

CITY OF FREMONT

COMPREHENSIVE DEVELOPMENT IMPACT FEE UPDATE

BACKGROUND REPORT

MAY 17, 2021



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TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
Background and Study Objectives	1
Facility Standards and Costs	1
Use of Fee Revenues	2
Development Impact Fee Schedule Summary	2
1. INTRODUCTION.....	4
Public Facilities Financing in California	4
Study Objectives	4
City of Fremont Facility Fee Program	5
Fee Program Maintenance	5
Study Methodology	5
Types of Facility Standards	6
New Development Facility Needs and Costs	6
Technical Reports	7
Organization of this Report	7
2. GROWTH FORECASTS.....	9
Land Use Types	9
Existing and Future Development	12
Occupant Densities	13
3. IMPLEMENTATION	15
Impact Fee Program Adoption Process	15
Inflation Adjustment	15
Reporting Requirements	15
4. MITIGATION FEE ACT FINDINGS	16
Purpose of Fee	16
Use of Fee Revenues	16
Benefit Relationship	16
Burden Relationship	16
Proportionality	17

Executive Summary

This report summarizes the underlying assumptions and methodologies used to comprehensively update the City of Fremont's development impact fee program. The facilities funded by the fee are needed to accommodate demand from future development in the City of Fremont through 2035. It is the City's intent that the costs representing future development's share of public facilities and capital improvements be borne by development in the form of a development impact fee, also known as a public facilities fee. The public facilities and improvements included in this analysis are divided into the fee categories listed below:

- Capital Facilities;
- Fire Facilities;
- ♦ Parkland and Park Facilities; and,
- ♦ Traffic Facilities.

A technical report for each facility category has been prepared to detail the fee calculations. This document summarizes the results of the analysis in each technical report, the maximum justified fees, as well as the proposed fees.

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. Although growth also imposes operating costs, there is no similar system to generate revenue from new development for ongoing services. The primary purpose of this report is to calculate and present fees that will enable the City to expand its inventory of public facilities, as new development creates increases in demands for facilities.

The City imposes its development impact fees pursuant to the Mitigation Fee Act (the Act) (California Government Code Sections 66000 *et seq.*). This report provides the necessary findings required by the Act for adoption of the fees presented in the fee schedules contained herein.

All development impact fee-funded capital projects should be programmed through 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 will accommodate future growth. By programming fee revenues to specific capital projects, the City can help ensure a reasonable relationship between new development and the use of fee revenues as required by the *Mitigation Fee Act*.

Facility Standards and Costs

There are three 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 **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 used to calculate the capital facilities fees, fire facilities fees, traffic facilities fees and park facilities fees in this study.

The existing standard approach was chosen for these categories because if fees are implemented at these levels, they will allow the City to maintain its existing facility standards as new growth occurs. As new development will be spread throughout the City and as City facilities

are provided as parts of unified systems that serve the entire City, this is the most appropriate methodology for Fremont.

The **planned facilities** approach allocates costs based on specific planned facilities that primarily serve 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 new development creating deficient levels of service at specific intersections or a sewer trunk line extension to a previously undeveloped area. This approach is not used in this study.

The **system plan** approach is based on a master facility plan in situations where specific needed facilities serve both existing and new development. This approach allocates existing and planned facilities across existing and new development to determine new development's fair share of facility needs. This approach is used when it is not possible to differentiate the benefits of new facilities between new and existing development. This approach is not used in this study because this approach would result in fees that dramatically exceed those from the existing inventory method.

Use of Fee Revenues

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, capacity expanding transportation projects, the acquisition of equipment and information technology.

