

Memorandum

TO: East Contra Costa County Habitat Conservancy
FROM: James Edison and Carlos Villarreal
DATE: December 21, 2012
SUBJECT: HCP Fee Burden Analysis

As a supplement to the audit of the HCP fee program, Willdan has prepared an analysis of the potential burden the proposed fees may place on residential development. This analysis seeks to quantify the development related fee burden, as a percentage of market value for a single family unit. Two types of units are evaluated for each city – at a very low density of 3.5 units per acre and a low density of 6.5 units per acre. Because the development fee is charged on a per acre basis, the lower density development will see a relatively large fee per unit than higher density development.

Before Willdan describes its analysis and conclusions, it is important to discuss the role of economic feasibility calculations in the preparation of fee programs. As a general matter, economic feasibility is not relevant to the technical work of preparing an impact fee. Impact fees are calculated based on a schedule of public facilities and improvements needed to support new development and the nexus between those facilities and improvements and the planned new development. Economic feasibility is a public policy factor, and where feasibility is considered the remedy is to reduce the needed improvements. This, in turn, will reduce the calculated fee charged for new development. A fundamental difference for the calculation of an HCP fee is that the HCP is set of habitat mitigation policies to comply with a permit issued by regulatory authorities and therefore cannot be unilaterally reduced. The alternate to the HCP fee is not a reduced fee but rather a risk that a permit will be suspended or revoked. In the absence of the HCP individual projects would still incur costs to comply with state and federal environmental laws. Such costs would occur on a project-by-project basis and would likely vary widely but would likely in the aggregate be at least as high as the HCP total costs because transaction costs would be higher.

Market Characteristics:

The market value examined for each of the four participating cities was determined in several steps. First, the contra Costa County MLS database was queried to return all recent sales of single family homes built since 2008. Each query resulted in an average cost per square foot in each City. As with the earlier burden analysis prepared, Willdan calculated the burden at two densities, 3.5 units per acre (yielding approximately 11,000 square foot lots) and 6.5 units per acre (yielding approximately

6,000 square foot lots). Based on a survey of new projects in the region and MLS data, Willdan estimates that development on the 11,000 square foot lots would be constructed at an average floor area ratio (FAR) of 0.20 to .23, and on the 6,000 square foot lots at an average FAR of 0.35 to 0.46. This calculation yields an average home size of 2,200 to 2,600 square feet at very low density and 2,100 to 2,700 square feet at low density. Using the average price per square foot obtained from MLS data, Willdan estimated the average home price in each jurisdiction for low and very low density development.

Development Related Fees

The analysis required an investigation of all development related fees charged per single family dwelling unit by each city as well other capital fees charged by districts serving each city. Fees vary by city, but typically the impact fees included traffic, parkland, drainage and community facilities. Fees charged by districts include fire protection, water connection, waste water connection and school district impact fees. Permit, plan check, management, review, inspection, and any other fees not funding facilities to serve new development were excluded from the analysis of development related fees. In some cases fees vary depending on the location within each city where the unit would be build. To show the full range of potential fees, a low and high column is included in each table which contain the lowest possible fee per unit, and the highest possible fee per unit for each fee category. The variance is largely accounted for the fact that in some jurisdictions certain fees to not apply to all development.

HCP Fees:

The HCP/NCCP fees from the 2012 audit are added to the existing development related fees to determine the total potential development related fee burden per unit. The average gross units per acre assumptions corresponding with very low and low density single family zoning were used to convert the HCP/NCCP fees per acre to fees per dwelling unit.

Burden Analysis:

The total value of the existing development related fees was added to the HCP/NCCP fees (not including wetland fees, which are paid by a small minority of projects and apply only to the wetted area) to determine the total potential development related fee burden per single family unit. The total potential fee burden is then compared to the market value for each type of unit to determine the potential fee burden as a percentage of market value. Below are four tables calculating the burden in four jurisdictions, Pittsburg, Brentwood, Clayton and Oakley. As a rough approximation, an industry standard assessment of the burden of fees, charges, and offsite infrastructure costs is that they should not exceed twenty percent. In Willdan's experience it can exceed that in some circumstances, but it a reasonable first approximation of general economic feasibility.

