

CITY OF MORGAN HILL

DEVELOPMENT IMPACT FEE UPDATE STUDY

FINAL

JANUARY 31, 2019



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Executive Summary

This report summarizes an analysis of the maximum justified development impact fees allowable to support future development in Morgan Hill through 2035. It is the City's intent that the costs representing future development's share of public facilities and capital improvements be imposed on that development in the form of a development impact fee, also known as a public facilities fee. The public facilities and improvements included in this analysis are divided into the fee categories listed below:

- General Public Facilities;
- Traffic Facilities;
- Library Facilities;
- Park Facilities;
- Water Facilities; and,
- Storm Drain Facilities.

Background and Study Objectives

The primary policy objective of a development impact fee program is to ensure that new development pays the capital costs associated with growth. Although growth also imposes operating costs, there is no similar system to generate revenue from new development for services. The primary purpose of this report is to calculate and present fees that will enable the City to expand its inventory of public facilities as new development creates increases in service demands.

The City imposes public facilities fees under authority granted by the *Mitigation Fee Act (the Act)*, contained in *California Government Code Sections 66000 et seq.* This report provides the necessary findings required by the *Act* for adoption of the fees presented in the fee schedules contained herein.

All development impact fee-funded capital projects should be programmed through the City's six-year Capital Improvement Plan (CIP). Using a CIP can help the City identify and direct its fee revenue to public facilities projects that will accommodate future growth. By programming fee revenues to specific capital projects, the City can help ensure a reasonable relationship between new development and the use of fee revenues as required by the *Mitigation Fee Act*.

Facility Standards and Costs

There are three approaches typically used to calculate facilities standards and allocate the costs of planned facilities to accommodate growth in compliance with the *Mitigation Fee Act* requirements.

The **planned facilities** approach allocates costs based on the ratio of planned facilities that serve new development to the increase in demand associated with new development. This approach is appropriate when specific planned facilities that only benefit new development can be identified, or when the specific share of facilities benefiting new development can be identified. Examples include street improvements to avoid deficient levels of service or a water main extension to a previously undeveloped area. This approach is used for the traffic facilities, park facilities, water facilities and the storm drain facilities fees in this report.

The **existing inventory** approach is based on a facility standard derived from the City's existing level of facilities and existing demand for services. This approach results in no facility deficiencies attributable to existing development. This approach is often used when a long-range plan for new facilities is not available. Only the initial facilities to be funded with fees are identified in the fee

study. Future facilities to serve growth will be identified through the City's annual capital improvement plan and budget process and/or completion of a new facility master plan. This approach is used for the library facilities fees and general public facilities fees in this study.

The **system plan** approach is based on a master facilities plan in situations where the needed facilities serve both existing and new development. This approach allocates existing and planned facilities across existing and new development to determine new development's fair share of facility needs. This approach is used when it is not possible to differentiate the benefits of new facilities between new and existing development. Often the system plan is based on increasing facility standards, so the City must find non-impact fee revenue sources to fund existing development's fair share of planned facilities. This approach is not used in this report.

Use of Fee Revenues

Impact fee revenue must be spent on new facilities or expansion of current facilities to serve new development. Facilities can be generally defined as capital acquisition items with a useful life greater than five years. Impact fee revenue can be spent on capital facilities to serve new development, including but not limited to: land acquisition, construction of buildings and infrastructure, the acquisition of vehicles or equipment, information technology, software licenses and equipment.

Development Impact Fee Schedule Summary

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

E.1: Maximum Justified Development Impact Fees

Land Use	General Public Facilities	Traffic Facilities	Library Facilities	Parks	Water	Storm Drainage	Total
<i>Residential (DU)</i>							
Single Family	\$ 3,638	\$ 3,313	\$ 2,413	\$ 14,402	\$ 8,914	\$ 1,513	\$ 34,193
Multi-Family	3,191	2,054	2,117	12,632	4,100	1,074	25,168
Senior / Downtown / Accessory Unit	2,417	828	1,603	9,570	4,635	726	19,779
<i>Nonresidential (per KSF or hotel room)</i>							
Commercial	\$ 936	\$ 12,291	-	-	\$ 2,139	\$ 937	\$ 16,303
Office	1,123	4,937	-	-	2,139	937	9,136
Industrial	936	3,214	-	-	1,516	575	6,241
Auto Dealership	374	8,680	-	-	2,139	937	12,130
Hotel	112	1,988	-	-	713	303	3,116

Sources: Tabs 3.6, 4.6, 5.6, 6.9, 7.5 and 8.5.

Other Funding Needed

Impact fees may only fund the share of public facilities related to new development in Morgan Hill. They may not be used to fund the share of facility needs generated by existing development or by development outside of the City. As shown in **Table E.2**, approximately \$73.7 million in additional funding will be needed to complete the projects the City currently plans to develop. Non-fee funding is needed because these facilities are needed partially to remedy existing deficiencies and partly to accommodate new development.

The City will need to develop alternative funding sources to fund existing development's share of the planned facilities. Potential sources of revenue include but are not limited to: existing or new general fund revenues, revenues to Residential Development Control System (RDSCS) in-lieu accounts, existing or new taxes, special assessments, and grants.

Table E.2: Non-Impact Fee Funding Required

Fee Category	Total Project Cost	Development Fee Revenue	Additional Funding Required
General Public Facilities	\$ 34,631,883	\$ 18,111,540	\$ 16,520,343
Traffic Facilities	55,613,839	33,680,899	21,932,940
Library Facilities	5,580,000	10,755,600	-
Parks	64,236,000	64,236,000	-
Sewer	80,969,521	58,954,990	22,014,530
Water	46,296,126	33,110,593	13,185,533
Storm Drainage ¹	12,042,945	8,080,922	-
	<u>\$ 299,370,313</u>	<u>\$ 226,930,543</u>	<u>\$ 73,653,346</u>

¹ Existing fund balances fund the difference between total project cost and projected impact fee revenue.

Sources: City of Morgan Hill; Tables 3.3, 3.5, 4.3, 4.4, 4.5, 5.3, 5.5, 6.7, 7.3, 7.4, and 8.3.

1. Introduction

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

- Public Facilities Financing in California;
- Study Objectives;
- Morgan Hill Impact Fee Program;
- Fee Program Maintenance;
- Study Methodology; and
- Organization of the Report.

Public Facilities Financing in California

The changing fiscal landscape in California during the past 40 years has steadily undercut the financial capacity of local governments to fund infrastructure. Three dominant trends stand out:

- The passage of a string of tax limitation measures, starting with Proposition 13 in 1978 and continuing through the passage of Proposition 218 in 1996;
- Declining popular support for bond measures to finance infrastructure for the next generation of residents and businesses; and
- Steep reductions in federal and state assistance.

Faced with these trends, many cities and counties have had to adopt a policy of “growth pays its own way.” This policy shifts the burden of funding infrastructure expansion from existing ratepayers and taxpayers onto new development. This funding shift has been accomplished primarily through the imposition of assessments, special taxes, and development impact fees also known as public facilities fees. Assessments and special taxes require the approval of property owners and are appropriate when the funded facilities are directly related to the developing property. Development impact fees, on the other hand, are an appropriate funding source for facilities that benefit all development jurisdiction-wide. Development impact fees need only a majority vote of the legislative body for adoption.

Study Objectives

The primary policy objective of a public facilities fee program is to ensure that new development pays the capital costs associated with growth. Policy 16.4(c) of the Morgan Hill General Plan states that the City will “Fully utilize existing strategies to achieve an urban level of public services throughout the city, including require [ing] developers to dedicate land and/or pay to offset the costs relating to the provision and expansion of public services and facilities.” The primary purpose of this report is to update the City’s impact fees based on the most current available facility plans and growth projections. The proposed fees will enable the City to expand its inventory of public facilities as new development leads to increases in service demands.

The City imposes public facilities fees under authority granted by the Mitigation Fee Act (the Act), contained in California Government Code Sections 66000 et seq. This report provides the necessary findings required by the Act for adoption of the fees presented in the fee schedules presented in this report.

Morgan Hill is forecast to experience moderate growth through this study’s planning horizon of 2035. This growth will create an increase in demand for public services and the City facilities

required to deliver them. Given the revenue challenges described above, Morgan Hill has decided to use a development impact fee program to ensure that new development funds the share of facility costs associated with growth. This report makes use of the most current available growth forecasts and facility plans to update the City's existing fee program to ensure that the City's fee program is representative of the facility needs resulting from new development.

Morgan Hill Impact Fee Program

Morgan Hill currently charges impact fees to fund the expansion of general public facilities, water facilities, storm drain facilities, park facilities, recreation and community center facilities, library facilities, fire facilities, police facilities, traffic facilities, and sewer facilities to serve new development. Most of the fees were established in 2002 or 2003 and have since been comprehensively updated, in addition to periodic updates for inflation.

This study provides the documentation needed for a comprehensive update of the City's impact fee program, with the exception of the City's recreation facilities fee and the sewer facilities fee. Two former fee categories, fire and police facilities fees, will be incorporated into the general public facilities fee, and the individual categories discontinued. All existing revenue within these two restricted fee funds must be spent on the purpose for which it was collected.

Fee Program Maintenance

Once a fee program has been adopted it must be properly maintained to ensure that the revenue collected adequately funds the facilities needed by new development. To avoid collecting inadequate revenue, the inventories of existing facilities and costs for planned facilities must be updated periodically for inflation, and the fees recalculated to reflect the higher costs. The use of established indices for each facility included in the inventories (land, buildings, and equipment), such as the *Engineering News-Record*, is necessary to accurately adjust the impact fees. For a list of recommended indices, see Chapter 9.

While fee updates using inflation indices are appropriate for annual or periodic updates to ensure that fee revenues keep up with increases in the costs of public facilities, it is recommended to conduct more extensive updates of the fee documentation and calculation (such as this study) when significant new data on growth forecasts and/or facility plans become available. For further detail on fee program implementation, see Chapter 9.

Morgan Hill last completed comprehensive review of the general public facilities, library, park, storm drain, fire and police impact fees in 2010. The city last comprehensively updated the community recreation centers and traffic facilities fees in 2015. Impact fees must be adjusted for inflation to fund new development's fair share of planned facilities. If impact fees are not adjusted for inflation, then deficiencies will grow, since the impact fees will no longer fully fund new development's fair share of planned facilities.

Study Methodology

Development impact fees are calculated to fund the cost of facilities required to accommodate growth. The six steps followed in this development impact fee study include:

1. **Estimate existing development and future growth:** Identify a base year for existing development and a growth forecast that reflects increased demand for public facilities;
2. **Identify facility standards:** Determine the facility standards used to plan for new and expanded facilities;
3. **Determine facilities required to serve new development:** Estimate the total amount of planned facilities, and identify the share required to accommodate new development;

4. **Determine the cost of facilities required to serve new development:** Estimate the total amount and the share of the cost of planned facilities required to accommodate new development;
5. **Calculate fee schedule:** Allocate facilities costs per unit of new development to calculate the development impact fee schedule; and
6. **Identify alternative funding requirements:** Determine if any non-fee funding is required to complete projects.

The key public policy issue in development impact fee studies is the identification of facility standards (step #2, above). Facility standards document a reasonable relationship between new development and the need for new facilities. Standards ensure that new development does not fund deficiencies associated with existing development.

Types of Facility Standards

There are three separate components of facility standards:

- ♦ *Demand standards* determine the amount of facilities required to accommodate growth, for example, park acres per thousand residents, square feet of library space per capita, or gallons of water per day. Demand standards may also reflect a level of service such as the vehicle volume-to-capacity (V/C) ratio used in traffic planning.
- ♦ *Design standards* determine how a facility should be designed to meet expected demand, for example, park improvement requirements and technology infrastructure for city office space. Design standards are typically not explicitly evaluated as part of an impact fee analysis but can have a significant impact on the cost of facilities. Our approach incorporates the cost of planned facilities built to satisfy the City's facility design standards.
- ♦ *Cost standards* are an alternate method for determining the amount of facilities required to accommodate growth based on facility costs per unit of demand. *Cost standards* are useful when demand standards were not explicitly developed for the facility planning process. *Cost standards* also enable different types of facilities to be analyzed based on a single measure (cost or value) and are useful when different facilities are funded by a single fee program. Examples include facility costs per capita, cost per vehicle trip, or cost per gallon of water per day.

New Development Facility Needs and Costs

A number of approaches are used to identify facility needs and costs to serve new development. This is often a two-step process: (1) identify total facility needs, and (2) allocate to new development its fair share of those needs.