Development Impact Fee Schedule Summary

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

Table E.1: Maximum Justified Impact Fee Summary

Land Use	Capital Facilities	Fire Facilities	Traffic	Parkland	Park Facilities	Total
<i>Residential - Number of Bedrooms</i>						
0 bedroom (studios)	\$ 1,366	\$ 358	\$ 3,813	\$ 8,560	\$ 8,654	\$ 22,751
1 bedroom	1,847	485	5,158	11,581	11,708	30,779
2 bedrooms	2,743	719	7,657	17,191	17,379	45,689
3 bedrooms	3,512	921	9,803	22,011	22,251	58,498
4 bedrooms	4,120	1,080	11,502	25,823	26,105	68,630
Per additional bedroom >4	815	213	2,275	5,107	5,163	13,573
<i>Nonresidential - Per 1,000 Square Feet or per Hotel Room</i>						
Office	\$ 1,065	\$ 881	\$15,164	\$ -	\$ -	\$ 17,110
Retail/Service	633	524	29,689	-	-	30,846
Warehouse	456	377	5,127	-	-	5,960
Light Industrial	356	295	8,864	-	-	9,515
Manufacturing	648	537	8,436	-	-	9,621
Research & Development	822	681	11,854	-	-	13,357
Business Park ¹	Varies	Varies	13,456	-	-	13,456
Convalescent Home/Nursing Home	356	295	9,184	-	-	9,835
Assisted Living/Congregate Care	356	295	2,136	-	-	2,787
Hospital	356	295	10,359	-	-	11,010
Religious Facility	918	761	8,544	-	-	10,223
Schools, all (K-12)	918	761	22,961	-	-	24,640
School, Vocational/Trade Collegian	918	761	24,242	-	-	25,921
Hotel/Motel (Room)	203	168	6,515	-	-	6,886

¹ For uses paying the Traffic fee as a Business Park, the most applicable Capital Facilities and Fire Facilities fees would also apply (e.g., office, manufacturing).

Sources: City of Fremont *Comprehensive Development Impact Fee Update Technical Reports for: Capital Facilities, Fire Facilities, Park Facilities and Traffic Impact Fee (May 2021)*; Willdan Financial Services.

1. Introduction

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

- Public Facilities Financing in California;
- Study Objectives;
- City of Fremont Impact Fee Program;
- Fee Program Maintenance;
- Study Methodology; and
- Organization of this Report.

Public Facilities Financing in California

The changing fiscal landscape in California during the past 40 years has steadily undercut the financial capacity of local governments to fund infrastructure. Three 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; 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. Development impact fees, are an appropriate funding source for facilities that benefit all development jurisdiction-wide. Development impact fees can be adopted by the City Council following a public hearing.

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. The City’s General Plan gives direction regarding impact fees in several policies. *Policy 2-2.9: Adequacy of Infrastructure, Implementation 2-2.9.A: Paying for Growth* of the City’s General plan states “Utilize impact fees, special assessments, developer-funded improvements, and other methods to ensure that new development pays its fair share of the cost of the capital improvement and service cost needs it generates.”

Regarding traffic impact fees, *Policy 3-1.1C* states that the City will “Explore changes to Fremont’s traffic impact fees that enable the use of these fees to improve transit, bicycle, and pedestrian facilities, and to undertake traffic calming projects.” *Policy 3-4.4* ensures that the City will “Require new development to mitigate its impacts on mobility conditions through traffic impact fees, street and intersection improvements, transportation demand management programs and other measures.”

Regarding park impact fees *Policy 8-1.2.B* states that the City will “Continue to require all new development to dedicate and develop parkland or make in-lieu payments consistent with State law, the City’s impact fee programs, and with the City’s five acres per one thousand residents standard.

Regarding public safety facilities, Policy 9-1.2 states “Ensure public safety facilities are added or expanded as necessary to keep pace with population growth and meet operational needs.”

The primary purpose of this report is to comprehensively update the City’s impact fees based on the most current available facility plans, growth projections and policy guidance from the General Plan. The proposed fees will enable the City to expand its inventory of public facilities as new development leads to increases in service demands.

The City imposes public facilities fees pursuant to the Mitigation Fee Act. This report provides the necessary findings required by the Act for adoption of the fees presented in the fee schedules of this report.

Fremont is forecast to experience substantial growth through this study’s planning horizon of 2035. This growth will create an increase in demand for public services and the facilities required to deliver them. Given the revenue challenges described above, Fremont has decided to update its development impact fee program to ensure that new development funds the share of facility costs associated with growth. This report makes use of the most current available growth forecasts and facility plans to update the City’s existing fee program to ensure that the fee program accurately represents the facility needs resulting from new development.

City of Fremont Facility Fee Program

Fremont currently charges impact fees to fund the expansion of capital facilities, fire facilities, parkland and park facilities, and transportation facilities to serve new development. This study provides the documentation needed for a comprehensive update of the City’s impact fee program.

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 potentially higher costs. The use of established indices for each facility included in the inventories (land, buildings, and equipment), such as the *Engineering News-Record*, is necessary to accurately adjust the impact fees. For a list of recommended indices, see Chapter 3.

