



STAFF REPORT TO THE CITY COUNCIL

MEETING DATE: November 24, 2009

FROM: Joseph Hughes, City Manager

PREPARED BY: Ernest Wong, Public Works Director/City Engineer

SUBJECT: Development Impact Fee Annual Adjustment

RECOMMENDATION: That the City Council approve:

1. Resolution No. 2009- _____ amending amount of development impact fees pursuant to Government Code Section 66,000 (AB 1600), and
2. Resolution No. 2009- _____ amending amount of park fee pursuant to Government Code Section 66477 (Quimby Act).

FISCAL IMPACT: The proposed fees for each of the six categories of land uses are listed in the fee resolutions. For a detached single family house, the fee is reduced 1.53% from \$20,919.17 to \$20,598.35. For a commercial building, the fee is reduced 0.96% from \$12.592 to \$12.471 per square foot of gross floor area.

PUBLIC NOTICE: The BIA, developers and other interested parties were notified of the City Council meeting via electronic mailing. The general public was notified of the meeting thru posted meeting agenda, published public hearing notices and the City web site.

BACKGROUND: The proposed adjustment to the nine categories of Development Impact Fees (DIF) are as follows:

<u>Category</u>	<u>Adjustment</u>
1. Regional Circulation System	0%
2. Local Circulation System	-3.2%
3. Regional Flood Control Facilities	-3.2%
4. Law Enforcement Facilities	-2.5%
5. Fire Suppression Facilities, Vehicle & Equipment	-2.5%
6. General Government Facilities, Vehicle and Equipment	-2.5%
7. Public Library Facility and Collection	-2.5%
8. Public Use (Community Center) Facilities	-2.5%
9. Park Land Acquisition and Park Facilities Development	-2.5%

Approved _____	Motion _____	Second _____	Agenda Item No. _____
Denied _____	Ayes _____		
Continued _____	Noes _____		File No. _____
Tabled _____	Abstain _____		
	Absent _____		
_____ City Clerk		_____ City Manager	

DIF for Regional Circulation System is adjusted pursuant to a new policy adopted by the SANBAG Board in May, 2009 that modifies the cost escalation methodology for future updates to the Measure I Development Mitigation Nexus Study. The new policy utilizes the annual difference rather than the five-year rolling average of the Caltrans Highway Construction Items Index as basis for cost adjustment. The new policy also limits the range of annual cost adjustment between 0% and 15%. For the current fee update, although the annual difference of the cost index is -3.2%, the change to the fee for Regional Circulation System will be kept at 0% for the 2009 update, and the -3.2% will be used as a credit toward future positive fee adjustment.

DIF for Local Circulation System and regional Flood Control Facilities are adjusted -3.2% based on the same cost index used by SANBAG, pursuant to City resolutions. Since these fees are not subject to the San Bernardino County Congestion Management Plan (CMP), the City is not obligated to adopt SANBAG's policy to limit the range of adjustment for these two infrastructure categories between 0% and 15%.

DIF for the remaining six infrastructure categories are adjusted -2.5% based on the change of the California Construction Cost Index (CCCI) published by the State of California Department of General Services, pursuant to City resolutions. The CCCI for October 2008 and October 2009 are 5,393 and 5,259 respectively, reflecting a -2.5% adjustment.

It should be noted that the proposed resolution also includes an update of the average costs per trip-miles of daily traffic on the City's regional and local circulation system. These average costs were established under the Alternative Cost Methodology in Chapter 5 of the 2006 DIF Study to be \$210.27 and \$81.70 per trip-mile respectively. Using the same annual adjustment factors adopted by Council for 2007, 2008 and 2009, these average costs are proposed to be adjusted (12.6%, 12.9%, 0%) to \$267.54 and (12.7%, 6.45%, -3.2%) to \$94.88 respectively.

As described in the 2006 DIF Study, and authorized in Resolution No. 2006-058, these average costs will be used to calculate impact on the City's circulation system by certain development projects that cannot be equitably assessed based on the square footage of the proposed building size. For example, traffic development impact fees for a mining project, which does not include construction of any new building, will be calculated using these per trip-mile rates instead of the regular per square foot rates.

**PROPOSED AND EXISTING DIF
SCHEDULES**

(PROPOSED)
CITY OF HIGHLAND
DEVELOPMENT IMPACT FEES

(Effective 1/24/2010 and thereafter)

Resolution No. 2009-_____

	<u>Detached Dwelling</u>	<u>Attached Dwelling</u>	<u>Mobile Home</u>	<u>Commercial Lodging</u>	<u>Commercial/Office</u>	<u>Industrial</u>
Law Enforcement Facilities	\$210.16	\$332.33	\$180.13	\$139.77	\$0.121	\$0.007
Fire Suppression Facilities, Vehicles & Equipment	\$746.43	\$242.26	\$782.66	\$1,186.42	\$0.182	\$0.054
Local Circulation System	\$3,283.00	\$2,191.38	\$1,718.73	\$1,726.85	\$3.083	\$2.146
Regional Circulation System	\$9,256.59	\$6,179.97	\$4,845.24	\$4,869.41	\$8.696	\$6.047
Regional Flood Control Facilities	\$765.30	\$327.48	\$269.42	\$125.42	\$0.170	\$0.203
General Facilities, Vehicles & Equipment	\$931.74	\$931.74	\$931.74	\$158.40	\$0.219	\$0.219
Library Facilities & Collection	\$857.20	\$825.10	\$590.10	N/A	N/A	N/A
Public Use (Community Center Facilities)	\$1,068.40	\$1,028.02	\$736.08	N/A	N/A	N/A
Park Land Acquisition & Park Facilities Development	<u>\$3,479.52</u>	<u>\$3,348.04</u>	<u>\$2,398.71</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL:	\$20,598.34	\$15,406.32	\$12,452.81	\$8,206.27	\$12.471	\$8.676

Notes: 1. Fees applicable City-wide except for East Highlands Ranch (SEE FEE SHEET ON REVERSE). Certain properties fronting Greenspot Road, between Gold Buckle Road and Santa Paula Street, must also pay a Greenspot Impact Fee (Resolution No. 1994-037).