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

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

Planned Facilities Method

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

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

This method is appropriate when planned facilities will entirely serve new development, or when a fair share allocation of planned facilities to new development can be estimated. An example of the former is a water main extension to a previously undeveloped area. An example of the latter is expansion of an existing library building and book collection, which will be needed only if new development occurs, but which, if built, will in part benefit existing development, as well. Under this method new development funds the expansion of facilities at the standards used in the applicable planning documents. This method is used to calculate the traffic facilities, park facilities, water facilities and the storm drain facilities fees in this study.

Existing Inventory Method

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

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

Under this method new development funds the expansion of facilities at the same standard currently serving existing development. By definition the existing inventory method results in no facility deficiencies attributable to existing development. This method is often used when a long-range plan for new facilities is not available. Only the initial facilities to be funded with fees are identified in the fee study. Future facilities to serve growth are identified through an annual capital improvement plan and budget process, possibly after completion of a new facility master plan. This method is used to calculate the library facilities fees and general public facilities fees in this study.

System Plan Method

This method calculates the fee based on: the value of existing facilities plus the cost of planned facilities, divided by demand from existing plus new development:

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

This method is useful when planned facilities need to be analyzed as part of a system that benefits both existing and new development. It is difficult, for example, to allocate a new fire station solely to new development when that station will operate as part of an integrated system of fire stations that together achieve the desired level of service.

The system plan method ensures that new development does not pay for existing deficiencies. Often facility standards based on policies such as those found in General Plans are higher than existing facility standards. This method enables the calculation of the existing deficiency required to bring existing development up to the policy-based standard. The local agency must secure non-fee funding for that portion of planned facilities required to correct the deficiency to ensure that new development receives the level of service funded by the impact fee. This method is not used in this report.

Organization of the Report

The determination of a public facilities fee begins with the selection of a planning horizon and development of growth projections for population and employment. These projections are used throughout the analysis of different facility categories, and are summarized in Chapter 2.

Chapters 3 through 8 identify facility standards and planned facilities, allocate the cost of planned facilities between new development and existing development, and identify the maximum justified development impact fee for each of the following facility categories:

- General Public Facilities;
- Traffic Facilities;

- Library Facilities;
- Park Facilities;
- Water Facilities; and,
- Storm Drain Facilities.

Chapter 9 details the procedures that the City must follow when implementing a development impact fee program. Impact fee program adoption procedures are found in *California Government Code* Sections 66016 through 66018.

The five statutory findings required for adoption of the proposed public facilities fees in accordance with the Mitigation Fee Act are documented in Chapter 10.

2. Growth Forecasts

Growth projections are used as indicators of demand to determine facility needs and allocate those needs between existing and new development. This chapter explains the source for the growth projections used in this study based on a 2018 base year and a planning horizon of 2035.

Estimates of existing development and projections of future growth are critical assumptions used throughout this report. These estimates are used as follows:

- The estimate of existing development in 2018 is used as an indicator of existing facility demand and to determine existing facility standards.
- The estimate of total development at the 2035 planning horizon is used as an indicator of future demand to determine total facilities needed to accommodate growth and remedy existing facility deficiencies, if any.
- Estimates of growth from 2018 through 2035 are used to (1) allocate facility costs between new development and existing development, and (2) estimate total fee revenues.

The demand for public facilities is based on the service population, dwelling units or nonresidential development creating the need for the facilities. The service population for general public facilities includes residents and workers. The service population for parks and libraries includes only residents. Demand for water facilities is based on flow generation factors that vary by land use. The demand for storm drain facilities is based on the ratio of impervious surface to non-impervious surface that a development will create. Water and storm drain demand factors are provided per dwelling unit, per thousand building square feet of nonresidential space and per hotel room.

Land Use Types

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

- **Single family:** Detached and attached one-unit dwellings. Per *Municipal Code Section 18.04.155*, a single family detached dwelling unit is defined as, “a dwelling designed to contain a single dwelling unit situated on a single lot.” Per *Municipal Code Section 18.04.154*, a single family attached dwelling unit is defined as, “a dwelling attached to another dwelling on at least fifty percent of the length of the attached side of the building, sometimes called a townhouse, duet, or row house.”
- **Multi-family:** All attached multi-family dwellings including duplexes and condominiums. Per *Municipal Code Section 18.04.150*, a multi-family unit is defined as, “a building designed and used as a residence for three or more families living independently of each other and containing three or more dwelling units. Per *Municipal Code Section 18.04.157*, a duplex is defined as, “a structure which is designed and used as a residence for two families living independently of each other and containing two dwelling units.”
- **Senior / Downtown / Accessory Units:** All senior housing units, any multi-unit residential development occurring in the downtown area (as defined by the Downtown Specific Plan) and any secondary dwelling units less than 900 square feet in size per unit.
- **Commercial:** All commercial, retail and educational development.
- **Office:** All general, professional, and medical office development.

- **Industrial:** All manufacturing and warehouse development.
- **Automobile Dealerships:** All land uses selling new or used automobile or other motor vehicles.
- **Hotel/Motel:** All lodging development, including hotels and motels.

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

The City has the discretion to determine which land use type best reflects a development project's characteristics for purposes of imposing an impact fee and may adjust fees for special or unique uses to reflect the impact characteristics of the use.

Existing and Future Development

Table 2.1 shows the estimated number of residents, dwelling units, employees, and building square feet in Morgan Hill, both in 2018 and in 2035. Existing residents and dwelling units are based on California Department of Finance (DOF) data. These estimates exclude "group quarters" resident populations, since they do not contribute to demand for facilities. Estimates of residents in 2035 also exclude group quarters residents and is based on Municipal Code Section 18.78.040 - Population Limit of the voter-approved Residential Development Control System (RDCS), which established a maximum population of 58,200.¹

Base year dwelling units for single family units are based on DOF data. Senior/downtown/accessory dwelling unit estimates are consistent with data from the City's 2015 Traffic Impact Fee study. Multifamily base year units estimated as the difference between total units, single family units from DOF and senior/downtown/ADU units from 2015 Traffic Impact Fee study. Total dwelling units in 2035 are calculated by dividing 2035 residents by the current density of 3.145 residents per household and assuming a 4.687% vacancy rate, consistent with current DOF estimates.

Base year employees are estimated based on data provided by the US Census' American Community Survey and exclude local government employees. Future employees are estimated based on data from the Association of Bay Area Governments (ABAG) used in the Morgan Hill General Plan. Estimates of base year and planning horizon building square feet come from the Morgan Hill 2035 Final EIR.

¹ 58,200 less existing Group Quarters Population of 386 = 57,814.

Table 2.1: Existing and New Development

	2018	2035	Increase
<i>Residents</i> ¹	44,130	57,814	13,684
<i>Dwelling Units</i> ²			
Single Family	11,320	13,000	1,680
Multi-family	2,302	4,687	2,385
Senior / Downtown / Accessory Dwelling Units	1,100	1,600	500
Total	14,722	19,287	4,565
<i>Employment</i> ³	16,446	21,520	5,074
<i>Building Square Feet (000s)</i> ⁴			
Commercial	2,610	3,727	1,117
Office	522	1,151	629
Industrial	5,935	7,715	1,780
Auto Dealership	120	176	56
Total	9,187	12,769	3,582
<i>Hotel Rooms</i>	919	1,134	215

¹ Excludes "group quarters" resident populations. Existing residents from DOF data. Estimates of residents in 2035 based on Section 18.78.040 - Population Limit of the voter-approved Residential Development Control System (RDSCS), which established a maximum population of 58,200. 58,200 less existing Group Quarters Population 386 = 57,814.

² Base year dwelling units for single family based on DOF data. senior/downtown/ADU units consistent with data from 2015 Traffic Impact Fee study. Multifamily base year units estimated as the difference between total units, single family units from DOF and senior/downtown/ADU units from 2015 study. Total dwelling units in 2035 calculated by dividing 2035 residents by current density of 3.145 residents per household and assuming a 4.687% vacancy rate, consistent with current DOF estimates.

³ Estimate of 16,894 total workers from American Community Survey Table B08604. 448 local government workers are further excluded from that figure based on data from OnTheMap.ces.census.gov.

⁴ Building square feet data from 2035 horizon year projection summarized on page 5-2 of the responses to comments in the Morgan Hill 2035 Final EIR.

Sources: California Department of Finance (DOF) Table E-5, 2018; U.S. Census Bureau, LEHD Origin-Destination Employment Statistics (2002-2015) accessed at <https://onthemap.ces.census.gov>; City of Morgan Hill General Plan 2035 EIR; Willdan Financial Services.

Occupant Densities

The general public facilities, library facilities, and park facilities fees are based on allocating a cost per resident or employee to new development. Occupant density assumptions ensure a

reasonable relationship between the size of a development project, the increase in service population associated with the project, and the amount of the fee.

Occupant densities (residents per dwelling unit or workers per building square foot or hotel room) are the most appropriate characteristics to use for these impact fees. The fee imposed should be based on the land use type that most closely represents the probable occupant density or impervious surface (for storm drain fees) of the development.

The average occupant density factors used in this report are shown in **Table 2.2**. The residential density factors are based on data for Morgan Hill from the U.S. Census' American Community Survey. The nonresidential factors are based on data from the City of Morgan Hill General Plan 2035 EIR.

Table 2.2: Occupant Density

<i>Residential</i>		
Single Family	3.01	Residents per dwelling unit
Multi-family	2.64	Residents per dwelling unit
Senior / Downtown / Accessory Dwelling Units	2.00	Residents per dwelling unit
<i>Nonresidential</i>		
Commercial	2.50	Employees per 1,000 square feet
Office	3.00	Employees per 1,000 square feet
Industrial	2.50	Employees per 1,000 square feet
Auto Dealership	1.00	Employees per 1,000 square feet
Hotel/Motel	0.30	Employees per room

Sources: U.S. Census Bureau, 2012-2016 American Community Survey 5-Year Estimates, Tables B25024 and B25033; City of Morgan Hill General Plan 2035 EIR; Willdan Financial Services.

3. General Public Facilities

This chapter documents the impact fee for general public facilities. The general public facilities in this fee category include a variety of facilities including City Hall, the Development Services Center, a corporation yard, police and fire facilities.

Service Population

General public facilities are used to provide services to both residents and businesses. The service population used to determine the demand for general public facilities includes both residents and workers.

Table 3.1 shows the existing and future projected service population for general public facilities. While specific data is not available to estimate the actual ratio of demand per resident to demand by businesses (per worker) for these services, it is reasonable to assume that demand for these services is less for one employee compared to one resident, because nonresidential buildings are typically occupied less intensively than dwelling units. The 0.31-weighting factor for workers is based on a 40-hour workweek divided by the total number of non-work hours in a week (128) and reflects the degree to which nonresidential development yields a lesser demand for general public facilities.

Table 3.1: General Public Facilities Service Population

	A Persons	B Weighting Factor	A x B = C Service Population
<i><u>Residents</u></i>			
Existing (2018)	44,130	1.00	44,130
New Development (2018-2035)	13,684	1.00	13,684
Total (2035)	57,814		57,814
<i><u>Workers</u></i>			
Existing (2018)	16,446	0.31	5,100
New Development (2018-2035)	5,074	0.31	1,600
Total (2035)	21,520		6,700
<i><u>Combined Residents and Weighted Workers</u></i>			
Existing (2018)			49,230
New Development (2018-2035)			15,284
Total (2035)			64,514

¹ Workers are weighted at 0.31 of residents based on a 40 hour work week out of a possible 128 non-work hours in a week (40/128 = 0.31)

Sources: Table 2.1; Willdan Financial Services.

Facility Inventories and Standards

This section describes the City's general public facility inventory, the cost of planned facilities and facility standards.

Existing Inventory

Table 3.2 shows the existing inventory of general public facilities, along with the facilities' estimated replacement value. The estimated land value was developed based on data from four recent appraisals of City owned property and is used consistently throughout this report to value City-owned land. Building values are based on the estimated replacement cost of each facility. Building values were informed by the City's recent construction cost experience. The present value of debt service payment made to date on the police headquarters building is also listed as an owned asset. Likewise, the present value of remaining payments is subsequently listed as a planned facility in the next table. Table 3.2 also lists the replacement cost of the City's owned fleet of general public facilities vehicles, including police vehicles, fire apparatus, public works vehicles and other fleet vehicles.

