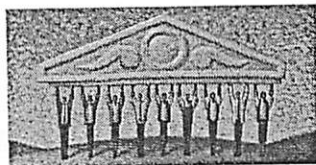


City of Lompoc

Impact Fee Study
Final Report

November 2003



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TABLE OF CONTENTS

Executive Summary

| | |
|----------------------------|-----|
| Organization of the Report | S-1 |
| Development Data | S-1 |
| Impact Fee Analysis | S-2 |
| Summary of Impact Fees | S-5 |
| Implementation | S-6 |
| Recovery of Study Cost | S-6 |

Chapter 1 - Introduction

| | |
|------------------------------------|-----|
| Legal Framework | 1-1 |
| Impact Fee Calculation Methodology | 1-5 |
| Facilities Addressed in This Study | 1-7 |

Chapter 2 - Development Data

| | |
|---|-----|
| Background and Setting | 2-1 |
| Study Area and Time Frame | 2-2 |
| Development Types | 2-2 |
| Units of Development and Conversion Factors | 2-3 |
| Demand Variables and Impact Factors | 2-3 |
| Development Data | 2-6 |

Chapter 3 – Parks

| | |
|------------------------|-----|
| Service Area | 3-1 |
| Methodology | 3-1 |
| Demand Variable | 3-1 |
| Level of Service | 3-1 |
| Facility Needs | 3-3 |
| Per-Capita Cost | 3-3 |
| Impact Fee Calculation | 3-3 |
| Projected Revenue | 3-6 |

Chapter 4 – Community and Recreation Centers

| | |
|------------------------|-----|
| Service Area | 4-1 |
| Methodology | 4-1 |
| Demand Variable | 4-1 |
| Level of Service | 4-1 |
| Facility Needs | 4-2 |
| Impact Fee Calculation | 4-2 |
| Projected Revenue | 4-3 |

TABLE OF CONTENTS (Continued)

Chapter 5 – Libraries

| | |
|-------------------------------------|-----|
| Service Area | 5-1 |
| Methodology | 5-1 |
| Demand Variable | 5-1 |
| Level of Service and Facility Needs | 5-2 |
| Per-Capita Cost | 5-2 |
| Impact Fee Calculation | 5-3 |
| Projected Revenue | 5-3 |

Chapter 6 – Water System

| | |
|-----------------------------------|-----|
| Service Area and Planning Horizon | 6-1 |
| Demand Variable | 6-1 |
| Methodology | 6-1 |
| Level of Service | 6-2 |
| Facility Needs | 6-2 |
| Impact Fee Calculation | 6-4 |
| Projected Revenue | 6-6 |

Chapter 7 – Wastewater System

| | |
|-----------------------------------|-----|
| Service Area and Planning Horizon | 7-1 |
| Demand Variable | 7-1 |
| Methodology | 7-2 |
| Level of Service | 7-3 |
| Facility Needs | 7-3 |
| Impact Fee Calculation | 7-4 |
| Projected Revenue | 7-6 |

Chapter 8 – Police Facilities and Equipment

| | |
|-----------------------------------|-----|
| Service Area and Planning Horizon | 8-1 |
| Methodology | 8-1 |
| Demand Variable | 8-2 |
| Level of Service | 8-2 |
| Facility and Equipment Needs | 8-2 |
| Cost per Activity | 8-3 |
| Impact Fee Calculation | 8-4 |
| Projected Revenue | 8-5 |

TABLE OF CONTENTS (Continued)

Chapter 9 – Fire Protection Facilities and Equipment

| | |
|-----------------------------------|-----|
| Service Area and Planning Horizon | 9-1 |
| Methodology | 9-1 |
| Demand Variable | 9-2 |
| Level of Service | 9-2 |
| Facility and Equipment Needs | 9-2 |
| Cost per Acre | 9-3 |
| Impact Fee Calculation | 9-4 |
| Projected Revenue | 9-5 |

Chapter 10 – Street Improvements

| | |
|-----------------------------------|------|
| Service Area and Planning Horizon | 10-1 |
| Methodology | 10-1 |
| Demand Variable | 10-1 |
| Level of Service | 10-2 |
| Facility Needs | 10-2 |
| Average Cost per Peak Hour Trip | 10-3 |
| Impact Fee Calculation | 10-3 |
| Projected Revenue | 10-5 |

Chapter 11 – Traffic Signals

| | |
|-----------------------------------|------|
| Service Area and Planning Horizon | 11-1 |
| Methodology | 11-1 |
| Demand Variable | 11-1 |
| Level of Service | 11-2 |
| Facility Needs | 11-2 |
| Average Cost per Peak Hour Trip | 11-3 |
| Impact Fee Calculation | 11-4 |
| Projected Revenue | 11-5 |

Chapter 12 – Bikeways

| | |
|------------------------|------|
| Service Area | 12-1 |
| Methodology | 12-1 |
| Demand Variable | 12-1 |
| Level of Service | 12-1 |
| Facility Needs | 12-2 |
| Cost per Capita | 12-2 |
| Impact Fee Calculation | 12-2 |
| Projected Revenue | 12-3 |

TABLE OF CONTENTS (Continued)

Chapter 13 – Refuse Containers

| | |
|------------------------|------|
| Methodology | 13-1 |
| Container Costs | 13-1 |
| Impact Fee Calculation | 13-2 |

Chapter 14 – Implementation

| | |
|---------------------------------|------|
| Adoption | 14-1 |
| Administration | 14-1 |
| Training and Public Information | 14-6 |
| Recovery of Study Cost | 14-7 |

EXECUTIVE SUMMARY

The City of Lompoc retained MAXIMUS to prepare this study to analyze the impacts of development on certain capital facilities, and to calculate development impact fees based on that analysis. This report documents the data, methodology, and results of that impact fee study. The methods used to calculate impact fees in this study are intended to satisfy all legal requirements governing such fees, including provisions of the U. S. Constitution, the California Constitution, and the California Mitigation Fee Act (Government Code Sections 66000 *et seq.*)

ORGANIZATION OF THE REPORT

Chapter 1 of this report provides an overview of impact fees. It discusses legal requirements for establishing and imposing such fees, as well as methods used in this study to calculate the fees. Chapter 2 contains information on existing and planned development in the study area, and organizes that data in a form that can be used in the impact fee analysis. Chapters 3 through 13 analyze the impacts of development on specific types of facilities as follows:

- | | |
|---------------------------------------|-----------------------------------|
| Ch. 3. Parks | Ch. 8. Police Facilities |
| Ch. 4. Community & Recreation Centers | Ch. 9. Fire Protection Facilities |
| Ch. 5. Libraries | Ch. 10. Street Improvements |
| Ch. 6. Water System | Ch. 11. Traffic Signals |
| Ch. 7. Wastewater System | Ch. 12. Bikeways |
| | Ch. 13. Refuse Containers |

Each of the chapters listed above identifies facilities eligible for impact fee funding and calculates the maximum impact fee that can be justified for each type of facility based on the information used in the study. Chapter 14 discusses implementation of the impact fee program, including procedures and legal requirements for implementing an impact fee program under California law.

DEVELOPMENT DATA

Forecasts of future development used in this study are intended to represent all additional development in the City from January 2003 to buildout of the City and its sphere of influence, as well as planned annexations in the "Wye" area. With a few exceptions, the analysis in this report does not require a forecast of the timing of development or when buildout will occur. The exceptions are cases where the City has issued debt to finance facilities that will serve future development. Those cases are discussed in the chapters dealing with specific facilities. Data on population

and demographics were taken from the 2000 Census and the most recent California Department of Finance Population estimates.

As shown in Chapter 2 of this report, land planned for development in the study area would ultimately support an increase of about 16% in the City's household population (excluding the prison population). Traffic volumes, police calls, water demand and wastewater discharges projected in this study all increase by about the same amount. This report addresses facilities needed to meet the service needs of that future development.

IMPACT FEE ANALYSIS

Each type of facility addressed in this report was analyzed individually. In each case, the relationship between development and the need for additional facilities was quantified in a way that allows impact fees to be calculated for various categories of development. For each type of facility, a specific, measurable attribute of development was used to represent the demand for additional capital facilities. For example, in the case of street improvements, the number of additional peak hour vehicle trips generated by new development is used to measure the impact of that development.

Recommended impact fees for all types of facilities are summarized in Table S.1 at the end of this Executive Summary. In keeping with legal restrictions on impact fees, the impact fees calculated in this report are based on capital costs only. The following paragraphs briefly discuss factors considered in the analysis of each type of facility

Chapter 3 - Parks. Chapter 3 addresses two kinds of park fees—park impact fees for park improvements and fees in lieu of dedication for park land acquisition as authorized by the Quimby Act. The impact fee for park improvements is based on the cost of improvements needed to maintain the City's existing ratio park acreage to population. Fees in lieu of park land dedication under the Quimby Act apply only to residential subdivisions. Based on its existing park acreage, the City qualifies for the maximum allowable ratio of 5-acres per thousand population, as specified in the Quimby Act. Because these fees are population-driven, they apply only to residential development. The City currently charges an in-lieu fee under the Quimby Act, but the impact fee for park improvements is a new fee.

Chapter 4 – Community and Recreation Centers. Chapter 4 addresses impact fees for community and recreation centers. Those fees are based on the City's per-capita investment in existing community and recreation center facilities. The planned Aquatic Center is treated as an existing facility only to the extent it is being funded by the general fund, redevelopment agency, and previously collected in-lieu

fees. The replacement cost of existing facilities is divided by the existing population to establish the City's current per-capita investment in these facilities. That per-capita cost is translated into impact fees that are needed to maintain the existing ratio of facility investment to population. Because these fees are population-driven, they apply only to residential development. This is a new fee.

Chapter 5 - Libraries. Chapter 5 establishes the existing relationship between library assets—building space and materials—and population, and calculates impact fees needed to maintain those existing relationships. The impact fee analysis recognizes that the City's library serves population outside the City. Because these fees are population-driven, they apply only to residential development. This is a new fee.

Chapter 6 - Water System. Chapter 6 calculates impact (or connection) fees for the City's water system. It identifies cost of system improvements needed to serve future development and calculates fees based on those costs and the amount of capacity used by development. However, because most improvements to the water system are being financed with borrowed capital, and because water service charges must be increased to repay that debt, newcomers will pay a portion of their share of facility costs through service charges. The water impact fees calculated in Chapter 6 recognize that fact, and are calculated in a way that includes only the portion of costs not paid through service charges. Those fees are initially well below the level of existing water connection fees, because a new user who connects soon after debt repayment begins will contribute almost as much through service charges as existing users. Over time, the share of costs paid by new users through service charges declines, and the impact fees increase substantially. Impact fees for water system improvements are converted to a meter-size basis, similar to the City's existing fees.

Chapter 7 - Wastewater System. Chapter 7 calculates impact (or connection) fees for the City's wastewater system using a method very similar to that described for water system improvements. The wastewater impact fees are based on new development's share of the cost of planned improvements to the wastewater treatment plant. As with water impact fees, the wastewater impact fees calculated in this study are lower than existing fees. Wastewater impact fees are converted to a meter-size basis, similar to the City's existing fees.

Chapter 8 - Police Facilities and Equipment. Chapter 8 calculates impact fees to cover the cost of police facilities and equipment. The City plans to expand the existing police building, but that expansion does not correlate directly with the needs of new development. Consequently, the police impact fees were calculated on a "buy-in" basis. The cost of both existing and planned facilities was totaled, and that cost was allocated to both existing and future development, so that new development is charged only for its proportional share of the cost of all police assets. In

addition to facility costs, anticipated one-time costs for additional vehicles are included in the calculations. Costs are allocated based on the number of police “activities” (calls for service plus officer-initiated actions) related to each type of development.

Chapter 9 - Fire Protection Facilities and Equipment. Chapter 9 calculates impact fees to cover the cost of fire protection facilities and equipment. As with police facilities, impact fees for fire protection facilities were calculated on a “buy-in” basis, using the cost of Fire Station No. 1, all existing apparatus, and the relocation of Station No. 2. The total cost of those assets was allocated to both existing and future development so that new development would pay only its proportional share of the assets. Costs are allocated on the basis of developed acreage.

Chapter 10 – Street Improvement Impact Fees. Chapter 10 calculates fees for street improvements based on a list of street improvements needed to serve future development. Because there are no existing deficiencies relative to the adopted level of service, all of the costs for those improvements are attributed to future development in the impact fee calculations. Costs attributed to future development are allocated on the basis of peak hour trip generation. This is a new fee.

Chapter 11 – Traffic Signals. Chapter 11 calculates fees for traffic signals based on a list of signals needed to serve future development. All signals needed to serve existing development at an acceptable level of service are either existing or will be funded by cash on hand. In addition, some impact fee money is available to fund signals needed to serve future development. The impact fees for traffic signals are based on the cost of signals needed to serve future development, less the amount available from previously paid impact fees. The remaining cost is attributed to future development and allocated on the basis of peak hour trip generation.