2. Fees are per dwelling unit for residential, per lodging unit for commercial lodging, and per gross square footage for commercial or industrial.

IMPACT FEE FOR BUILDING EXPANSION

(no charge for first 499 square feet of residential building expansion)

DETACHED DWELLING.....	\$13.732 per square foot
ATTACHED DWELLING.....	\$10.271 per square foot
MOBILE HOME.....	\$ 8.302 per square foot
COMMERCIAL LODGING.....	\$ 5.471 per square foot
COMMERCIAL/OFFICE.....	\$12.471 per square foot
INDUSTRIAL.....	\$ 8.676 per square foot

(EXISTING)
CITY OF HIGHLAND
DEVELOPMENT IMPACT FEES
(Effective 3/16/09 and thereafter)
Resolution No. 2009-001

	<u>Detached Dwelling</u>	<u>Attached Dwelling</u>	<u>Mobile Home</u>	<u>Commercial Lodging</u>	<u>Commercial/Office</u>	<u>Industrial</u>
Law Enforcement Facilities	\$215.55	\$340.85	\$184.75	\$143.35	\$0.124	\$0.007
Fire Suppression Facilities, Vehicles & Equipment	\$765.57	\$248.47	\$802.73	\$1,216.84	\$0.187	\$0.055
Local Circulation System	\$3,391.53	\$2,263.82	\$1,775.55	\$1,783.94	\$3.185	\$2.217
Regional Circulation System	\$9,256.59	\$6,179.97	\$4,845.24	\$4,869.41	\$8.696	\$6.047
Regional Flood Control Facilities	\$790.60	\$338.31	\$278.33	\$129.57	\$0.176	\$0.210
General Facilities, Vehicles & Equipment	\$955.63	\$955.63	\$955.63	\$162.46	\$0.225	\$0.225
Library Facilities & Collection	\$879.18	\$846.26	\$605.23	N/A	N/A	N/A
Public Use (Community Center Facilities)	\$1,095.79	\$1,054.38	\$754.95	N/A	N/A	N/A
Park Land Acquisition & Park Facilities Development	<u>\$3,568.74</u>	<u>\$3,433.89</u>	<u>\$2,460.22</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL:	\$20,919.17	\$15,661.57	\$12,662.61	\$8,305.57	\$12.592	\$8.759

Notes: 1. Fees applicable City-wide except for East Highlands Ranch (SEE FEE SHEET ON REVERSE). Certain properties fronting Greenspot Road, between Gold Buckle Road and Santa Paula Street, must also pay a Greenspot Impact Fee (Resolution No. 1994-037).

2. Fees are per dwelling unit for residential, per lodging unit for commercial lodging, and per gross square footage for commercial or industrial.

IMPACT FEE FOR BUILDING EXPANSION
(no charge for first 499 square feet of residential building expansion)

DETACHED DWELLING.....	\$13.946 per square foot
ATTACHED DWELLING.....	\$10.441 per square foot
MOBILE HOME.....	\$ 8.442 per square foot
COMMERCIAL LODGING.....	\$ 5.537 per square foot
COMMERCIAL/OFFICE.....	\$12.592 per square foot
INDUSTRIAL.....	\$ 8.759 per square foot

PROPOSED RESOLUTION
(DEVELOPMENT IMPACT FEE)

RESOLUTION NO. 2009 - ____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HIGHLAND,
CALIFORNIA,
AMENDING DEVELOPMENT IMPACT FEES FOR ALL DEVELOPMENTS
WITHIN CITY OF HIGHLAND**

WHEREAS, the City Council adopted Ordinance No. 309 on October 24, 2006 establishing a comprehensive system of Development Impact Fees and providing for the annual adjustment of the fees based on cost adjustment indexes applicable to each category of fees; and

WHEREAS, the City Council adopted Resolution Nos. 2006-058, 2007-060 and 2009-001 establishing the amount of Development Impact Fees; and

WHEREAS, pursuant to the San Bernardino County Congestion Management Plan, the City must adjust Development Impact Fee for Regional Circulation Facilities based on an adjustment index adopted by the SANBAG Board; and

WHEREAS, the SANBAG Board has adopted the Caltrans Highway Construction Items Index as the basis for fee adjustment, and such index in calendar year 2009 has been determined to be -3.2%; and

WHEREAS, the SANBAG Board has also adopted a policy to apply a 0% adjustment factor for 2009, and to apply the -3.2% adjustment as credit toward positive cost escalation in future years; and

WHEREAS, the City Council has adopted that the same Caltrans Highway Construction Items Index be also used to adjust the Development Impact Fees for Local Circulation Facilities and Regional Flood Control Facilities; and

WHEREAS, the City Council has also adopted the California Construction Cost Index (CCCI) published by the State of California Department of General Services to adjust Development Impact Fees for all other infrastructure categories including Law Enforcement Facilities; Fire Suppression Facilities, Vehicles and Equipment; General Facilities, Vehicles and Equipment; Library Facilities and Collection; Public Use (Community Center) Facilities; and Park Land Acquisition and Park Facilities Development; and

WHEREAS, the percentage difference of CCCI from October 2008 to October 2009 has been determined to be -2.5%; and

WHEREAS, the basis for calculating and imposing Development Impact Fees set forth in Resolution Nos. 2006-058, 2007-060 and 2009-001 remains true and accurate.