Table 3.2: Existing General Public Facilities Inventory

	Inventory	Unit	Unit Cost	Replacement Cost
<u>Land (acres)</u>				
City Hall, with Villas	4.81	acres	\$ 790,000	\$ 3,800,000
Development Services Center	1.65	acres	790,000	1,304,000
Dunne Hill Fire Station	0.29	acres	790,000	229,000
El Toro Fire Station ¹	0.50	acres	790,000	395,000
Third Fire Station Land	1.78	acres	790,000	1,406,000
Police Station	3.71	acres	790,000	2,931,000
Public Works Corporation Yard	<u>2.07</u>	acres	790,000	<u>1,635,000</u>
Subtotal - Land	14.81			\$ 11,700,000
<u>Buildings (square feet)</u>				
City Hall, with Villas ²	16,800	sq. ft.	\$ 580	\$ 9,744,000
City Hall Improvements				2,051,000
Development Services Center ²	12,600	sq. ft.	580	3,603,000
Dunne Hill Fire Station	3,316	sq. ft.	1,000	3,316,000
El Toro Fire Station	5,180	sq. ft.	1,000	5,180,000
Police Headquarters Building - Present Value of Debt Payments			NA	7,640,000
Public Works Corporation Yard	<u>5,228</u>	sq. ft.	300	<u>1,568,000</u>
Subtotal - Buildings	43,124			\$ 33,102,000
<u>Vehicles</u> ³				\$ 13,010,700
<u>Existing Fund Balance</u> ⁴				\$ 520,300
Total Value - Existing Facilities				\$ 58,333,000

¹ Total site is 1.89 acres. Only 0.5 acres is utilized for fire department activities.

² City Hall and Development Services Center building unit costs are based on the actual construction cost of the Development Services Center.

³ The City owns 137 vehicles and pieces of public works equipment listed within the general public facilities category

⁴ Existing fund balance as of 6/30/2018.

Sources: City of Morgan Hill; Willdan Financial Services.

Planned Facilities

Table 3.3 shows the additional general public facilities the City plans to develop through the 2035 planning horizon. The City plans to replace and expand its City Hall annex with a larger permanent facility to accommodate future demand caused by new development. No land costs are included because the project will take place on property that the City currently owns.

In addition to the improvements to City Hall, the City plans on moving the existing corporation yard from its current site, to a larger facility. The City plans to expand an existing fire station, and to build a new fire station, in addition to buying new fire apparatus¹. These facilities are required as a direct result of new fire service demands brought on by new development. Additionally, a

third fire station has been recommended per the City's Public Safety Master Plan. During the dissolution of the Redevelopment Agency, the settlement agreement provided for the City to retain property on Butterfield Boulevard for this third fire station. However, the agreement requires the property be constructed by 2024. In addition to the cost of the construction of the building, there would be approximately \$1.5 million in new equipment costs associated with outfitting the station. The project budget accounts for a facility approximately 5,000 feet in size. Design and construction would be timed for the building to be completed by the deadline established in the settlement agreement.

The City also plans to expand the police department and its inventory of police equipment that is required as a direct result of new police service demands brought on by new development. Also included in the list of planned facilities is the present value of outstanding debt payments for the Police Headquarters.

Table 3.3: Planned General Public Facilities

	Value
Corporation Yard Improvements and Expansion	\$ 15,000,000
Replace and Expand City Hall Annex With Permanent Structure	3,000,000
Total Debt Outstanding - Police Headquarters ¹	5,769,583
Police Department Expansion and Equipment ²	2,270,000
Existing Fire Station Expansion	2,000,000
New Fire Station ³	5,000,000
Quint 105' Aerial (Equipped) ⁴	1,032,600
Type 3 Engine (Equipped) ⁴	396,700
Pickup - F250 ³	65,200
Personal Protective Equipment (9 FTEs) ⁴	<u>97,800</u>
Total Cost of Planned Facilities	\$ 34,631,883

¹ Discounted to 2018\$. Discount rate assumed to be 3.5% per year.

² Includes equipment costs for 11 additional police officers.

³ New fire station consisting of 5,000 square foot building.

⁴ Adjusted from 2012 to current using the Consumer Price Index - All Urban Consumers - (CPI-U) 1913-2018.

Sources: City of Morgan Hill; Willdan Financial Services.

Cost Allocation

Table 3.4 calculates the existing cost per capita facility standard by dividing the value of the existing facilities inventory by the existing service population. The resulting cost per capita is the basis of the impact fee. Funding facilities at this level will ensure that as development occurs, new development will contribute to public use center facilities at the same standard that existing development has contributed thus far. By definition, using the existing standard methodology does not result in existing deficiencies.

Table 3.4: General Public Facilities Existing Standard

Value of Existing Facilities	\$	58,333,000
Existing Service Population		<u>49,230</u>
Cost per Capita	\$	1,185
Facility Standard per Resident	\$	1,185
Facility Standard per Worker ²		367

¹ Based on a weighing factor of 0.31.

Sources: Tables 3.1, 3.2 and 3.3.

Revenue Projection

The City plans to use general public facilities fee revenue to construct improvements to add to the system of general public facilities to serve new development. **Table 3.5** details a projection of fee revenue, based on the service population growth increment identified in Table 3.1. To fully fund the planned facilities, the City will have to identify \$16.5 million of alternative through the planning horizon. However, because the existing standard was used to calculate the fees, the City will meet the requirements of the Mitigation Fee Act so long as the projected \$18.1 million of fee revenue is used to fund new or expanded facilities to serve new development.

The City can use any other funding source other than impact fees to fund the balance of the planned facilities. Potential sources of revenue include, but are not limited to, existing or new general fund revenues, existing or new taxes, special assessments, grants and donations.

Table 3.5: Revenue Projection - Existing Standard

Cost per Capita	\$	1,185
Growth in Service Population (2018- 2035)		<u>15,284</u>
Fee Revenue	\$	18,111,540
Net Cost of Planned Facilities		<u>34,631,883</u>
Non-Fee Revenue to Be Identified	\$	(16,520,343)

Sources: Tables 3.1, 3.3 and 3.4.

Use of Fee Revenue

The City can use general public facilities fee revenues for the construction or purchase of buildings, equipment and land that are part of the system of general public facilities serving new development. The City plans to use the fee revenues to fund the facilities shown in Table 3.3.

Fee Schedule

Table 3.6 shows the maximum justified general public facilities fee schedule. The cost per capita is converted to a fee per unit of new development based on dwelling unit and employment densities (persons per dwelling unit or employees per 1,000 square feet of nonresidential building space). The total fee includes a two percent (2%) percent administrative charge to fund costs that include: a standard overhead charge applied to all City programs for legal, accounting, and other departmental and citywide administrative support, and fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

In Willdan’s experience with impact fee programs, two percent of the base fee adequately covers the cost of fee program administration. The administrative charge should be reviewed and adjusted during comprehensive impact fee updates to ensure that revenue generated from the charge sufficiently covers, but does not exceed, the administrative costs associated with the fee program.

Table 3.6: General Public Facilities Fee - Existing Standard

Land Use	A	B	C = A x B	D = C x 0.02	E = C + D	F	G = E x F
	Cost Per Capita	Density	Base Fee ¹	Admin Charge ^{1, 2}	Total Fee ¹	Nonres. KSF per Acre ³	Fee per Acre
<i>Residential</i>							
Single Family	\$ 1,185	3.01	\$ 3,567	\$ 71	\$ 3,638		
Multi-family	1,185	2.64	3,128	63	3,191		
Senior / Downtown / Accessory Dwelling Units	1,185	2.00	2,370	47	2,417		
<i>Nonresidential</i>							
Commercial	\$ 367	2.50	\$ 918	\$ 18	\$ 936	21.78	\$20,386
Office	367	3.00	1,101	22	1,123	21.78	24,459
Industrial	367	2.50	918	18	936	26.14	24,467
Auto Dealership	367	1.00	367	7	374	26.14	9,776
Hotel	367	0.30	110	2	112	21.78	2,439

¹ Fee per dwelling unit, per 1,000 square feet of nonresidential, or per room for hotel.

² Administrative charge of 2.0 percent for (1) legal, accounting, and other administrative support and (2) impact fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

³ Based on assumed floor-area-ratio from the General Plan. FAR for commercial and office assumed to be 0.5 based on the "General Office" land use. FAR for Industrial and auto dealership assumed to be 0.6 based on the "Industrial" land use.

Sources: Tables 2.2 and 3.4.

4. Traffic Facilities

This chapter summarizes an analysis of the need for transportation facilities, including roadway segments, bike improvements and multimodal intersection improvements, to accommodate new development. The chapter documents a reasonable relationship between new development and the impact fee for funding of these facilities.

Trip Generation by Land Use

The share of roadway improvement costs allocated to each unit of new development is based on the relative amount of new trip demand generated by that development. Trip demand during the afternoon peak hour of traffic is used because this is generally the busiest time of day for traffic, and road improvements are needed to provide capacity to accommodate peak levels of traffic. The traffic study used for this analysis identified improvements needed to mitigate future deficiencies during the peak hour.

Table 4.1 shows trip generation rate assumptions used in this analysis (dwelling unit, 1,000 square feet of nonresidential development or hotel room). As new development generates increased vehicle trips for the City’s transportation network, additional capacity in the system will be needed in the form of the improvements described in this report. Trip generation by major land use category allow the analysis to incorporate different estimates of demand for transportation facilities. Trip generation rates are applied to development projections to allocate improvement costs by land use type. The trip generation rates used for this analysis are based on years of study of major land use categories by the Institute of Transportation Engineers (9th Edition).

Table 4.1: PM Peak Hour Trip Rates

ITE Category		PM Peak Hour Trip Rate ¹
<i>Residential</i>		
Single Family	Single Family Housing (210)	1.00
Multi-family	Apartment (220)	0.62
Senior / Downton / ADU	Senior Adult Housing (252)	0.25
<i>Nonresidential</i>		
Commercial	Shopping Center (820)	3.71
Office	General Office Building (710)	1.49
Industrial	General Light Industrial (110)	0.97
Auto Dealership	New Car Sales (841)	2.62
Hotel Room (per room)	Hotel (310)	0.60

¹ Trips per dwelling unit or per 1,000 square feet of nonresidential building space, or per hotel room.

Source: Institute of Traffic Engineers, Trip Generation, 9th Edition.

Growth in Trip Demand Through 2035

Peak hour trip demand generated by new development is a reasonable measure of new development's demand for traffic facilities. The need for new or expanded roads and other facilities is typically determined based on peak-hour trip volumes because capacity needs are based on the busiest periods of the day. The trip generation rates from Table 4.1, multiplied by dwelling units for residential land use categories or by thousands of square feet of building space or hotel rooms for nonresidential categories from Table 2.1, equals the total peak hour trip demand generated by that land use type. **Table 4.2** shows the trip demand generated by existing development and anticipated new development in Morgan Hill through the 2035 planning horizon.

Table 4.2: Land Use Scenario and Total Trips

Land Use	PM Peak Hour Trip Rate	2018		Growth 2018 to 2035		Total - 2035	
		Units / 1,000 SF	Trips	Units / 1,000 SF	Trips	Units / 1,000 SF	Trips
<i>Residential</i>							
Single Family	1.00	11,320	11,320	1,680	1,680	13,000	13,000
Multi-family	0.62	2,302	1,427	2,385	1,479	4,687	2,906
Senior / Downtown / Accessory Dwelling Units	0.25	1,100	275	500	125	1,600	400
Total		14,722	13,022	4,565	3,284	19,287	16,306
<i>Nonresidential</i>							
Commercial	3.71	2,610	9,682	1,117	4,145	3,727	13,827
Office	1.49	522	777	629	938	1,151	1,715
Industrial	0.97	5,935	5,757	1,780	1,727	7,715	7,484
Auto Dealership	2.62	120	314	56	147	176	461
Hotel Rooms	0.60	919	551	215	129	1,134	680
Subtotal		10,106	17,081	3,797	7,086	13,903	24,167
Total			30,103		10,370		40,473
			74.4%		25.6%		100%

Sources: Tables 2.1 and 4.1.

Traffic Impact Fee Project Costs

Table 4.3 shows the improvements needed to accommodate projected 2035 traffic volumes. Project costs were estimated by City Staff. Each project included in the fee program, was either included in the original fee program, or is needed as a direct result of trip demand from new development. Consequently, the entire cost of planned facilities, with no existing deficiencies is allocated to new development in this impact fee.

Consistent with the current fee program, this update assumes that developers will dedicate 36' of right-of-way, including (site work and landscaping) on each side. Developers will dedicate 26' of road improvements, including (curb, gutter & pavement) on each side. The impact fee will fund the remainder of the improvements.