As shown in the tables below, the estimated percentage of total sales price in each of the jurisdictions ranges from as little as seven percent in Clayton to twenty three percent in Oakley (for development in HCP Zone I). This last amount is slightly above the typical maximum burden, but does not present a fatal flaw in the feasibility of development there, as many other factors are equally important. It is important to note, additionally, that in the case of Oakley the HCP fee is a



fraction of the total fee, approximately five percent (and one percent of total development costs). In Oakley the fee is already over twenty percent for the estimated development in the absence of the HCP fee, and the HCP fee adds only marginally to the total burden. Additionally, single family prices remain near historic lows and are likely to recover in future years at a higher rate than inflation (assuming that the real estate cycles of past years continue their pattern), which will reduce the total fee as a proportion of sales price.

Based on these overall percentages, and the relationship between the HCP fees and total fees already in place, Willdan concludes that the HCP fee will have a negligible effect (if any) on the feasibility of development Oakley, and none at all in the rest of Eastern Contra Costa County.



Table 1
Summary of Total Impact and Development Related Fees - City of Pittsburg, CA

	Very Low Density		Low Density	
	Low Fee Scenario	High Fee Scenario	Low Fee Scenario	High Fee Scenario
<u>Single Family Dwelling Unit Assumptions</u>				
Average Gross Units per Acre	3.5	3.5	6.5	6.5
Average FAR	0.21	0.21	0.46	0.46
Average Square Feet per Unit ¹	2,386	2,386	2,745	2,745
Average Cost per Square Foot ²	161	161	146	146
Current Sales Price per Unit	\$ 384,349	\$ 384,349	\$ 401,156	\$ 401,156
<u>Development Related Fees</u>				
Current City Fees				
Local Traffic Fees	\$ 7,285	\$ 7,285	\$ 7,285	\$ 7,285
Parkland Dedication Fees ³	11,756	11,756	11,756	11,756
Kirker Creek Watershed Drainage Fee ⁴	-	1,622	-	1,866
GIS Fee	25	25	25	25
Total Local/City Fees	\$ 19,066	\$ 20,688	\$ 19,066	\$ 20,932
Other Agency/District Fees				
School Impact Fees	\$ 7,085	\$ 7,085	\$ 8,152	\$ 8,152
Fire Protection Fees	247	247	247	247
Regional Traffic Fees - Includes Admin	16,080	16,080	16,080	16,080
Sewer Connection ⁵	-	4,115	-	4,115
Water Connection ⁶	2,570	7,220	2,570	7,220
Co. Storm Drainage	7,500	7,500	4,500	4,500
Total Other Fees	\$ 33,483	\$ 42,248	\$ 31,549	\$ 40,314
Total Development Related Fees per Unit	\$ 52,549	\$ 62,936	\$ 50,615	\$ 61,247
<u>HCP/NCCP Development Fees Per DU Based on Units per Acre above (from 2012 Audit)</u>				
HCP Mitigation Fee Zone I ⁷	\$ 3,007	\$ 3,007	\$ 1,619	\$ 1,619
HCP Mitigation Fee Zone II ⁷	6,014	6,014	3,239	3,239
HCP Mitigation Fee Zone III ⁷	1,504	1,504	810	810
Total All Fees with HCP Fees				
Zone I	\$ 55,556	\$ 65,943	\$ 52,234	\$ 62,866
Zone II	\$ 58,563	\$ 68,950	\$ 53,854	\$ 64,486
Zone III	\$ 54,053	\$ 64,440	\$ 51,425	\$ 62,057
Total Fees as % of Market Price				
Zone I	14.45%	17.16%	13.02%	15.67%
Zone II	15.24%	17.94%	13.42%	16.07%
Zone III	14.06%	16.77%	12.82%	15.47%

Note: Excludes permit, plan check, management, review, inspection fees.

¹ Based on estimated FAR of newly constructed homes from sales of homes constructed since 2008.

² Contra Costa MLS. Average per square foot price of homes built since 2008 over the past six months.

³ Assumes 0.0173 acres per DU @ \$566,280 per acre + 20% for improvements.

⁴ Kirker Creek Watershed Drainage Fee not charged in all areas of the City.

⁵ No fees in Sewer Sub Basins SW 101-105. High fee For Sewer Sub Basins D601-621.And Sw 109

⁶ High fee for Zone I And II; Not SW Hills. Low fee For SW Hills; Development Area.

⁷ Specified fee is for the Initial Urban Development Area.

Sources: City of Pittsburg; Contra Costa County MLS; Willdan Financial Services.