WHEREAS, the City Council held a duly-noticed public hearing on this issue on November 25, 2008 at which the City Council received and considered evidence, both written and oral; and

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE CITY COUNCIL OF THE CITY OF HIGHLAND AS FOLLOWS:

1. That Section 2 of Resolution 2006-058 and Section 1 of Resolution 2007-060 be amended as follows:

“ADOPTION OF DEVELOPMENT IMPACT FEE SCHEDULES”

The following schedule of development impact fees is hereby established, adopted and imposed for each of the specified infrastructure categories:

A. Law Enforcement Facilities

Detached Dwelling	\$210.16
Attached Dwelling	332.33
Mobile Home	180.13
Commercial Lodging	139.77
Commercial/Office	0.121
Industrial	0.007

B. Fire Suppression Facilities, Vehicles & Equipment

Detached Dwelling	\$ 746.43
Attached Dwelling	242.26
Mobile Home	782.66
Commercial Lodging	1,186.42
Commercial/Office	0.182
Industrial	0.054

C. Local Circulation System

Detached Dwelling	\$3,283.00
Attached Dwelling	2,191.38
Mobile Home	1,718.73
Commercial Lodging	1,726.85
Commercial/Office	3.083
Industrial	2.146

D. Regional Circulation System

Detached Dwelling	\$9,256.59
Attached Dwelling	6,179.97
Mobile Home	4,845.24
Commercial Lodging	4,869.41
Commercial/Office	8.696
Industrial	6.047

E. Regional Flood Control Facilities

Detached Dwelling	\$ 765.30
Attached Dwelling	327.48
Mobile Home	269.42
Commercial Lodging	125.42
Commercial/Office	0.170
Industrial	0.203

F. General Facilities, Vehicles & Equipment

Detached Dwelling	\$ 931.74
Attached Dwelling	931.74
Mobile Home	931.74
Commercial Lodging	158.40
Commercial/Office	0.219
Industrial	0.219

G. Library Facilities & Collection

Detached Dwelling	\$ 857.20
Attached Dwelling	825.10
Mobile Home	590.10
Commercial Lodging	N/A
Commercial/Office	N/A
Industrial	N/A

H. Public Use (Community Center) Facilities

Detached Dwelling	\$1,068.40
Attached Dwelling	1,028.02
Mobile Home	736.08
Commercial Lodging	N/A
Commercial/Office	N/A
Industrial	N/A

I. Park Land Acquisition & Park Facilities Development

Detached Dwelling	\$3,479.52
Attached Dwelling	3,348.04
Mobile Home	2,398.71
Commercial Lodging	N/A
Commercial/Office	N/A
Industrial	N/A

NOTE: Residential and Commercial Lodging projects will be charged on a per dwelling/lodging unit basis. Commercial Lodging projects will be charged on the square footage of the building's gross floor area. For purposes of this Resolution, "Gross Floor Area" means the total enclosed area of all floors of a building measured to the inside face of the exterior walls, including halls, stairways, elevator shafts at each floor level, service and mechanical equipment rooms, garage and basement or attic areas having a height of more than seven (7) feet.

Pursuant to Section 4 of Ordinance 309, the Development Impact Fees set forth in categories C, D and E shall be adjusted annually based on the Caltrans Highway Construction Items Index as adopted by the SANBAG Board, and the Development Impact Fees set forth in Categories A, B, F, G, H, and I shall be adjusted annually based on the annual change of the California Construction Cost Index (CCCI) published by the State of California Department of General Services."

2. That Section 4 of Resolution 2006-058 and Section 2 of Resolution 2007-060 be amended as follows:

"DEVELOPMENT IMPACT FEES FOR BUILDING EXPANSION"

Except as provided in Section 5A, the following Development Impact Fees shall be imposed on new additions, expansion, or incidental construction to existing buildings. Fees imposed shall be based on the gross square footage of the enclosed structures which require a building permit to construct. The per square footage fees for residential land uses are calculated by dividing the total fees of all nine (90) improvement categories by one thousand five hundred (1,500) square feet which is assumed to be the average square footage of various types of dwelling units.

Detached Dwelling	\$13.732 per sq. ft.
Attached Dwelling	\$10.271 per sq. ft.
Mobile Home	\$ 8.302 per sq. ft.
Commercial Lodging	\$ 5.471 per sq. ft.
Commercial/Office	\$12.471 per sq. ft.
Industrial	\$ 8.676 per sq. ft."

3. That Section 6 "Calculation of Development Impact Fees Based Upon Special Circumstances Related to Intensity of Use" of Resolution No. 2006-058 be amended to include the following Paragraph D:

D. Pursuant to the Alternative Cost Methodology used in Chapter 5 of Development Impact Fee Calculation and Nexus Report prepared by Revenue and Cost Specialists dated September 12, 2006, the average cost per trip-mile for Regional Circulation System, established to be \$210.27 in 2006, is hereby adjusted to be

\$267.54, based on the cost index adjustments of 12.7%, 12.9% and 0% applicable to Regional Circulation System for 2007, 2008 and 2009 respectively. The average cost per trip-mile, for Local Circulation System, established to be \$81.70 in 2006, is hereby adjusted to be \$94.88, based on the cost index adjustments of 12.7%, 6.45% and -3.2% applicable to Local Circulation System for 2007, 2008 and 2009 respectively.

4. As an one-time exception, the Development Impact Fees shall be imposed and collected as a condition of building occupancy and not a condition of building permit issuance.
5. Resolution No. 2009-01 is rescinded, effective upon the effective date of the fees established by this Resolution, which is sixty (60) days following adoption of this Resolution.