Table 4.3: Project Cost Summary

No	Road	Location	Total Project Cost ¹	Cost Allocation		Total Cost Allocated To New Development
				To New Development	To Existing Deficiencies	
1	Cochrane Road	Monterey Road to Hwy 101	\$ 408,972	100%	0%	\$ 408,972
2	Cochrane Road	Hwy 101 to Mission View Drive	546,336	100%	0%	546,336
3	Cochrane Road	Mission View Drive to Peet Road	816,223	100%	0%	816,223
4	Dunne Avenue	Hill Road to Gallop Drive	748,792	100%	0%	748,792
5	Dunne Avenue	Del Monte Avenue to Monterey Road	159,471	100%	0%	159,471
6	Hill Road/Peet Road	Half Road to Cochrane Road	-	100%	0%	-
7	Hill Road	Main Avenue to Barrett Avenue	1,160,963	100%	0%	1,160,963
8	Madrone Parkway	Hale Avenue to Monterey Road	2,000,000	100%	0%	2,000,000
9	Madrone Parkway	Monterey Road to Butterfield Blvd.	534,851	100%	0%	534,851
10	Main Avenue	Depot Street to Butterfield Blvd.	39,376	100%	0%	39,376
11	Main Avenue	Laurel Street to Condit Road	706,873	100%	0%	706,873
12	Main Avenue	Condit Road To Hill Road	-	100%	0%	-
13	Murphy/Mission View Dr.	Cochrane Road to Half Road	826,197	100%	0%	826,197
14	Murphy/Mission View Dr.	Half Road to Main Avenue	1,282,097	100%	0%	1,282,097
15	Murphy Avenue	Main Avenue to Diana Avenue	1,282,097	100%	0%	1,282,097
16	Murphy Avenue	Diana Avenue to Barrett Avenue	1,649,987	100%	0%	1,649,987
17	Hale Avenue ²	Various	22,000,000	56.8%	43.2%	12,500,000
25	Butterfield Blvd.	Madrone Parkway to Cochrane Road	553,719	100%	0%	553,719
26	Tennant Avenue	E HWY 101 to Murphy Avenue	1,394,388	100%	0%	1,394,388
27	Tennant Avenue	Juan Hernandez Drive to HWY 101	856,992	100%	0%	856,992
28	Watsonville Road	Monterey Road to La Alameda Drive	492,032	100%	0%	492,032
29	Monterey Road	Tilton Avenue to Cochrane Road	2,483,103	100%	0%	2,483,103
30	Monterey Road	Cochrane Road to Main Avenue	2,142,850	100%	0%	2,142,850
31	Monterey Road	Dunne Avenue to Middle Avenue	1,438,520	100%	0%	1,438,520
Total			\$ 43,523,839			\$ 34,023,839

¹ Total project costs increased 8.35% based on changes in ENR's Construction Cost Index from 2015 to December, 2017.

² This project includes former projects numbered 17 to 24 from existing fee program. Total project cost is \$22,000,000. VTA Measure B will contribute \$9,500,000 towards this project, so the net impact fee contribution is \$12,500,000.

Source: City of Morgan Hill.

Table 4.4 lists the priority bikeway projects and multimodal intersection improvement projects identified in Table 5-1 of the City's Bikeways, Trails, Parks and Recreation Master Plan (2017). A share of these projects is allocated to new development, based on new development's share of total trip demand in 2035, as identified in Table 4.2.

Table 4.4: Priority Bikeway Projects

Project Description	Location	Total Project Cost
Buffered Bike Lanes	Cochrane Rd and Malaguerra Ave from Monterey Rd to Coyote Creek Trailhead	\$ 1,200,000
Buffered Bike Lanes	Monterey Rd from Tilton Ave to Butterfield Blvd/Watsonville Rd	2,400,000
Buffered Bike Lanes	Burnett Rd from Monterey Rd to Coyote Creek (Sobrato School Access)	750,000
Buffered Bike Lanes	Santa Teresa Corridor, Hale Ave from Tilton Ave to W Main Ave	750,000
Buffered Bike Lanes	West Main Ave from Monterey Rd to Dewitt Ave	450,000
Protected Bike Lanes	E Main Ave from Monterey Rd to Hill Rd (Live Oak High School Access and Coyote Creek Connection) (Interim step Buffered Bike Lanes)	3,800,000
Bicycle Boulevard	Morning Star Dr/Peet Rd from Eagle View Dr to Cochrane Rd to Coyote Creek Trailhead	480,000
Bicycle Boulevard	Depot Street from E Main Ave to E Dunne Ave	380,000
Multi-Modal Intersection Improvements	Monterey Rd Downtown between E Main Ave and E Dunne Ave	790,000
Multi-Modal Intersection Improvements	E Main Ave and Butterfield Blvd	350,000
Multi-Modal Intersection Improvements	W Main Ave and Hale Ave	10,000
Multi-Modal Intersection Improvements	Cochrane Rd and Highway 101 (North & South ramps, Madrone Pkwy and Depaul Dr)	130,000
Multi-Modal Intersection Improvements	Monterey Rd and Cochrane Rd	350,000
Multi-Modal Intersection Improvements	Butterfield Blvd and Cochrane Rd	130,000
Multi-Modal Intersection Improvements	Monterey Rd and Tilton Ave/Burnett Ave	120,000
Total		\$ 12,090,000
Allocation to New Development		25.6%
Cost Allocated to New Development		\$ 3,095,040

Sources: Table 5-1, Bikeways, Trails, Parks and Recreation Master Plan, 2017; Table 4.2, Willdan Financial Services.

Cost Allocation

Based on the total improvement costs allocated to new development shown in Tables 4.3 and 4.4, and the anticipated new trip demand shown in Table 4.2, **Table 4.5** calculates new development's cost per trip demand unit. Existing fund balances are subtracted from the total project costs to ensure that the impact fee only funds new development's share of the improvements.

Table 4.5: Cost per Trip to Accommodate Growth

Fee Program Share of Planned Facilities Costs	\$ 34,023,839
New Development Allocation of Bike Project Costs	3,095,040
Less Existing Fund Balance	<u>(3,437,980)</u>
Net Costs	\$ 33,680,899
Growth in Trip Demand	<u>10,370</u>
Cost per Trip	\$ 3,248

Sources: Tables 4.2, 4.3 and 4.4; Willdan Financial Services.

Fee Schedule

Table 4.6 shows the maximum justified traffic facilities fee schedule. The cost per trip is multiplied by the PM peak hour trip rate for each land use to determine the fee per dwelling unit, on 1,000 square feet of nonresidential building space. The total fee includes a two-percent (2%) administrative charge to fund costs that include: a standard overhead charge applied to City programs for legal, accounting, and other departmental and administrative support, and fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

In Willdan's experience with impact fee programs, two-percent of the base fee adequately covers the cost of fee program administration. The administrative charge should be reviewed and adjusted during comprehensive impact fee updates to ensure that revenue generated from the charge sufficiently covers, but does not exceed, the administrative costs associated with the fee program.

Table 4.6: Maximum Justified Traffic Impact Fee Schedule

Land Use	A	B	C = A x B	D = C x 0.02	E = C + D	E / 1,000
	Cost Per Trip	PM Peak Hour Trip Rate	Base Fee ¹	Admin Charge ^{1, 2}	Total Fee ¹	Fee per Sq. Ft.
<i>Residential</i>						
Single Family	\$ 3,248	1.00	\$ 3,248	\$ 65	\$ 3,313	
Multi-family	3,248	0.62	2,014	40	2,054	
Senior / Downtown / Accessory Dwelling Units	3,248	0.25	812	16	828	
<i>Nonresidential</i> ³						
Commercial	\$ 3,248	3.71	\$ 12,050	\$ 241	\$ 12,291	\$ 12.29
Office	3,248	1.49	4,840	97	4,937	4.94
Industrial	3,248	0.97	3,151	63	3,214	3.21
Auto Dealership	3,248	2.62	8,510	170	8,680	8.68
Hotel Room (per room)	3,248	0.60	1,949	39	1,988	1.99

¹ Fee per dwelling unit, per 1,000 square feet of nonresidential or per hotel room.

² Administrative charge of 2.0 percent for (1) legal, accounting, and other administrative support and (2) impact fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

³ Fee per trip of \$3,248 plus 2% administration cost totaling \$3,313 per trip can be used to calculate fee for any land use using the land use's PM peak hour trip rate.

Sources: Tables 4.1 and 4.5; Willdan Financial Services.

5. Library Facilities

The purpose of the library impact fee is to fund the library facilities needed to serve new development. A maximum justified fee is presented based on maintaining the existing standard of library facilities.

Service Population

Library facilities primarily provide services to residents. The service population used to determine the demand for library facilities only includes residents and excludes workers. The service area of the Morgan Hill Library is greater than just within the City limits. **Table 5.1** shows the current library facilities service population and the estimated service population at the planning horizon of 2035. Estimates of residents outside of the City are based on ABAG data.

Table 5.1: Library Facilities Service Population

	<u>Residents</u>
<i>Existing Service Population (2018)</i>	
City of Morgan Hill	44,130
Surrounding Unincorporated Area	<u>9,400</u>
Total	53,530
<i>New Development (2018-2035)</i>	
City of Morgan Hill	13,684
Surrounding Unincorporated Area ¹	<u>11,200</u>
Total	24,884
Total (2035)	78,414

¹ Based on annual growth rate of 1.03% estimated based on countywide Santa Clara County growth projections from 2010 to 2035 from ABAG (2013).

Sources: Table 2.1; Willdan Financial Services.

Facility Inventories and Standards

This section describes the City's library facility inventory, facility standards, and cost of planned facilities.

Table 5.2 summarizes the City's current inventory of library facilities, including land, building and collections.

Table 5.2: Existing Library Facilities

	Inventory	Units	Unit Cost ¹	Value
<i>Existing Library</i>				
Land (acres)	4.57	acres	\$ 790,000	\$ 3,610,300
Building	27,909	square feet	900	25,118,100
Collection	166,000 ²	items	36	<u>5,976,000</u>
Total Value - Existing and Planned Library Facilities				\$ 34,704,400

¹ Building cost costs based on recent bid for library expansion project. Cost per item based on data from similar jurisdictions.

² Planned increases in collection based on maintaining ratio of building space to items.

Source: City of Morgan Hill.

Table 5.3 lists the planned library facilities: an expansion to the building and collections.

Table 5.3: Planned Library Facilities

	Inventory	Units	Unit Cost ¹	Value
<i>Planned Expansion</i>				
Building	5,000	square feet	\$ 900	\$ 4,500,000
Collection ²	30,000	items	36	<u>1,080,000</u>
Total Cost - Planned Facilities				\$ 5,580,000

¹ Unit costs based on recent bid for library expansion project. Cost per item based on data from similar jurisdictions.

² Planned increases in collection based on maintaining ratio of building space to items.

Sources: City of Morgan Hill; Willdan Financial Services.

Cost Allocation

Table 5.4 calculates the existing cost per capita facility standard by dividing the value of the existing facilities inventory by the existing service population. The resulting cost per capita is the basis of the impact fee. Funding facilities at this level will ensure that as development occurs, new development will contribute to public use center facilities at the same standard that existing development has contributed thus far. By definition, using the existing standard methodology does not result in existing deficiencies.

Table 5.4: Library Facilities Existing Standard

Value of Existing Facilities	\$	34,704,400
Existing Service Population		<u>44,130</u>
Facility Standard per Resident	\$	786

Sources: Tables 5.1 and 5.2.

Use of Fee Revenue

The City can use library facilities fee revenues to purchase land, buildings, collections and equipment that are part of the system of library facilities serving new development. The City plans to use the fee revenues to fund the facilities shown in Table 5.3.

Revenue Projection

The library facilities fee revenue exceeds the cost of the planned facilities. The City will have to identify additional library facilities through 2035 to maintain its existing facility standard. **Table 5.5** projects library fee revenue through 2035 based on the cost per capita from Table 5.4, and the service population growth projections in Table 5.1.

Table 5.5: Revenue Projection - Existing Standard

Cost per Capita	\$	786
Growth in Service Population (2018- 2035)		<u>13,684</u>
Fee Revenue	\$	10,755,600
Net Cost of Planned Facilities		<u>5,580,000</u>
Future Facilities to Be Identified	\$	5,175,600

Sources: Tables 5.1, 5.3 and 5.4.

Fee Schedule

Table 5.5 shows the maximum justified library facilities fee schedule. The cost per capita is converted to a fee per unit of new development based on dwelling unit densities (persons per dwelling unit). The total fee includes a two percent (2%) administrative charge to fund costs that include: a standard overhead charge applied to all City programs for legal, accounting, and other departmental and citywide administrative support, and fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

In Willdan’s experience with impact fee programs, two percent of the base fee adequately covers the cost of fee program administration. The administrative charge should be reviewed and adjusted during comprehensive impact fee updates to ensure that revenue generated from the charge sufficiently covers, but does not exceed, the administrative costs associated with the fee program.

Table 5.6: Library Facilities Fee - Existing Standard

Land Use	A	B	C = A x B	D = C x 0.02	E = C + D
	Cost Per Capita	Density	Base Fee ¹	Admin Charge ^{1, 2}	Total Fee
<i>Residential</i>					
Single Family	\$ 786	3.01	\$ 2,366	\$ 47	\$ 2,413
Multi-family	786	2.64	2,075	42	2,117
Senior / Downtown / Accessory Dwelling Units	786	2.00	1,572	31	1,603

¹ Fee per dwelling unit.

