§66001(a)(4) of the Act).*

New residential and nonresidential development will generate additional population growth, which in turn will generate vehicle trips. An increase in vehicle trip generation will increase the demand for transportation facilities. Facilities need is based on a facility standard that represents the demand generated by new development for those facilities. For the RBD transportation facilities fee, demand is measured by a single facility standard (cost per trip) that can be applied across land use types to ensure a reasonable relationship to the type of development. Project costs in Table 6.3 are allocated to new development based on a traffic modeling performed by Hexagon Transportation Consultants, which identified the share of each project attributable to new development. The cost per trip standard is calculated by dividing the net costs allocated to new development by the increase in trip demand associated with residential and nonresidential development. See the *Trip Demand* and *Trip Growth* sections above for a discussion of trip demand and an estimate of current and projected vehicle trips.

## Proportionality

- ◆ *Determine how there is a reasonable relationship between the fees amount and the cost of the facilities or portion of the facilities attributable to the development on which the fee is imposed (§66001(b) of the Act).*

The reasonable relationship between each facilities fee for a specific new development project and the cost of the facilities attributable to that project is based on the estimated trip generation produced by each development project. Fees for a specific project are based on the project's size. Larger development projects can result in a higher trip generation resulting in higher fee revenue than smaller projects in the same land use classification. Thus, the fees ensure a reasonable relationship between a specific new development project and the cost of the facilities attributable to that project. See Table 6.1 for the trip generation assumptions that drive the proportionality of the fees between the land uses included in this study.

# 7. Water Capacity

This chapter details an analysis of the need for water facilities to accommodate growth within the City of East Palo Alto. The projects and associated costs in this chapter were identified in the City's Water System Master Plan. This chapter documents a reasonable relationship between new development and a water capacity impact fee to fund facilities that serve new development.

## Water Demand

Estimates of new development and its consequent increased water demand provide the basis for calculating the water capacity fee. The need for water facilities improvements is based on the water demand placed on the system by development. A typical measure of demand is a flow generation rate, expressed as the number of gallons per day generated by a specific type of land use. Flow generation rates are a reasonable measure of demand for the City's system of water improvements because they represent the average rate of demand that will be placed on the system per land use designation.

**Table 7.1** shows the calculation of equivalent dwelling unit (EDU) demand factors based on flow generation by land use category. The flow generation factors are based on data from the City's Water System Master Plan. EDU factors express water flow from each land use in terms of the flow generated by a single-family dwelling unit.

**Table 7.1: Water Demand by Land Use**

Land Use Type	Average Flow Generation per DU or 1,000 Sq. Ft.	Equivalent Dwelling Unit (EDU)
<i>Residential Dwelling Unit</i>		
Single Family	260	1.00
Multifamily	160	0.62
<i>Nonresidential - per 1,000 Sq. Ft.</i>		
Retail	160	0.62
Office and R&D <sup>1</sup>	243	0.93
Industrial	110	0.42

<sup>1</sup> Average flow generation factor for office and R&D land uses.

Sources: Table 4-5, East Palo Alto Water System Master Plan, 2023; Willdan Financial Services.

## EDU Generation by New Development

**Table 7.2** shows the estimated EDU generation from new development through 2045 for non-RBD areas and the RBD. The EDU factors from Table 7.1 are multiplied by the land use assumptions from Chapter 2 to estimate total EDUs in the base year, at the planning horizon and for new development.

**Table 7.2: Water Facilities Equivalent Dwelling Units**

Land Use	EDU Factor	2023		2045		Total - 2045	
		DU or KSF	EDUs	DU or KSF	EDUs	DU or KSF	EDUs
<b>Non-RBD</b>							
<i>Residential - per Dwelling Unit</i>							
Single Family	1.00	4,529	4,529	993	993	5,522	5,522
Multifamily	0.62	3,262	2,022	691	429	3,953	2,451
Subtotal		7,791	6,551	1,684	1,422	9,475	7,973
<i>Nonresidential - per 1,000 Sq. Ft.</i>							
Retail	0.62	425	264	221	137	646	401
Office and R&D	0.93	525	488	704	655	1,229	1,143
Industrial	0.42	75	32	-	-	75	32
Subtotal		1,025	784	925	792	1,950	1,576
Subtotal - Non-RBD			7,335		2,214		9,549
Share of Total			76.8%		23.2%		
<b>RBD</b>							
<i>Residential - per Dwelling Unit</i>							
Single Family	1.00	203	203	-	-	203	203
Multifamily	0.62	147	91	1,600	992	1,747	1,083
Subtotal		350	294	1,600	992	1,950	1,286
<i>Nonresidential - per 1,000 Sq. Ft.</i>							
Retail	0.62	125	78	112	69	237	147
Office and R&D	0.93	200	186	3,335	3,102	3,535	3,288
Industrial	0.42	125	53	325	136	450	189
Subtotal		450	317	3,772	3,307	4,222	3,624
Subtotal - RBD			611		4,299		4,910
Share of Total			12.4%		87.6%		

Sources: Tables 2.1 and 7.1.

## Current Water System Asset Valuation

The buy-in component of the water fee is based on new development “buying in” to the excess capacity of the existing water facilities. In this case, Replacement New Cost Less Depreciation (RCNLD) is the appropriate method to determine the current value of the existing systems. RCNLD is a commonly used method, and it is often preferred to alternative methods such as Original Cost Less Depreciation (OCLD), Original Cost (OC), and Replacement Cost (RC) because of its better reflection of the system’s value in today dollars. Unless the systems have depreciated significantly due to lack of replacement and repair, RCNLD is more defensible because the replacement cost is inflation-adjusted to recover the cost of replacing that capacity in current dollars. RCNLD also accounts for depreciation and consequently address the fact that the system reflects its current condition.