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 3.

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;
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.
- ♦ *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. *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 consumed 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 three common methods for determining new development's fair share of planned facilities costs: the **system plan method**, the **planned facilities method**, and the **existing inventory method**. Often the method selected depends on the degree to which the community has engaged in comprehensive facility master planning to identify facility needs.

The formula used by each approach and the advantages and disadvantages of each method is summarized below:

Existing Inventory Method

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

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

Under this method new development will fund the expansion of facilities at the same standard currently serving existing development. 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 or incomplete. 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 method is used to calculate the capital facilities fees, fire facilities fees, traffic facilities fees and park facilities fees in this study.

Planned Facilities Method

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

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

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 expansion of an existing library building and book collection, which will be needed only if new development occurs, but which, if built, will in part benefit existing development, as well. Under this method new development will fund the expansion of facilities at the standards used in the applicable planning documents. This approach is not used in this report.

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:

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

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 method is not used in this study.

Technical Reports

Accompanying this report are four technical reports corresponding with each of the fee categories in Fremont's impact fee program: capital facilities, fire facilities park facilities and traffic facilities. Each report identifies citywide facility standards and planned facilities, allocates the cost of planned facilities between new development and existing development, and identifies the appropriate development impact fee for each of the facility fee categories.

Organization of this Report

The determination of a public facilities 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 all facility categories and are summarized in Chapter 2.

Chapter 3 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.

The five statutory findings required for adoption of the proposed public facilities fees in accordance with the Mitigation Fee Act are documented in Chapter 4.

2. Growth Forecasts

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 2020 base year and a planning horizon of 2035.

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 2020 is used as an indicator of existing facility demand and to determine existing facility standards.
- The estimate of total development at the 2035 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 2020 through 2035 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. The service population for law enforcement facilities, fire facilities, and road maintenance equipment facilities includes residents and workers. The service population for parks includes only residents.

Land Use Types

To ensure a reasonable relationship between each fee and the type of development paying the fee, growth projections distinguish between different land use types. The land use types for which impact fees are calculated are defined below.

Residential Definitions

- *Bedroom*: A room in a dwelling unit that may be used for sleeping accommodation including such spaces that may be labeled as bedroom, master bedroom, den, library, office, study or the like, when such space conforms to the definition of a "Sleeping Unit" in accordance with the requirements for a sleeping accommodation as provided in the building code.
- *Dwelling*: A building or structure, or portion thereof, designed for residential occupancy with facilities for cooking, sleeping, and bathing; provided, however, "dwelling" shall not mean any convalescent/nursing home, hospital, hotel/motel, or congregate care facility.
- *Residential Use*: Residential use is a place of residence wherein housing is the primary land use. Types of residential uses include single-family, multifamily, mobile home/trailer, and secondary unit. For the purposes of the development impact fees, "bedroom," as defined herein, shall be the residential use characteristic used to determine the appropriate fees required by each residential type.
- *Unit*: One or more rooms in a dwelling designed for occupancy by one person, or one group of people, with a common entry and a common cooking facility.

Non-Residential Definitions

- *Assisted Living/Congregate Care Facility*: Facilities that combines private living quarters with centralized dining services, shared living spaces, and access to social and recreational activities. Some of these facilities may also offer

transportation services, personal care services, rehabilitative services, spiritual programs, and other support services.