² Administrative charge of 2.0 percent for (1) legal, accounting, and other administrative support and (2) impact fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification

Sources: Tables 2.2 and 5.4.

6. Park Facilities

The purpose of this fee is to generate revenue to fund the park facilities needed to serve new development. The impact fee is based on the parkland standards found in the Morgan Hill Bikeways, Trails, Parks and Recreation Master Plan (2017).

Service Population

Facility standards for parks are typically expressed as a ratio of park acres per 1,000 residents. As residents are the primary users of parks in the City of Morgan Hill, demand for parks and associated facilities is based on the City's residential population, rather than a combined resident-worker service population. **Table 6.1** provides estimates of the City's current resident population and a projection for the year 2035.

Table 6.1: Parks Service Population

	<u>Residents</u>
Existing (2018)	44,130
New Development (2018 - 2035)	<u>13,684</u>
Total (2035)	57,814

Sources: Table 2.1; Willdan Financial Services.

Facility Inventories and Standards

This section describes the City's park facility inventory, facility standards, and park facility costs.

Existing Inventory

Table 6.2 summarizes the City's existing park and open space inventory. In addition to public parkland, there is also a significant amount of parkland and open space in the City that is privately owned and maintained. **Table 6.3** displays the privately-owned park and open space land in the City.

Table 6.2: Existing Parkland Inventory

	Developed Park Acres	Undeveloped Acres	Total Park/Open Space Acres
<i><u>Community Parks</u></i>			
Community Park	26.00	-	26.00
Galvan Park	7.50	-	7.50
Subtotal	33.50	-	33.50
<i><u>Neighborhood Parks</u></i>			
Diana Park	3.08	-	3.08
Jackson Park	1.30	-	1.30
Oak Creek Park	2.93	-	2.93
Nob Hill Trail Park	3.40	-	3.40
Nordstrom Park	4.57	-	4.57
Paradise Park	5.47	-	5.47
Railroad Park	1.10	-	1.10
Third Street Creek Park	1.10	-	1.10
Subtotal	22.95	-	22.95
<i><u>Mini Parks</u></i>			
21 Mile	0.65	-	0.65
Belle Estates Park	0.46	-	0.46
Civic Center	2.00	-	2.00
Conte Gardens Park	0.50	-	0.50
Diana Estates Park	0.50	-	0.50
Fox Hollow Park	0.20	-	0.20
Hamilton Square Park	0.57	-	0.57
Howard Weichert Park	0.90	-	0.90
Mill Creek Park	0.93	-	0.93
Murphy Springs Park	0.49	-	0.49
Sanchez Park	0.16	-	0.16
Stone Creek Park	0.95	-	0.95
Subtotal	8.31	-	8.31
<i><u>Community Recreation Facilities</u></i>			
Centennial Recreation Center	5.90	-	5.90
Community and Cultural Center	6.00	-	6.00
El Toro Youth Center	0.30	-	0.30
Aquatics Center	8.00	-	8.00
Outdoor Sports Center	38.00	-	38.00
Subtotal	58.20	-	58.20

Sources: City of Morgan Hill; City of Morgan Hill *Bikeways, Trails, Parks and Recreation Master Plan, 2017.*

Table 6.2: Existing Parkland Inventory Continued

	Developed Park Acres	Undeveloped Acres	Total Park/Open Space Acres
<i>Trails</i> ¹			
Butterfield Linear Park	2.09	-	2.09
San Pedro Percolation Ponds Trail	1.21	-	1.21
Madrone Channel Trail	6.00	-	6.00
West Llagas Creek Trail	1.10	-	1.10
Subtotal	10.40	-	10.40
<i>Open Space</i> ²			
El Toro	-	86.00	21.50
Jackson Oaks	-	170.00	42.50
Subtotal	-	256.00	64.00
<i>Joint Use Facilities</i> ³			
Villa Mira Monte	2.40	-	2.40
Subtotal	2.40	-	2.40
Total	135.76	256.00	199.76

¹ Area totals includes trail and landscaping adjacent to trail.

² According to the *Bikeways, Trails, Parks and Recreation Master Plan, 2017* only 25% of open space acreage counts towards the City's parkland standard.

³ The City has joint use agreements for these facilities.

Sources: City of Morgan Hill; City of Morgan Hill *City of Morgan Hill, Bikeways, Trails, Parks and Recreation Master Plan, 2017*.

Table 6.3: Private Parkland Inventory

HOA	Location	Park Acres	Open Space Acres
Alicante	Ventura Ct. & Ventura Dr.	2.00	-
Alicante	Espana Wy. & Katherine Dr.	0.60	-
Barrett Place	Barrett Ave. & Saint John Ct.	0.60	-
Brighton Oaks Community Association	Butterfield Blvd. & Main Avenue	-	0.21
Capriano	Curry Ave. & Hale Ave.	1.50	-
Carriage Square	East Main Ave. & Carriage Lamp Way	1.70	-
Central Park	East Central Ave & Calle Central	2.20	-
Central Park	Cil Hermosa & Calle Buena Vista	0.85	-
Cerro Verde HOA	Calle Mazatan & Main Ave.	-	0.40
Cerro Verde HOA	Central & Butterfield	-	0.20
Cerro Verde HOA	Calle Mazatan & Calle Cerro	0.30	-
Cerro Verde HOA	Calle Verde & CalleCerro	0.30	-
Cottage Green	San Pedro Ave. & San Ramon Dr.	0.70	-
Country Side Villas	Venetian Way and Shasta lane	0.25	-
Coyote Estates	Peet Rd. & Eagle View Dr.	0.70	-
Coyote Estates	Savanah Ct. & Morningstar Dr.	1.60	-
Creekside Village	E.Dunne Ave. & Creekside Cr.	2.10	-
Crescent Park	Belleto Dr. & Bentley Dr.	0.80	-
Del Monte Condominiums	Del mone Ave. & Del Monte Lane	0.85	-
Del Monte Village	Hale Ave & Del Monte Ave. (Private Road)	-	0.40
Diamond Creek	Rome Ave. and Monterey Road	-	0.25
Diamond Creek HOA	Valencia Avenue	-	-
East Dunne Park Owner's Association	Grapevine Ct. & Seville Drive	-	0.49
El Dorado	East Dunne Ave. & Tassajara Cir.	0.20	-
El Toro Oaks	Oak Park Drive and Dewitt Ave.	0.50	-
Esperanza Community Association	Diana Avenue & Cayman Street	0.74	0.07
Excalibur	Excaliber Court	-	0.60
Grand Prix / Calle Siena	Grande Prix Way \$ Calle Siena	0.95	-
Heatherwood HOA	Katybeth & Heatherwood	-	0.10
Heritage Greens	East Dunne Ave & Saddleback Dr.	0.60	-
Hidden Meadow Condos	Viewcrest Lane & Dunne Ave	-	0.50
Hillwood Lane	Hillwood Lane and Hale (behind houses)	-	3.25
Holiday Lake Estates	Btwn Holiday Dr & Copper Hill Dr	-	11.85
Jackson Oaks Clubhouse	390 Oak Hill Ct.	0.90	5.50
Jasper Park	Cory Dr. & San Benancio Way	0.80	-
Kelly Park Circle	Kelly Park Cr. & Murphey Ave	0.25	-
Kendall Hill	Denali Drive and Olympic Drive	0.45	-
Las Casas de San Pedro Condominiums	San Pedro Ln. & San Pedro Ave.	0.80	-
Laurel Oaks	San Marcos Ct. & San Ramon Dr.	0.40	-
Loan Oaks Farms	San Gabriel Ave. & San Vincent Dr.	0.85	-
Loden Place Community Corporation	Stoney Creek Way and Hale Avenue	0.29	0.47
Lone Oak Farm HOA	San Domingo Drive & San Meguel Drive	0.24	0.11
Madrone Parkway Retention Area	Madrone Pkwy. & Buttefield Blvd.	-	10.00
Madrone Plaza	Opal Ln. & Jarvis Dr	0.90	-
Milano	Murpphy Ave. & Mimosa Drive	1.10	-
Mission Ranch	Capastrano Wy. & San Antonio Wy.	2.80	-
Mission Ranch	Cochrane Rd. & Mission View Ave.	2.20	-
Mission Ranch (Phase 13)	Mission View Drive & Avenida Del Los Padres	8.92	0.50
Monte Villa	Llagas Rd. & Carriage Dr.	-	0.35
Montoya Circle	East Main Ave. & Mariposa Dr.	0.80	-
Morgan Hill Ranch Apartments	Cochrane Rd. & Butterfield Blvd.	0.50	-
Morgan Lane Phase 1	Central Ave. & Aston Ct.	4.20	-
Morgan Meadows	East Dunne Ave. & Hill Rd.	-	0.60
Morgan Meadows	Domaine Dr. & Cabernet Cr.	2.30	-

Source: City of Morgan Hill, Bikeways, Trails, Parks and Recreation Master Plan, 2017.

Table 6.3: Private Parkland Inventory - Continued

HOA	Location	Park Acres	Open Space Acres
Morgan Meadows	Malbek Dr. & Merlot Dr.	0.75	-
Morgan Ranch	East Dunne Ave. & Bayo Claros	2.25	-
Morgan Village	East Dunne Ave & Brega Lane	1.85	-
Park Place Condominiums	LaCrosse Drive and Village Way	0.40	-
Parkside at Capriano	Corriander Ave & Basil Ave.	1.40	-
Pear Tree Estates	Pear Dr. & Jean Ct.	0.75	-
Pine Tree Park	Olympia Drive and Bryce Drive	0.50	-
Pine Tree Park	Sugarpine Dr. & Pinecone Ct.	0.25	-
Quail Creek	Via Vivaldi and Santa Teresa Blvd	1.00	-
Quail Meadows	Secretariat Way	-	0.50
Rio Sereno	Calle Sueno and Via Narretto	0.20	-
Rooyal Court Apartments	Del Monte Ave. & Wright Ave.	0.30	-
Royal Court	Wright Ave. & Del Monte Ave.	-	0.20
San Benito and San Pablo	San Benito Pl. and San Pablo Ct.	0.45	-
San Gabriel Court	San Gabriel Court	0.60	-
San Pedro Gardens	Cory Dr. & San Pedro Ave.	0.45	-
San Pedro Gardens	Cory Dr. & San Pedro Ave.	0.25	-
San Pedro Villas	San Jose Dr & San Juan Dr	1.90	-
San Savigno	Bel Air Way	-	0.50
San Savigno	S side Main btw Calle Mazatan & Grand Prix	-	0.15
San Savigno	Calle Asta & Bell Air Way	0.60	-
Shadow Brooks Estates	Shadowbrook Wy & Llagas Creek Dr.	2.00	-
Sherial Park	Jarvis Dr. & Sutter Blvd.	0.48	-
Sherimar Ranch	Jasmine Way & Bradford Way	2.40	-
Siera Ct	Llagas Rd. & Siera Ct.	0.50	-
Sonora Ranch	Peppertree & East Dunne Ave	0.25	-
Sorrento	Via Sorrento and Watsonville Road	0.25	-
St James Place	St. Timothy Pl. and St. Lawrence Dr.	1.75	-
Stonebridge Neighborhood Association	Hale Ave & Clove Avenue	3.06	4.69
Tilton Park Owner's Associatioin	Tilton Avenue & Monterey Road	2.56	0.15
Tuscany Meadows	Shafer Ave. & Katybeth Way	1.00	-
Twin Oaks	Llagas Creek Dr. & ril Marianna Dr.	-	0.60
Ventura of Morgan Hill Home Owners	Cochrane Road & St. Mark's Avenue	-	0.84
Viento	Calle Viento & Calle Viento Ct.	1.30	-
Village Avante Apartments	Cosmo Dr. & Del Monte Ave.	0.50	-
Walnut Grove	San Pedro Ave. & Walnut Grove	-	1.00
Westmoreland Park	Piazza Way	0.25	-
Total		78.93	44.47

Source: City of Morgan Hill, Bikeways, Trails, Parks and Recreation Master Plan, 2017.

Parkland Unit Costs

Table 6.4 shows the estimated cost per acre for parkland. Land acquisition costs are consistent with those used throughout this study. Improvement costs are based on cost estimates provided in the City of Morgan Hill Bikeways, Trails, Parks and Recreation Master Plan (2017). The cost per acre is based on assumed community park improvement costs from Master Plan of \$8,000,000 for the improvement of 10 acres.

Table 6.4: Parkland Unit Costs

	Cost per Acre	Share of Parkland Costs
Standard Park Improvements ¹	\$ 800,000	50%
Land Acquisition	<u>790,000</u>	<u>50%</u>
Total Cost per Acre	\$ 1,590,000	100%

Note: Figures have been rounded.