Table 2
Summary of Total Impact and Development Related Fees - City of Brentwood, CA

	Very Low Density		Low Density	
	Low Fee Scenario	High Fee Scenario	Low Fee Scenario	High Fee Scenario
<u>Single Family Dwelling Unit Assumptions</u>				
Average Gross Units per Acre	3.5	3.5	6.5	6.5
Average FAR	0.23	0.23	0.38	0.38
Average Square Feet per Unit ¹	2,616	2,616	2,316	2,316
Average Cost per Square Foot ²	170	170	146	146
Average Current Sales Price per Unit	\$ 444,879	\$ 444,879	\$ 339,121	\$ 339,121
<u>Development Related Fees</u>				
Current City Fees				
Roadways	\$ 10,746	\$ 10,746	\$ 10,746	\$ 10,746
Wastewater	4,261	4,261	4,261	4,261
Water Facilities	7,136	7,136	7,136	7,136
Parks & Trails	7,199	7,199	7,199	7,199
Community Facilities	3,660	3,660	3,660	3,660
Administration	575	575	575	575
Total Local/City Fees	\$ 33,002	\$ 33,576	\$ 33,002	\$ 33,002
Other Agency/District Fees				
ECCFPD Fire Fee	\$ 781	\$ 781	\$ 781	\$ 781
Sewer Connection ³	4,261	5,226	4,261	5,226
Water Connection ³	7,136	9,959	7,136	9,959
School District Fees	7,085	7,085	8,152	8,152
Total Other Fees	\$ 19,263	\$ 23,052	\$ 20,330	\$ 24,119
Total Development Related Fees per Unit	\$ 52,839	\$ 56,628	\$ 53,906	\$ 57,695
<u>HCP/NCCP Development Fees Per DU Based on Units per Acre above (from 2012 Audit)</u>				
HCP Mitigation Fee Zone I ⁴	\$ 3,007	\$ 3,007	\$ 1,619	\$ 1,619
HCP Mitigation Fee Zone II ⁴	6,014	6,014	3,239	3,239
HCP Mitigation Fee Zone III ⁴	1,504	1,504	810	810
Total All Fees with HCP Fees				
Zone I	\$ 55,846	\$ 59,635	\$ 55,525	\$ 59,314
Zone II	\$ 58,853	\$ 62,642	\$ 57,145	\$ 60,934
Zone III	\$ 54,343	\$ 58,132	\$ 54,716	\$ 58,505
Total Fees as % of Market Price				
Zone I	12.55%	13.40%	16.37%	17.49%
Zone II	13.23%	14.08%	16.85%	17.97%
Zone III	12.22%	13.07%	16.13%	17.25%

Note: Excludes permit, plan check, management, review, inspection fees.

¹ Based on estimated FAR of newly constructed homes from sales of homes constructed since 2008.

² Contra Costa MLS. Average per square foot price of homes built since 2008 over the past six months.

³ Northern De-annexation Area pays additional water and sewer connection fees.

⁴ Fee is for the Initial Urban Development Area.

Sources: City of Brentwood; Contra Costa County MLS; Willdan Financial Services.



Table 3
Summary of Total Impact and Development Related Fees - City of Clayton CA

	Very Low Density		Low Density	
	Low Fee Scenario	High Fee Scenario	Low Fee Scenario	High Fee Scenario
<u>Single Family Dwelling Unit Assumptions</u>				
Average Gross Units per Acre	3.5	3.5	6.5	6.5
Average FAR	0.23	0.23	0.35	0.35
Average Square Feet per Unit ¹	2,607	2,607	2,111	2,111
Average Cost per Square Foot ²	258	258	258	258
Average Current Sales Price per Unit	\$ 671,606	\$ 671,606	\$ 543,789	\$ 543,789
<u>Development Related Fees</u>				
Current City Fees				
Community Facilities Development	\$ 450	\$ 450	\$ 450	\$ 450
Off-site Arterial Street Improvement	1,456	1,456	1,456	1,456
Childcare	205	205	205	205
Parkland Dedication	2,569	2,569	2,569	2,569
Open Space In Lieu Fee (if applicable)	-	-	-	-
Fire Development Protection	300	300	300	300
Police Impact Fees (As determined in Project CEQA Analysis)	-	-	-	-
Total Local/City Fees	\$ 4,980	\$ 4,980	\$ 4,980	\$ 4,980
Other Agency/District Fees				
School District (Mt. Diablo)	\$ 7,085	\$ 7,085	\$ 7,085	\$ 7,085
Contra Costa Water District Connection Fee	22,498	22,498	22,498	22,498
Contra Costa Fire Protection Fees	247	247	247	247
City of Concord Sewer Connection Fee	5,043	5,043	5,043	5,043
Total Other Fees	\$ 34,873	\$ 34,873	\$ 34,873	\$ 34,873
Total Development Related Fees per Unit	\$ 39,853	\$ 39,853	\$ 39,853	\$ 39,853
<u>HCP/NCCP Development Fees Per DU Based on Units per Acre above (from 2012 Audit)</u>				
HCP Mitigation Fee Zone I ³	\$ 3,007	\$ 3,007	\$ 1,619	\$ 1,619
HCP Mitigation Fee Zone II ³	6,014	6,014	3,239	3,239
HCP Mitigation Fee Zone III ³	1,504	1,504	810	810
Total All Fees with HCP Fees				
Zone I	\$ 42,860	\$ 42,860	\$ 41,472	\$ 41,472
Zone II	\$ 45,867	\$ 45,867	\$ 43,092	\$ 43,092
Zone III	\$ 41,357	\$ 41,357	\$ 40,663	\$ 40,663
Total Fees as % of Market Price				
Zone I	6.38%	6.38%	7.63%	7.63%
Zone II	6.83%	6.83%	7.92%	7.92%
Zone III	6.16%	6.16%	7.48%	7.48%

