

Lake County FPD Fire Mitigation Fee Nexus Study City Council Workshop



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Municipal Advisory | Pension Optimization | Revenue Generation | Quantitative Strategies



What is a Mitigation Fee?



- A mitigation fee (aka development impact fee) is:
 - a one-time fee
 - imposed on new development as a condition of approval
 - to pay for public facilities needed to serve new development
- **Mitigation fees are one of the ways that the California law put in place to fund public facilities**

Definitions and Use



- **Public Facilities:**
 - fire station and other facilities
 - apparatus and vehicles
 - equipment
- **Development is:**
 - All new private residential and nonresidential buildings
 - Excludes public buildings and ADUs smaller than 750 sq.ft.
- Mitigation fees **CAN** be used to expand the District's facilities to serve new development
- Mitigation fees **CANNOT** be used for maintenance, deficiencies, or operations

Fire Mitigation Fees in the City of Clearlake



- The mitigation fee ordinance was adopted in 1993
- No significant updates to the fee program have been done since then (31 years)
- Fee Program set fee ceiling of \$0.35-1.05 psf, without inflation adjustment
- The fee is currently collected at \$1.00 psf
- What changed since the program was implemented:
 - The District added EMS
 - Fire station construction costs went from \$64-70 psf to \$600+ psf
 - Class A Engine / Pumper cost went from \$200-350k to \$700k
 - Water Tender cost went up from \$110-125k to \$400-550k

Legal Framework



- US Supreme Court decisions require “**Nexus**” to support mitigation fees
- Three Nexus components:
 - Development must create a **NEED** for facilities funded by the fee
 - Development must receive **BENEFIT** from facilities funded by the fee
 - Fees must be **PROPORTIONAL** to impact created by development

Legal Framework – California Law



- The Mitigation Fee Act requires the following nexus findings:
 - Identify **PURPOSE** of the fee
 - Identify **USE** of the fee
 - Demonstrate reasonable relationship between:
 - Use of the fee and type of development on which the fee is imposed (**Benefit**)
 - Need for facility and type of development on which the fee is imposed (**Need**)
 - Amount of the fee and facility cost allocated to development paying the fee (**Proportionality**)

Mitigation Fee Adoption Process



- Impact fees are imposed as a condition of development approval by land use authority
- Special districts lack land use authority
- Cities may impose impact fees that benefit special districts

- **District Board:** approved nexus study and forwarded it to the City
- **City of Clearlake City Council:** adopts the fee on behalf of the District for the City area

Nexus Findings



- **PURPOSE:** for new development to contribute its fair share of existing and future one-time public facility costs
- **USE:** to fund expansion of and addition to District's public facilities
- **NEED:** new development within District's service area increases the need for fire protection and emergency medical response public facilities
- **BENEFIT:** new development within District's service area benefits from availability of fire protection and emergency medical response public facilities
- **PROPORTIONALITY:** Fire mitigation fee allocates to new development its proportionate share of the District's existing and future public facilities costs

Fire Mitigation Fee Methodology



- Fee is based on future development's share of existing and future public facility costs:
 - 17.4 million sf of existing development within the District
 - 1.5 million sf of new development projected in the next 18 years
 - 18.9 million sf of total development projected by 2040
 - \$37 million of total cost / value of District's existing and planned facilities
 - \$141,000 in District's mitigation fee fund
 - \$36.9 million is the net cost of District's facilities to be allocated to all development
 - Net cost allocation:
 - \$1.89 per sf of residential development
 - \$2.36 per sf of nonresidential development

Fire Mitigation Fee Survey



Agency Name	County	Fee Amount (psf)
Esparto FPD	Yolo	\$1.48
Willow Oaks PFD	Yolo	\$1.69
City of Yreka	Siskiyou	\$2.03
Anderson Valley CSD	Mendocino	
Single Family		\$2.13
Multi-Family		\$2.54
Retail / Commercial		\$2.14
Office		\$2.87
Sonoma County FPD	Sonoma	
Single Family		\$1.75
Multi-Family		\$2.31
Retail / Commercial		\$1.95
Office		\$3.20
Sonoma Valley FPD	Sonoma	
Single Family		\$1.72
Multi-Family		\$2.91
Retail / Commercial		\$1.95
Office		\$3.23

- All fee programs updated in 2021-23
- All fee programs have automatic inflation adjustment
- All fee programs have administrative surcharge (2-4%)

Proposed Fire Mitigation Fees in Lake Co



District	Fee PSF		
	Res	Nonres	Surcharge
Lake County FPD	\$1.93	\$2.41	\$0.50
Kelseyville FPD	\$1.50	\$1.50	n/a
Lakeport FPD	\$2.00	\$2.45	\$0.50
Northshore FPD	\$2.02	\$2.02	n/a
South Lake County FPD	\$2.00	\$2.63	n/a

- All Districts included 2% Admin Surcharge
- All Districts included automatic annual inflation adjustment

Proposed LCFPD Fire Mitigation Fee



Description	Amount / Sq.Ft.		
	Residential	Nonresidential	High Impact Surcharge
Base Fee per Sq. Ft.	\$1.89	\$2.36	\$0.49
Administrative Surcharge	2%	\$0.04	\$0.05
Total Fee per Sq. Ft.	\$1.93	\$2.41	\$0.50

- 2% Admin Surcharge covers Mitigation Fee Act compliance costs (nexus studies, recordkeeping, reporting, etc.)
- Fee applies to all new development
- Includes automatic annual inflation adjustment

Projected Fee Revenue



- Projected fire mitigation fee revenue: **\$3.1 million** over 18 years
- Planned facilities costs: **\$19.5 million**
- Available mitigation fee funds: **\$141k**
- Funding needed from other sources: **\$16.2 million**

Questions?



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