APPROVED AND ADOPTED this 24th day of November, 2009

Penny Lilburn
Mayor

ATTEST:

Betty Hughes, CMC
City Clerk

**PROPOSED RESOLUTION
(QUIMBY ACT PARK FEE)**

RESOLUTION NO. 2009 - _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
HIGHLAND, CALIFORNIA
AMENDING A FEE APPLICABLE TO RESIDENTIAL NEW DEVELOPMENT
WITHIN THE CITY OF HIGHLAND ON PARK LAND ACQUISITION
AND PARK FACILITIES DEVELOPMENT,
PURSUANT TO SECTION 16.40.200 OF THE HIGHLAND MUNICIPAL CODE
AND THE QUIMBY ACT (GOVERNMENT CODE SECTION 66477)**

WHEREAS, the City Council adopted Ordinance No. 309 on October 24, 2006 establishing a comprehensive system of Development Impact Fees and providing for the annual adjustment of the fees based on cost adjustment indexes applicable to each category of fees; and

WHEREAS, the City Council adopted Resolution Nos. 2006-059, 2007-061 and 2009-002 establishing the amount of fees applicable to residential new development on park land acquisition and park facilities development, pursuant to the Highland Municipal Code and the Quimby Act; and

WHEREAS, the City Council has adopted the California Construction Cost Index (CCCI) published by the State of California Department of General Services as the basis to adjust fees for Park Land Acquisition and Park Facilities Development; and

WHEREAS, the percentage difference of CCCI from October 2008 to October 2009 has been determined to be -2.5%; and

WHEREAS, the basis for calculating and imposing park fees set forth in Resolution Nos. 2006-059, 2007-061 and 2009-002 remains true and accurate;

WHEREAS, the City Council held a duly-noticed public hearing on this issue on November 25, 2008, at which the City Council received and considered evidence, both written and oral.

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE CITY COUNCIL OF THE CITY OF HIGHLAND AS FOLLOWS:

1. That Section 2 of Resolution 2006-059 and Section 1 of Resolution 2007-061 be amended as follows:

“PARK AND RECREATION FEE SCHEDULES”

The following schedule of Park and Recreation fee is hereby established, adopted and imposed for each of the specified infrastructure categories:

Pursuant to Section 4 of Ordinance 309, the Park and Recreation Fees shall be adjusted annually based on the annual change of the California Construction Cost Index (CCCI) published by the State of California Department of General Services.

Detached Dwelling	\$3,479.52
Attached Dwelling	3,348.04
Mobile Home	2,398.71
Commercial Lodging	N/A
Commercial/Office	N/A
Industrial	N/A

2. That Section 4 of Resolution 2006-059 and Section 2 of Resolution 2007-061 be amended as follows:

“FEES FOR BUILDING EXPANSION”

Except as provided in Section 5A, the following Park and Recreation Fees shall be imposed on new additions, expansion, or incidental construction to existing buildings. Fees imposed shall be based on the gross square footage of the enclosed structures which require a building permit to construct. The per square footage fees for residential land uses are calculated by dividing the total fees of all nine (90) improvement categories by one thousand five hundred (1,500) square feet which is assumed to be the average square footage of various types of dwelling units.

Detached Dwelling	\$2.320 per sq. ft.
Attached Dwelling	\$2.232 per sq. ft.
Mobile Home	\$1.599 per sq. ft.
Commercial Lodging	N/A
Commercial/Office	N/A
Industrial	N/A”

3. As an one-time exception, the Development Impact Fees shall be imposed and collected as a condition of building occupancy and not a condition of building permit issuance.
4. Resolution No. 2009-001 is rescinded, effective upon the effective date of the fees established by this Resolution, which is sixty (60) days following adoption of this Resolution.

PASSED, APPROVED AND ADOPTED this 24th day of November, 2009

Penny Lilburn
Mayor

ATTEST:

Betty Hughes, CMC
City Clerk

EXISTING RESOLUTION NO. 2006-58
SECTION 6
“CALCULATION OF DEVELOPMENT IMPACT
FEEES BASED UPON SPECIAL
CIRCUMSTANCES RELATED TO INTENSITY
OF USE”

E TIMING OF PERMIT APPLICATION

Development impact fees in effect at the time of building permit application shall continue to apply on any development project where the Building Official finds and determines that a complete building permit application has been submitted and accepted by the City of Highland, and that through no fault of the developer, the permit was not issued prior to the effective date of the development impact fees as specified in Section 7 of this Resolution

SECTION 6 CALCULATION OF DEVELOPMENT IMPACT FEES BASED UPON SPECIAL CIRCUMSTANCES RELATED TO INTENSITY OF USE

- A Where in the opinion of the City Manager, or his designee, a development project is certain to have impacts on those facilities and improvements identified in the Reports disproportionate to the square footage of the building to be constructed by virtue of the proposed development project, development impact fees may be calculated based upon the City Manager's determination of actual impacts in each of the categories in which development impact fees are collected. The City Manager's determination must be based upon objective criteria, such as trip generation rates specific to the type of development proposed
- B In each instance where the City Manager, or his designee, makes a calculation based upon his authority herein granted, the criteria upon which that calculation is based shall become the criteria used for all similarly situated development projects thereafter. In implementing this provision, the City Manager is directed to maintain a record of all decisions made under his authority, and to use that record as a guideline for future decisions. The City Manager shall make a recommendation to the Public Works Subcommittee of the City Council which brings its recommendation to the City Council for final approval determination of the development impact fees
- C In all instances where the City Council determines and imposes development impact fees according to its authority granted herein, that calculation and determination shall be subject to legal challenge as provided by State law, as set forth in Government Code Sections 66020 et seq