**Table 7.3** presents the RCNLD of the City’s existing water system assets.

**Table 7.3: Existing Water System Assets**

Line Diameter (inches)	Linear Feet	Date Installed	Line Material	Repl. Cost		Expected Lifespan	Years in Service	Current		Replacement		
				Per foot or each	Cost			Value	Percent Depreciated	Cost New Less Depreciation	Cost New Less Depreciation	
<i>Water Lines</i>												
< 4-inch	2,860	1953	CI	\$ 306	55	71	\$ 875,160	100%	\$ 875,160	\$ -	-	
4-inch	15,920	1953	CI	306	55	71	4,871,520	100%	4,871,520	-	-	
4-inch	6,080	1963	CI	306	55	61	1,860,480	100%	1,860,480	-	-	
4-inch	4,050	1973	CI	306	55	51	1,239,300	93%	1,149,169	90,131	-	
6-inch	39,680	1953	CI	321	55	71	12,737,280	100%	12,737,280	-	-	
6-inch	5,490	1963	CI	321	55	61	1,762,290	100%	1,762,290	-	-	
6-inch	13,410	1973	CI	321	55	51	4,304,610	93%	3,991,547	313,063	-	
6-inch	1,260	1983	CI	321	55	41	404,460	75%	301,507	102,953	-	
6-inch	420	1993	CI	321	55	31	134,820	56%	75,989	58,831	-	
8-inch	3,475	1953	CI	401	55	71	1,393,475	100%	1,393,475	-	-	
8-inch	7,290	1963	CI	401	55	61	2,923,290	100%	2,923,290	-	-	
8-inch	23,175	1973	CI	401	55	51	9,293,175	93%	8,617,308	675,867	-	
8-inch	430	1983	CI	401	55	41	172,430	75%	128,539	43,891	-	
8-inch	3,390	1993	CI	401	55	31	1,359,390	56%	766,202	593,188	-	
8-inch	4,400	2002	PVC	437	55	22	1,922,800	40%	769,120	1,153,680	-	
10-inch	2,490	1953	CI	437	55	71	1,088,130	100%	1,088,130	-	-	
10-inch	645	1963	CI	437	55	61	281,865	100%	281,865	-	-	
10-inch	1,535	1973	CI	437	55	51	670,795	93%	622,010	48,785	-	
10-inch	1,250	1983	CI	437	55	41	546,250	75%	407,205	139,045	-	
10-inch	1,015	1993	CI	437	55	31	443,555	56%	250,004	193,551	-	
10-inch	1,100	2002	PVC	481	55	22	529,100	40%	211,640	317,460	-	
12-inch	2,760	1953	CI	481	55	71	1,327,560	100%	1,327,560	-	-	
12-inch	1,300	1973	CI	481	55	51	625,300	93%	579,824	45,476	-	
12-inch	1,985	1993	CI	481	55	31	954,785	56%	538,152	416,633	-	
Gloria Well 2018-19 <sup>1</sup>		2018	CI	135	30	6	1,504,812	20%	300,962	1,203,849	-	
O'Brian Turnout <sup>1</sup>		2021		135	30	3	205,615	10%	20,562	185,054	-	
Veolia - O'Brian <sup>1</sup>		2021		135	30	3	17,169	10%	1,717	15,452	-	
Bay Road <sup>1</sup>		2022		135	30	2	4,176,199	7%	278,413	3,897,786	-	
Subtotal (Waterlines)	145,410						\$ 57,625,615			\$ 9,494,697		

<sup>1</sup> Current replacement value shown net of grant funding.

Source: City of East Palo Alto.

**Table 7.3: Existing Water System Assets Continued**

Line Diameter (inches)	Linear Feet	Date Installed	Line Material	Repl. Cost Per foot or each	Expected Lifespan	Years in Service	Current		Replacement	
							Value	Percent Depreciated	Cost	Less Depreciation
<u>Gloria Well</u>	1.00	1979	N/A	\$ 500,000	55	45	\$ 500,000	82%	\$ 409,091	\$ 90,909
<u>Hydrants</u>										
Fire Hydrant - 1 - 2 1/2"	26	1953	N/A	\$ 2,500	55	71	\$ 65,000	100%	\$ 65,000	\$ -
Fire Hydrant - 1 - 2 1/2"	8	1963	N/A	2,500	55	61	20,000	100%	20,000	-
Fire Hydrant - 1 - 2 1/2"	32	1973	N/A	2,500	55	51	80,000	93%	74,182	5,818
Fire Hydrant - 1 - 2 1/2"	11	1983	N/A	2,500	55	41	27,500	75%	20,500	7,000
Fire Hydrant - 1 - 2 1/2"	8	1993	N/A	2,500	55	31	20,000	56%	11,273	8,727
Fire Hydrant - 2 - 2 1/2"	32	1953	N/A	2,500	55	71	80,000	100%	80,000	-
Fire Hydrant - 2 - 2 1/2"	-	1963	N/A	2,500	55	61	-	100%	-	-
Fire Hydrant - 2 - 2 1/2"	7	1973	N/A	2,500	55	51	17,500	93%	16,227	1,273
Fire Hydrant - 2 - 2 1/2"	3	1983	N/A	2,500	55	41	7,500	75%	5,591	1,909
Fire Hydrant - 2 - 2 1/2"	2	1993	N/A	2,500	55	31	5,000	56%	2,818	2,182
Fire Hydrant - 2 - 2 1/2" & 1 - 4 1/2"	8	1953	N/A	3,000	55	71	24,000	100%	24,000	-
Fire Hydrant - 2 - 2 1/2" & 1 - 4 1/2"	6	1963	N/A	3,000	55	61	18,000	100%	18,000	-
Fire Hydrant - 2 - 2 1/2" & 1 - 4 1/2"	12	1973	N/A	3,000	55	51	36,000	93%	33,382	2,618
Fire Hydrant - 2 - 2 1/2" & 1 - 4 1/2"	-	1983	N/A	3,000	55	41	-	75%	-	-
Fire Hydrant - 2 - 2 1/2" & 1 - 4 1/2"	9	1993	N/A	3,000	55	31	27,000	56%	15,218	11,782
Subtotal (Hydrants)	164						\$ 427,500			\$ 41,309
<u>Pressure Regulating Valves</u>	5	1953	N/A	15,000			\$ 75,000	100%	\$ 75,000	\$ -
Total							\$ 58,628,115			\$ 9,626,915

Source: City of East Palo Alto.

## Facility Needs and Costs

**Table 7.4** identifies the planned water facilities to be funded by the fee. Projects were identified in the City's water System Master Plan and have been programmed into the City's CIP. City staff prepared an allocation of each project first to new development generally, and then allocated new development's share of responsibility to development either in RBD or non-RBD areas.