Note: Excludes permit, plan check, management, review, inspection fees.

¹ Based on estimated FAR of newly constructed homes from sales of homes constructed since 2008.

² Contra Costa MLS. Average per square foot price of homes built since 2008 over the past six months.

³ Fee is for the Initial Urban Development Area.

Sources: City of Clayton; City of Concord; Contra Costa Water District; Contra Costa County MLS; Willdan Financial Services.



Table 4
Summary of Total Impact and Development Related Fees - City of Oakley, CA

	Very Low Density		Low Density	
	Low Fee Scenario	High Fee Scenario	Low Fee Scenario	High Fee Scenario
<u>Single Family Dwelling Unit Assumptions</u>				
Average Gross Units per Acre	3.5	3.5	6.5	6.5
Average FAR	0.20	0.20	0.38	0.38
Average Square Feet per Unit ¹	2,240	2,240	2,295	2,295
Average Cost per Square Foot ²	139	139	121	121
Average Current Sales Price per Unit	\$ 312,172	\$ 312,172	\$ 278,512	\$ 278,512
<u>Development Related Fees</u>				
Current City Fees				
Oakley Traffic	\$ 12,258	\$ 12,258	\$ 12,258	\$ 12,258
Park Acquisition	3,579	3,579	3,579	3,579
Park Improvement	4,988	4,988	4,988	4,988
Public Facilities	2,701	2,701	2,701	2,701
Total Local/City Fees	\$ 23,526	\$ 23,526	\$ 23,526	\$ 23,526
Other Agency/District Fees				
Regional Transportation Development Impact Mitigation	\$ 17,973	\$ 17,973	\$ 17,973	\$ 17,973
East County Fire Protection District	749	749	749	749
Ironhouse Sanitary District	4,318	4,318	4,318	4,318
Diablo Water District	8,636	8,636	8,636	8,636
School Impact Fees	7,085	7,085	7,085	7,085
Total Other Fees	\$ 38,761	\$ 38,761	\$ 38,761	\$ 38,761
Total Development Related Fees per Unit	\$ 62,287	\$ 62,287	\$ 62,287	\$ 62,287
<u>HCP/NCCP Development Fees Per DU Based on Units per Acre above (from 2012 Audit)</u>				
HCP Mitigation Fee Zone I ³	\$ 3,007	\$ 3,007	\$ 1,619	\$ 1,619
HCP Mitigation Fee Zone II ⁴	6,014	6,014	3,239	3,239
HCP Mitigation Fee Zone III ³	1,504	1,504	810	810
Total All Fees with HCP Fees				
Zone I	\$ 65,294	\$ 65,294	\$ 63,906	\$ 63,906
Zone II ⁴	\$ -	\$ -	\$ -	\$ -
Zone III	\$ 63,791	\$ 63,791	\$ 63,097	\$ 63,097
Total Fees as % of Market Price				
Zone I	20.92%	20.92%	22.95%	22.95%
Zone II ⁴	N/A	N/A	N/A	N/A
Zone III	20.43%	20.43%	22.66%	22.66%

Note: Excludes permit, plan check, management, review, inspection fees.

¹ Based on estimated FAR of newly constructed homes from sales of homes constructed since 2008.

² Contra Costa MLS. Average per square foot price of homes built since 2008 over the past six months.

³ Fee is for the *Initial Urban Development Area*.

⁴ Zone II not applicable to Oakley.

Sources: City of Oakley; Contra Costa County MLS; Willdan Financial Services.