SECTION 7 EFFECTIVE DATE OF FEES

The fees specified under Schedule "A" of Sections 2 and 4 of this Resolution shall take effect three hundred sixty-five (365) days following adoption of this Resolution, the fees specified under Schedule "B" of Sections 2 and 4 of this Resolution shall take effect one hundred eighty (180) days following adoption of this Resolution, and shall be of no further force or effect following the three hundred sixty-fourth (364th) day following their adoption, the fees specified under Schedule "C" of Sections 2 and 4 of this Resolution shall take effect sixty (60) days following adoption of this Resolution, and shall be of no further force or effect following the one hundred seventy-ninth (179th) day following their adoption

**ALTERNATIVE COST METHODOLOGY
FOR
REGIONAL AND LOCAL CIRCULATION
SYSTEM**

Table 5-2
Marginal Needs-based Impact Fees
(Local-only Circulation System Impact Fees)

Land Use	Allocation of Costs	Total Cost Per Unit or SF
Detached Dwelling Units	\$16,124,759	\$2,827/Unit
Attached Dwelling Units	\$1,760,865	\$1,887/Unit
Mobile Home Units	\$13,318	\$1,480/Unit
Commercial Lodging	\$446,099	\$1,487/Unit
Commercial/Office Uses	\$4,574,638	\$2.655/S.F.
Industrial Uses	\$1,761,519	\$1.847/S.F.

Alternative Cost Methodology. A more precise calculation of costs for specific types of land uses (i.e., banks, hospitals, convalescent homes, etc.) can be determined by multiplying the average cost per trip of \$81.70 by the applicable daily trip-mile rate. An example of this calculation can be found in Schedule 5.2 at the end of the Chapter and applied to Table 5-3, on the following page. These tables list trip rates and costs for various residential, resort, industrial and commercial developments. A fee system based on a lengthy schedule of trip mile rates theoretically provides more accuracy and therefore equity in determining the impact of specific uses on the City's circulation system, but at the same time may increase the City's costs to administer the fee. A more extensive listing of traffic generator by land use is available in *Trip Generation* as published by the Institute of Transportation Engineers, Washington D.C.

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**Table 5-3
Detail of Circulation System Local Marginal Need-based
Impact Fees for Specific Commercial Uses**

LAND USE	Adjusted Trip-ends	Average Distance	Trip-end to Trip	Additional Trip-miles	Cost per Trip-mile	Cost per 1,000 Square Feet or Dwelling Unit
RESIDENTIAL LAND USES (per Unit):						
Detached Dwelling	8.76	7.9	0.5	34.60	\$81.70	\$2,826.82 /Unit
Apartment	6.15	7.9	0.5	24.3	\$81.70	\$1,985.31 /Unit
Condominium/Townhome	5.36	7.9	0.5	21.2	\$81.70	\$1,732.04 /Unit
Mobile Home Dwelling	4.57	7.9	0.5	18.1	\$81.70	\$1,478.77 /Unit
RESORT/TOURIST (per Unit or Entry Door):						
Hotel	6.29	7.6	0.5	23.9	\$81.70	\$1,952.63 /Room
All Suites Hotel	3.77	7.6	0.5	14.3	\$81.70	\$1,168.31 /Room
Motel	4.34	7.6	0.5	16.5	\$81.70	\$1,348.05 /Room
INDUSTRIAL (per 1,000 SF):						
General Light Industrial	6.17	9.0	0.5	27.8	\$81.70	\$2,271.26 /KSF
Heavy Industrial	5.97	9.0	0.5	26.9	\$81.70	\$2,197.73 /KSF
Manufacturing	2.73	9.0	0.5	12.3	\$81.70	\$1,004.91 /KSF
Warehousing	4.39	9.0	0.5	19.8	\$81.70	\$1,617.66 /KSF
COMMERCIAL (per 1,000 SF):						
Office Park	7.42	8.8	0.5	32.6	\$81.70	\$2,663.42 /KSF
Research Park	5.01	8.8	0.5	22.0	\$81.70	\$1,797.40 /KSF
Business Park	9.34	8.8	0.5	41.1	\$81.70	\$3,357.87 /KSF
Bldg. Materials/Lumber Store	29.35	4.3	0.5	63.1	\$81.70	\$5,155.27 /KSF
Garden Center	23.45	4.3	0.5	50.4	\$81.70	\$4,117.68 /KSF
Movie Theater	2.47	4.3	0.5	5.3	\$81.70	\$433.01 /KSF
Church	5.92	4.3	0.5	12.7	\$81.70	\$1,037.59 /KSF
Medical-Dental Office	22.21	8.8	0.5	97.7	\$81.70	\$7,982.09 /KSF
General Office Building	7.16	8.8	0.5	31.5	\$81.70	\$2,573.55 /KSF
Shopping Center	30.20	4.3	0.5	64.9	\$81.70	\$5,302.33 /KSF
Hospital	11.42	4.3	0.5	24.6	\$81.70	\$2,009.82 /KSF
Discount Center	62.93	4.3	0.5	135.3	\$81.70	\$11,054.01 /KSF
High-Turnover Restaurant	8.90	4.3	0.5	19.1	\$81.70	\$1,560.47 /KSF
Convenience Market	43.57	4.3	0.5	93.7	\$81.70	\$7,655.29 /KSF
Walk-in Bank	13.97	4.3	0.5	30.0	\$81.70	\$2,451.00 /KSF
Other: (not available "per KSF")						
Cemetary (per acre)	3.07	4.3	0.5	6.6	\$81.70	\$539.22 /Acre
Service Station (only)	109.56	4.3	0.5	235.6	\$81.70	\$19,248.52 /FP/Day (4)
Service Station & Market	105.81	4.3	0.5	227.5	\$81.70	\$18,586.75 /FP/Day (4)
Service Station/Market/Wash	99.35	4.3	0.5	213.6	\$81.70	\$17,451.12 /FP/Day (4)

NOTES:

1. ADT = Average Daily Trips

2. KSF = Thousand Square Feet of Gross Floor Area

3. Adjusted for Pass-by and Diverted Trips.

4. FP/Day = per "Fueling Position" per day.

Table 5-4, following and summarized from Schedule 5.3, distributes the \$63,519,244 over the 302,084 anticipated trip-miles resulting from additional development through General Plan build-out. They represent the recommended development impact fee schedule for the collection of revenues for financing the City's new development portions of SANBAG Measure I financing-assisted regional circulation improvements.