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**Table 7.4: Water Facilities Costs to Serve New Development**

Project No.	Description	Total	Allocation to New Development	Cost Allocated to New Development	Non-RBD Allocation	RBD Allocation	Non-RBD Cost	RBD Cost
WS-01B	Emergency Water Connects - Palo Alto Park Mutual	\$ 545,000	20%	\$ 109,000	100%	0%	\$ 109,000	\$ -
WS-01C	Emergency Water Connects - O'Connor Tract Co-OP	350,000	20%	70,000	100%	0%	70,000	-
WS-01D	Emergency Water Connects - O'Brien Kavanaugh	365,000	20%	73,000	100%	0%	73,000	-
WS-04	Second Groundwater Well	3,100,000	100%	3,100,000	100%	0%	3,100,000	-
WS-08	Martin Luther King Jr. Park Stormwater Capture and Reuse-\$	640,000	50%	320,000	100%	0%	320,000	-
WS-03A	New Storage Tank - East of Highway 101	6,000,000	50%	3,000,000	20%	80%	600,000	2,400,000
WS-03B	New Storage Tank - West of Highway 101	6,000,000	50%	3,000,000	100%	0%	3,000,000	-
WS-05	Water Tank Siting Study	100,000	50%	50,000	100%	0%	50,000	-
P-2	New pipeline, SFPUC Turnout	1,423,000	100%	1,423,000	50%	50%	711,500	711,500
P-4	Replace 4"CI main on Jervis between Bay rd and Newbridge St with new 8" PVC main	2,713,000	50%	1,356,500	100%	0%	1,356,500	-
P-5	Replace existing 10" CI main on Demeter St between 351 Demeter St and 255 Demeter St with new 16" PVC main.	7,850,000	100%	7,850,000	0%	100%	-	7,850,000
P-8	Replace existing 4" CI main on Hunter Street bewteeb Purdue Ave and Georgetown St with new 8 PVV	760,000	50%	380,000	100%	0%	380,000	-
P-9	Replace existing 4" ci main on Baylor st between Notre Dame and Michigan	760,000	50%	380,000	100%	0%	380,000	-
P-10	Replace existing 4"CI main in Gonzaga st between Michigan Ave and Bay road with new 8" PVC	556,000	50%	278,000	100%	0%	278,000	-
p-11	Replace existing 4' CI main on Farrington Way between Kavanaugh Dr and Ursula way with New 8' PVC main	769,000	50%	384,500	100%	0%	384,500	-
P-12	rEPLACE EXISTING 4' CI main on Hazelwood Way between Kavanaugh Dr and Ursula Way	1,068,000	50%	534,000	100%	0%	534,000	-
P-13	Replace existing 8" CI, 10" AC, and 10" unknown mains from connection to the 1240 O'Brien turnout on O'Brien Drive through an existing easement to Ralmar Avenue with new 12" PVC main	845,000	50%	422,500	50%	50%	211,250	211,250
P-14	New Pressure Reducing Valve	2,529,000	50%	1,264,500	50%	50%	632,250	632,250
P-15	Pipelone Replacement(4) and Connection	3,968,000	50%	1,984,000	100%	0%	1,984,000	-
P-16	X2 Pipeline replacements(Euclid)(Donahoe)	2,792,000	50%	1,396,000	100%	0%	1,396,000	-
P-17	X2 Pipeline replacements(Sacramento st)(Weeks and Univ)	1,148,000	50%	574,000	100%	0%	574,000	-
P-19	Pipeline Replacment (Runnymede and Donahoe)	1,852,000	50%	926,000	100%	0%	926,000	-
P-20	Replace Pipeline 6' main on Euclid between Runnymede and Donahoe	1,797,000	50%	898,500	100%	0%	898,500	-
P-21	3 Pipeline replacements	2,910,000	50%	1,455,000	100%	0%	1,455,000	-
P-22	Replace existing 4CI main on Garden St between Clarke Ave 1004 Garden St with new 8" PVC Main	3,690,000	50%	1,845,000	100%	0%	1,845,000	-

Sources: City of East Palo Alto Water System Master Plan, 2023; Draft Ravenswood / 4 Corners TOD Specific Plan Update; Willdan Financial Services.

**Table 7.4: Water Facilities Projects and Allocation to New Development Continued**

Project No.	Description	Total	Allocation to New Development	Cost Allocated to New Development	Non-RBD Allocation	RBD Allocation	Non-RBD Cost	RBD Cost
P-23	Replace existing 8" CI main on Myrtle St between Clarke Ave and Pulgas Ave and on Pulgas Ave from Myrtle St O'Conner St with new 8" PVC main	1,882,000	50%	941,000	100%	0%	941,000	-
P-24	Pipeline Replacment - Existing 6 CI main on O'Conner Rd between Larkspur dr and 1161 O'Conner st and O'Conner and the 6" main from O'Conner St to 421 Daisy Ln with new 8" PVC main	667,000	50%	333,500	100%	0%	333,500	-
P-25	Connect the two hydrant within the shopping mall at 1721 E Bayshore Rd to the existing 12" PVC at E.Bayshore rd with 12" PVC main	160,000	50%	80,000	100%	0%	80,000	-
P-27	Replace existing 4"CL main on Camelia Ct from Camelia Dr to the end of the circle with new 8" PVC Main	353,000	50%	176,500	100%	0%	176,500	-
P-28	Replace existing 4" CI main on Aster Way between Daphne Way and Wisteria Dr with 8" PVC	770,000	50%	385,000	100%	0%	385,000	-
P-29	Pipeline replacement e.Baysh between 1805 E. Baysh and Pulgas Pipeline Replacement on East Bayshore Road	1,290,000	50%	645,000	100%	0%	645,000	-
P-30	X2 Pipeline replacements(Woodland)(CLarke and Woodland)	2,949,000	50%	1,474,500	100%	0%	1,474,500	-
P-31	New Pipeline Connection - Install 10" PVC Main to connect mission dr to W bayshore Rd	73,000	50%	36,500	100%	0%	36,500	-
P-32	Pipeline Replacement - Replace existing 6" CI on Capital Ave and W Bayshore Rd between the intersection of Scofield Ave and Capital Ave to the Intersection of W Bayshore Rd and Newell Rd with 12" PVC main	2,840,000	50%	1,420,000	100%	0%	1,420,000	-
P-33	Replace existing 8" CI on Euclid Ave between O'Conner St and Woodland Ave and on Woodland Ave between Euclid Ave and University Ave with 12" PVC main	1,752,000	50%	876,000	100%	0%	876,000	-
P-34	Replace existing 8" CI on O'Conner st between 222 O'Conner St and Euclid Ave and the 6" CI main on between 222 O'Conner St and the German American Int. School with 12" PVC	1,588,000	50%	794,000	100%	0%	794,000	-
<b>Total</b>		<b>\$ 68,854,000.00</b>		<b>\$ 40,235,500</b>			<b>\$ 28,430,500</b>	<b>\$ 11,805,000</b>

Sources: City of East Palo Alto Water System Master Plan, 2023; Draft Ravenswood / 4 Corners TOD Specific Plan Update; Willdan Financial Services.



## Buy In Component

Every capacity fee consists of a dollar amount, representing the value of facilities, divided by a measure of demand. In this case, buy-in fees are first calculated as the system value per gallon per day (GPD). Then these amounts are translated into fees per housing unit (fee per unit) and employment space (fee per 1,000 square feet) by multiplying the cost per GPD by the flow generation rate for each land use category. These amounts become the fee schedule.