Chapter 12 – Bikeways. Chapter 12 calculates impact fees for bikeways. While bikeways do provide some transportation services, this study treats them as primarily recreational. As with community and recreation centers, the bikeway impact fee is calculated based on the replacement cost of existing bikeway assets, and allocates those costs on a per-capita basis. Thus the bikeway impact fee is based on the amount needed to maintain the existing ratio of bikeway investment to population. Because these fees are population-driven, they apply only to residential development. This is a new fee.

Chapter 13. Refuse Containers. Chapter 13 summarizes the cost of purchasing, assembling, and delivering refuse containers to new development projects. Costs vary by container size. The number of containers required is known in advance only for single-family residential development, so that is the only type of development for which a specific impact fee is calculated in this report. Fees for other types of development must be determined on a case –by-case basis.

SUMMARY OF IMPACT FEES

Tables S.1 and S.2, below, summarize the impact fees calculated in this report. In Table S.1, fees for non-residential development are shown on a per-acre basis, as they are calculated in the report. Table S.2 converts those per-acre fees to fees per thousand square feet (KSF) of building area, so they can be compared with the City's existing impact fees. Table S.3 shows the City's existing impact fees.

Table S.1
Summary of Impact Fees Calculated in this Report (Non-Residential Fee Shown per Acre)

| Development Type | Dev Units ¹ | Park Imprvmts | Park Land | Rec Centers | Libraries | Water ² | Waste-water ² | Police Facilities | Fire Facilities | Street Imprvmts | Traffic Signals | Bike-ways | Refuse Contnrs | Total |
|---------------------------|------------------------|---------------|-----------|-------------|-----------|--------------------|--------------------------|-------------------|-----------------|-----------------|-----------------|-----------|----------------|------------|
| Residential-Single Family | DU | \$ 3,130 | \$ 3,000 | \$ 746 | \$ 454 | \$ 273 | \$ 17 | \$ 168 | \$ 152 | \$ 3,444 | \$ 178 | \$ 31 | \$ 204 | \$ 11,796 |
| Residential-Duplex/Multi | DU | \$ 2,921 | \$ 2,800 | \$ 697 | \$ 423 | Mtr Size | Mtr Size | \$ 279 | \$ 62 | \$ 2,411 | \$ 124 | \$ 29 | Varies | \$ 9,747 |
| Residential-Mobile Home | DU | \$ 2,191 | 2,100 | \$ 522 | \$ 318 | Mtr Size | Mtr Size | \$ 168 | \$ 71 | \$ 2,066 | \$ 107 | \$ 22 | Varies | \$ 7,564 |
| Commercial, General | Acre | No Fee | No Fee | No Fee | No Fee | Mtr Size | Mtr Size | \$ 4,471 | \$ 893 | \$ 172,180 | \$ 8,888 | No Fee | Varies | \$ 186,432 |
| Commercial, Service | Acre | No Fee | No Fee | No Fee | No Fee | Mtr Size | Mtr Size | \$ 1,863 | \$ 893 | \$ 103,308 | \$ 5,333 | No Fee | Varies | \$ 111,396 |
| Hotel/Motel | Acre | No Fee | No Fee | No Fee | No Fee | Mtr Size | Mtr Size | \$ 1,863 | \$ 893 | \$ 61,985 | \$ 3,200 | No Fee | Varies | \$ 67,940 |
| Industrial-Light | Acre | No Fee | No Fee | No Fee | No Fee | Mtr Size | Mtr Size | \$ 1,006 | \$ 893 | \$ 68,872 | \$ 3,555 | No Fee | Varies | \$ 74,326 |
| Industrial-Heavy | Acre | No Fee | No Fee | No Fee | No Fee | Mtr Size | Mtr Size | \$ 671 | \$ 893 | \$ 34,436 | \$ 1,778 | No Fee | Varies | \$ 37,777 |

¹ Development Units--DU = dwelling unit

² Water and wastewater fees based on meter size

Table S.2
Summary of Impact Fees Calculated in this Report (Non-Residential Fees Shown per 1,000 Square Feet of Building Area)

| Development Type | Dev Units ¹ | Park Imprvmts | Park Land | Rec Centers | Libraries | Water ² | Waste-water ² | Police Facilities | Fire Facilities | Street Imprvmts | Traffic Signals | Bike-ways | Refuse Contnrs | Total |
|---------------------------|------------------------|---------------|-----------|-------------|-----------|--------------------|--------------------------|-------------------|-----------------|-----------------|-----------------|-----------|----------------|-----------|
| Residential-Single Family | DU | \$ 3,130 | \$ 3,000 | \$ 746 | \$ 454 | \$ 273 | \$ 17 | \$ 168 | \$ 152 | \$ 3,444 | \$ 178 | \$ 31 | \$ 204 | \$ 11,796 |
| Residential-Duplex/Multi | DU | \$ 2,921 | \$ 2,800 | \$ 697 | \$ 423 | Mtr Size | Mtr Size | \$ 279 | \$ 62 | \$ 2,411 | \$ 124 | \$ 29 | Varies | \$ 9,747 |
| Residential-Mobile Home | DU | \$ 2,191 | 2,100 | \$ 522 | \$ 318 | Mtr Size | Mtr Size | \$ 168 | \$ 71 | \$ 2,066 | \$ 107 | \$ 22 | Varies | \$ 7,564 |
| Commercial, General | KSF | \$ - | \$ - | \$ - | \$ - | Mtr Size | Mtr Size | \$ 411 | \$ 82 | \$ 15,811 | \$ 816 | \$ - | Varies | \$ 17,120 |
| Commercial, Service | KSF | \$ - | \$ - | \$ - | \$ - | Mtr Size | Mtr Size | \$ 171 | \$ 82 | \$ 9,487 | \$ 490 | \$ - | Varies | \$ 10,229 |
| Hotel/Motel | KSF | \$ - | \$ - | \$ - | \$ - | Mtr Size | Mtr Size | \$ 107 | \$ 51 | \$ 3,557 | \$ 184 | \$ - | Varies | \$ 3,899 |
| Industrial-Light | KSF | \$ - | \$ - | \$ - | \$ - | Mtr Size | Mtr Size | \$ 66 | \$ 59 | \$ 4,517 | \$ 233 | \$ - | Varies | \$ 4,875 |
| Industrial-Heavy | KSF | \$ - | \$ - | \$ - | \$ - | Mtr Size | Mtr Size | \$ 44 | \$ 59 | \$ 2,259 | \$ 117 | \$ - | Varies | \$ 2,478 |

Note: the following Floor Area Ratios were used in converting fees from Table S.1 to a KSF basis: All Commercial -0.25; Hotel/Motel-0.4; All Industrial-0.35

¹ Development Units--DU = dwelling unit; KSF = 1,000 gross square feet of building area

² Water and wastewater fees based on meter size

Table S.3
Summary of Existing Impact Fees (Non-Residential Fee Shown per 1,000 SF of Building Area)

| Development Type | Dev Units ¹ | Park Imprvmts | Park Land | Rec Centers | Libraries | Water ² | Waste-water ² | Police Facilities | Fire Facilities | Street Imprvmts | Traffic Signals | Bike-ways | Refuse Contnrs | Total |
|---------------------------|------------------------|---------------|-----------|-------------|-----------|--------------------|--------------------------|-------------------|-----------------|-----------------|-----------------|-----------|----------------|----------|
| Residential-Single Family | DU | \$ - | \$ 3,030 | \$ - | \$ - | \$ 2,435 | \$ 261 | \$ 143 | \$ 11 | \$ - | \$ 161 | \$ - | \$ 145 | \$ 6,186 |
| Residential-Duplex/Multi | DU | \$ - | \$ 2,800 | \$ - | \$ - | Mtr Size | Mtr Size | \$ 143 | \$ 19 | \$ - | \$ 209 | \$ - | Varies | \$ 3,171 |
| Residential-Mobile Home | DU | \$ - | \$ 2,130 | \$ - | \$ - | Mtr Size | Mtr Size | \$ 143 | \$ 19 | \$ - | \$ 209 | \$ - | Varies | \$ 2,501 |
| Commercial, General | KSF | \$ - | \$ - | \$ - | \$ - | Mtr Size | Mtr Size | \$ 104 | \$ 19 | \$ - | \$ 1,056 | \$ - | Varies | \$ 1,179 |
| Commercial, Service | KSF | \$ - | \$ - | \$ - | \$ - | Mtr Size | Mtr Size | \$ 108 | \$ 19 | \$ - | \$ 1,056 | \$ - | Varies | \$ 1,183 |
| Hotel/Motel | KSF | \$ - | \$ - | \$ - | \$ - | Mtr Size | Mtr Size | \$ 104 | \$ 19 | \$ - | \$ 1,056 | \$ - | Varies | \$ 1,179 |
| Industrial-Light | KSF | \$ - | \$ - | \$ - | \$ - | Mtr Size | Mtr Size | \$ 89 | \$ 19 | \$ - | \$ 161 | \$ - | Varies | \$ 269 |
| Industrial-Heavy | KSF | \$ - | \$ - | \$ - | \$ - | Mtr Size | Mtr Size | \$ 89 | \$ 19 | \$ - | \$ 161 | \$ - | Varies | \$ 269 |

¹ Development Units--DU = dwelling unit; KSF = 1,000 gross square feet of building area

² Water and wastewater fees based on meter size

IMPLEMENTATION

Implementation of an impact fee program raises both practical and policy issues. Chapter 14 of this report points out many practical and procedural issues related to the implementation of the City's impact fee program, and outlines administrative procedures mandated by the Government Code with respect to impact fees. Topics covered in that chapter include adoption and collection of fees, accountability for fee revenues, expenditure time limits, reporting and refunding requirements, updating of fees, and staff training.

From the point of view of the City Council, important policy choices must be made regarding the impact fees. The development impact fees calculated in this report are intended to represent the maximum impact fee amount justified by this analysis. Of course, the City Council may choose to adopt fees lower than those calculated in the study. In that event, it is important that the Council identify which facilities are to be funded by the reduced impact fees, and the share of total cost to be recovered through the fees.

It should also be emphasized that all costs used in this report are in current dollars. To the extent that construction costs for capital improvements escalate over time, the impact fees should be adjusted to keep pace with that inflation. We recommend annual adjustments based on changes in the *Engineering News Record* Building Cost and/or Construction Cost Indexes. If the fees are not escalated, the City could experience a significant shortfall in anticipated funding over several years.

RECOVERY OF STUDY COST

We do not recommend adding an administrative fee to impact fees to cover the costs of administering the impact fee program. Those costs should be included in the processing fees charged to developers and builders. However, it is reasonable for the City to recover the cost of this study through the impact fee program. Once the City Council decides what impact fees to impose, it is a relatively simple matter to calculate an adjustment to cover the cost of the study.

Assuming the City will update this impact fee study every five years, the cost of this study can be divided by the amount of revenue projected over the next five years to determine the percentage by which fees should be increased to cover the cost of the study. The estimated cost of this study is \$37,600.00. If revenue from impact fees over the next 5 years is projected to be \$5 million the fee would have to be increased by 0.75% ($37,600 / 5,000,000 = 0.0075$) or \$7.50 per \$1,000 to recover the cost of this study over five years.

CHAPTER 1 INTRODUCTION

The City of Lompoc has retained MAXIMUS to prepare this study to analyze the impacts of development on certain of the City's capital facilities and to calculate development impact fees based on that analysis. This report documents the data, methodology, and results of the impact fee study. The methods used to calculate impact fees in this study are intended to satisfy all legal requirements governing such fees, including provisions of the U. S. Constitution, the California Constitution, and the California Mitigation Fee Act (Government Code Sections 66000 *et seq.*). Impact fees calculated in this report are intended to replace the City's existing impact fees.

LEGAL FRAMEWORK

U. S. Constitution. Like all land use regulations, development exactions, including impact fees, are subject to the Fifth Amendment prohibition on taking of private property for public use without just compensation. Both state and federal courts have recognized the imposition of impact fees on development as a legitimate form of land use regulation, provided the fees meet standards intended to protect against regulatory takings. To comply with the Fifth Amendment, development regulations must be shown to substantially advance a legitimate governmental interest. In the case of impact fees, that interest is in the protection of public health, safety, and welfare by ensuring that development is not detrimental to the quality of essential public services.

The U. S. Supreme Court has found that a government agency imposing exactions on development must demonstrate an "essential nexus" between the exaction and the interest being protected (See *Nollan v. California Coastal Commission*, 1987). In a more recent case (*Dolan v. City of Tigard*, 1994), the Court made clear that an agency also must show that an exaction is "roughly proportional" to the burden created by development. *Dolan* is less significant for impact fees than for some other types of exactions (e.g. mandatory dedication of land) because proportionality is inherent in the proper calculation of impact fees. In addition, the *Dolan* decision appeared to set a higher standard of review for mandatory dedications of land than for monetary exactions.