- *Business Park:* A group of flex-type one or two story buildings served by a common roadway system. Tenant spaces are flexible and lend to a variety of uses that may include office, retail and wholesale stores, restaurants, recreational areas, warehousing, manufacturing, light industrial, or scientific research functions. The average mix is 20 to 30% office/commercial and 70 to 80% warehousing/industrial.
- *Floor Area:* The gross floor area of a building for a proposed use, as described in the application for a development project. Floor area is determined by calculating the total combined area of all floors within the exterior faces of the walls of a proposed structure/use, including mezzanines. Floor area specifically includes the area of an additional where the area of the floor is increased. Floor area specifically excludes areas devoted to parking, atriums, enclosed malls (other than rental spaces) and similar uses, and exterior walkways.
- *Government Office:* An office facility where people employed in public/governmental service work. Some government office facilities may provide services to the general public and/or facilities for use by the public such as banquet and meeting rooms.
- *Hospital/Convalescent/Nursing Home:* Any institution where medical or surgical care and overnight, inpatient accommodations are provided for a wide variety of conditions. Nursing homes and similar facilities that provide a combination of residential care with nursing and/or personal care as required by the residents are included in this category. Medical clinics (facilities that provide diagnoses and outpatient care only) are included in the “office” category.
- *Hotel/Motel:* Places of lodging that provide sleeping accommodations, including any associated cocktail lounges, meeting and banquet rooms, or convention facilities including all suite hotels and business hotels.
- *Light Industrial:* Uses characterized by a mix of manufacturing (small items), service, and warehouse facilities in the same building with a wide variation in the proportion of each type of use. Examples of light industrial uses include materials testing laboratories, assembly of data processing equipment, contractor offices, cabinetry work, machine shops, management services, photocopying services, software publishing/production, engineering/architectural services, and electronic/computer component production.
- *Manufacturing:* Facilities that fabricate, process, assemble, or blend organic or inorganic materials and/or substances into new, usually large, products. The materials used in the manufacturing process may include products of agriculture, forestry, fishing, mining, and quarrying as well as products of other manufacturing establishments. The new product may be “finished” in the sense that it is ready for use for consumption or it may be “semi-finished” to become a component for further manufacturing. Manufactured products are customarily directed to the wholesale market, interplant transfer, or industrial users, rather than for direct sale to the consumer. Manufacturing includes large machining operations, use of metal products, operations that have a combination of manufacturing, warehouse, and assembly in a space primarily occupied by very large machinery or other large fabrication and storage that may serve a variety of industries.
- *Non-Residential Use:* Any use which is not otherwise defined herein as a “Residential Use.” Non-Residential Use shall specifically include: Office; Retail/Service; Hotel/Motel, Warehouse; Light Industrial; Research & Development; Business Park; Manufacturing, K-12 School; Vocational, Trade,

Collegian School; Public/Institutional; Hospital, Convalescent, Nursing Home; and Congregate Care/Assisted Living Facility.

- *Office*: Uses for which the floor area is primarily devoted to office and meeting spaces. Examples of office uses are: Professional services (legal, engineering, accounting), investment broker, real estate office, advertising agency, social services, insurance, bank, or savings and loan institutions, medical clinics and offices, and regional and corporate managing offices.
- *Public/Institutional*: The public/institutional use category includes non-commercial uses such as hospitals, schools, social or religious institutions, and public institutions. Under the Traffic Impact Fee, a number of public/institutional uses are defined more specifically than then this more general definition that is applied to the Capital Facilities and Fire Facilities Impact Fees, including religious facilities, schools, and hospitals/convalescent.
- *Religious Facility*: An establishment of religious organizations operated for worship, religious training or study, government or administration of an organized religion, or for promotion of religious activities, as specifically defined in Fremont Municipal Code (FMC) Chapter 18.25.
- *Research & Development*: Facilities or group of facilities devoted almost exclusively to research and development (R&D) activities in physical, engineering, and/or life sciences engaged in conducting original investigations undertaken on a systematic basis to gain new knowledge and/or the application of research findings or other scientific knowledge for the creation of new or significantly improved products or processes. The range of specific types of businesses contained in this land use category varies significantly, but each typically contains offices and light fabrication areas for these R&D activities.
- *Retail/Service*: Uses for which the floor area is primarily devoted to retail sale of goods or services (or the adjacent storage of goods for retail sale) to the general public or to small businesses, and which generates regular traffic during weekday p.m. peak hours. Examples of retail/service uses are: automobile dealerships, automobile care and body repair centers, movie theaters, specialty retail centers containing a variety of retail shops specializing in quality apparel, hard goods, and services such as travel agencies, dance studios, tutoring services, florists, and restaurants, gas stations, convenience markets, fast food, and indoor recreation (e.g., swimming, tennis/racket ball courts, billiards/arcades, dance halls, bowling, amusement parks), and the like.
- *School, K-12 (all)*: Private, non-profit, and public establishments primarily engaged in furnishing academic courses and associated course work that comprise a basic preparatory education for kindergarten through 12th grades. Tutoring services are included in the “retail/service” use category.
- *School, Vocational/Trade/Collegian*: Training centers for specific skills or classes, such as computer software programs, where classes usually last two to three days, including career-oriented higher education programs in business and technology that often lead to certificates in programs such as Business Administration, Computer Technology, Electronics Engineering, and Nursing.
- *Warehouse*: A facility with no more than 20 percent of the gross floor area devoted of office uses and the balance of the floor area devoted to the storage of goods and materials or other uses with employee densities similar to the storage of goods and materials. Warehouses are used on a permanent basis for the receipt, storage, and redistribution of goods generally handled in containers, such as boxes, barrels, and/or drums, using equipment, such as forklifts, pallets, and racks.