The calculation of the buy-in fee per GPD for water capacity is shown in **Table 7.5**. The City provided the sewer system’s production capacity, which is six million gallons per day. The adjusted system value divided by the total capacity of the system yields the water capacity fee component per gallon per day of \$2.78. This amount is multiplied by the assumption of 260 gallons per day per EDU to determine buy-in fee per EDU.

**Table 7.5: Buy In Component**

Existing System Value	\$	9,626,915
Total System Capacity (MGD)		3.46
Cost per GPD	\$	2.78
GPD per EDU		260
Buy In Cost per EDU	\$	723

Sources: City of East Palo Alto Water System Master Plan, 2023; Table 9-1, Ravenswood / 4 Corners TOD Specific Plan Update; Tables 7.1 and 7.3, Willdan Financial Services.

## Water Supply Component

The City relies on wholesale water supplied by SFPUD for 100% of the community’s water supply needs under normal operating conditions. **Table 7.6** shows the calculation of the cost of per gallon per day (and consequently EDU) for the water supply component. The total acquisition cost is divided by the water supply available for new development, net of system loss. The resulting cost per GPD is multiplied by the GPD per EDU to determine the cost per EDU.

**Table 7.6: Water Supply Component**

Acquisition Cost of 1 mgd SFPUC Water Supply Assurance	\$ 5,000,000
SFPUC Water Supply Assurance Acquired (Gallons per Day)	1,000,000
% Available for Customer Supply (Net of System Loss)*	92%
Net Water Supply Available for New Demand	920,000
Average Cost of New Water Supply per GPD	\$ 5.43
GPD per EDU	260
Cost per EDU	\$ 1,412

Source: City of East Palo Alto.

## Total Cost per EDU

**Table 7.7** calculates a cost per EDU, which includes a buy-in component, a water supply component, and a water facilities component. The buy in and water supply components are the same regardless of where a project is located. The water facilities component varies by RBD and non-RBD areas.

The cost per EDU for water facilities is calculated by dividing the total cost of projects allocated to new development in each area of the City identified in by the growth in EDUs identified in Table 7.2. The resulting cost per EDU is added to the buy in and water supply costs per EDU to determine the total cost per EDU. The total cost per EDU is divided by 260 gallons per day to determine the cost per GPD which is used to calculate the nonresidential fees in a subsequent table.

**Table 7.7: Cost per EDU**

	<b>Scenario 2</b>
Buy in Cost per EDU	\$ 723
Water Supply Cost per EDU	\$ 1,412

**Non-RBD***Growth Related Capital*

Net Cost of Planned Facilities Allocated to Area	\$ 28,430,500
Growth in EDUs (2023 to 2045)	<u>2,214</u>
Cost per EDU	\$ 12,841
Total Cost per EDU	\$ 14,976
Total Cost per GPD	\$ 57.60

**RBD***Growth Related Capital*

Net Cost of Planned Facilities Allocated to Area	\$ 11,805,000
Growth in EDUs (2023 to 2045)	<u>4,910</u>
Cost per EDU	\$ 2,404
Total Cost per EDU	\$ 4,539
Total Cost per GPD	\$ 17.46

Note: One EDU is equal to 260 GPD.

Sources: Tables 7.2, 7.4, 7.5 and 7.6.

## Projected Fee Revenue

**Table 7.8** shows the projected fee revenue. The difference between the net project cost and the projected fee revenue is existing development's share of the planned facilities, often referred to as an existing deficiency. This existing deficiency cannot be funded through the impact fees. The City can use any funding source other than the impact fees to pay for the existing deficiency.

**Table 7.8: Projected Fee Revenue**

Net Project Cost	\$ 68,854,000
Projected Fee Revenue (RBD)	11,805,000
Projected Fee Revenue (Non RBD)	<u>28,430,500</u>
Existing Deficiency	\$ 28,618,500

Source: Table 7.4.

## Fee Schedules

The maximum justified water capacity fees for residential development are shown in **Table 7.9**. The total cost per EDU is converted to a fee per average residential unit of new development based on the EDU factors from Table 7.1. The resulting fees per average unit are divided by the average square feet per type of unit to determine the fee per square foot of living space.

**Table 7.9: Residential Water Facilities Fee Schedule**

	A	B	C = A x B	D = C / Average
	Cost Per EDU	EDU Factor	Base Fee <sup>1</sup>	Fee per Sq. Ft. <sup>2</sup>
<b>Non-RBD</b>				
<i>Residential Dwelling Unit</i>				
Single Family	\$ 14,976	1.00	\$ 14,976	\$ 8.81
Multifamily	14,976	0.62	9,285	10.61
<b>RBD Scenario 2</b>				
<i>Residential Dwelling Unit</i>				
Single Family	\$ 4,539	1.00	\$ 4,539	\$ 2.67
Multifamily	4,539	0.62	2,814	3.22

<sup>1</sup> Fee per average sized dwelling unit or per 1,000 square feet of nonresidential.

<sup>2</sup> Assumes 1,700 square feet per single family unit and 875 square feet per multifamily unit.

Sources: Tables 7.2 and 7.7.

presents the nonresidential water capacity fees by water meter size. It is assumed that a ¾" meter is appropriate to accommodate flow of 380 GPD. The assumed flow for larger meters is scaled based on the capacity of other meter sizes relative to the ¾" meter. Using water meter size to drive the fee schedule is reasonable and directly proportional to the amount of water that can be accommodated by a connection.

**Table 7.10: Nonresidential Water Fee Schedule**

Meter Size	Water		Fee per GPD	Impact Fee per Meter
	Capacity Ratio	Demand (GPD)		
<b>Non-RBD</b>				
3/4 inch	1.00	380	\$ 57.60	\$ 21,888
1 inch	1.67	633	57.60	36,461
1-1/2 inch	3.33	1,267	57.60	72,979
2 inch	5.33	2,027	57.60	116,755
3 inch	10.00	3,800	57.60	218,880
4 inch	16.67	6,333	57.60	364,781
<b>RBD</b>				
3/4 inch	1.00	380	\$ 17.46	\$ 6,635
1 inch	1.67	633	17.46	11,052
1-1/2 inch	3.33	1,267	17.46	22,122
2 inch	5.33	2,027	17.46	35,391
3 inch	10.00	3,800	17.46	66,348
4 inch	16.67	6,333	17.46	110,574

<sup>1</sup> Based on AWWA standard meter capacities for each meter size, divided by the meter capacity for a 3/4" meter. Assumes 380 GPD for 3/4" meter.