California Constitution. The California Constitution grants broad police power to local governments, including the authority to regulate land use and development. That police power is the source of authority for imposing impact fees on development to pay for infrastructure and capital facilities. Some impact fees have been challenged on grounds that they are special taxes imposed without voter approval

in violation of Article XIII A. That objection would be valid only if fees exceeded the cost of providing capital facilities needed to serve new development. If that were the case, then the fees would also run afoul of the U. S. Constitution and the Mitigation Fee Act. Articles XIII C and XIII D, added by Proposition 218 in 1996, require voter approval for some “property-related fees,” but exempt “the imposition of fees or charges as a condition of property development.”

The Mitigation Fee Act. California’s impact fee statute originated in Assembly Bill 1600 during the 1987 session of the Legislature, and took effect in January, 1989. AB 1600 added several sections to the Government Code, beginning with Section 66000. Since that time the impact fee statute has been amended from time to time, and in 1997 was officially titled the “Mitigation Fee Act.” Unless otherwise noted, code sections referenced in this report are from the Government Code.

The Act does not limit the types of capital improvements for which impact fees may be charged. It defines public facilities very broadly to include “public improvements, public services and community amenities.” Although the issue is not specifically addressed in the Mitigation Fee Act, other provisions of the Government Code (see Section 65913.8) prohibit the use of impact fees for maintenance or operating costs. Consequently, the fees calculated in this report are based on capital costs only.

The Mitigation Fee Act does not use the term “mitigation fee” except in its recently added official title. Nor does it use the more common term “impact fee.” The Act simply uses the word “fee,” which is defined as “a monetary exaction, other than a tax or special assessment, ... that is charged by a local agency to the applicant in connection with approval of a development project for the purpose of defraying all or a portion of the cost of public facilities related to the development project” To avoid confusion with other types of fees, this report uses the widely-accepted term “impact fee,” which should be understood to mean “fee” as defined in the Mitigation Fee Act.

The Mitigation Fee Act contains requirements for establishing, increasing and imposing impact fees. They are summarized below. It also contains provisions that govern the collection and expenditure of fees, and require annual reports and periodic re-evaluation of impact fee programs. Those administrative requirements are discussed in the Implementation Chapter of this report. Certain fees or charges related to development are exempted from the requirements of the Mitigation Fee Act. Among them are fees in lieu of park land dedication as authorized by the Quimby Act (Section 66477), fees collected pursuant to a reimbursement agreement or developer agreement, and fees for processing development applications.

Required Findings. Section 66001 requires that an agency establishing, increasing or imposing impact fees, must make findings to:

1. Identify the purpose of the fee;
2. Identify the use of the fee; and,
3. Determine that there is a reasonable relationship between:
 - a. The use of the fee and the development type on which it is imposed;
 - b. The need for the facility and the type of development on which the fee is imposed; and
 - c. The amount of the fee and the facility cost attributable to the development project. (Applies only upon imposition of fees.)

Each of those requirements is discussed in more detail below.

Identifying the Purpose of the Fees. The broad purpose of impact fees is to protect the public health, safety and general welfare by providing for adequate public facilities. The specific purpose of the fees calculated in this study is to fund the construction of certain capital improvements identified in this report. Those improvements are needed to mitigate the impacts of expected development in the City, and thereby prevent deterioration in public services that would result from additional development if impact fee revenues were not available to fund such improvements. Findings with respect to the purpose of a fee should state the purpose of the fees as financing development-related public facilities in a broad category, such as street improvements or water supply system improvements.

Identifying the Use of the Fees. According to Section 66001, if a fee is used to finance public facilities, those facilities must be identified. A capital improvement plan may be used for that purpose, but is not mandatory if the facilities are identified in the General Plan, a Specific Plan, or in other public documents. If a capital improvement plan is used to identify the use of the fees, it must be updated annually by resolution of the governing body at a noticed public hearing. Impact fees calculated in this study are based on specific capital facilities identified elsewhere in this report, which is intended to serve as the public document identifying the use of the fees.

Reasonable Relationship Requirement. As discussed above, Section 66001 requires that, for fees subject to its provisions, a "reasonable relationship" must be demonstrated between:

1. the use of the fee and the type of development on which it is imposed;

2. the need for a public facility and the type of development on which a fee is imposed; and,
3. the amount of the fee and the facility cost attributable to the development on which the fee is imposed.

These three reasonable relationship requirements as defined in the statute parallel “nexus” requirements enunciated by various courts. Although the term “dual rational nexus” is often used to characterize the standard used by courts in evaluating exactions and impact fees under the U. S. Constitution, we prefer a formulation that recognizes three elements: “impact or need” “benefit,” and “proportionality.” The dual rational nexus test explicitly addresses only the first two, although proportionality is reasonably implied, and was specifically addressed by the U.S. Supreme Court in the *Dolan* case.

The reasonable relationship language of the statute is considered less strict than the rational nexus standard used by the courts. Of course, the higher standard controls. We will use the nexus terminology in this report for two reasons: because it is more concise and descriptive, and also to signify that the methods used to calculate impact fees in this study are intended to satisfy the more demanding constitutional standard. Individual elements of the nexus standard are discussed further in the following paragraphs.

Demonstrating an Impact. All new development in a community creates additional demands on some, or all, public facilities provided by local government. If the supply of facilities is not increased to satisfy that additional demand, the quality or availability of public services for the entire community will deteriorate. Impact fees may be used to recover the cost of development-related facilities, but only to the extent that the need for facilities is a consequence of development that is subject to the fees. The *Nollan* decision reinforced the principle that development exactions may be used only to mitigate conditions created by the developments upon which they are imposed. That principle clearly applies to impact fees. In this study, the impact of development on improvement needs is analyzed in terms of quantifiable relationships between various types of development and the demand for specific facilities, based on applicable level-of-service standards. This report contains all information needed to demonstrate this element of the nexus.

Demonstrating a Benefit. A sufficient benefit relationship requires that impact fee revenues be segregated from other funds and expended only on the facilities for which the fees were charged. Fees must be expended in a timely manner and the facilities funded by the fees must serve the development paying the fees. Nothing in the U.S. Constitution or California law requires that facilities paid for with impact fee revenues be available *exclusively* to developments paying the fees.

Procedures for earmarking and expenditure of fee revenues are mandated by the Mitigation Fees Act, as are procedures to ensure that the fees are expended expeditiously or refunded. All of those requirements are intended to ensure that developments benefit from the impact fees they are required to pay. Thus, an adequate showing of benefit must address procedural as well as substantive issues.

Demonstrating Proportionality. The requirement that exactions be proportional to the impacts of development was clearly stated by the U.S. Supreme Court in the *Dolan* case and is logically necessary to establish a proper nexus. Proportionality is established through the procedures used to identify development-related facility costs, and in the methods used to calculate impact fees for various types of facilities and categories of development. In this study, the demand for facilities is measured in terms of relevant and measurable attributes of development. For example, the need for police facilities is measured by the number of police calls for service generated by a particular type and quantity of development.

In calculating impact fees, costs for development-related facilities are allocated in proportion to the service needs created by different types and quantities of development. The following section describes methods used to allocate facility costs and calculate impact fees in ways that meet the proportionality standard.

Impact Fees for Existing Facilities. It is important to note that impact fees may be used to pay for existing facilities, provided that those facilities are needed to serve additional development and have the capacity to do so, given relevant level-of-service standards. In other words, it must be possible to show that the fees meet the need and benefit elements of the nexus.

IMPACT FEE CALCULATION METHODOLOGY

Any one of several legitimate methods may be used to calculate impact fees. The choice of a particular method depends primarily on the service characteristics and planning requirements for the facility type being addressed. Each method has advantages and disadvantages in a particular situation, and to some extent they are interchangeable, because they all allocate facility costs in proportion to the needs created by development.

Reduced to its simplest terms, the process of calculating impact fees involves only two steps: determining the cost of development-related capital improvements, and allocating those costs equitably to various types of development. In practice, though, the calculation of impact fees can become quite complicated because of the many variables involved in defining the relationship between development and the need for facilities. The following paragraphs discuss three methods for calculating impact fees and how those methods can be applied.

Plan-based Impact Fee Calculation. The plan-based method allocates costs for a specified set of improvements to a specified set of developments. The improvements are identified by a facility plan and the development is identified by a land use plan. Facility costs are allocated to various categories of development in proportion to the amount of development and the relative intensity of demand for each category. Demand is represented by an appropriate, quantifiable indicator. For example, demand for street improvements is typically measured by the number of vehicle trips generated by development.

In this method, the total cost of relevant facilities is divided by total demand to calculate a cost per unit of demand. Then, the cost per unit of demand is multiplied by the amount of demand per unit of development (e.g. dwelling units or square feet of building area) in each category to arrive at a cost per unit of development. This method implicitly assumes that the entire service capacity of the specified facilities will be absorbed by the planned development, or that any excess capacity is unavoidably related to serving that development. For example, it may be necessary to widen a street from two lanes to four lanes to serve planned development, but that development may not use all of the added capacity. Assuming the improvements in question are needed only to serve the new development paying the fees, it is legitimate to recover the full cost of the improvements through impact fees.

The plan-based method is often the most workable approach where actual service usage is difficult to measure (as is the case with administrative facilities), or does not directly drive the need for added facilities (as is the case with fire stations). It is also useful for facilities, such as streets, where capacity cannot always be matched closely to demand. This method is relatively inflexible in the sense that it is based on the relationship between a particular facility plan and a particular land use plan. If either plan changes significantly, the fees may have to be recalculated.

Capacity-based Impact Fee Calculation. This method can be used only where the capacity of a facility or system is known, and the amount of capacity used by a particular type and quantity of development can be measured or estimated. This method calculates a *rate*, or cost per unit of capacity based on the relationship between total cost and total capacity. It can be applied to any type or amount of development, provided the capacity demand created by that development can be estimated and the facility has adequate capacity available to serve the development. Since the fee calculation does not depend on the type or quantity of development to be served, this method is flexible with respect to changing development plans. Under this method, the cost of unused capacity is not allocated to development, so unused capacity would not be covered by impact fees if it is not absorbed by development. Capacity-based fees are most commonly used for water and wastewater systems.

To calculate a capacity-based impact fee rate, facility cost is divided by facility capacity to arrive at a cost per unit of service. To determine the fee for a particular development project, the cost per unit of capacity is multiplied by the amount of capacity needed by that project. To produce a schedule of impact fees based on standardized units of development (e.g. dwelling units or square feet of building area), the rate is multiplied by the amount of service needed, on average, by those units of development.

Standard-based Impact Fee Calculation. The standard-based method is related to the capacity-based approach in the sense that it is based on a rate, or cost per unit of service. The difference is that with this method, costs are defined from the outset on a generic unit-cost basis and then applied to development according to a standard that sets the amount of service or capacity to be provided for each unit of development. The standard-based method is useful where facility needs are defined directly by a service standard, and where unit costs can be determined without reference to the total size or capacity of a facility or system. Parks fit that description. It is common for cities or counties to establish a service standard for parks in terms of acres per thousand residents. In addition, the cost per acre for, say, neighborhood parks can usually be estimated without knowing the size of a particular park or the total acreage of parks in the system.

This approach is also useful for facilities such as libraries, where it is possible to estimate a generic cost per square foot before a building is actually designed. One advantage of the standard-based method is that a fee can be established without committing to a particular size of facility, and facility size can be adjusted based on the amount of development that actually occurs.

FACILITIES ADDRESSED IN THIS STUDY

Impact fees for the following types of facilities and improvements will be addressed in this report:

- Parks
- Community & Recreation Centers
- Libraries
- Water System Improvements
- Wastewater System Improvements
- Police Facilities
- Fire Protection Facilities
- Street Improvements
- Traffic Signals
- Bikeways
- Refuse Containers

The impact fee analysis for each facility type is presented in a separate chapter of this report.