Some developments may include more than one land use type, such as a mixed-use development with both multifamily and commercial uses. In those cases, the facilities fee would be calculated separately for each land use type.

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.

Existing and Future Development

Table 2.1 shows the estimated number of residents, dwelling units, employees, and building square feet in Fremont, both in 2020 and in 2035. The base year estimates of residents and dwelling units comes from the California Department of Finance (2020). The California Department of Finance is a trusted source for existing residential data in the state and is frequently used to establish the base year residential population and dwelling unit estimates in impact fee studies.

The increase in projected housing units is based on data from the General Plan Land Use Element and the Warm Springs Community Plan. The estimates for total population and dwelling units in 2035 is consistent with the assumptions from the City's prior 2015 development impact fee studies.

Current estimates of nonresidential building square footage are from the City's *2018 Community Profile* published by the City's Economic Development Department. Estimates of total nonresidential building square footage in 2035 comes from the General Plan EIR Table 3-2. These sources were recommended by City staff for use in this analysis and represent the most current estimates of these assumptions.

Base year estimates of primary jobs are from the US Census' OnTheMap application. The increase in employment to 2035 is based on data from the General Plan Land Use Element and the Warm Springs Community Plan.

Table 2.1: Demographic Assumptions

	2020	2035	Increase
<u>Residents</u> ¹	232,600	263,200	30,600
<u>Dwelling Units</u> ²			
Single Family	54,900	65,400	10,500
Multifamily	22,400	26,200	3,800
Total - Dwelling Units	77,300	91,600	14,300
<u>Building Square Feet (000s)</u> ³			
Commercial	9,100	9,683	583
Industrial	41,300	60,464	19,164
Total - Building Square Feet	50,400	70,147	19,747
<u>Employment</u> ⁴			
Commercial	14,869	18,500	3,631
Industrial	96,931	120,000	23,069
Total - Employment	111,800	138,500	26,700

Note: Figures rounded to the nearest hundred.

¹ Current household population from California Department of Finance (DOF). Population in 2035 from the General Plan Land Use Element and includes 4,725 additional residents from the Warm Springs Community Plan.

² Current values from DOF. Increase in housing units based on data from the General Plan Land Use Element the Warm Springs Community Plan.

³ Current values from 2018 Community Profile by the City's Economic Development Department. Total in 2035 from General Plan EIR Table 3-2.

⁴ Current estimates of primary jobs from the US Census' OnTheMap. Increase in employment based on data from the General Plan Land Use Element and the Warm Springs Community Plan.

Sources: California Department of Finance (DOF), Table E-5, 2020; City of Fremont General Plan Update; General Plan Update EIR Table 3-2; Warm Springs Community Plan; OnTheMap Application, <http://onthemap.ces.census.gov>; City of Fremont Economic Development Department, 2018 Community Profile; 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.

Persons per bedroom assumptions ensure a reasonable relationship between the size of a dwelling unit and the residents, and therefore demand for public facilities. For residential development, the fee is based on the number of bedrooms in each additional housing unit, so the fee schedule must convert service population estimates to these measures of bedrooms per dwelling unit and number of dwelling units in the project.

This conversion is done with average household size factors that vary by bedrooms proposed in the dwelling unit, shown in **Table 2.2**. The data series that was used to statistically establish these household size factors is from the 2017 American Housing Survey (AHS), the most recent

AHS data available. Willdan used AHS data from the Pacific Division to estimate the persons per bedroom for the Pacific Division. The estimate of persons per bedroom for the Pacific Division was then adjusted using based on difference in average dwelling unit density for Fremont compared to the Pacific Division as calculated from American Community Survey (ACS) data. These adjustments were necessary because data for the City of Fremont is not specifically available from the American Housing Survey, and the American Community Survey does not provide data at the granularity needed to estimate these factors for the City.

The average employment density factors used in this study are also shown in Table 2.2. They are consistent with the factors used in the City's 2015 impact fee analyses, the City's 2030 General Plan Update and were provided by City staff.