¹ Based on assumed community park improvement costs from Master Plan @ \$8,000,000 for the improvement of 10 acres.

Sources: *City of Morgan Hill Bikeways, Trails, Parks and Recreation Master Plan, 2017, Table 5-3; Willdan Financial Services.*

Park Facility Standards

The Master Plan sets forth park facility standards for the City. The Master Plan specifies a Citywide park standard of 5.0 acres per thousand residents. Per the Master Plan, private parkland counts towards the standard, but only at 50% of total acreage. Open space acreage is counted towards the standard, but only at 25% of total acreage. Private open space is not included in the calculation of the standard. The City's existing parkland facilities standard exceeds the standard recommended by the Master Plan.

Table 6.5 shows the existing parkland standards based on including discounted private parks and open space as described above. As shown, the City currently provides park facilities above the Master Plan standard, with no deficiencies. Impact fees cannot fund private parks, and the City does not intend to use impact fee revenue to purchase future open space. As such park standards are shown three ways:

- Existing Master Plan Standard: Calculated including discounted private parks and open space.
- Existing Parks Standard (Impact Fee): Calculated only including public parkland
- Existing Other Parks Standard: Calculated only including discounted open space, and discounted private parks.

Table 6.5: Parkland Standards

Type of Acreage	Total Developed Acreage	Total Undeveloped Acreage	Existing Master Plan Standard ¹	Existing Parks Standard (Impact Fees) ²	Existing Other Parks Standard
Community Parks	33.50	-	33.50	33.50	-
Neighborhood Parks	22.95	-	22.95	22.95	-
Mini Parks	8.31	-	8.31	8.31	-
Community Recreation Facilities	58.20	-	58.20	58.20	-
Trails	10.40	-	10.40	10.40	-
Schools	2.40	-	2.40	2.40	-
Open Space	-	256.00	64.00	-	64.00
Private Parkland	78.93	-	39.47	-	39.47
Private Open Space	44.47	-	-	-	-
Total	259.16	256.00	239.23	135.76	103.47
Current Population			44,130	44,130	44,130
Standard			5.42	3.08	2.34

¹ The Master Plan recommends a citywide (including public and private) parks standard of 5.0 acres per 1,000 population. Per the Master Plan, private parkland counts towards the standard, but only at 50% of total acreage. Open space acreage is counted towards the standard, but only at 25% of total acreage. Private open space is not included in the calculation of the standard. The City's existing parkland facilities standard exceeds the standard recommended by the Master Plan.

² For the purposes of calculating a parks standard to base impact fees on, only publicly owned parkland is included. Open space, and privately owned parkland are excluded from the standard. It is assumed that the existing ratio of public to private parkland will be maintained through the planning horizon as additional private parkland is added.

Sources: City of Morgan Hill; Tables 6.1 - 6.4, Willdan Financial Services.

Facilities Needed to Accommodate New Development

Table 6.6 shows the park facilities needed to accommodate new development at the “impact fee” standard. To achieve the General Plan standard by the planning horizon, new development must fund the improvement of existing undeveloped parkland, and fund the purchase and development of 42.15 additional parkland acres. The existing park impact fee fund balance is \$2,787,306. This fund balance is converted into equivalent developed acres and credited against the total parkland needs. As such, the City only needs to develop 40.40 acres of parkland to achieve the desired standard at the planning horizon. This translates to the need for new development to contribute at a standard of 2.95 acres per 1,000 residents through this impact fee.

Table 6.6: Parkland Facility Needs

	Calculation	Amount	Unit
Existing City Owned Park Standard	A	3.08	Acres per 1,000 Capita
Growth in Service Population	B	13,684	Residents
Acres needed at Buildout to Maintain Standard	$C = A \times (B / 1,000)$	42.15	Acres
Existing Fund Balance	D	\$2,787,306	
Cost per Acre (Land and Improvements)	E	1,590,000	
Fund Balance Developed Park Acreage Equivalent ¹	$F = D / E$	1.75	Acres
Net Developed Parkland Needs	$G = C - F$	40.40	Acres
Growth in Service Population	H	13,684	Residents
Acres per 1,000 new residents needed to achieve standard	$I = G / (H / 1,000)$	2.95	Acres per 1,000 Capita

¹ Existing fund balance converted to equivalent developed park acreage by dividing fund balance by the cost per developed park acre developed in Table 6.4 (\$1,590,000).

Sources: Tables 6.1, 6.4 and 6.5; Willdan Financial Services.

Table 6.7 shows the calculation of the cost of purchasing and improving 40.40 acres. This cost is approximately \$64.2 million through 2035.

Table 6.7: Cost of Planned Parkland Facilities Needs

	Calculation	Total
Acres needed to meet Standard	A	40.40
Cost per acre - Land	B	\$ 790,000
Cost per acre - Improvements	C	800,000
Total Parkland and Improvement cost Per Acre	$D = B + C$	\$ 1,590,000
Land Needs	$E = A \times B$	\$ 31,916,000
Improvements Needs	$F = A \times C$	32,320,000
Net Cost of Planned Park Facilities to Serve New Development	$G = E + F$	\$ 64,236,000

Sources: Tables 6.6 and 6.4; Willdan Financial Services.

Parks Cost per Capita

Table 6.8 shows the cost per capita of providing new parkland and park facilities at a 2.95 acre per 1,000 capita facility standard. The per acre unit costs are multiplied by the acreage standards to determine the total amount of costs needed to serve 1,000 residents for each type of parkland, respectively. Then, those costs are divided by 1,000 to determine the cost needed to serve one resident.

Table 6.8: Park Improvements Cost per Capita

Parkland Investment Cost (per acre)	\$ 1,590,000
Facility Standard (acres per 1,000 residents)	2.95
Total Investment Per 1,000 capita	\$ 4,691,000
Investment Per Resident	\$ 4,691

Sources: Tables 6.6, and 6.8; Willdan Financial Services.

Use of Fee Revenue

The City plans to use park facilities fee revenue to acquire parkland and construct improvements to add to the system of park and recreation facilities that serves new development. The City may only use impact fee revenue to provide facilities needed to serve new development. The City may not use impact fee revenue for the portion of park facilities needed to meet the Master Plan standards for private parkland.

Fee Schedule

Table 6.9 shows the maximum justified park facilities fee schedule. The maximum justified fees are based on the costs per capita shown in Table 6.8. The cost per capita is converted to a fee per unit of new development based on the average number of residents per dwelling unit, as shown in Table 2.2. The total fee includes a two percent (2%) administrative charge to fund costs that include: a standard overhead charge applied to all City programs for legal, accounting, and other departmental and citywide administrative support, and fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

In Willdan's experience with impact fee programs, two percent of the base fee adequately covers the cost of fee program administration. The administrative charge should be reviewed and adjusted during comprehensive impact fee updates to ensure that revenue generated from the charge sufficiently covers, but does not exceed, the administrative costs associated with the fee program.

Table 6.9: Park Facilities Fee Schedule

Land Use	A	B	C = A x B	D = C x 0.02	E = C + D
	Cost per Capita	Density	Base Fee	Admin Charge ¹	Total Fee
Single Family	\$ 4,691	3.01	\$ 14,120	\$ 282	\$ 14,402
Multifamily	4,691	2.64	12,384	248	12,632
Senior / Downtown / Accessory Dwelling Units	4,691	2.00	9,382	188	9,570

¹ Administrative charge of 2.0 percent for (1) legal, accounting, and other administrative support and (2) impact fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

Sources: Tables 2.2 and 6.8; Willdan Financial Services.

7. Water Facilities

This chapter summarizes an analysis of the need for water facilities to accommodate growth within the City of Morgan Hill. It documents a reasonable relationship between new development and an impact fee to fund water facilities that serve new development.

Water Demand

Estimates of new development and its consequent increased water demand provide the basis for calculating the water facilities fee. The need for water facilities improvements is based on the water demand placed on the system by development. A reasonable measure of demand is a flow generation rate, expressed as the number of gallons per day generated by a specific type of land use. Flow generation rates are a reasonable measure of demand on the City's system of water improvements because they represent the average rate of demand that will be placed on the system per land use designation.

Table 7.1 shows the calculation of water demand flow generation factors by land use category. The data is based the *City of Morgan Hill Water System Plan (2017)*. Water demand for a given land use is related to the demand for a single-family unit to calculate equivalent dwelling units (EDU).

Table 7.1: Water Demand by Land Use

Land Use Type	Flow Generation (GDP/NA) ¹	Density ²	Average Flow Generation/ DU, KSF, Room	Equivalent Dwelling Unit (EDU)
<i>Residential</i>				
Single Family	1,266	5.00	253.20	1.00
Multi-family	1,856	16.00	116.00	0.46
Senior / Downtown / Accessory Dwelling Units	3,130	24.00	130.42	0.52
<i>Nonresidential</i>				
Commercial	1,350	21.78	61.98	0.24
Office	1,350	21.78	61.98	0.24
Industrial	1,120	26.14	42.85	0.17
Auto Dealership	1,350	21.78	61.98	0.24
Hotel	1,350	67.02	20.14	0.08

¹ Gallons per day per net acre.

² Dwelling units per acre for residential, thousand square feet per acre for nonresidential or hotel rooms per acre. Nonresidential based upon the maximum floor area ratio (FAR) assumption of 0.5 for commercial, 0.5 for office, 0.6 for industrial, 0.5 for auto dealership, and 0.5 for hotel.

Sources: City of Morgan Hill General Plan 2035, Table CNF-2; City of Morgan Hill Water System Master Plan, 2017, Table 3.4; Willdan Financial Services.

Equivalent Dwelling Unit Growth

Table 7.2 calculates the existing and projected equivalent dwelling units (EDU) based on each land use' water demand factors displayed in Table 7.1. An equivalent dwelling unit represents the demand of all other land uses equivalent to one single family unit. Also displayed is the total existing and future EDUs for water facilities by land use.

Table 7.2: Water Facilities Equivalent Dwelling Units

	EDU Factor ¹	Existing (DU/KSF)	Projected Growth (DU/KSF)	Existing EDUs	Growth in EDUs	Total
<i>Residential</i>						
Single Family	1.00	11,320	1,680	11,320	1,680	13,000
Multi-family	0.46	2,302	2,385	1,059	1,097	2,156
Senior / Downtown / Accessory Dwelling Units	0.52	1,100	500	572	260	832
Subtotal		14,722	4,565	12,951	3,037	15,988
<i>Nonresidential</i>						
Commercial ²	0.24	2,610	1,117	626	268	894
Office	0.24	522	629	125	151	276
Industrial	0.17	5,935	1,780	1,009	303	1,312
Auto Dealership	0.24	120	56	29	13	42
Hotel	0.08	919	215	74	17	91
Subtotal		10,106	3,797	1,863	752	2,615
Total				14,814	3,789	18,603
Percent of Total				79.6%	20.4%	100.0%

¹ Per dwelling unit (residential) or thousand building square feet (nonresidential), or hotel room.

Sources: Tables 2.1 and 7.1, Willdan Financial Services.

Facility Needs and Costs

The City recently completed a water system master plan that identified necessary improvements to its water system. The Morgan Hill Water System Master Plan (2017) also identified the share of improvements needed to serve existing development, and the share needed to serve new development. **Table 7.3** lists the water projects, costs and allocation to existing and new development, based on Table ES.3 of the Master Plan.