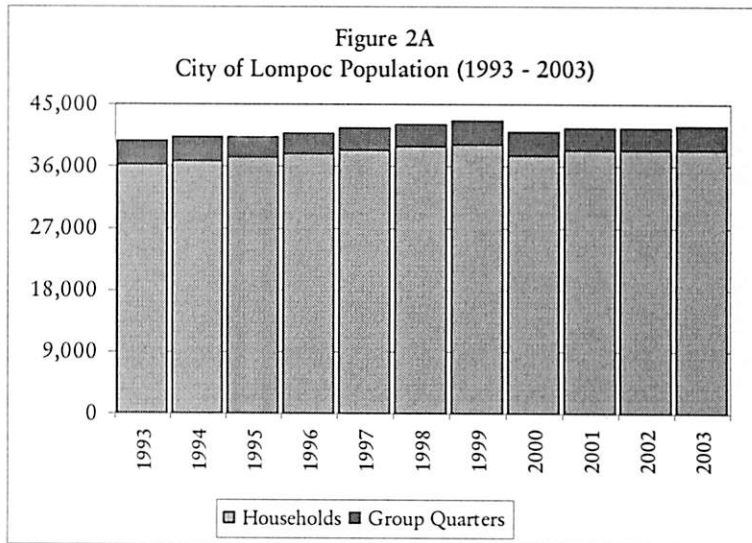
CHAPTER 2 DEVELOPMENT AND DEMAND DATA

Both existing and planned development must be addressed as part of the nexus analysis required to support the establishment of impact fees. This chapter of the report organizes and correlates information on existing and planned development to provide a framework for the impact fee analysis contained in subsequent chapters of the report. The information in this chapter forms a basis for establishing levels of service, analyzing facility needs, and allocating the cost of capital facilities between existing and future development and among various types of new development.

Data on land use and development employed in this study are based on the Lompoc General Plan and on additional information provided by the Lompoc Community Development Department. Demographic data used in this study are based on the 2000 U.S. Census and California Department of Finance Demographic Research Unit estimates. Data on existing and planned development used in this study represent the best available estimate of existing and planned development as of January 1, 2003.

BACKGROUND AND SETTING

The City of Lompoc is located along State Route 1 in western Santa Barbara County, a few miles from the coast and adjacent to Vandenberg Air Force Base. Lompoc is about 20 miles off U. S. Highway 101, the major north-south corridor along the Central Coast. Larger cities in the area are Santa Maria (20 miles north) and Santa Barbara (50 miles southeast).



The chart in Figure 2-A depicts the City’s estimated January 1 population year-by-year from 1993 through 2003. Lompoc’s official population figures include inmates at the federal penitentiary located within the City’s boundaries. Because that

portion of the population does not use City services, it is excluded from the population figures used to calculate impact fees in this report. In Figure 2A, the population is broken into two groups—population in households (the lower portion of each bar), and population-in-group-quarters (the upper portion of each bar). Population-in-group-quarters is largely made up of federal inmates. The City's total January 1, 2003, population is estimated by the California Department of Finance at 41,850, with about 3,500 in group quarters and 38,350 in households.

The chart in Figure 2A appears to show steady growth in the late 1990s with a drop off in 2000. A more likely explanation is that population increases were overestimated by the Department of Finance during the late 1990s, and those estimates were corrected by the 2000 Census. Overall, between 1993 and 2003, Lompoc grew by 5.4%—a compounded rate of just over 0.5% per year.

STUDY AREA AND TIME FRAME

The study area for this study includes the area within the existing City and its sphere of influence plus two annexations currently being processed in an area known as the “Wye,” north of the Santa Ynez River. The timeframe for this study extends from the present to buildout of all land designated for development within the study area. The term “buildout” is used to describe a hypothetical condition in which all currently undeveloped land in the study area has been developed as indicated in the Land Use Element of the General Plan. That condition is used to establish the potential for additional service demand related to future development. The time required for buildout depends on the rate at which development occurs. This study does not project a target date for buildout, because of the uncertainty involved in making such projections for long periods. The rate of development does not affect the impact fee analysis except in cases where the fees are used to repay debt used to finance public facilities. Those situations are addressed in the impact fee analysis for certain facilities, and are discussed in subsequent chapters.

DEVELOPMENT TYPES

Because it is not possible to know in detail the types of development that will occur in the future, this study uses a set of fairly broad land use categories in the impact fee analysis. Those categories are shown in the development data tables presented later in this chapter. Some land use designations defined in the General Plan are grouped into broader categories here. For example, the very low-density and low-density residential land use designations are grouped under the single-family residential category in this study. However, except as noted, the impact fees are calculated in a manner that allows fees to be adjusted to the specific impacts of a particular development project, if necessary. That need can arise when a particular project does not fit well within one of the categories defined in this study, a situation that occurs most commonly with commercial developments.

UNITS OF DEVELOPMENT AND CONVERSION FACTORS

In this study, quantities of existing and planned development are measured in terms of certain units of development. Those units are discussed below.

Acreage. Land area is a fundamental attribute of all types of development. Net acreage, representing the useable acreage of a development site after street right-of-way are dedicated, is used in this study as the standard unit of development for all non-residential land use categories.

Dwelling Units. The dwelling unit (DU) is the most commonly-used measure of residential development, and is the standard unit of development for residential development in this study.

Building Area. For non-residential development, building area in square feet or thousands of square feet may be used to represent non-residential development in some situations. However, in this study acreage is used as the standard unit of development for non-residential development.

In some cases, it is useful to convert one type of development unit to another. Some types of factors used in those conversions are discussed below.

Residential Density. The relationship between dwelling units and acreage is referred to as “density,” and is defined by the average number of dwelling units per acre for a particular type of residential development. The inverse of density is acres per dwelling unit. For example, single-family residential development might have a net density of 4.0 dwelling units per acre, which equates to 0.25 acres per dwelling unit.

Floor Area Ratio. Floor area ratio (FAR) is a factor that represents the relationship between building area and site area for non-residential development. For example, a FAR of 0.25:1 (or more commonly just 0.25) indicates that building area is 25% of site area. At a FAR of 0.25, each acre (43,560 square feet) of site area would convert to 10,890 (43,560 x 0.25) square feet or 10.89 KSF of building area.

DEMAND VARIABLES AND IMPACT FACTORS

In calculating impact fees, the relationship between facility needs and urban development must be quantified in cost allocation formulas. Certain measurable attributes of development (e.g., population, vehicle trip generation) are used in those formulas as “*demand variables*” to reflect the impact of different types and amounts of development on the demand for specific public services and the facilities that support those services. Demand variables are selected either because they directly

measure service demand created by various types of development, or because they are reasonably correlated with that demand.

For example, the service standard for parks in a community is typically defined as a ratio of park acreage to population. As population grows, more parks are needed to maintain the desired standard. Logically, then, population is an appropriate yardstick for measuring the impacts of development on the need for additional parks. Similarly, the need for capacity in a street system depends on the volume of traffic the system must handle. Thus the vehicle trip generation rate (the number of vehicle trips per day generated by one unit of development) is an appropriate demand variable to represent the impact of development on the street system.

Each demand variable has a specific value per unit of development for each land use category. Those values may be referred to as *demand factors* or *impact factors*. For example, on average, one single-family detached dwelling unit generates about one vehicle trip during the p.m. peak hour. Consequently, the peak-hour traffic impact factor for single-family residential development is 1.0 trips per dwelling unit. Other land use categories would have different impact factors. Some of the impact factors used in this study are based on widely-accepted standards (e.g., the trip generation rates), while others are based on local conditions (e.g., population).

The specific demand variables used in this study are discussed below and the actual values of demand factors for each land use category are shown in Table 2.1 on the next page.

Acres per Unit of Development. For some types of facilities, acreage may itself be used as a demand variable. In such cases, it is necessary to establish the acreage per unit of development for each type of development. Where the unit of development is one acre, as for non-residential uses, the number of acres per unit of development is 1.0.

Population per Unit of Development. Population per unit of development is used as a demand variable to calculate impact fees for certain types of facilities in this study. Because population is tied to residential development, the value of this variable is zero for all non-residential land uses.

It is important to emphasize that, rather than actual population estimates or census numbers, resident population figures used in this study are adjusted to a “full-occupancy” level. That device is intended to account for the fact that actual population fluctuates with vacancy rates, but once a residence is constructed, the City has a responsibility to serve its occupants. Full-occupancy population estimates are established by applying an average persons-per-dwelling factor to the actual number of existing dwelling units, or the projected future dwelling units, in each residential

land use category. Persons-per-dwelling factors are based on an analysis of the most recently available Census data.

For certain public facilities, such as parks and libraries, population is a useful measure of service demand, and can be used in setting service levels and allocating facility costs. However, for some public facilities, resident population accounts for only a portion of demand, and does not, alone, represent the impact of all development on those facilities.

Table 2.1
Demand Factors

| Development Type | Unit of Dev ¹ | Net Ac per Unit ² | Pop per DU ³ | Wtr GPD per Unit ⁴ | WW GPD per Unit ⁵ | Pk Trips per Unit ⁶ | PD Activities per Unit ⁷ |
|---------------------------|--------------------------|------------------------------|-------------------------|-------------------------------|------------------------------|--------------------------------|-------------------------------------|
| Residential-Single Family | DU | 0.17 | 3.0 | 290.0 | 200.0 | 1.0 | 0.9 |
| Residential-Duplex/Multi | DU | 0.07 | 2.8 | 220.0 | 185.0 | 0.7 | 1.5 |
| Residential-Mobile Home | DU | 0.08 | 2.1 | 190.0 | 140.0 | 0.6 | 0.9 |
| Commercial, General | Acre | 1.00 | 0.0 | 1,000.0 | 850.0 | 50.0 | 24.0 |
| Commercial, Service | Acre | 1.00 | 0.0 | 900.0 | 750.0 | 30.0 | 10.0 |
| Hotel/Motel | Acre | 1.00 | 0.0 | 1,250.0 | 1,150.0 | 18.0 | 10.0 |
| Industrial-Light | Acre | 1.00 | 0.0 | 150.0 | 140.0 | 20.0 | 5.4 |
| Industrial-Heavy | Acre | 1.00 | 0.0 | 150.0 | 140.0 | 10.0 | 3.6 |
| Public/Institutional | Acre | 1.00 | 0.0 | 250.0 | 220.0 | 20.0 | 6.0 |
| Airport | Acre | 1.00 | 0.0 | 50.0 | 40.0 | 0.4 | 1.5 |
| Parks | Acre | 1.00 | 0.0 | 500.0 | 0.0 | 4.0 | 1.5 |

¹ Units of development; DU = dwelling unit

² Average net acres per unit of development based on existing development

³ Population per DU based on data from the 2000 Census

⁴ Estimated water demand per unit of development in gallons per day (GPD), based on 2002 metered consumption data and the 2000 Urban Water Management Plan

⁵ Estimated wastewater flow per unit of development in gallons per day (GPD), based on the LWRWP Master Plan and 2002 metered water consumption for winter months

⁶ Peak hour vehicle trips per unit based on *Traffic Generators*, San Diego Association of Governments

⁷ Average police activities per unit of development per year. See text, p. 2-6 for more detail.

Water Demand per Unit of Development. To calculate impact fees for water system facilities, annual average water demand per unit of development in gallons per day is used as the demand variable. For convenience, gallons per day (GPD) are sometimes converted to millions of gallons per day (MGD).

Wastewater Flow per Unit of Development. To calculate impact fees for wastewater system facilities, annual average wastewater discharge per unit of development in gallons per day is used as the demand variable. For convenience, gallons per day (GPD) are sometimes converted to millions of gallons per day (MGD).

Peak-Hour Trips per Unit of Development. Traffic generation in terms of peak hour trips is used here to measure the impact of development on the City’s street system. Peak hour traffic is used rather than average daily traffic, because peak volumes determine the need for street capacity. The trip generation rates used in this study are based on *Traffic Generators*, published by the San Diego Association of Governments (SANDAG). Those rates are consistent with the Institute of Transportation Engineers publication *Trip Generation*.

Police Activities per Unit of Development. Demand for Police Department services is represented in this study by the average number of “activities” per year per unit of development. The term “activities,” as used in this study, includes both officer-initiated actions and citizen-initiated calls-for-service logged by the Department. The demand factors shown in Table 2.1 are based on sampling of 2002 Lompoc Police Department activities data by MAXIMUS, and comparison with data from other cities. Those factors, when applied to existing development, indicate total activities at about 30% below the actual number reported in the Department’s 2002 annual report. That difference results from the fact that factors used in the impact fee analysis are intended to represent the impact of new development, and do not reflect higher activity levels found in portions of the existing City where demand for police services is most intense.

DEVELOPMENT DATA

Tables 2.2 through 2.4 present data on existing and planned development in the City, based on estimates by the Lompoc Community Development Department. Table 2.2 on the next page shows data for existing development as of January 1, 2003.