<sup>2</sup> Demand per meter size increases based on the capacity ratio relative to a 3/4" meter.

Sources: Table 7.7, AWWA; Willdan Financial Services.

## Mitigation Fee Act Findings

The five statutory findings required for adoption of the water facilities fees documented in this chapter are presented below and supported in detail by the analysis above. All statutory references are to the *Act*.

### Purpose of Fee

- ◆ *Identify the purpose of the fee (§66001(a)(1) of the Act).*

The water facilities fee is designed to ensure that new development will not burden existing development in the City with the cost of water facilities required to accommodate growth. The purpose of the fees documented in this chapter is to provide a funding source from new development in the City for capital improvements to serve that development. The fees advance a legitimate City interest by enabling the City to provide water facilities to serve new development.

### Use of Fee Revenues

- ◆ *Identify the use to which the fees will be put. If the use is financing facilities, the facilities shall be identified. That identification may, but need not, be made by reference to a capital improvement plan as specified in §65403 or §66002, may be made in applicable general or specific plan requirements, or may be made in other public documents that identify the facilities for which the fees are charged (§66001(a)(2) of the Act).*

If enacted by the City the water facilities fee would be used to fund capacity expanding water facilities to serve new development both in the RBD and non-BRD areas of the City. Facilities funded by these fees are designated to be located within the City limits. A list of planned water facilities projects is included above in Table 7.4.

## Benefit Relationship

- ◆ *Determine the reasonable relationship between the fees' use and the type of development project on which the fees are imposed (§66001(a)(3) of the Act).*

The City will restrict fee revenue to the acquisition of land, construction of facilities and water infrastructure, and purchase of related equipment, used to serve new development. Facilities funded by the fees are expected to provide a network of facilities needed to provide water service to the residents and workers associated with new development. Using the planned facilities cost allocation methodology outlined in Chapter 1, and the cost per gallon per day standard calculated in Table 7.7, the resulting fees ensure that new development will only fund its fair share of improvements, and impact fee revenue will not be used to correct existing deficiencies. A deficiency associated with existing development's share of the planned facilities is identified in Table 7.8, which will not be funded by impact fee revenue. Thus, a reasonable relationship can be shown between the use of fee revenue and the new development residential and non-residential use classifications that will pay the fees.

## Burden Relationship

- ◆ *Determine the reasonable relationship between the need for the Citywide transportation facilities and the types of development on which the fees are imposed (§66001(a)(4) of the Act).*

New residential and nonresidential development will generate additional population growth, which in turn will generate water flow. An increase in water flow generation will increase the demand for water facilities. Facilities need is based on a facility standard that represents the demand generated by new development for those facilities. For the water facilities fee, demand is measured by a single facility standard (cost per gallon per day) that can be applied across land use types to ensure a reasonable relationship to the type of development. Project costs in Table 7.4 are allocated to new development, and then to new development within RBD and outside of RBD based on input from the City's Public Works department. The cost per gallon per day standard is calculated by dividing the net costs allocated to new development in each geography by the increase in flow demand associated with residential and nonresidential development. See the *Water Demand* and *EDU Generation by New Development* sections above for a discussion of water demand and an estimate of current and projected flow.

## Proportionality

- ◆ *Determine how there is a reasonable relationship between the fees amount and the cost of the facilities or portion of the facilities attributable to the development on which the fee is imposed (§66001(b) of the Act).*

The reasonable relationship between each facilities fee for a specific new development project and the cost of the facilities attributable to that project is based on the estimated flow generation produced by each development project. Fees for a specific project are based on the project's size. Larger development projects can result in a higher flow generation resulting in higher fee revenue than smaller projects in the same land use classification. Thus, the fees ensure a reasonable relationship between a specific new development project and the cost of the facilities attributable to that project. See Table 7.1 for the flow generation assumptions that drive the proportionality of the fees between the land uses included in this study.

# 8. Storm Drain Facilities

This chapter summarizes an analysis of the need for storm drain facilities to accommodate growth within East Palo Alto. The projects and associated costs in this chapter were identified in the City’s CIP. This chapter documents a reasonable relationship between new development and an impact to fund storm drain facilities that serve new development.

## Storm Drain Demand

Most new development generates storm water runoff that must be controlled through storm drain facilities by increasing the amount of land that is impervious to precipitation. **Table 8.1** shows the estimates of impervious surface generation by the various land use categories included in this study.

**Table 8.1: Storm Drain Demand**

	DU or KSF per acre <sup>1</sup>	Average Percent Impervious <sup>2</sup>	Impervious Square Feet per Unit	Impervious Acres per Unit
<i>Residential</i>				
Single Family	12.00	60%	2,178	0.05
Multifamily	22.00	90%	1,782	0.04
<i>Nonresidential</i>				
Retail	43.56	90%	900	0.02
Office and R&D	130.68	75%	250	0.01
Industrial	43.56	80%	800	0.02

<sup>1</sup> Dwelling units for residential and thousand building square feet for non-residential. Density based on estimated development and acreage for each land use type in the *General Plan*. Nonresidential densities are based on floor-area-ratios of 1.0 for retail, 3.0 for office, and 1.0 for industrial, derived from the ranges in Table 4-2 of the *General Plan Land Use Element*.

<sup>2</sup> From Table 2-2 in the 2014 East Palo Alto Storm Drain Master Plan.

<sup>2</sup> EDUs per dwelling unit for residential development and per thousand square feet for nonresidential development.

Sources: *East Palo Alto General Plan Land Use Element*, Table 4-2; *2014 East Palo Alto Storm Drain Master Plan*, Table 2-2; Willdan Financial Services.

## Impervious Surface Generation by New Development

**Table 8.2** shows the estimated impervious surface generation from new development through 2045 for the non-RBD and RBD areas of the City. New development will generate approximately 178.24 acres of impervious surface Citywide through 2045.

**Table 8.2: Impervious Acres**

	Impervious Acres per Unit or KSF	DU or KSF	2023 Impervious Acres	Growth 2023 to 2045		Total - 2045	
				DU or KSF	Impervious Acres	DU or KSF	Impervious Acres
<b>Non RBD</b>							
<i>Residential</i>							
Single Family	0.05	4,529	226.45	993	49.65	5,522	276.10
Multifamily	0.04	3,262	130.48	691	27.64	3,953	158.12
Subtotal		7,791	356.93	1,684	77.29	9,475	434.22
<i>Nonresidential</i>							
Retail	0.02	425	8.50	221	4.42	646	12.92
Office and R&D	0.01	525	5.25	704	7.04	1,229	12.29
Industrial	0.02	75	1.50	-	-	75	1.50
Subtotal		1,025	15.25	925	11.46	1,950	26.71
Total - Non RBD			372.18		88.75		460.93
<b>RBD</b>							
<i>Residential</i>							
Single Family	0.05	203	10.15	-	-	203	10.15
Multifamily	0.04	147	5.88	1,600	64.00	1,747	69.88
Subtotal		350	16.03	1,600	64.00	1,950	80.03
<i>Nonresidential</i>							
Retail	0.02	125	2.50	112	2.25	237	4.75
Office and R&D	0.01	200	2.00	3,335	33.35	3,535	35.35
Industrial	0.02	125	2.50	325	6.50	450	9.00
Subtotal		450	7.00	3,772	42.10	4,222	49.10
Total - RBD		800	23.03	5,372	106.10	6,172	129.13
Total - Citywide			395.21		194.85		590.06

Sources: Tables 2.1, 2.2 and 8.1.