Table 2.2: Occupant Density

Residential - Number of Bedrooms

0	1.19	Residents per dwelling unit
1	1.61	Residents per dwelling unit
2	2.39	Residents per dwelling unit
3	3.06	Residents per dwelling unit
4	3.59	Residents per dwelling unit
Each Bedroom Above 4 Add:	0.71	Residents per dwelling unit

Nonresidential

Office	2.99	Employees per 1,000 square feet
Retail / Service	1.78	Employees per 1,000 square feet
Warehouse	1.28	Employees per 1,000 square feet
Light Industrial	1.00	Employees per 1,000 square feet
Manufacturing	1.82	Employees per 1,000 square feet
Research & Development	2.31	Employees per 1,000 square feet
Hospital / Convalescent / Nursing Home	1.00	Employees per 1,000 square feet
Public / Institutional	2.58	Employees per 1,000 square feet
Hotel / Motel	0.57	Employees per room

Sources: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates, Tables B25024 and B25033; MTC Land Use Category Assumptions, consistent with Fremont 2030 General Plan Update; U.S. Census 2017 American Housing Survey data for the Pacific Division, adjusted based on difference in average dwelling unit density for Fremont v. Pacific Division; Willdan Financial Services.

3. Implementation

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. 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 has kept 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 following indices be used for adjusting fees for inflation:

- ◆ Facilities – Engineering News-Record's Construction Cost Index (BCI) for the San Francisco-San Jose-Oakland region.
- ◆ Improvements – Consumer Price Index, All Items, 1982-84=100 for All Urban Consumers (CPI-U) San Francisco-San Jose-Oakland region.

Due to the highly variable nature of land costs, there is no particular index that captures fluctuations in land values. We recommend that the City adjust land values based on recent land purchases, sales or appraisals at the time of the update.

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 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.

4. Mitigation Fee Act Findings

Development impact fees are one-time fees typically paid when a building permit is applied for or issued and imposed on development projects by local agencies responsible for regulating land use (cities and counties). To guide the widespread imposition of public facilities fees the State Legislature adopted the *Mitigation Fee Act* (the *Act*) with Assembly Bill 1600 in 1987 and subsequent amendments. The *Act*, contained in *California Government Code* Sections 66000 through 66025, establishes requirements on local agencies for the imposition and administration of fee programs. The *Act* requires local agencies to document five findings when adopting a fee.

The five statutory findings required for adoption of the public facilities fees documented in this report are presented in this chapter and supported in detail in each of the accompanying technical reports (*Capital Facilities Fee Technical Report*, *Fire Facilities Fee Technical Report*, *Park Facilities Fee Technical Report*, and *Traffic Impact Fee Technical Report*). All statutory references are to the *Act*.

Purpose of Fee

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

Development impact fees are designed to ensure that new development will not burden the existing service population with the cost of facilities required to accommodate growth. The purpose of the fees proposed by this report is to provide a funding source from new development for facility improvements to serve that development. The fees advance a legitimate City interest by enabling the City to provide public facilities to 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).*

Fees proposed in this report, if enacted by the City, would be used to fund expanded facilities to serve new development. Facilities funded by these fees are designated to be located within Fremont City Limits. Fees addressed in this report have been identified by the City to be restricted to funding the following facility categories: capital facilities, fire facilities, parkland and park facilities and transportation facilities.

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 used to serve new development. Facilities funded by the fees are expected to provide a citywide network of facilities accessible to the additional residents and workers associated with new development. Under *the Act*, fees are not intended to fund planned facilities needed 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 public facilities and the types of development on which the fees are imposed (§66001(a)(4) of the Act).*

Facilities need is based on a facility standard that represents the demand generated by new development for those facilities. For each facility category, demand is measured by a single facility standard that can be applied across land use types to ensure a reasonable relationship to the type of development. For most facility categories 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.

The standards used to identify growth needs are 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.

Chapter 2, Growth Forecasts provides a description of how service population and growth forecasts are calculated. Facility standards are described in the *Facility Standards* sections of each technical report.

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 new development growth the project will accommodate. Fees for a specific project are based on the project's size (in bedrooms, 1,000 square feet, or hotel/motel rooms). Larger new 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 *Chapter 2, Growth Forecasts and Unit Costs*, or the *Service Population* sections in each facility category chapter for a description of how service populations or other factors are determined for different types of land uses.