Table 7.3: Costs to Serve New Development

Improv. No.	Alignment	Baseline Constr. ¹ Costs	Estimated Const. Costs ²	Capacity Improv. Cost ³	----- Allocation -----			
					Existing Users (%)	Future Users (%)	Existing Users (\$)	Future Users (\$)
<i>Pipeline Improvements</i>								
BR-P1	ROW	\$ 351,714	\$ 457,229	\$ 594,397	0%	100%	\$ -	\$ 594,397
BR-P2	Cochrane Rd	373,697	485,806	631,548	0%	100%	-	631,548
BR-P3	Half Rd	763,719	992,835	1,290,685	0%	100%	-	1,290,685
BR-P4	Mission View Dr	98,920	128,596	167,174	100%	0%	167,174	-
BR-P5	Mission View Dr	509,145	661,889	860,455	0%	100%	-	860,455
BR-P6	Half Rd	400,043	520,055	676,072	0%	100%	-	676,072
NH-P1	Hale Ave Extension	1,103,149	1,434,094	1,864,322	100%	0%	1,864,322	-
NH-P2	Spring Ave	181,191	235,549	306,213	100%	0%	306,213	-
NH-P3	San Pedro Ave	160,906	209,178	271,932	100%	0%	271,932	-
NH-P4	Railroad Ave	102,395	133,114	173,048	0%	100%	-	173,048
NH-P5	Railroad Ave	175,534	228,194	296,653	0%	100%	-	296,653
NH-P6	San Pedro Ave	703,429	914,457	1,188,795	0%	100%	-	1,188,795
NH-P7	Hill Rd	725,411	943,035	1,225,945	0%	100%	-	1,225,945
NH-P8	Tennant Ave	1,066,134	1,385,975	1,801,767	0%	100%	-	1,801,767
NH-P9	Monterey Rd	516,580	671,555	873,021	0%	100%	-	873,021
NH-P10	ROW	593,519	771,575	1,003,047	0%	100%	-	1,003,047
RP-7	First St	101,721	132,238	171,909	100%	0%	171,909	-
HL-P1	Dunne Ave	160,906	209,178	271,932	40%	60%	108,773	163,159
HL-P2	Dunne Ave	133,347	173,351	225,357	40%	60%	90,143	135,214
HL-P3	Dunne Ave	594,003	772,204	1,003,865	0%	100%	-	1,003,865
HL-P4	Oak Leaf Dr	557,636	724,926	942,404	0%	100%	-	942,404
HL-P5	Lake View Dr	690,984	898,279	1,167,763	0%	100%	-	1,167,763
RP-1	Shady Ln	432,316	562,011	730,614	100%	0%	730,614	-
RP-4	Holiday Tank Site	152,582	198,357	257,864	100%	0%	257,864	-
RP-5	Manzanita Dr	279,734	363,654	472,750	100%	0%	472,750	-
RP-6	Raccoon Ct	288,211	374,674	487,076	100%	0%	487,076	-
RP-2	Hill Top Ct	104,900	136,370	177,281	100%	0%	177,281	-
RP-3	Oak View Ct	133,509	173,562	225,631	100%	0%	225,631	-
RP-8	Oak Canyon Dr	114,437	148,768	193,398	100%	0%	193,398	-
Subtotal		\$ 11,569,774	\$ 15,040,706	\$ 19,552,918			\$ 5,525,080	\$ 14,027,838

¹ Cost estimates are adjusted to September 2018 costs based on the Engineering News Record (ENR) construction cost index (CCI).

² Baseline construction costs plus 30% to account for unforeseen events and unknown conditions.

³ Estimated construction costs plus 30% to cover other costs including: engineering design, project administration (developer and City staff), construction management and inspection, and legal costs.

Source: Morgan Hill Water System Master Plan, 2017, Table ES.3; Engineering News Record, Construction Cost Index; Willdan Financial Services.

Table 7.3: Costs to Serve New Development Continued

Improv. No.	Alignment	Baseline Constr. ¹ Costs	Estimated Const. Costs ²	Capacity Improv. Cost ³	----- Allocation -----			
					Existing Users (%)	Future Users (%)	Existing Users (\$)	Future Users (\$)
<i>Storage Reservoir Improvements</i>								
BR-T1	Demolish existing 0.55 MG Boys Ranch tank and replace with 1.20 MG tank	\$ 2,186,387	\$ 2,842,303	\$ 3,694,994	30%	70%	\$ 1,108,498	\$ 2,586,496
GA-T1	Demolish existing 0.10 MG Glen Ayre tank and replace with 0.25 MG tank	569,372	740,183	962,238	80%	20%	769,791	192,448
ED-T1	Existing Edmundson tank site	2,049,738	2,664,659	3,464,057	0%	100%	-	3,464,057
WD-T1	Demolish existing 0.03 MG Woodland tank and replace with 0.25 MG tank	569,372	740,183	962,238	70%	30%	673,567	288,671
HL-T1	Dunne Ave approx 500' ne/o Flaming Oak Ln	1,935,864	2,516,623	3,271,610	40%	60%	1,308,644	1,962,966
	Subtotal	\$ 7,310,732	\$ 9,503,952	\$ 12,355,137			\$ 3,860,499	\$ 8,494,638
<i>Groundwater Well Improvements</i>								
BR-W1	Burnett Ave	\$ 2,479,459	\$ 3,223,297	\$ 4,190,285	0%	100%	\$ -	\$ 4,190,285
NH-W2	Butterfield Blvd	2,479,459	3,223,297	4,190,285	0%	100%	-	4,190,285
	Subtotal	\$ 4,958,918	\$ 6,446,593	\$ 8,380,571			\$ -	\$ 8,380,571
<i>Pump Station Improvements</i>								
NH-PS1	Dunne Ave and Magnolia Wy	\$ 1,378,042	\$ 1,791,454	\$ 2,328,891	40%	60%	\$ 931,556	\$ 1,397,334
HL-PS1	Dunne Ave approx 500' ne/o Flaming Oak Ln	1,179,827	1,533,775	1,993,908	90%	10%	1,794,517	199,391
	Subtotal	\$ 2,557,869	\$ 3,325,230	\$ 4,322,799			\$ 2,726,073	\$ 1,596,725
<i>Pressure Reducing Valve Improvements</i>								
HL-PRV1	Thomas Gr approx 1,100' w/o Gnarled Oak Ln	\$ 50,119	\$ 65,155	\$ 84,701	40%	60%	\$ 33,880	\$ 50,821
	Subtotal							
<i>Comprehensive Plan Updates</i>								
	Water System Master Plan Updates (Years 2021, 2026, 2031, 2036)	\$ -	\$ -	\$ 800,000	65%	35%	\$ 520,000	\$ 280,000
	Urban Water Management Plan Updates (Years 2021, 2026, 2031, 2036)	-	-	400,000	65%	35%	260,000	140,000
	Water Rate Study Updates (Years 2021, 2026, 2031, 2036)	-	-	400,000	65%	35%	260,000	140,000
	Subtotal	\$ -	\$ -	\$ 1,600,000			\$ 1,040,000	\$ 560,000
Total		\$ 26,447,412	\$ 34,381,635	\$ 46,296,126			\$ 13,185,533	\$ 33,110,593

¹ Cost estimates are adjusted to September 2018 costs based on the Engineering News Record (ENR) construction cost index (CCI).

² Baseline construction costs plus 30% to account for unforeseen events and unknown conditions.

³ Estimated construction costs plus 30% to cover other costs including: engineering design, project administration (developer and City staff), construction management and inspection, and legal costs.

Source: Morgan Hill Water System Master Plan, 2017, Table ES.3: Engineering News Record, Construction Cost Index; Willdan Financial Services.

Table 7.4 calculates a cost per EDU associated by dividing the total cost of projects allocated to new development identified in Table 7.3, by the growth in EDUs identified in Table 7.2

Table 7.4: Cost per EDU

Cost Allocated to New Development	\$ 33,110,593
Growth in EDUs	3,789
Cost per EDU	\$ 8,739

Sources: Tables 7.2 and 7.3.

Fee Schedule

The maximum justified fee for water facilities is shown in **Table 7.5**. The cost per EDU is converted to a fee per unit of new development based on the EDU factors shown in Table 7.1. The total fee includes an administrative charge to fund costs that include: (1) a standard overhead charge applied to all City programs for legal, accounting, and other departmental and citywide administrative support, (2) capital planning, programming, project management costs associated with the share of projects funded by the facilities fee, and (3) fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

Table 7.5: Water Facilities Impact Fee

	A	B	C = A x B		D = C x 0.02	E = C + D	E / 1,000	F	G = E x F
	Cost Per EDU	EDU Factor	Base Fee ¹	Admin Charge ^{1, 2}	Total Fee ¹	Fee per Sq. Ft.	Nonres. KSF per Acre ³	Fee per Acre	
<i>Residential</i>									
Single Family	\$ 8,739	1.00	\$ 8,739	\$ 175	\$ 8,914				
Multi-family	8,739	0.46	4,020	80	4,100				
Senior / Downtown / Accessory Dwelling Units	8,739	0.52	4,544	91	4,635				
<i>Nonresidential</i>									
Commercial	\$ 8,739	0.24	\$ 2,097	\$ 42	\$ 2,139	\$ 2.14	21.78	\$46,587	
Office	8,739	0.24	2,097	42	2,139	2.14	21.78	46,587	
Industrial	8,739	0.17	1,486	30	1,516	1.52	26.14	39,628	
Auto Dealership	8,739	0.24	2,097	42	2,139	2.14	21.78	46,587	
Hotel	8,739	0.08	699	14	713	0.71	n/a	n/a	

¹ Fee per dwelling unit or per 1,000 square feet of nonresidential or hotel room.

² Administrative charge of 2.0 percent for (1) legal, accounting, and other administrative support and (2) impact fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

³ Based on assumed floor-area-ratio (FAR) from the General Plan. FAR for commercial, office and auto dealerships assumed to be 0.5 based on the "General Commercial" land use. FAR for Industrial assumed to be 0.6 based on the "Industrial" land use.

Sources: Tables 7.1 and 7.4; Willdan Financial Services.

8. Storm Drain Facilities Fee

This chapter summarizes an analysis of the need for storm drain facilities to accommodate growth within the City of Morgan Hill. It documents a reasonable relationship between new development and a storm drain fee to fund storm drain facilities that serve new development.

Storm Drain Demand

Most new development generates storm water runoff. This runoff must be controlled through storm drain facilities. Storm drain demand is measured by impervious surface. The more impervious surface a land use creates, the more demand for storm drain facilities it creates. **Table 8.1** shows the calculation of equivalent dwelling unit (EDU) demand factors for storm drain facilities based on impervious surface area by land use category. Dwelling unit and thousand square feet per acre assumptions are from the City's General Plan. The area percent impervious factors are derived from the September 2018 *Storm Drainage System Master Plan*, by Akel Engineering Group, Inc.

Table 8.1: Equivalent Dwelling Units

	A	B	$C = (43,560 / A) \times B$	$D = C / \text{Single Family}$
	DU, KSF or Rooms per acre ¹	Average Percent Impervious per Acre	Impervious Square feet per DU, KSF or Room	Equivalent Dwelling Unit (EDU) ²
<i>Residential</i>				
Single Family ³	5.00	35%	3,049	1.00
Multi-Family ³	16.00	80%	2,178	0.71
Senior / Downtown / Accessory Dwelling Unit ³	24.00	80%	1,452	0.48
<i>Nonresidential</i>				
Commercial	21.78	95%	1,900	0.62
Office	21.78	95%	1,900	0.62
Industrial	26.14	70%	1,167	0.38
Auto Dealership ⁴	21.78	95%	1,900	0.62
Hotel ⁴	67.02	95%	618	0.20

Note: Figures have been rounded.

¹ Dwelling units for residential and thousand building square feet for non-residential. Density based on estimated development and acreage for each land use type in the City of Morgan Hill *General Plan*. Nonresidential densities are based on floor-area-ratios of 0.5 for commercial, office, hotel and auto dealerships, 0.6 for industrial.

² EDUs per dwelling unit for residential development and per thousand square feet for nonresidential development.

³ Percent impervious for single family based on the "Single Family Medium" land use category from the *Storm Drainage System Master Plan*. Multi-Family based on "Multi-Family Medium." Senior / Downtown / Second Unit also based on

⁴ Percent impervious for auto dealership and hotel based on the "Commercial" land use category from *Storm Drainage System Master Plan*.

Sources: *Storm Drainage System Master Plan*, Akel Engineering Group, Inc., September 2018; Morgan Hill General Plan; Willdan Financial Services.

Equivalent Dwelling Unit Growth

Table 8.2 calculates the existing and projected equivalent dwelling units (EDU) based on each land use's demand factors displayed in Table 8.1. An equivalent dwelling unit represents the demand of all other land uses equivalent to one single family unit. Also displayed is the total existing and future EDUs for storm drain facilities by land use.

Table 8.2: Storm Drain Facilities Equivalent Dwelling Units

	EDU Factor ¹	----- DU or KSF-----		----- EDU -----		
		Existing	Projected Growth	Existing	Growth	Total
<i>Residential</i>						
Single Family	1.00	11,320	1,680	11,320	1,680	13,000
Multi-Family	0.71	2,302	2,385	1,634	1,693	3,327
Senior / Downtown / ADU	0.48	1,100	500	528	240	768
Subtotal		14,722	4,565	13,482	3,613	17,095
<i>Nonresidential</i>						
Commercial	0.62	2,610	1,117	1,618	693	2,311
Office	0.62	522	629	324	390	714
Industrial	0.38	5,935	1,780	2,255	676	2,931
Auto Dealership	0.62	120	56	74	35	109
Subtotal		9,187	3,582	4,271	1,794	6,065
Hotel Rooms	0.20	919	215	184	43	227
Total				17,937	5,450	23,387
Percent of Total				77%	23%	100%

¹ Per dwelling unit (residential), thousand building square feet (nonresidential), or hotel room.

Sources: Tables 2.2 and 8.1, Willdan Financial Services.