## Planned Facilities

**Table 8.3** identifies the planned storm drain facilities to be funded by the fee. The new storm drain facilities were identified in the City's CIP and the RBD Specific Plan Update. City staff prepared an allocation of each project first to new development generally, and then allocated new development's share of responsibility to development either in RBD or non-RBD areas.



**Table 8.3: Storm Drain Projects and Allocation to New Development**

Project No.	Description	Total Cost	Identified Funding	Net Cost	Cost		Non-RBD Allocation	RBD Allocation	Non-RBD Cost	RBD Cost
					Allocation to New Development	Allocated to New Development				
SD-03	Repair of University Village Outfalls	\$ 245,000	\$ -	\$ 245,000	20%	\$ 49,000	100%	0%	\$ 49,000	\$ -
SD-04	Street Sweeping Signage	123,904	123,904	-	20%	-	100%	0%	-	-
SD-06A/B	O'Connor Pump Station - Phase I and II	14,000,000	800,000	13,200,000	50%	6,600,000	50%	50%	3,300,000	3,300,000
SD-06C	Runnymede Tide flex	300,000	-	300,000	50%	150,000	100%	0%	150,000	-
SD-07	Weeks Street Storm Drain	285,000	-	285,000	100%	285,000	50%	50%	142,500	142,500
SD-08	Full Trash Capture Device Installation	450,000	100,000	350,000	20%	70,000	100%	0%	70,000	-
SD-09	Stormwater Resource Plan	50,000	-	50,000	50%	25,000	100%	0%	25,000	-
SD-10	Harvest Weeks Pipe	1,400,000	-	1,400,000	100%	1,400,000	0%	100%	-	1,400,000
SD-11	Illinos-Purdue Pipe	2,100,000	-	2,100,000	100%	2,100,000	0%	100%	-	2,100,000
SD-13	Purdue-Bay Pipe	3,100,000	-	3,100,000	100%	3,100,000	0%	100%	-	3,100,000
SD-14	Bay Road Pump Station	5,800,000	-	5,800,000	100%	5,800,000	20%	80%	1,160,000	4,640,000
	Runnymede Pump Station	10,400,000	-	10,400,000	100%	10,400,000	0%	100%	-	10,400,000
	Bay Road to O'Connor	2,548,000	-	2,548,000	50%	1,274,000	100%	0%	1,274,000	-
	Bell St	3,107,000	-	3,107,000	50%	1,553,500	0%	100%	-	1,553,500
	Channel Improvements	1,625,000	-	1,625,000	50%	812,500	100%	0%	812,500	-
	Clarke Ave	2,080,000	-	2,080,000	50%	1,040,000	100%	0%	1,040,000	-
	Garden to Beech	1,417,000	-	1,417,000	50%	708,500	100%	0%	708,500	-
	Newbridge	1,365,000	-	1,365,000	50%	682,500	100%	0%	682,500	-
	O'Connor & Euclid	949,000	-	949,000	50%	474,500	100%	0%	474,500	-
	O'Connor PS Improvement - Phase III	8,541,000	-	8,541,000	50%	4,270,500	50%	50%	2,135,250	2,135,250
	Ralmar	897,000	-	897,000	50%	448,500	100%	0%	448,500	-
	Willow Rd	6,240,000	-	6,240,000	50%	3,120,000	100%	0%	3,120,000	-
	Camellia Dr	598,000	-	598,000	50%	299,000	100%	0%	299,000	-
	Camelia to Azelia	715,000	-	715,000	50%	357,500	100%	0%	357,500	-
	Menalto and Green	650,000	-	650,000	50%	325,000	100%	0%	325,000	-
	Daphne to Jasmine	858,000	-	858,000	50%	429,000	100%	0%	429,000	-
	Euclid-Bell	780,000	-	780,000	50%	390,000	0%	100%	-	390,000
	Notre Dame	819,000	-	819,000	50%	409,500	100%	0%	409,500	-
	Purdue and Illinois	3,224,000	-	3,224,000	50%	1,612,000	100%	0%	1,612,000	-
	System Upgrades and Repairs	1,339,000	-	1,339,000	50%	669,500	100%	0%	669,500	-

Sources: Table 9-6, Ravenswood / 4 Corners TOD Specific Plan Update; City of East Palo Alto CIP; Willdan Financial Services.

**Table 8.3: Total Cost of Facilities Needed to Serve New Development Continued**

Project No.	Description	Total Cost	Identified Funding	Net Cost	Cost					
					Allocation to New Development	Allocated to New Development	Non-RBD Allocation	RBD Allocation	Non-RBD Cost	RBD Cost
	Bay Road	169,000	-	169,000	50%	84,500	100%	0%	84,500	-
	Cooley	169,000	-	169,000	50%	84,500	100%	0%	84,500	-
	Demter St	455,000	-	455,000	50%	227,500	100%	0%	227,500	-
	Donohoe	221,000	-	221,000	50%	110,500	100%	0%	110,500	-
	Glen Way	351,000	-	351,000	50%	175,500	100%	0%	175,500	-
	Kavanaugh	598,000	-	598,000	50%	299,000	100%	0%	299,000	-
	Manhattan	52,000	-	52,000	50%	26,000	100%	0%	26,000	-
	Michigan St	169,000	-	169,000	50%	84,500	100%	0%	84,500	-
	Myrtle St	260,000	-	260,000	50%	130,000	100%	0%	130,000	-
	O'Brien	364,000	-	364,000	50%	182,000	100%	0%	182,000	-
	Sage and Larkspur	832,000	-	832,000	50%	416,000	0%	100%	-	416,000
	University Ave	273,000	-	273,000	50%	136,500	100%	0%	136,500	-
	Weeks End	377,000	-	377,000	50%	188,500	100%	0%	188,500	-
	Weeks to Pulgas	585,000	-	585,000	50%	292,500	0%	100%	-	292,500
	<b>Total</b>	<b>\$80,880,904</b>	<b>\$1,023,904</b>	<b>\$79,857,000</b>					<b>\$21,422,750</b>	<b>\$29,869,750</b>

Sources: Table 9-6, Ravenswood / 4 Corners TOD Specific Plan Update; City of East Palo Alto CIP; Willdan Financial Services.