**Table 5-4
Measure I-assisted Regional Circulation Improvements Impact Fees**

Land Use	Allocation of Costs	Total Cost Per Unit or SF
Detached Dwelling Units	\$41,498,493	\$7,275/Unit
Attached Dwelling Units	\$4,531,742	\$4,857/Unit
Mobile Home Units	\$34,274	\$3,808/Unit
Commercial Lodging	\$1,148,075	\$3,827/Unit
Commercial/Office Uses	\$11,773,325	\$6.834/S.F.
Industrial Uses	\$4,533,424	\$4.752/S.F.

Alternative Cost Methodology. A more precise calculation of costs for specific types of land uses (i.e., banks, hospitals, convalescent homes, etc.) can be determined by multiplying the average cost per trip of \$210.27 by the applicable daily trip-mile rate. An example of this calculation can be found in Schedule 5.5 at the end of the Chapter and applied to Table 5-5, on the following page. These tables list trip rates and costs for various residential, resort, industrial and commercial developments. A fee system based on a lengthy schedule of trip mile rates theoretically provides more accuracy and therefore equity in determining specific uses' impact on the City's circulation system, but at the same time may increase the City's costs to administer the fee. A more extensive listing of traffic generator by land use is available in *Trip Generation* as published by the Institute of Transportation Engineers, Washington D.C.

[This space left vacant to place the following table on a single page].

**Table 5-5
Measure I-assisted Regional Circulation System Marginal Need-based
Impact Fees for Specific Commercial Uses**

LAND USE	Adjusted Trip-ends	Average Distance	Trip-end to Trip	Additional Trip-miles	Cost per Trip-mile	Cost per 1,000 Square Feet or Dwelling Unit
RESIDENTIAL LAND USES (per Unit):						
Detached Dwelling	8.76	7.9	0.5	34.60	\$210.27	\$7,275.34 /Unit
Apartment	6.15	7.9	0.5	24.3	\$210.27	\$5,109.56 /Unit
Condominium/Townhome	5.36	7.9	0.5	21.2	\$210.27	\$4,457.72 /Unit
Mobile Home Dwelling	4.57	7.9	0.5	18.1	\$210.27	\$3,805.89 /Unit
RESORT/TOURIST (per Unit or Entry Door):						
Hotel	6.29	7.6	0.5	23.9	\$210.27	\$5,025.45 /Room
All Suites Hotel	3.77	7.6	0.5	14.3	\$210.27	\$3,006.86 /Room
Motel	4.34	7.6	0.5	16.5	\$210.27	\$3,469.46 /Room
INDUSTRIAL (per 1,000 SF):						
General Light Industrial	6.17	9.0	0.5	27.8	\$210.27	\$5,845.51 /KSF
Heavy Industrial	5.97	9.0	0.5	26.9	\$210.27	\$5,656.26 /KSF
Manufacturing	2.73	9.0	0.5	12.3	\$210.27	\$2,586.32 /KSF
Warehousing	4.39	9.0	0.5	19.8	\$210.27	\$4,163.35 /KSF
COMMERCIAL (per 1,000 SF):						
Office Park	7.42	8.8	0.5	32.6	\$210.27	\$6,854.80 /KSF
Research Park	5.01	8.8	0.5	22.0	\$210.27	\$4,625.94 /KSF
Business Park	9.34	8.8	0.5	41.1	\$210.27	\$8,642.10 /KSF
Bldg. Materials/Lumber Store	29.35	4.3	0.5	63.1	\$210.27	\$13,268.04 /KSF
Garden Center	23.45	4.3	0.5	50.4	\$210.27	\$10,597.61 /KSF
Movie Theater	2.47	4.3	0.5	5.3	\$210.27	\$1,114.43 /KSF
Church	5.92	4.3	0.5	12.7	\$210.27	\$2,670.43 /KSF
Medical-Dental Office	22.21	8.8	0.5	97.7	\$210.27	\$20,543.38 /KSF
General Office Building	7.16	8.8	0.5	31.5	\$210.27	\$6,623.51 /KSF
Shopping Center	30.20	4.3	0.5	64.9	\$210.27	\$13,646.52 /KSF
Hospital	11.42	4.3	0.5	24.6	\$210.27	\$5,172.64 /KSF
Discount Center	62.93	4.3	0.5	135.3	\$210.27	\$28,449.53 /KSF
High-Turnover Restaurant	8.90	4.3	0.5	19.1	\$210.27	\$4,016.16 /KSF
Convenience Market	43.57	4.3	0.5	93.7	\$210.27	\$19,702.30 /KSF
Walk-in Bank	13.97	4.3	0.5	30.0	\$210.27	\$6,308.10 /KSF
Other: (not available "per KSF")						
Cemetery (per acre)	3.07	4.3	0.5	6.6	\$210.27	\$1,387.78 /Acre
Service Station (only)	109.56	4.3	0.5	235.6	\$210.27	\$49,539.61 /FP/Day (4)
Service Station & Market	105.81	4.3	0.5	227.5	\$210.27	\$47,836.43 /FP/Day (4)
Service Station/Market/Wash	99.35	4.3	0.5	213.6	\$210.27	\$44,913.67 /FP/Day (4)