Table 2.2
Existing Development in the City (January 1, 2003)

| Development Type | Dev Acres ¹ | Dwelling Units ² | Hshld Pop ³ | Water MGD ⁴ | WW MGD ⁵ | Peak Hr Trips ⁶ | Police Activities ⁷ |
|---------------------------|------------------------|-----------------------------|------------------------|------------------------|---------------------|----------------------------|--------------------------------|
| Residential-Single Family | 1,215.6 | 7,208 | 21,624 | 2.090 | 1.442 | 7,208 | 6,487 |
| Residential-Duplex/Multi | 316.7 | 5,644 | 15,803 | 1.242 | 1.044 | 3,951 | 8,466 |
| Residential-Mobile Home | 78.7 | 940 | 1,974 | 0.179 | 0.132 | 564 | 0 |
| Commercial, General | 157.2 | 0 | 0 | 0.157 | 0.134 | 7,861 | 3,773 |
| Commercial, Service | 73.9 | 0 | 0 | 0.067 | 0.055 | 2,217 | 739 |
| Hotel/Motel | 22.3 | 0 | 0 | 0.028 | 0.026 | 401 | 223 |
| Industrial-Light | 75.0 | 0 | 0 | 0.011 | 0.011 | 1,501 | 405 |
| Industrial-Heavy | 26.3 | 0 | 0 | 0.004 | 0.004 | 263 | 95 |
| Public/Institutional | 486.8 | 0 | 0 | 0.122 | 0.107 | 9,737 | 2,921 |
| Airport | 166.0 | 0 | 0 | 0.008 | 0.007 | 66 | 249 |
| Parks | 570.1 | 0 | 0 | 0.285 | 0.000 | 2,280 | 855 |
| Totals | 3,188.8 | 13,792 | 39,401 | 4.192 | 2.960 | 36,049 | 24,213 |

¹ Developed net acres. Data provided by the Lompoc Community Development Department

² Dwelling units based on 2003 data from California Department of Finance

³ Estimated household population at 0% vacancy rate = DUs x average population per unit from Table 2.1

Excludes the population of the U.S. Penitentiary which does not receive City services

⁴ Estimated water consumption in millions of gallons per day based on water GPD per unit from Table 2.1

⁵ Estimated wastewater discharge in millions of gallons per day based on Wastewater GPD per unit from Table 2.1

⁶ Peak hour trips per day = development units x peak hour trips per unit from Table 2.1

⁷ Police activities per year = development units x activities per unit per year from Table 2.1

Table 2.3 presents a forecast of future development in the study area, based on the City's current General Plan.

Table 2.3
Planned Future Development in the City (to Buildout of the General Plan)

| Development Type | Dev Acres ¹ | Dwelling Units ² | Hshld Pop ³ | Water MGD ⁴ | WW MGD ⁵ | Peak Hr Trips ⁶ | Police Activities ⁷ |
|---------------------------|------------------------|-----------------------------|------------------------|------------------------|---------------------|----------------------------|--------------------------------|
| Residential-Single Family | 324.1 | 1,906 | 5,719 | 0.553 | 0.381 | 1,906 | 1,716 |
| Residential-Duplex/Multi | 15.6 | 223 | 624 | 0.049 | 0.041 | 156 | 334 |
| Residential-Mobile Home | 0 | 0 | 0 | - | - | 0 | 0 |
| Commercial, General | 56.9 | 0 | 0 | 0.057 | 0.048 | 2,843 | 1,364 |
| Commercial, Service | 0 | 0 | 0 | - | - | 0 | 0 |
| Hotel/Motel | 0 | 0 | 0 | - | - | 0 | 0 |
| Industrial-Light | 80.5 | 0 | 0 | 0.012 | 0.011 | 1,611 | 435 |
| Industrial-Heavy | 1.8 | 0 | 0 | 0.000 | 0.000 | 18 | 6 |
| Public/Institutional | 2.2 | 0 | 0 | 0.001 | 0.000 | 44 | 13 |
| Airport | 0 | 0 | 0 | - | - | 0 | 0 |
| Parks | 18 | 0 | 0 | 0.009 | 0.000 | 73 | 27 |
| Totals | 499.2 | 2,129 | 6,343 | 0.681 | 0.483 | 6,650 | 3,896 |

See Table 2.2 for footnotes

Table 2.4 sums the data from the previous two tables, and represents a forecast of total development in the study area at buildout.

Table 2.4
Total Development in the City (at Buildout)

| Development Type | Dev Acres ¹ | Dwelling Units ² | Hshld Pop ³ | Water MGD ⁴ | WW MGD ⁵ | Peak Hr Trips ⁶ | Police Activities ⁷ |
|---------------------------|------------------------|-----------------------------|------------------------|------------------------|---------------------|----------------------------|--------------------------------|
| Residential-Single Family | 1,539.7 | 9,114 | 27,343 | 2.643 | 1.823 | 9,114 | 8,203 |
| Residential-Duplex/Multi | 332.3 | 5,867 | 16,427 | 1.291 | 1.085 | 4,107 | 8,800 |
| Residential-Mobile Home | 78.7 | 940 | 1,974 | 0.179 | 0.132 | 564 | 0 |
| Commercial, General | 214.1 | 0 | 0 | 0.214 | 0.182 | 10,703 | 5,137 |
| Commercial, Service | 73.9 | 0 | 0 | 0.067 | 0.055 | 2,217 | 739 |
| Hotel/Motel | 22.3 | 0 | 0 | 0.028 | 0.026 | 401 | 223 |
| Industrial-Light | 155.6 | 0 | 0 | 0.023 | 0.022 | 3,111 | 840 |
| Industrial-Heavy | 28.1 | 0 | 0 | 0.004 | 0.004 | 281 | 101 |
| Public/Institutional | 489.0 | 0 | 0 | 0.122 | 0.108 | 9,781 | 2,934 |
| Airport | 166.0 | 0 | 0 | 0.008 | 0.007 | 66 | 249 |
| Parks | 588.2 | 0 | 0 | 0.294 | 0.000 | 2,353 | 882 |
| Totals | 3,687.9 | 15,921 | 45,744 | 4.873 | 3.443 | 42,699 | 28,109 |

See Table 2.2 for footnotes

The projected increase in all of the demand variables shown in these tables (acres, dwelling units, population, peak hour trips, etc.) is between 15% and 18% above current levels. Another way of looking at these figures is that the City, at present, is approximately 85% built out.

CHAPTER 3

PARKS

This chapter addresses the calculation of impact fees for park land and improvements needed to serve future development in Lompoc. Information on parks used in this chapter is based on the Parks and Recreation Element of the Lompoc General Plan and on additional information provided by the Lompoc Parks and Recreation Department.

SERVICE AREA

The service area for parks in this chapter is identical to the overall study area defined in Chapter 2. Because level-of-service standards are set on a citywide basis, impact fees for park improvements and in-lieu fees for park land acquisition will be calculated on a citywide basis and applied to new development in all parts of the City. The Parks and Recreation Element calls for parks to be located in close proximity to all residential development projects in the City. This study assumes that future parks will be sited in a manner consistent with the location standards set forth in the Parks and Recreation Element, so that all future development subject to the park impact fees will have reasonable access to City parks.

METHODOLOGY

This chapter calculates impact fees using the standard-based method discussed in Chapter 1. Standard-based fees are open-ended. They are based on a ratio of facilities to users and do not depend on assumptions about the ultimate limits of development in the City. All fees in this report are calculated in current dollars and should be adjusted annually to reflect changes in facility costs.

DEMAND VARIABLE

Virtually all local governments define the need for parks as a function of population, and that is the case in Lompoc. Consequently, population is used as the demand variable in calculating impact fees in this chapter. Because the fees are population-driven, they apply only to residential development.

LEVEL OF SERVICE

Park Improvements. The Parks and Recreation Element sets the following standards for park acreage in the City:

- Neighborhood Parks – 2 Acres per 1,000 persons
- Community Parks – 5 Acres per 1,000 persons
- Regional Parks – 5 acres per 1,000 persons

Table 3.1 lists existing City-owned parks and shows the total acreage and developed acreage of each park. Fee calculations in this chapter are based on the existing ratio of park acreage to population rather than the adopted level-of-service standards shown above. Basing impact fee calculations on the existing level of service moots any existing deficiencies relative to the adopted standard, and ensures that impact fees paid by future development do not subsidize the provision of park improvements for the existing community.

**Table 3.1
Existing City Parks**

| Park Type | Park Name | Total Park Acres | Developed Acres |
|------------------------------------|-----------------------|------------------|-----------------|
| Regional | Ken Adam Park | 118.8 | 42.0 |
| Regional | Santa Ynez River Park | 94.0 | 85.9 |
| Subtotal Regional Parks | | 212.8 | 127.9 |
| Community | Ryon Memorial Park | 22.5 | 22.5 |
| Community | Beattie Park | 50.6 | 50.6 |
| Community | Riverbend Park | 106.2 | 45.0 |
| Subtotal Community Parks | | 179.3 | 118.1 |
| Neighborhood | Johns-Manville Park | 6.5 | 6.5 |
| Neighborhood | College Park | 4.6 | 4.6 |
| Neighborhood | Thompson Park | 4.6 | 4.6 |
| Neighborhood | Pioneer Park | 4.7 | 4.7 |
| Neighborhood | Westvale Park | 2.0 | 2.0 |
| Neighborhood | Barton Park | 5.1 | 5.1 |
| Subtotal Neighborhood Parks | | 27.5 | 27.5 |
| Mini | Centennial Park | 0.3 | 0.3 |
| Mini | Negus-Ballum Park | 0.2 | 0.2 |
| Subtotal Mini Parks | | 0.5 | 0.5 |
| Grand Total | | 420.1 | 274.0 |

Source: Lompoc Parks and Recreation Department

Total acreage and developed acreage of existing parks from Table 3.1 are used to calculate the existing ratios of park acreage to population for each park type, as shown in Table 3.2 below.

**Table 3.2
Existing Level of Service by Park Type**

| Park Type | Existing Population ¹ | Total Park Acres ² | Total Park Acres/1,000 ³ | Developed Acres ² | Developed Acres/1,000 ³ |
|--------------|----------------------------------|-------------------------------|-------------------------------------|------------------------------|------------------------------------|
| Regional | 39,401 | 212.8 | 5.40 | 127.9 | 3.25 |
| Community | 39,401 | 179.3 | 4.55 | 118.1 | 3.00 |
| Neighborhood | 39,401 | 27.5 | 0.70 | 27.5 | 0.70 |
| Mini | 39,401 | 0.5 | 0.01 | 0.5 | 0.01 |
| Total | 39,401 | 420.1 | 10.66 | 274.0 | 6.96 |

¹ See Table 2.2

² See Table 3.1

³ Acres per 1,000 population = existing acres / (existing population/1,000)

Certain parks listed in Table 3.1 are designated as regional parks by the City, but are more properly be defined as community parks for purposes of calculating park land dedication and in-lieu fee requirements pursuant to the Quimby Act, because the City does not have responsibility to provide regional parks. However, even without those parks, Lompoc exceeds the 5.0 acres per thousand maximum ratio that may be used to calculate park land dedication requirements and in-lieu fees under the Quimby Act.

FACILITY NEEDS

In this chapter, facility needs for future parks are identified in terms ratios of park acreage to population rather than as a list of specific projects.

PER-CAPITA COST

Park Improvements. Table 3.3 calculates the per-capita cost of providing future park improvements necessary to maintain the existing level of service in the City. In that table the existing ratio of developed park acres to population (from Table 3.2) is multiplied by the estimated per-acre cost of park improvements to arrive at a per-capita cost. The improvement cost per acre shown in Table 3.3 represents average estimated current dollar costs for typical community and neighborhood park improvements similar to those in existing parks.

Table 3.3
Cost per Capita - Park Improvements

| Acres per 1,000 ¹ | Acres per Capita | Improvement Cost per Acre ² | Cost per Capita ³ |
|------------------------------|------------------|--|------------------------------|
| 6.96 | 0.00696 | \$150,000 | \$1,043.27 |

¹ See Table 3.2

² Estimated average improvement cost provided by the Lompoc Parks and Recreation Department

³ Cost per capita = acres per capita x cost per acre

Park Land Acquisition (Subdivisions). The level of service used to calculate fees in lieu of park land dedication for residential subdivisions is specified in the Quimby Act (Gov't Code §66477), which provides that a City may require residential subdividers to dedicate land for future parks or to pay fees in lieu of dedication. Under the Act, requirements for land dedication or in-lieu fees are to be based on a population ratio of 3.0 to 5.0 acres per thousand added residents, depending on the existing ratio.

As shown in Table 3.2, the City’s existing ratio of park land to population exceeds the maximum ratio of 5.0 acres per thousand specified in the Quimby Act. Thus, a ratio of 5.0 acres per thousand added residents will be used in this study as the basis for park land dedication/in-lieu fee calculations. Table 3.4 shows the per capita cost of acquiring additional park land at a ratio of 5.0 acres per thousand residents. Under the Quimby Act, for large subdivisions of 50 lots or more, the City may choose to require either dedication of land or payment of in-lieu fees. For smaller subdivisions, the City may only require payment of fees.