## Projected Fee Revenue

**Table 8.4** shows the projected fee revenue. The difference between the net project cost and the projected fee revenue is existing development's share of the planned facilities, often referred to as an existing deficiency. This existing deficiency cannot be funded through the impact fees. The City can use any funding source other than the impact fees to pay for the existing deficiency.

**Table 8.4: Projected Fee Revenue**

Net Project Cost	\$ 79,857,000
Projected Fee Revenue (RBD)	29,869,750
Projected Fee Revenue (Non RBD)	<u>21,422,750</u>
Existing Deficiency	\$ 28,564,500

Source: Table 8.3.

## Fee per Impervious Acre

This chapter uses the planned facilities approach to calculate the storm drain facilities cost standard. The cost of planned facilities allocated to new development is divided by the increase in impervious acres to determine a fee per impervious acre of development. **Table 8.5** shows these costs.

**Table 8.5: Fee per Impervious Acre**

	<b>Scenario 2</b>
<b>Non RBD</b>	
Net Cost of Planned Facilities Allocated to Area	\$21,422,750
New Development Impervious Acres	<u>88.75</u>
Cost per Impervious Acre	\$ 241,383
<b>RBD</b>	
Net Cost of Planned Facilities Allocated to Area	\$29,869,750
New Development Impervious Acres	<u>106.10</u>
Cost per Impervious Acre	\$ 281,525

Sources: Tables 8.1 and 8.2.

## Mitigation Fee Act Findings

The five statutory findings required for adoption of the storm drain facilities fees documented in this chapter are presented below and supported in detail by the analysis above. All statutory references are to the *Act*.

## Purpose of Fee

- ◆ *Identify the purpose of the fee (§66001(a)(1) of the Act).*

The storm drain facilities fee is designed to ensure that new development will not burden existing development in the City with the cost of storm drain facilities required to accommodate growth. The purpose of the fees documented in this chapter is to provide a funding source from new development in the City for capital improvements to serve that development. The fees advance a legitimate City interest by enabling the City to provide storm drain facilities to serve new development.

## Use of Fee Revenues

- ◆ *Identify the use to which the fees will be put. If the use is financing facilities, the facilities shall be identified. That identification may, but need not, be made by reference to a capital improvement plan as specified in §65403 or §66002, may be made in applicable general or specific plan requirements, or may be made in other public documents that identify the facilities for which the fees are charged (§66001(a)(2) of the Act).*

If enacted by the City the storm drain facilities fee would be used to fund capacity expanding storm drain facilities to serve new development both in the RBD and non-BRD areas of the City. Facilities funded by these fees are designated to be located within the City limits. A list of planned storm drain facilities projects is included above in Table 8.4.

## Benefit Relationship

- ◆ *Determine the reasonable relationship between the fees' use and the type of development project on which the fees are imposed (§66001(a)(3) of the Act).*

The City will restrict fee revenue to the acquisition of land, construction of facilities and storm drain infrastructure, and purchase of related equipment used to serve new development. Facilities funded by the fees are expected to provide a network of facilities needed to mitigate the storm water runoff generated by new development. Using the planned facilities cost allocation methodology outlined in Chapter 1, and the cost per impervious acre calculated in Table 8.5, the resulting fees ensure that new development will only fund its fair share of improvements, and impact fee revenue will not be used to correct existing deficiencies. Thus, a reasonable relationship can be shown between the use of fee revenue and the new development residential and non-residential use classifications that will pay the fees.

## Burden Relationship

- ◆ *Determine the reasonable relationship between the need for the Citywide transportation facilities and the types of development on which the fees are imposed (§66001(a)(4) of the Act).*

New residential and nonresidential development will generate impervious surface, which in turn will generate storm water runoff. An increase in storm water runoff will increase the demand for storm drain facilities. Facilities need is based on a facility standard that represents the demand generated by new development for those facilities. For the storm drain facilities fee, demand is measured by a single facility standard (cost per acre of impervious surface) that can be applied across land use types to ensure a reasonable relationship to the type of development. Project costs in Table 8.3 are allocated to new development, and then to new development within RBD and outside of RBD based on input from the City's Public Works department. The cost per acre of impervious surface standard is calculated by dividing the net costs allocated to new development in each geography by the increase in impervious surface associated with residential and nonresidential development. See the *Storm Drain Demand* and *Imperious Surface Generation by*

New Development sections above for a discussion of storm drain demand and an estimate of current and projected impervious surface.

## Proportionality

- ♦ *Determine how there is a reasonable relationship between the fees amount and the cost of the facilities or portion of the facilities attributable to the development on which the fee is imposed (§66001(b) of the Act).*

The reasonable relationship between each facilities fee for a specific new development project and the cost of the facilities attributable to that project is based on the impervious surface generation produced by each development project. Fees for a specific project are based on the project's size. Larger development projects can result in a higher impervious surface generation resulting in higher fee revenue than smaller projects in the same land use classification. Thus, the fees ensure a reasonable relationship between a specific new development project and the cost of the facilities attributable to that project. See Table 8.1 for the impervious surface assumptions that were used to estimate current and projected impervious surface.

# 9. AB 602 Requirements

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On January 1, 2022, new requirements went into effect for California jurisdictions implementing impact fees. Among other changes, AB 602 added Section 66016.5 to the Government Code, which set guidelines for impact fee nexus studies. Four key requirements from that section which concern the nexus study are reproduced here:

66016.5. (a) (2) When applicable, the nexus study shall identify the existing level of service for each public facility, identify the proposed new level of service, and include an explanation of why the new level of service is appropriate.

66016.5. (a) (4) If a nexus study supports the increase of an existing fee, the local agency shall review the assumptions of the nexus study supporting the original fee and evaluate the amount of fees collected under the original fee.

66016.5. (a) (5) A nexus study adopted after July 1, 2022, shall calculate a fee imposed on a housing development project proportionately to the square footage of proposed units of the development. A local agency that imposes a fee proportionately to the square footage of the proposed units of the development shall be deemed to have used a valid method to establish a reasonable relationship between the fee charged and the burden posed by the development.

66016.5. (a) (6) Large jurisdictions shall adopt a capital improvement plan as a part of the nexus study.

## Compliance with AB 602

The following sections describe this study's compliance with the new requirements of AB 602.