NOTES:

1. ADT = Average Daily Trips
2. KSF = Thousand Square Feet of Gross Floor Area

3. Adjusted for Pass-by and Diverted Trips.
4. FP/Day = per "Fueling Position" per day.

**SANBAG COST ESCALATION POLICY
APPLICABLE TO
REGIONAL CIRCULATION SYSTEM**

Minute Action

AGENDA ITEM: 10

Date: May 6, 2009

Subject: Nexus Study Annual Cost Escalation Factor

- Recommendation:***
- 1) Modify the cost escalation methodology as follows:
 - a) Approve use of an annual cost escalation factor for future updates to the Nexus Study, rather than the five-year rolling average currently used.
 - b) Establish 0% as the floor and 15% as the ceiling for the annual cost escalation factor.
 - c) Approve crediting any amount under the floor or over the ceiling toward the next year that has a rate of escalation above the floor or under the ceiling.
 - 2) Adopt 0% as the annual cost escalation factor for use in the Spring 2009 update to the SANBAG Development Mitigation Nexus Study
 - 3) Apply the -3.2% difference between the escalation factor and Caltrans Construction Cost Items Index as credit toward the next year of positive cost escalation.
 - 4) Allow jurisdictions to continue to extend the deferral of the 2008 cost escalation for one additional year, at their option.

Background: One of the requirements of the Development Mitigation Program approved by the San Bernardino County Congestion Management Agency (CMA) in November

Approved Consent

Approved
Board of Directors

Date: May 6, 2009

Moved: *Nuaimi* Second: *Jahn*

In Favor: 25 Opposed: 0 Abstained: 0

Witnessed: _____

2005 is an annual update of Nexus Study project costs. The Nexus Study defines requirements for development to mitigate its impacts on regional roadways in the San Bernardino Valley and Victor Valley. Nexus Study project costs are updated in one of two ways. In odd years, during the update of the CMP, a full Nexus Study update is to occur. The most recent full update of the Nexus Study and the CMP occurred in November 2007. In even years, a uniform cost escalation factor is applied to all of the arterial, grade separation and interchange projects contained in the Nexus Study. The cost escalation factor is required by the CMP to be uniform and applied consistently by all jurisdictions subject to the Nexus Study, so that jurisdictions keep pace with cost escalation, while avoiding inequities that could occur if individual cost escalation factors were allowed to be selected. The overall objective is to provide cost estimates that most reasonably reflect the anticipated costs of each project so that the development mitigation program can be administered fairly and equitably.

Modification of the Cost Escalation Methodology

Since 2005, the Board has approved the use of a five-year rolling average of the Caltrans Construction Cost Items Index to escalate the costs contained in the Nexus Study. The primary reason for the use of the rolling five-year average was that it provided local jurisdictions greater insulation from the volatility of an annualized escalation factor, and was principally in response to the high percentage increase in construction costs that occurred in calendar years 2004 and 2005, which witnessed 45.5% and 24.1% year-over-year escalation in costs, as depicted in Table 1. Cost escalation factors of 12.7% and 12.9% were subsequently adopted by the Board for calendar years 2006 and 2007 and were substantially influenced by the lingering effects of the 2004-2005 escalation in costs.

Table 1. Escalation Factors from Caltrans Index

Year	CT Index	Annual	5-yr Avg.
2000	146.2	5.0%	
2001	154.1	5.4%	
2002	142.2	-7.7%	
2003	148.6	4.5%	2.9%
2004	216.2	45.5%	9.2%
2005	268.3	24.1%	12.9%
2006	280.6	4.6%	12.7%
2007	261.1	-6.9%	12.9%
2008	252.7	-3.2%	11.2%

The Caltrans cost index has recently been updated for calendar year 2008 and the annual average of the index shows a 3.2% decrease from 2007. If, however, the five-year rolling average was maintained for use in escalating 2008 costs, the five-year rolling average would be 11.2%. This can be seen in Table 1. The possibility of an increase in the escalation factor for a year when costs were actually decreasing was highlighted by staff when the five-year rolling average was first approved in 2006.

In the long run, there is little difference in the results between applying the rolling average versus applying individual yearly factors, but there may be significant differences in the outcome for individual years, as is the case for 2007 and 2008. To avoid the complications that arise from using the five-year rolling average, staff recommends using the actual single-year percent change in the annual Caltrans Construction Cost Items Index as the basis for adjusting costs in the Nexus Study. The use of the single year percent change in the Caltrans index may not provide complete protection against the volatility of the changes in construction cost, but outside of 2004 and 2005, the index has been relatively stable. Only one other period in the past thirty years resulted in construction cost escalation greater than 15% two years in a row, and that occurred in 1978 and 1979.

Last year, when SANBAG staff presented the idea of using a single year escalation factor rather than the rolling average, a number of jurisdictions expressed concerns that use of a single-year index on its own allows for greater volatility in both the escalation and de-escalation in fees. Jurisdictions presented to staff the challenges with implementing a volatile fee program, including such issues as reducing fees and issuing fee credits. Consequently, the preference for a number of jurisdictions was to maintain the five-year rolling average. SANBAG staff believes that this volatility can be effectively managed by establishing both a single-year cost escalation floor and ceiling. This will address the concerns some local jurisdictions have regarding escalation volatility. In the view of SANBAG staff, this is superior to the current rolling average methodology. It is more responsive to year-by-year changes in cost.