Table 3.4
Cost per Capita - Park Land Acquisition

| Acres per 1,000 ¹ | Acres per Capita | Land Cost per Acre ² | Cost per Capita ³ |
|------------------------------|------------------|---------------------------------|------------------------------|
| 5.00 | 0.005 | \$200,000 | \$1,000.00 |

¹ Ratio used to establish park land dedication requirements and in-lieu fees is limited to 5.0 acres per 1,000 residents by the Quimby Act

² Estimated average land cost provided by the Lompoc Parks and Recreation Department

³ Cost per capita = acres per capita x cost per acre

Park Land Acquisition (Non-subdivision Projects). Because the Quimby Act applies only to subdivisions, acquisition of park land from new residential development that does not involve a subdivision (e.g., apartment projects or single units on existing parcels) must be handled through an impact fee. The existing ratio of all City-owned park land to population is greater than 5.0 acres per thousand residents. Legally, such a fee would not be subject to the Quimby Act limit of 5.0 acres per thousand residents, and could be based on the higher existing ratio. However, this study assumes the City will choose to apply the same fee to non-subdivision projects as to non-subdivision projects, so no separate fee is calculated for non-subdivision residential development.

IMPACT FEE CALCULATION

Below, the per-capita costs from Tables 3.3 and 3.4 are converted into impact/in-lieu fees per unit of development by development type. To make that conversion, per-capita costs are multiplied by the average number of residents per dwelling unit for each type of residential development.

Impact Fees per Unit of Development for Park Improvements. Table 3.5 on the next page shows the calculation of impact fees per unit of development for park improvements. These fees do not include the cost of land acquisition, which is shown separately. To calculate fees per unit of development, the per-capita cost

from Table 3.3 is multiplied by the average population per dwelling unit for each type of residential development.

Table 3.5
Impact Fees per Unit of Development - Park Improvements

| Development Type | Dev Units ¹ | Population per Unit ² | Cost per Capita ³ | Impact Fee per Unit ⁴ |
|---------------------------|------------------------|----------------------------------|------------------------------|----------------------------------|
| Residential-Single Family | DU | 3.00 | \$1,043.27 | \$3,129.80 |
| Residential-Duplex/Multi | DU | 2.80 | \$1,043.27 | \$2,921.15 |
| Residential-Mobile Home | DU | 2.10 | \$1,043.27 | \$2,190.86 |

¹ DU = dwelling unit

² See Table 2.1

³ See Table 3.3

⁴ Impact fee per unit = population per unit x cost per capita

In-Lieu/Impact Fees per Unit of Development for Land Acquisition. Table 3.6 shows the calculation of in-lieu/impact fees per unit of development for park land acquisition. (Technically, the fees are in-lieu fees when applied to subdivision projects and impact fees when applied to non-subdivision projects.) To calculate fees per unit of development, the per-capita cost from Table 3.4 is multiplied by the average population per dwelling unit for each type of residential development.

Table 3.6
In-Lieu/Impact Fees per Unit of Development - Park Land Acquisition

| Development Type | Dev Units ¹ | Population per Unit ² | Cost per Capita ³ | Impact Fee per Unit ⁴ |
|---------------------------|------------------------|----------------------------------|------------------------------|----------------------------------|
| Residential-Single Family | DU | 3.00 | \$1,000.00 | \$3,000.00 |
| Residential-Duplex/Multi | DU | 2.80 | \$1,000.00 | \$2,800.00 |
| Residential-Mobile Home | DU | 2.10 | \$1,000.00 | \$2,100.00 |

¹ DU = dwelling unit

² See Table 2.1

³ See Table 3.4

⁴ Impact/in-lieu fee per unit = population per unit x cost per capita

Acres per Unit of Development for Park Land Dedication. Table 3.7 shows the acres per unit of development that would apply if the City chooses to require land dedication rather than payment of fees for large subdivisions. To calculate acres per unit of development, the acres-per-capita-figure from Table 3.4 is multiplied by the average population per dwelling unit for each type of residential development.

Table 3.7
Acres per Unit of Development - Park Land Dedication

| Development Type | Dev Units ¹ | Population per Unit ² | Acres per Capita ³ | Acres per Unit ⁴ |
|---------------------------|------------------------|----------------------------------|-------------------------------|-----------------------------|
| Residential-Single Family | DU | 3.00 | 0.005 | 0.015 |
| Residential-Duplex/Multi | DU | 2.80 | 0.005 | 0.014 |
| Residential-Mobile Home | DU | 2.10 | 0.005 | 0.011 |

¹ DU = dwelling unit

² See Table 2.1

³ See Table 3.4

⁴ Acres per unit = population per unit x acres per capita

PROJECTED REVENUE

Finally, in-lieu/impact fees from Tables 3.5 and 3.6 can be applied to future development to project the total revenue that would be generated by those fees through buildout of the study area, assuming future development occurs as projected in Chapter 2 of this study. Projected revenue is shown in Table 3.8.

Table 3.8
Projected Revenue - In-Lieu/Impact Fees for Park Land and Improvements

| Development Type | Dev Units ¹ | Future Units ² | Total Fees per Unit ³ | Projected Revenue ⁴ |
|---------------------------|------------------------|---------------------------|----------------------------------|--------------------------------|
| Residential-Single Family | DU | 1,906 | \$6,129.80 | \$ 11,685,568 |
| Residential-Duplex/Multi | DU | 223 | \$5,721.15 | \$ 1,274,182 |
| Residential-Mobile Home | DU | 0 | \$4,290.86 | \$ - |
| Total Revenue | | | | \$ 12,959,750 |

¹ DU = dwelling unit

² See Table 2.3

³ Combined fees from Tables 3.5 and 3.6

⁴ Projected revenue = future units x total fees per unit

All costs used in this report are given in current dollars. To keep pace with changing price levels, the fees calculated above should be adjusted annually for inflation. See the Implementation Chapter for more on indexing of fees.

CHAPTER 4 COMMUNITY AND RECREATION CENTERS

This chapter addresses impact fees for community and recreation center facilities needed to serve future development in Lompoc. Information on community and recreation center projects used in this analysis was provided by the Lompoc Parks and Recreation Department.

SERVICE AREA

Community and recreation center facilities serve the entire City. The service area used in this chapter is the entire study area as defined in Chapter 2 of this report. Because level-of-service standards are set on a citywide basis, impact fees for community and recreation centers will be calculated on a citywide basis and applied to new development in all parts of the City.

METHODOLOGY

This chapter calculates impact fees using the standard-based method discussed in Chapter 1. Standard-based fees are open-ended. They are based on a ratio of facilities to users and do not depend on assumptions about the ultimate limits of development in the City. All fees in this report are calculated in current dollars and should be adjusted annually to reflect changes in facility costs.

DEMAND VARIABLE

The need for community centers is typically defined as a function of the population served. Population is the most appropriate measure of demand for such facilities, and will be used as the demand variable for calculating impact fees in this chapter. Because the fees are population-related, they apply only to residential development.

LEVEL OF SERVICE

No level-of-service standard for community or recreation centers has been formally adopted by the City. Fees calculated in this chapter are based on the existing relationship between population and the City's investment in community and recreation facilities. Table 4.1 lists the City's existing community and recreation center

Table 4.1

Existing Community and Recreation Center Facilities

| Existing Facility | Replacement Cost ¹ |
|---|-------------------------------|
| Anderson Recreation Center | \$ 1,201,502 |
| Lompoc Valley Community Center | \$ 2,159,136 |
| Lompoc Civic Auditorium | \$ 1,241,937 |
| Lompoc Valley Aquatic Center ² | \$ 5,200,000 |
| Total | \$ 9,802,575 |

¹ Replacement cost for existing buildings is based on insurance appraisals

² Project is fully funded and scheduled for construction.
Total cost = \$8.7 million. Amount shown here represents contributions from general fund, RDA, and Quimby Act fees.

assets. All of the facilities listed in Table 4.1 are existing, except the Lompoc Valley Aquatic Center, which is fully funded and scheduled for completion in 2005. Table 4.1 includes only part of the cost of that facility corresponding to the share being funded by the General Fund, the Redevelopment Agency, and previously collected Quimby Act revenue. The portion being funded by assessments and grants is excluded from the amount used as the basis for impact fee calculations.

Table 4.2 calculates the per capita replacement cost of Lompoc’s existing community and recreation center facilities, using the existing population. That per-capita cost is the amount that must be charged for each new resident to maintain the existing ratio of community and recreation center assets to population.

Table 4.2
Cost per Capita - Community and Recreation Centers

| Existing Facility Replacement Cost ¹ | Existing Population ² | Cost per Capita ³ |
|---|----------------------------------|------------------------------|
| \$9,802,575 | 39,401 | \$248.79 |

¹ See Table 4.1

² See Table 2.2

³ Cost per capita = Total Replacement Cost / Existing Population

FACILITY NEEDS

In this chapter, facility needs for future community and recreation center facilities are identified in terms of the ratio of facility assets to population, rather than as a list of specific facilities.

IMPACT FEE CALCULATION

In Table 4.3, on the next page, the per-capita cost from Table 4.2 is converted into impact fees per unit of development, by development type. To make that conversion, the per-capita costs are multiplied by the average number of people per dwelling unit for each type of residential development.

Table 4.3
Impact Fees per Unit of Development - Community and Recreation Centers

| Development Type | Dev Units ¹ | Population per Unit ² | Cost per Capita ³ | Impact Fee per Unit ⁴ |
|---------------------------|------------------------|----------------------------------|------------------------------|----------------------------------|
| Residential-Single Family | DU | 3.00 | \$248.79 | \$746.37 |
| Residential-Duplex/Multi | DU | 2.80 | \$248.79 | \$696.61 |
| Residential-Mobile Home | DU | 2.10 | \$248.79 | \$522.46 |

¹ DU = dwelling unit

² See Table 2.1

³ See Table 4.2

⁴ Impact fee per unit = population per unit x cost per capita

PROJECTED REVENUE

Finally, the impact fees from Table 4.3 can be applied to future development to project the total revenue that will be generated by the fees through buildout, assuming that future development occurs as projected in this study. Table 4.4 shows the revenue projections for the fees calculated in this chapter. These projections represent revenue in current dollars that would be generated by impact fees on anticipated residential development in the study area.

Table 4.4
Projected Revenue - Impact Fees for Community and Recreation Centers

| Development Type | Dev Units ¹ | Future Units ² | Impact Fee per Unit ³ | Projected Revenue ⁴ |
|---------------------------|------------------------|---------------------------|----------------------------------|--------------------------------|
| Residential-Single Family | DU | 1,906 | \$746.37 | \$ 1,422,837 |
| Residential-Duplex/Multi | DU | 223 | \$696.61 | \$ 155,145 |
| Residential-Mobile Home | DU | 0 | \$522.46 | \$ - |
| Total | | | | \$ 1,577,982 |

¹ DU = dwelling unit

² See Table 2.3

³ See Table 4.3

⁴ Projected revenue = future units x impact fee per unit

It should be noted that all costs used in this report are given in current dollars. To keep pace with changing price levels, the fees calculated above should be adjusted annually for inflation. See the Implementation Chapter for more on indexing of fees.

CHAPTER 5

LIBRARIES

This chapter addresses libraries needed to serve future development in Lompoc. Information on library facilities was obtained from the 2002 Lompoc Library Needs Assessment and Feasibility Study, and from the Lompoc Library Department staff.

The City has one library facility, the Lompoc Public Library, which was constructed in 1968-69. A private residence has been donated to the City for use as a Children's library. The donor has provided an endowment to cover operating costs of the Children's Library, but the City must find money to renovate the building for use as a library, and is seeking grants for that purpose.

SERVICE AREA

The Lompoc Public Library operates as part of a regional library system. Santa Barbara County is one of only two California counties that does not have a countywide library system. Instead, the County contracts with three cities to provide library services to county residents. The City of Lompoc is the contract Agency for Santa Barbara County Library Zone II, which extends east to Buellton and west past Vandenberg AFB. There are three libraries within Zone II: The Lompoc Public Library and two smaller branches--the Buellton Library and the Village Branch Library (in Vandenberg Village, just north of Lompoc). The current population of Zone II, as determined by the California State Library is 69,350. Of that number, the population served by the Lompoc Public Library is 57,075.

METHODOLOGY

This chapter calculates impact fees using the standard-based method discussed in Chapter 1. Standard-based fees are open-ended. Fees calculated in this chapter are based on a ratio of facilities to users and do not depend on assumptions about the ultimate limits of development in the City.

DEMAND VARIABLE

Virtually all local governments define the need for libraries as a function of population, and population is used in this analysis as the demand variable used to measure library needs. Because the fees are population-driven, they apply only to residential development.

LEVEL OF SERVICE AND FACILITY NEEDS

The existing Lompoc Library consists of 20,008 square feet, of which 2,916 is in a basement. Lompoc has not formally adopted space standards for libraries, but a Library Needs Assessment and Feasibility Study was prepared by Ravatt, Albrecht & Associates in 2002. That study proposes expansion of the existing library to approximately 30,000 square feet.