### 66016.5. (a) (2) - Level of Service

1. For the fees calculated under the system standard methodology, the maximum justified fees represent an increase in the facility level of service. The fees calculated under this methodology are the parks and trail, and public facility fees. The increased level of service is required to fund new development's fair share of facilities identified in the City's most recent CIP, which is informed by the City's RBD/4 Corners Specific Plan Update and the Parks, Recreation, and Open Space Master Plan. New development will not fund the entirety of the increase in level of service, rather, it will fund a share of the increased level of service represented by the planned facilities. The City will have to fund existing development's share of the increased level of service through any other funding source. Each chapter for facility fee categories that are increasing the level of service include a table that shows the existing level of service and future level of service in terms of facility investment per capita.
2. For fees calculated under the planned facilities methodology, the fees are calculated to ensure that the level of service does not fall to unacceptable levels. The fees calculated under this approach are the transportation-related, water facilities and storm drainage facility fees. The LOS analysis for RBD projects is based on the RBD Transportation Impact Analysis, prepared by Hexagon Transportation Consultants. The water facilities were identified in the City's Water System Master Plan and Utilities Infrastructure Study for the RBD/4 Corners Specific Plan Update. The needed storm drainage facilities were identified in the Utilities Infrastructure Study for the RBD/4 Corners Specific Plan Update and the City's CIP.

### 66016.5. (a) (4) – Review of Original Fee Assumptions

Willdan extensively reviewed the City’s prior impact fee studies while conducting this fee analysis. Notable this study differs from the 2019 study in several ways:

1. Potential development in the RBD has increased significantly. Refer to *Chapter 2, Growth Forecasts* for estimates of potential development in the City.
2. Cost assumptions have been updated to current dollars. The costs in the 2019 study were considerably lower than current market costs for construction of new facilities and the acquisition of land.
3. This study made use of the most current project lists and inventories of existing facilities where relevant.

**Table 9.1** displays an accounting of annual revenue collected over the last five fiscal years for the impact fees included in this analysis.

**Table 9.1: Annual Collected Impact Fee Revenue**

Fee Category	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23	Total
Parks and Trails	-	11,389	21,113	9,110	-	41,612
Public Facilities	-	19,973	44,336	16,048	-	80,357
Transportation	-	6,498	189,339	6,806	-	202,643
Water	-	8,147	473,142	25,913	-	507,202
Storm Drainage	-	21,088	261,823	14,617	-	297,528
<b>Total</b>	-	<b>67,095</b>	<b>989,753</b>	<b>72,494</b>	-	<b>1,129,342</b>

Source: City of East Palo Alto.

### 66016.5. (a) (5) – Residential Fees per Square Foot

Impact fees for residential land uses are calculated per square foot for all fee categories except for storm drainage. The storm drainage fees are based on the impervious surface generated by each development project and are directly proportional to the demand for storm drainage from new development.

### 66016.5. (a) (6) – Capital Improvement Plan

The Capital Improvement Plan for this nexus study is comprised of the identified planned facilities within each facility fee chapter. Planned facilities identified in this document are sourced from the City’s current adopted CIP, master plans and other relevant documents. Adoption of this nexus study would approve the planned facilities identified herein as the Capital Improvement Plan for this nexus study. The City will be updating the CIP in 2024 to incorporate the nexus study facility plans and latest project costs.

# 10. Implementation

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## Impact Fee Program Adoption Process

Impact fee program adoption procedures are found in the *California Government Code* section 66016. Adoption of an impact fee program requires the City Council to follow certain procedures including holding a public hearing. The impact fee nexus study must first be adopted at a public hearing to comply with AB 602. That public hearing must be noticed at least 30 days in advance. Data, such as an impact fee report, must be made available at least 10 days prior to the public hearing. The City's legal counsel should be consulted for any other procedural requirements as well as advice regarding adoption of an enabling ordinance and/or a resolution. After adoption there is a mandatory 60-day waiting period before the fees go into effect.

## Inflation Adjustment

The City can keep its impact fee program up to date by periodically adjusting the fees for inflation. Such adjustments should be completed regularly to ensure that new development will fully fund its share of needed facilities. We recommend that the Engineering News Record's Construction Cost Index (CCI) be used for adjusting fees for inflation.

While fee updates using inflation indices are appropriate for periodic updates to ensure that fee revenues keep up with increases in the costs of public facilities, the City will also need to conduct more extensive updates of the fee documentation and calculation (such as this study) when significant new data on growth forecasts and/or facility plans become available.

## Reporting Requirements

The City complies with the annual and five-year reporting requirements of the *Mitigation Fee Act*. For facilities to be funded by a combination of public fees and other revenues, identification of the source and amount of these non-fee revenues is essential. Identification of the timing of receipt of other revenues to fund the facilities is also important. **Table 10.1** summarizes the annual and five-year Mitigation Fee Act reporting requirements.



**Table 10.1: Annual and Five-year Mitigation Fee Act Administrative Requirements**

CA Gov't Code Section	Timing	Reporting Requirements <sup>1</sup>	Recommended Fee Adjustment
66001.(d)	The fifth fiscal year following the first deposit into the account or fund, and every five years thereafter	(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 in incomplete improvements. (D) Designate the approximate dates on which supplemental funding is expected to be deposited into the appropriate account or fund.	Comprehensive Update
66006. (b)	Within 180 days after the last day of each 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 the fees collected and the interest earned. (E) An identification of each public improvement on which fees were expended including share funded by fees. (F) (i) An identification of an approximate date by which the construction of the public improvement will commence if the local agency determines that sufficient funds have been collected to complete financing on an incomplete public improvement and the public improvement remains incomplete. (ii) An identification of each public improvement identified in a previous report pursuant to clause (i) and whether construction began on the approximate date noted in the previous report. (iii) For a project identified pursuant to clause (ii) for which construction did not commence by the approximate date provided in the previous report, the reason for the delay and a revised approximate date that the local agency will commence construction. (G) A description of any potential interfund transfers. (H) The amount of refunds made (if any).	Inflationary Adjustment

<sup>1</sup> Edited for brevity. Refer to the government code for full description.

Sources: California Government Code §66001 and §66006.

## Programming Revenues and Projects with the CIP

The City maintains a Capital Improvement Program (CIP) to plan for future infrastructure needs. The CIP identifies costs and phasing for specific capital projects. The use of the CIP in this manner documents a reasonable relationship between new development and the use of those revenues.

The City may decide to alter the scope of the planned projects or to substitute new projects as long as those new projects continue to represent an expansion of the City's facilities. If the total cost of facilities varies from the total cost used as a basis for the fees, the City should consider revising the fees accordingly.

DRAFT