Therefore, it is recommended that the use of a single-year percent change in the annual Caltrans Construction Cost Items Index be coupled with an escalation floor of 0% and an escalation ceiling of 15%. Further, any amount of de-escalation would be credited against cost escalation in next year of positive cost escalation. For example, this year the proposed cost escalation rate is -3.2%. Instead of local jurisdictions being required to de-escalate their fee programs by 3.2%, the 3.2% would be used as a credit toward the next year of cost escalation. Thus, if the 2009 escalation rate was 5%, local jurisdictions would only be

required to escalate their fee programs by 1.8%. Likewise, escalation in excess of 15% would be applied to the next year of cost escalation that was less than 15%.

Adoption of the Annual Escalation Factor

As shown in Table 1, the Caltrans Construction Cost Items Index shows a -3.2% escalation factor for 2008. It is proposed to apply the -3.2% escalation factor for purposes of the Nexus Study update, subject to recommendations 1 and 3.

Deferral of 2008 Cost Escalation

At its May 7, 2008 Meeting, the Board provided local jurisdictions with the option of a one year deferral on cost escalation, with the understanding that jurisdictions selecting this option would be required to make up the escalation in calendar year 2009. A majority of the jurisdictions exercised the option to defer cost escalation and did not escalate their fees in 2008. However, a number of jurisdictions did implement the 12.9% cost escalation approved by the Board. Because of the two different categories of jurisdictions, approval of this item would:

1. For jurisdictions that deferred cost escalation for 2008 to 2009, provide the option to either increase their fees by 9.7% (the 12.9% escalation rate approved in 2008 minus the current proposed de-escalation rate of 3.2%) or continue the deferral for one year.
2. Allow jurisdictions that implemented cost escalation in 2008, through either escalating or re-benching their costs to maintain their current fee levels at their 2008 rates. A 3.2% credit would then be applied to the next year of cost escalation for these jurisdictions.
3. Allow jurisdictions that did not require escalation or re-benching, as they were able to demonstrate the sufficiency of the costs already included in their program, to maintain their current fee levels at their 2008 rates. A 3.2% credit would then be applied to the next year of cost escalation for these jurisdictions.

For either approach, jurisdictions will be required to provide a letter from their City Manager informing SANBAG of their decision. The letter will need to be received by SANBAG no later than June 1, 2009. SANBAG's proposal is in response to both the severe economic downturn and the likelihood that construction costs may continue to decline.

Financial Impact:

This item is consistent with the adopted FY 2008/2009 Budget. TN20309000. The development mitigation program is an essential component of the funding contained in the Expenditure Plan for Measure I 2010-2040.

Board Agenda Item
May 6, 2009
Page 5

Reviewed By: This item was reviewed and unanimously recommended for approval by the Plans and Programs Committee on April 15, 2009

Responsible Staff: Ryan Graham, Transportation Planning Analyst
Steve Smith, Chief of Planning

**CALIFORNIA CONSTRUCTION COST INDEX
APPLICABLE TO
LOCAL CIRCULATION SYSTEM
AND
REGIONAL FLOOD CONTROL FACILITIES**

California Construction Cost Index (CCCI)

Month	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
January	5309	4983	4869	4620	4339	3978	3939	3859	3862	3746	3772
February	5295	4983	4868	4603	4362	4039	3939	3856	3867	3758	3764
March	5298	4999	4871	4597	4360	4034	4021	3863	3867	3846	3751
April	5296	5004	4872	4600	4393	4125	4002	3843	3906	3846	3752
May	5288	5023	4886	4599	4403	4125	4007	3942	3908	3846	3748
June	5276	5065	4842	4593	4421	4192	3988	3943	3885	3857	3744
July	5263	5135	4849	4609	4411	4194	3989	3944	3868	3855	3745
August	5265	5142	4851	4616	4399	4205	3988	3939	3869	3853	3739
September	5264	5194	4942	4619	4533	4309	3993	3939	3862	3858	3742
October	5259	5393	4943	4867	4554	4310	3994	3940	3861	3861	3748
November		5375	4978	4891	4587	4325	3988	3941	3863	3861	3745
December		5322	4981	4877	4614	4339	3980	3941	3860	3862	3745
Annual % *		6.8%	2.1%	5.4%	6.0%	8.3%	1.0%	2.1%	-0.1%	3.0%	-0.7%

The California Construction Cost index is developed based upon Building Cost Index (BCI) cost indices for San Francisco and Los Angeles produced by Engineering News Record (ENR) and reported in the second issue each month for the previous month. This table is updated at the end of each month.

The ENR BCI reports cost trends for specific construction trade labor and materials in the California marketplace.

*Annual Percentage is calculated from December to December.

This page last updated: 11/4/09

**LETTER TO BUILDING INDUSTRY
ASSOCIATION OF SOUTHERN CALIFORNIA
(BIA)**

City of
HIGHLAND
Inc. 1987



November 9, 2009

27215 Base Line
Highland, CA 92346
(909) 864-6861
FAX (909) 862-3180
www.ci.highland.ca.us

City Council

Mayor
Penny Lilburn

Mayor Pro-Tem
Ross B. Jones

Larry McCallon
Jody Scott
John P. Timmer

City Manager
Joseph A. Hughes

Frank Williams, Chief Executive Officer
Building Industry Association of Southern California, Inc.
Baldy View Chapter
8711 Monroe Court
Suite B
Rancho Cucamonga, CA 91730

Re: Notification of Public Hearing

Mr. Williams:

Pursuant to Government Code Sections 54992 (a) and 66016, this letter is to notify you that the City of Highland will be holding a public hearing on November 24, 2009 to adopt an Ordinance and Resolution regarding a revised schedule of Development Impact Fees. The staff report will be available on the City's website by November 19, 2009 for review.

If you have any questions regarding this revised fee, please call Public Works Director, Ernie Wong at (909) 864-6861 Ext. 212.

Sincerely,

Chuck Dantuono
Director of Administrative
Services/City Treasurer

Cc: Betty Hughes, City Clerk