However, for purposes of this study, the existing ratio of building space and library materials to population will be used as the level of service standard. That approach ensures that impact fees for new development will not be based on a level of service higher than the level provided to the existing community. Table 5.1 shows the existing ratios of building area and materials to population. The planned Children’s library is not included in the tabulation of existing library space. The population used to establish the existing level of service is the entire population of the service area discussed above, not just the City population.

Table 5.1
Existing Ratio of Library Building Area and Materials to Population

| Cost Component | Units | Existing Units ¹ | Service Area Population ² | Units per Capita ³ |
|------------------------|-------------|-----------------------------|--------------------------------------|-------------------------------|
| Existing Library Space | Square Feet | 20,008 | 57,075 | 0.35 |
| Existing Collection | Volumes | 89,370 | 57,075 | 1.57 |

¹ Based on 2002 Library Needs Assessment and Feasibility Study and data from the Library staff

² Population of the Lompoc Public Library service area, estimated by the California State Library

³ Units per capita = existing units / service area population

PER-CAPITA COST

Table 5.2 on the next page shows the per-capita cost to provide library facilities and materials at the current level of service to serve future development. Those per capita costs are based on the per capita service levels from Table 5.1. The per-capita costs will be used to calculate impact fees for library facilities and materials.

Table 5.2
Cost per Capita - Library Facilities and Materials

| Cost Component | Units | Existing Units per Capita ¹ | Cost per Unit ² | Cost per Capita ³ |
|-----------------------|-------------|--|----------------------------|------------------------------|
| Library Space | Square Feet | 0.35 | \$275.00 | \$96.40 |
| Library Materials | Volumes | 1.57 | \$35.00 | \$54.80 |
| Total Cost per Capita | | | | \$151.21 |

¹ See Table 5.1

² Cost per square foot based on \$200 for construction, \$25 for land, \$15 for site development and \$35 for furniture, fixtures and equipment. Cost per volume of new materials includes purchase and processing.

³ Cost per capita = cost per unit x units per capita.

IMPACT FEE CALCULATION

Below, the per-capita cost from Table 5.2 is converted into impact fees per unit of development, by development type, for library facilities and materials. To calculate fees per unit of development, the per-capita cost is multiplied by the average number of people per dwelling unit for each type of residential development. Table 5.3 shows the resulting impact fees per unit of development.

Table 5.3
Impact Fees per Unit of Development - Library Facilities and Materials

| Development Type | Dev Units ¹ | Population per Unit ² | Cost per Capita ³ | Impact Fee per Unit ⁴ |
|---------------------------|------------------------|----------------------------------|------------------------------|----------------------------------|
| Residential-Single Family | DU | 3.00 | \$151.21 | \$453.62 |
| Residential-Duplex/Multi | DU | 2.80 | \$151.21 | \$423.38 |
| Residential-Mobile Home | DU | 2.10 | \$151.21 | \$317.54 |

¹ DU = dwelling unit

² See Table 2.1

³ See Table 5.2

⁴ Impact fee per unit = population per unit x cost per capita

PROJECTED REVENUE

Finally, the impact fees from Table 5.3 can be applied to future development to project the total revenue that would be generated by those fees through buildout of the study area, assuming future development occurs as projected in Chapter 2 of this report.

Table 5.4 shows the projected revenue that would be generated if the fees calculated in this chapter are applied to future residential development.

Table 5.4
Projected Revenue - Fees for Library Facilities and Materials

| Development Type | Dev Units ¹ | Future Units ² | Impact Fee per Unit ³ | Projected Revenue ⁴ |
|---------------------------|------------------------|---------------------------|----------------------------------|--------------------------------|
| Residential-Single Family | DU | 1,906 | \$453.62 | \$ 864,763 |
| Residential-Duplex/Multi | DU | 223 | \$423.38 | \$ 94,293 |
| Residential-Mobile Home | DU | 0 | \$317.54 | \$ - |
| Total | | | | \$ 959,056 |

¹ DU = dwelling unit

² See Table 2.3

³ See Table 5.3

⁴ Projected revenue = future units x impact fee per unit

All costs used in this report are given in current dollars. To keep pace with changing price levels, the fees calculated above should be adjusted annually for inflation. See the Implementation Chapter for more on indexing of fees.

CHAPTER 6

WATER SYSTEM

This section of the report addresses water production, treatment, and storage facilities in the City of Lompoc. Adequate capacity in the water system is, obviously, a precondition for future development in the City. The City's existing water system consists of nine water supply wells, a water treatment plant with peak capacity of 7.0 million gallons per day (MGD), four elevated distribution reservoirs with a total capacity of 12 million gallons (MG), and a looped distribution system. The City also operates a small water system that provides a limited amount of water from Frick Springs to residents in San Miguelito Canyon, which is outside the City.

SERVICE AREA AND PLANNING HORIZON

The service area addressed in this chapter includes the City and its sphere of influence. It does not include "Wye" area north of the Santa Ynez River, which is part of the overall study area addressed in this report, but will receive water service from another provider. The planning horizon for this analysis extends to buildout of all undeveloped land within the service area.

DEMAND VARIABLE

Capacity needs for different components of the water system are determined using different measures of demand (e.g., maximum day demand for water production and peak hour demand for the distribution system). The most common way of summarizing the impact of development on a water system is in terms of average daily demand. Consequently, the demand variable used in this analysis is average water demand per unit of development in gallons per day (GPD), which can be also aggregated into millions of gallons per day (MGD).

METHODOLOGY

This chapter calculates impact fees for water system improvements using a version of the plan-based method discussed in Chapter 1. Lompoc has undertaken major improvements to the water system. Some improvements are needed entirely to serve future development (e.g., new wells), while others serve the needs of both existing and future development (e.g., treatment plant upgrades). Thus, it is necessary to evaluate each improvement to determine the share of its cost that should be attributed to future development. To further complicate matters, most of the cost of those improvements will be funded by bonds, and the bonds will be repaid largely from increases in water service charges. Because newcomers start contributing to those water service charges once they connect to the system, the impact fees need to reflect that contribution.

The extent of the contribution through service charges depends on when a user connects to the system. A newcomer who connects to the system before any debt service has been paid, contributes the same amount to debt retirement over the term of the bonds as any existing resident. The later a new user connects to the system, the less that user contributes to the cost of system improvements, through service charges, and the greater the impact fee needed to recover that user's unpaid share of system costs.

The impact fees calculated in this chapter are based on the amount of the service charges implicitly deferred from the point at which City begins budgeting service charge revenue for debt service to the point at which a particular user pays the impact fee. This report recommends that the deferred amount be adjusted annually to account for inflation. In effect, the City borrows from current users to cover debt service on the share of system capacity that is reserved for future users. When those future users connect to the system, they repay the loan through the impact fee. The details of the fee calculations are discussed later in this chapter.

LEVEL OF SERVICE

The City cannot make choices regarding service levels with respect to water facilities in the same way it does for some other facilities such as streets or parks. Under normal conditions, a water system must have the physical capacity to produce, treat, and distribute the volume of water demanded by users while meeting federal and state water quality standards. If the system (or any part of it) becomes incapable of satisfying those requirements, additional development will be precluded until the problem is corrected.

FACILITY NEEDS

Several improvements to Lompoc's water system have been constructed recently, or are planned for the near future. Many of those improvements are needed, at least in part, to serve the needs of future development. Table 6.1 lists the water system improvements addressed in this analysis, along with the cost and sources of funds for each project. The costs attributed to future development are being financed entirely with bonds. Some of the improvements listed in Table 6.1 were funded with bonds issued in 1998, while others will be funded with bonds to be issued in the current fiscal year or by future bonds to be issued in approximately 2011. This analysis will not address costs to be funded by the latter bond issue, because this analysis of water impact fees is very likely to be updated before those costs would be reflected in the impact fees.

Table 6.1
Water System Improvements

| Improvement Project | Total Cost ¹ | Paid From 1998 Bonds ² | Paid From 2004 Bonds ³ | Paid From 2011 Bonds ⁴ |
|--------------------------------|-------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Well No. 9 (Completed 2003) | \$ 793,617 | \$ 793,617 | | |
| 4 MG Reservoir (Compl. 2002) | \$ 3,903,019 | \$ 3,903,019 | | |
| Well No. 10 | \$ 1,700,000 | | \$ 1,700,000 | |
| Well No. 11 | \$ 1,200,000 | | | \$ 1,200,000 |
| Water Quality Imprvmt Projects | \$ 8,315,000 | | \$ 1,465,000 | \$ 6,850,000 |
| WTP Filter Addition | \$ 2,800,000 | \$ 1,144,000 | \$ 1,656,000 | |
| Sludge Dewatering (1997) | \$ 2,228,292 | \$ 2,228,292 | | |
| Other WTP Improvements | \$ 688,000 | | \$ 688,000 | |
| Booster Station Improvements | \$ 2,390,000 | | \$ 2,390,000 | |
| New WTP Admin Building | \$ 1,659,569 | | \$ 1,659,569 | |
| Total | \$ 25,677,497 | \$ 8,068,928 | \$ 9,558,569 | \$ 8,050,000 |

¹ Actual or Estimated cost provided by the City of Lompoc Finance Department (See CIP)

² Share of total cost funded by 1998 bond issue; includes refinancing of 1992 bonds

³ Share of total cost to be funded by a new 2004 bond issue

⁴ Costs to be covered by future bond issue anticipated in approximately 2011

Table 6.2, below, shows how much of the cost of each project in Table 6.1 is attributed to future development, and how much of that cost was paid from each of the two bond issues being addressed in this analysis.

Table 6.2
New Development Share of Water System Improvement Costs

| Improvement Project | Total Cost ¹ | New Dev % ² | New Dev Cost ³ | Paid From 1998 Bonds ⁴ | Paid From 2004 Bonds ⁵ |
|------------------------------|-------------------------|------------------------|---------------------------|-----------------------------------|-----------------------------------|
| Well No. 9 (Completed 2003)) | \$ 793,617 | 25.0% | \$ 198,404 | \$ 198,404 | |
| 4 MG Reservoir (Compl. 2002) | \$ 3,903,019 | 42.0% | \$ 1,639,268 | \$ 1,639,268 | |
| Well No. 10 | \$ 1,700,000 | 100.0% | \$ 1,700,000 | | \$ 1,700,000 |
| Well No. 11 | \$ 1,200,000 | 100.0% | \$ 1,200,000 | | |
| Groundwater Recharge Project | \$ 8,315,000 | 14.1% | \$ 1,172,415 | | \$ 1,172,415 |
| WTP Filter Addition | \$ 2,800,000 | 28.2% | \$ 789,600 | | \$ 789,600 |
| Sludge Dewatering (1997) | \$ 2,228,292 | 14.1% | \$ 314,189 | \$ 314,189 | |
| Other WTP Improvements | \$ 688,000 | 14.1% | \$ 97,008 | | \$ 97,008 |
| Booster Station Improvements | \$ 2,390,000 | 14.1% | \$ 336,990 | | \$ 336,990 |
| New WTP Admin Building | \$ 1,659,569 | 14.1% | \$ 233,999 | | \$ 233,999 |
| Total | \$ 25,677,497 | 29.9% | \$ 7,681,874 | \$ 2,151,861 | \$ 4,330,012 |

¹ Actual or Estimated cost provided by the City of Lompoc Finance Department

² Percentage of total cost attributed to future development---% estimated based on shares of demand

³ Improvement cost attributed to future development

⁴ Amount paid from 1998 bond issue toward new development cost share

⁵ Amount paid from 2004 bond issue toward new development cost share

IMPACT FEE CALCULATION

If new development's share of water system improvements, as shown in Table 6.2 were divided by the added demand from Table 2.3 (681,000 GPD), the average cost would be \$11.28 per GPD. And if that cost were applied to single-family dwellings using 290 gallons per day, the cost per unit would be \$3,271.

However, as discussed in the Methodology Section, impact fees calculated in this section recognize that new development will contribute to the cost of water system improvements in two ways. Some revenue will come from impact fees, but the primary source of revenue to pay debt service on the bonds used to finance water system improvements will be monthly service charges paid by customers. However, new users may not start paying those service charges for some years after debt service payments begin. So the impact fees are designed to recover the difference between what a user will actually pay in service charges, and what that user would have paid if he or she had been connected to system at the time debt service payments began.

Table 6.3 on the next page shows the calculation of water system impact fees based on when a new user connects to the system. In that table, for each year in which debt service payments are due, projected annual debt service payments on water system costs attributed to future development are divided by the total added capacity in gallons per day (GPD). Then the resulting cost per GPD is multiplied by the number of GPD used by the average single-family dwelling unit to arrive at a cost per equivalent dwelling unit (EDU). That cost varies each year because debt service payments on the bonds are not exactly the same each year.

The right hand column of Table 6.3 shows the impact fees for each year out to 2032-33. Those fees represent the accumulation of service charges per EDU, for users not yet connected to the system. This analysis assumes that anyone connecting to the system in a particular fiscal year, would pay service charges for that year. Thus, the debt service amount per EDU paid in one year is incorporated into the impact fee the following year.

The impact fees in Table 6.3 are shown in nominal dollars, and include a CPI adjustment to offset inflation. CPI factors shown in the table after fiscal year 2002-03 are assumed. Actual CPI factors should be inserted in the table year-by-year as they become available. The amount of the fee that would be due in the current fiscal year is shown in the row labeled 2003-04.

The fees for future years are approximate, and will depend somewhat on future changes in the CPI. Assuming that inflation continues, the real dollar amounts of future fees will be lower than the nominal dollar figures shown in the table. It should also be noted that these fees are not affected by the rate of at which future

development occurs. Whether system capacity is absorbed in five years or twenty years, the fees calculated by Table 6.3 will recover the correct amounts. However, the amount of impact fee revenue collected in a particular year, and overall, will depend on the number of new users connecting to the system that year.

Table 6.3
Impact Fee per EDU by Fiscal Year - Water System Improvements

| Fiscal Year | Debt Svc - 1998 Bonds ¹ | | Debt Svc - 2004 Bonds ² | | New Dev Debt Service ³ | | Debt Svc per EDU ⁴ | CPI Change ⁵ | Impact Fee Per EDU ⁶ |
|-------------|------------------------------------|------------|------------------------------------|------------|-----------------------------------|---------|-------------------------------|-------------------------|---------------------------------|
| | Total | New Dev | Total | New Dev | Total | per GPD | | | |
| 1998-99 | \$ 482,394 | \$ 108,867 | | | \$ 108,867 | 0.1599 | \$ 46.36 | | |
| 1999-00 | \$ 556,094 | \$ 125,499 | | | \$ 125,499 | 0.1843 | \$ 53.44 | 3.4% | \$ 46.36 |
| 2000-01 | \$ 558,369 | \$ 126,013 | | | \$ 126,013 | 0.1850 | \$ 53.66 | 2.8% | \$ 101.10 |
| 2001-02 | \$ 559,953 | \$ 126,370 | | | \$ 126,370 | 0.1856 | \$ 53.81 | 1.6% | \$ 156.38 |
| 2002-03 | \$ 556,628 | \$ 125,620 | | | \$ 125,620 | 0.1845 | \$ 53.49 | 2.5% | \$ 214.10 |
| 2003-04 | \$ 561,780 | \$ 126,783 | | | \$ 126,783 | 0.1862 | \$ 53.99 | 2.5% | \$ 272.95 |
| 2004-05 | \$ 561,920 | \$ 126,814 | \$ 456,686 | \$ 206,878 | \$ 333,692 | 0.4900 | \$ 142.10 | 2.5% | \$ 333.77 |
| 2005-06 | \$ 561,373 | \$ 126,691 | \$ 456,686 | \$ 206,878 | \$ 333,569 | 0.4898 | \$ 142.05 | 2.5% | \$ 484.21 |
| 2006-07 | \$ 560,454 | \$ 126,483 | \$ 456,686 | \$ 206,878 | \$ 333,361 | 0.4895 | \$ 141.96 | 2.5% | \$ 638.36 |
| 2007-08 | \$ 559,164 | \$ 126,192 | \$ 456,686 | \$ 206,878 | \$ 333,070 | 0.4891 | \$ 141.84 | 2.5% | \$ 796.28 |
| 2008-09 | \$ 561,876 | \$ 126,804 | \$ 456,686 | \$ 206,878 | \$ 333,682 | 0.4900 | \$ 142.10 | 2.5% | \$ 958.03 |
| 2009-10 | \$ 559,527 | \$ 126,274 | \$ 456,686 | \$ 206,878 | \$ 333,152 | 0.4892 | \$ 141.87 | 2.5% | \$ 1,124.07 |
| 2010-11 | \$ 560,908 | \$ 126,586 | \$ 456,686 | \$ 206,878 | \$ 333,464 | 0.4897 | \$ 142.00 | 2.5% | \$ 1,294.05 |
| 2011-12 | \$ 561,434 | \$ 126,705 | \$ 456,686 | \$ 206,878 | \$ 333,582 | 0.4898 | \$ 142.05 | 2.5% | \$ 1,468.40 |
| 2012-13 | \$ 561,075 | \$ 126,624 | \$ 456,686 | \$ 206,878 | \$ 333,501 | 0.4897 | \$ 142.02 | 2.5% | \$ 1,647.16 |
| 2013-14 | \$ 564,181 | \$ 127,324 | \$ 456,686 | \$ 206,878 | \$ 334,202 | 0.4908 | \$ 142.32 | 2.5% | \$ 1,830.36 |
| 2014-15 | \$ 561,767 | \$ 126,780 | \$ 456,686 | \$ 206,878 | \$ 333,657 | 0.4900 | \$ 142.09 | 2.5% | \$ 2,018.44 |
| 2015-16 | \$ 562,844 | \$ 127,023 | \$ 456,686 | \$ 206,878 | \$ 333,900 | 0.4903 | \$ 142.19 | 2.5% | \$ 2,210.99 |
| 2016-17 | \$ 562,625 | \$ 126,973 | \$ 456,686 | \$ 206,878 | \$ 333,851 | 0.4902 | \$ 142.17 | 2.5% | \$ 2,408.45 |
| 2017-18 | \$ 565,906 | \$ 127,714 | \$ 456,686 | \$ 206,878 | \$ 334,592 | 0.4913 | \$ 142.48 | 2.5% | \$ 2,610.83 |
| 2018-19 | \$ 559,344 | \$ 126,233 | \$ 456,686 | \$ 206,878 | \$ 333,111 | 0.4891 | \$ 141.85 | 2.5% | \$ 2,818.59 |
| 2019-20 | \$ 560,875 | \$ 126,578 | \$ 456,686 | \$ 206,878 | \$ 333,456 | 0.4897 | \$ 142.00 | 2.5% | \$ 3,030.91 |
| 2020-21 | \$ 561,313 | \$ 126,677 | \$ 456,686 | \$ 206,878 | \$ 333,555 | 0.4898 | \$ 142.04 | 2.5% | \$ 3,248.68 |
| 2021-22 | \$ 565,031 | \$ 127,516 | \$ 456,686 | \$ 206,878 | \$ 334,394 | 0.4910 | \$ 142.40 | 2.5% | \$ 3,471.94 |
| 2022-23 | \$ 252,438 | \$ 56,970 | \$ 456,686 | \$ 206,878 | \$ 263,848 | 0.3874 | \$ 112.36 | 2.5% | \$ 3,701.14 |
| 2023-24 | \$ 251,781 | \$ 56,822 | \$ 456,686 | \$ 206,878 | \$ 263,700 | 0.3872 | \$ 112.30 | 2.5% | \$ 3,906.02 |
| 2024-25 | \$ 255,063 | \$ 57,563 | \$ 456,686 | \$ 206,878 | \$ 264,440 | 0.3883 | \$ 112.61 | 2.5% | \$ 4,115.97 |
| 2025-26 | \$ 253,313 | \$ 57,168 | \$ 456,686 | \$ 206,878 | \$ 264,045 | 0.3877 | \$ 112.44 | 2.5% | \$ 4,331.48 |
| 2025-27 | \$ 255,500 | \$ 57,661 | \$ 456,686 | \$ 206,878 | \$ 264,539 | 0.3885 | \$ 112.65 | 2.5% | \$ 4,552.21 |
| 2027-28 | \$ 252,656 | \$ 57,020 | \$ 456,686 | \$ 206,878 | \$ 263,897 | 0.3875 | \$ 112.38 | 2.5% | \$ 4,778.66 |
| 2028-29 | | | \$ 456,686 | \$ 206,878 | \$ 206,878 | 0.3038 | \$ 88.10 | 2.5% | \$ 5,010.51 |
| 2029-30 | | | \$ 456,686 | \$ 206,878 | \$ 206,878 | 0.3038 | \$ 88.10 | 2.5% | \$ 5,223.87 |
| 2030-31 | | | \$ 456,686 | \$ 206,878 | \$ 206,878 | 0.3038 | \$ 88.10 | 2.5% | \$ 5,442.57 |
| 2031-32 | | | \$ 456,686 | \$ 206,878 | \$ 206,878 | 0.3038 | \$ 88.10 | 2.5% | \$ 5,666.73 |
| 2032-33 | | | \$ 456,686 | \$ 206,878 | \$ 206,878 | 0.3038 | \$ 88.10 | 2.5% | \$ 5,896.49 |

¹ Actual debt service on water system portion of 1998 bonds; new development share = 22.6% of total

² Estimated debt service on water system portion of 2004 bonds; new development share = 45.3% of total

³ Total debt service from 1998 and 2004 bonds attributed to new development. Debt service per GPD = Total / 681,000 GPD

⁴ Debt service per equivalent Dwelling Unit (EDU) = debt service per GPD X 290 GPD per EDU

⁵ CPI change included to offset inflation. Numbers after 2002-03 are assumed. Future changes should be inserted in table year-by-year

⁶ Impact fee per EDU in nominal dollars = previous year cost per EDU plus sum of earlier years' costs plus inflation adjustment

Like many communities, Lompoc collects its water impact fee based on meter size. Table 6.4 on the next page shows the impact fees per EDU converted into fees based on meter size.

Table 6.4
Impact Fees by Water Meter Size (2003-04) - Water System

| Water Meter Size | EDU Factor ¹ | Impact Fee per EDU ² | Impact Fee per Meter ³ |
|------------------|-------------------------|---------------------------------|-----------------------------------|
| 5/8" | 1.00 | \$ 272.95 | \$ 272.95 |
| 3/4" | 1.00 | \$ 272.95 | \$ 272.95 |
| 1" | 1.70 | \$ 272.95 | \$ 464.02 |
| 1-1/2" | 3.30 | \$ 272.95 | \$ 900.74 |
| 2" | 5.30 | \$ 272.95 | \$ 1,446.64 |
| 3" | 10.70 | \$ 272.95 | \$ 2,920.59 |
| 4" | 16.70 | \$ 272.95 | \$ 4,558.30 |

¹ EDU factor based on relative capacity of various meter sizes with 5.8" and 3/4" meters set equal to 1.0 EDU

² See Table 6.3

³ Impact fee per meter = EDU factor X impact fee per EDU.

PROJECTED REVENUE

Normally, a schedule of impact fees could be applied quite simply to anticipated future development to project total impact fee revenue over the expected buildout period in constant dollars. In this case, because fees are calculated in nominal rather than constant dollars, and because total revenue depends significantly on when development occurs, such projections are complicated. Table 6.5, on the next page, shows the estimated amounts in constant dollars that would be collected each year over the next 20 years if new development absorbs capacity at a constant rate of 121 EDU per year—a rate that approximates a 20-year buildout. Those projections are discounted at 2.5% per year to correct for expected inflation.

It should be noted that since the impact fees calculated here are intended to recover funds advanced from the water enterprise fund, the revenue from these fees may be transferred to that fund. Although we believe that it may be legitimate to use that fee revenue for any purpose related to the water system, we recommend that it be deposited in a capital account and used only for debt service on the bonds discussed in this chapter.

Table 6.5
Projected Revenue - Impact Fees for Water System

| Fiscal Year | Projected Revenue (Current Dollars) ¹ |
|--------------|--|
| 2003-04 | \$31,935 |
| 2004-05 | \$38,098 |
| 2005-06 | \$53,923 |
| 2006-07 | \$69,356 |
| 2007-08 | \$84,403 |
| 2008-09 | \$99,070 |
| 2009-10 | \$113,406 |
| 2010-11 | \$127,370 |
| 2011-12 | \$141,007 |
| 2012-13 | \$154,315 |
| 2013-14 | \$167,296 |
| 2014-15 | \$179,986 |
| 2015-16 | \$192,347 |
| 2016-17 | \$204,415 |
| 2017-18 | \$216,188 |
| 2018-19 | \$227,698 |
| 2019-20 | \$238,878 |
| 2020-21 | \$249,797 |
| 2021-22 | \$260,452 |
| 2022-23 | \$270,874 |
| 2023-24 | \$278,897 |
| Total | \$3,399,712 |

¹ Projected revenue assumes that new development represents added demand of 117 EDU per year. Revenue projections are discounted at 2.5% per year

Most other impact fees calculated in this report are calculated in current dollars, and should be adjusted annually to keep pace with changes in price levels. That is not the case with fees calculated in this chapter. They are intended to represent nominal dollars at the time the fee is paid. As indicated previously, the inflation adjustments used in calculating the fees should be updated annually to reflect actual changes in price levels.