Planned Facilities

The City of Morgan Hill had the September 2018 *Storm Drainage System Master Plan*, completed by Akel Engineering Group, Inc. The plan identified storm drain projects, and allocated shares of each project to existing and new development. **Table 8.3** shows the storm drain capital improvement plan and cost allocation for storm drain facilities from the *Storm Drainage System Master Plan*.

Table 8.3: Storm Drain Master Plan Improvements

No.	Type of Improvement	Description/Street	Description/Limits	Baseline Constr. Costs	Estimated Const. Costs ¹	Capital Improv. Cost ²	Allocation			
							Existing Users (%)	Future Users (%)	Existing Users (\$)	Future Users (\$)
Butterfield Drainage Basin										
BTR-P1	Pipeline	Juan Hernandez Dr	From 150' s/o Saint James Dr to Tennant Ave	\$ 214,401	\$ 278,722	\$ 362,338	0%	100%	\$ -	\$ 362,338
Subtotal				\$ 214,401	\$ 278,722	\$ 362,338			\$ -	\$ 362,338
Coyote Drainage Basin										
COY-P1	Pipeline	Eagle View Dr	From 310' s/o Peet Rd to Peet Rd	\$ 99,302	\$ 129,092	\$ 167,820	0%	100%	\$ -	\$ 167,820
COY-P2	Pipeline	Eagle View Dr	From 1,400 ft s/o Peet Rd to 310' s/o Peet Rd	300,162	390,211	507,274	0%	100%	-	507,274
COY-P3	Pipeline	Peet Rd	From Eagle View Dr to Morningstar Dr	364,106	473,338	615,340	100%	0%	615,340	-
Subtotal				\$ 763,570	\$ 992,641	\$ 1,290,434			\$ 615,340	\$ 675,094
Madrone Drainage Basin										
MAD-P1	Pipeline	Half Rd	From Condit Rd to NB US 101	\$ 174,530	\$ 226,889	\$ 294,956	0%	100%	\$ -	\$ 294,956
MAD-P2	Pipeline	Half Rd	From Peet Rd to Condit Rd	958,412	1,245,936	1,619,716	0%	100%	-	1,619,716
MAD-P3	Pipeline	Dunne Ave	From Condit Rd to NB US 101	180,549	234,713	305,127	100%	0%	305,127	-
MAD-P4	Pipeline	Aspen Wy	From Bluebonnet Wy to Pine Wy	128,641	167,233	217,403	100%	0%	217,403	-
MAD-P5	Pipeline	Bluebonnet Ct	From Almond Wy to Percheron Ct	39,119	50,855	66,111	100%	0%	66,111	-
MAD-P6	Pipeline	Percheron Ct	From Bluebonnet Ct to 170' s/o Bayo Claros Cir	252,768	328,598	427,178	100%	0%	427,178	-
MAD-P7	Pipeline	San Pedro Ave	From Condit Rd to NB US 101	195,594	254,273	330,554	60%	40%	198,332	132,222
Subtotal				\$ 1,929,613	\$ 2,508,497	\$ 3,261,045			\$ 1,214,151	\$ 2,046,894
Little Llagas Drainage Basin										
LLL-P1	Pipeline	Wright Ave	From Monterey Rd to Hale Ave	\$ 414,509	\$ 538,862	\$ 700,521	50%	50%	\$ 350,261	\$ 350,261
LLL-P2	Pipeline	Wright Ave	From 450' sw/o Crest Ave to Hale Ave	276,841	359,893	467,862	50%	50%	233,931	233,931
LLL-P3	Pipeline	Main Ave	From Crest Ave to Hale Ave	234,713	305,127	396,665	50%	50%	198,333	198,333
LLL-P4	Pipeline	Main Ave	From Peak Ave to Crest Ave	248,254	322,731	419,550	50%	50%	209,775	209,775
LLL-P5	Pipeline	Del Monte Ave	From Main Ave to 2nd St	214,401	278,722	362,338	50%	50%	181,169	181,169
LLL-P6	Pipeline	Main Ave	From Del Monte Ave to Monterey Rd	200,108	260,140	338,183	50%	50%	169,092	169,092
LLL-P7	Pipeline	Lone Hill Dr	From Spring Ave to Chargin Wy	168,512	219,066	284,785	20%	80%	56,957	227,828
LLL-P8	Pipeline	La Crosse Dr	From La Barea Dr to 200' se/o intersection of the Vineyard Blvd and La Crosse Dr	546,159	710,007	923,009	100%	0%	923,009	-
LLL-P9	Pipeline	Alamo Dr	From La Rocca Dr to 80' n/o Unnamed St	385,923	501,699	652,209	100%	0%	652,209	-
Subtotal				\$ 2,689,420	\$ 3,496,247	\$ 4,545,122			\$ 2,974,735	\$ 1,570,388

¹ Baseline construction costs plus 30% to account for unforeseen events and unknown conditions.

² Estimated construction cost plus 30% to cover other costs including: engineering design, project administration (developer and City staff), construction management and inspection, and legal costs.

Source: Morgan Hill Storm Drainage Master Plan, 2018, Table ES.3; Engineering News Record; Willdan Financial Services.

Table 8.3: Storm Drain Master Plan Improvements - Continued

No.	Type of Improvement	Description/Street	Description/Limits	Baseline Constr. Costs ¹	Estimated Const. Costs ²	Capital Improv. Cost ³	Allocation			
							Existing Users (%)	Future Users (%)	Existing Users (\$)	Future Users (\$)
Llagas Drainage Basin										
LLA-P1	Pipeline	Middle Ave	From Olive Ave to Gallant Fox Wy	\$ 204,622	\$ 266,008	\$ 345,811	0%	100%	\$ -	\$ 345,811
LLA-P2	Pipeline	Gallant Fox Wy	From Middle Ave to 1,200' e/o Middle Ave	<u>397,207</u>	<u>516,369</u>	<u>671,280</u>	<u>20%</u>	80%	134,256	<u>537,024</u>
Subtotal				\$ 601,829	\$ 782,377	\$ 1,017,091			\$ 134,256	\$ 882,835
Butterfield Drainage Basin										
BTR-D1	Basin		Approx. 900' nw/o Pollard Ave and Seymour Ave	\$ 1,171,894	1,523,462	1,980,500	50%	50%	\$ 990,250	\$ 990,250
Fisher Drainage Basin										
FIS-D1	Basin		Approx 1,000' sw/o Sutter Blvd and Butterfield Blvd	\$ 609,641	792,534	1,030,294	50%	50%	\$ 515,147	\$ 515,147
Other Storm Drainage Improvements										
Hale	Misc	Hale Ave	From Hillwood Lane to Spring Avenue and Dewitt Avenue	\$ 5,000,000	5,000,000	5,000,000	0%	100%	\$ -	\$ 5,000,000
Total									\$ 6,443,879	\$ 12,042,945
Less Existing Fund Balance ³										<u>3,962,023</u>
Net Cost of Planned Facilities										\$ 8,080,922

¹ Baseline construction costs plus 30% to account for unforeseen events and unknown conditions.

² Estimated construction cost plus 30% to cover other costs including: engineering design, project administration (developer and City staff), construction management and inspection, and legal costs.

³ Existing fund balance of \$10,405,902 as of June 30, 2018. \$3,962,023 remaining after funding existing user costs.

Source: Morgan Hill Storm Drainage Master Plan, 2018, Table ES.3; Engineering News Record; Willdan Financial Services.

Allocation of Facilities to New Development

Table 8.4 allocates new development's share of storm drain facilities to new development. New development's share of the costs is equal to the total cost of the projects net of the existing fund balances. The facility standard, in this case a planned facilities standard, is calculated by dividing new development's share of planned facilities by the growth in EDUs.

Table 8.4: Cost per Equivalent Dwelling Unit

Cost Allocated to New Development	\$ 8,080,922
Growth in EDUs (2018-2035)	<u>5,450</u>
Cost per EDU	\$ 1,483

Sources: Tables 8.2 and 8.3; Willdan Financial Services.

Non-Fee Funding Required

No non-fee funding will be required to fund the facilities, as existing storm drain fund balances are sufficient to fully fund existing development's share of those facilities. Impact fee revenue will fully fund new development's share of the facilities.

Fee Schedule

The impact fee for storm drain facilities is shown in **Table 8.5**. The cost per EDU is converted to a fee per unit of new development based on the EDU factors shown in Table 8.1. The total fee includes a two percent (2%) administrative charge to fund costs that include: (1) a standard overhead charge applied to all City programs for legal, accounting, and other departmental and citywide administrative support, (2) fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analyses.

In Willdan's experience with impact fee programs, two percent of the base fee adequately covers the cost of fee program administration. The administrative charge should be reviewed and adjusted during comprehensive impact fee updates to ensure that revenue generated from the charge sufficiently covers, but does not exceed, the administrative costs associated with the fee program.

Table 8.5: Storm Drain Facilities Fee

	A	B	C = A x B D = C x 0.02		E = C + D		F	G = E x F
	Cost Per EDU	EDU	Base Fee ¹	Admin Fee ^{1,2}	Total Fee ¹	Fee per Sq. Ft.	Nonres. KSF per Acre ³	Fee per Acre
<i>Residential</i>								
Single Family	\$ 1,483	1.00	\$ 1,483	\$ 30	\$ 1,513			
Multifamily	1,483	0.71	1,053	21	1,074			
Senior / Downtown / Accessory Dwelling Unit	1,483	0.48	712	14	726			
<i>Nonresidential</i>								
Commercial	\$ 1,483	0.62	\$ 919	\$ 18	\$ 937	\$ 0.94	21.78	\$ 20,408
Office	1,483	0.62	919	18	937	0.94	21.78	20,408
Industrial	1,483	0.38	564	11	575	0.58	26.14	15,031
Auto Dealership	1,483	0.62	919	18	937	0.94	21.78	20,408
Hotel	1,483	0.20	297	6	303	NA	n/a	n/a

Note: KSF = 1,000 Square Feet

¹ Fee per dwelling unit, per 1,000 square feet of nonresidential, or per room for hotel.

² Administrative charge of 2.0 percent for (1) legal, accounting, and other administrative support and (2) impact fee program administrative costs including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analysis.

³ Based on assumed floor-area-ratio (FAR) from the General Plan. FAR for commercial, office and auto dealerships assumed to be 0.5 based on the "General Commercial" land use. FAR for Industrial assumed to be 0.6 based on the "Industrial" land use.

Sources: Tables 8.1 and 8.4; Willdan Financial Services.

9. Implementation

Impact Fee Program Adoption Process

Impact fee program adoption procedures are found in the *California Government Code* section 66016. Adoption of an impact fee program requires the City Council to follow certain procedures including holding a public hearing. Data, such as an impact fee report, must be made available at least 10 days prior to the public hearing. The City's legal counsel should be consulted for any other procedural requirements as well as advice regarding adoption of an enabling ordinance and/or a resolution. After adoption there is a mandatory 60-day waiting period before the fees go into effect.

Inflation Adjustment

The City has kept its impact fee program up to date by periodically adjusting the fees for inflation. Such adjustments should be completed regularly to ensure that new development will fully fund its share of needed facilities. We recommend that the following indices be used for adjusting fees for inflation:

- ◆ Buildings – Engineering News-Record's Construction Cost Index (CCI)
- ◆ Equipment – Consumer Price Index, All Items, 1982-84=100 for All Urban Consumers (CPI-U)

The indices recommended can be found for local jurisdictions (state, region), and for the nation. With the exception of land, we recommend that the national indices be used to adjust for inflation, as the national indices are not subject to frequent dramatic fluctuations that the localized indices are subject to.

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

While fee updates using inflation indices are appropriate for periodic updates to ensure that fee revenues keep up with increases in the costs of public facilities, the City will also need to conduct more extensive updates of the fee documentation and calculation (such as this study) when significant new data on growth forecasts and/or facility plans become available.

Reporting Requirements

The City complies with the annual and five-year reporting requirements of the *Mitigation Fee Act*. For facilities to be funded by a combination of public fees and other revenues, identification of the source and amount of these non-fee revenues is essential. Identification of the timing of receipt of other revenues to fund the facilities is also important.

Programming Revenues and Projects with the CIP

The City maintains a five-year Capital Improvement Program (CIP) to plan for future infrastructure needs. The CIP identifies costs and phasing for specific capital projects. The use of the CIP in this manner documents a reasonable relationship between new development and the use of those revenues.

The City may decide to alter the scope of the planned projects or to substitute new projects if those new projects continue to represent an expansion of the City's facilities. If the total cost of facilities varies from the total cost used as a basis for the fees, the City should consider revising the fees accordingly.

10. Mitigation Fee Act Findings

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

The five statutory findings required for adoption of the public facilities fees documented in this report are presented in this chapter and supported in detail by the preceding chapters. All statutory references are to the *Act*.

Purpose of Fee

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

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

Use of Fee Revenues

- ♦ *Identify the use to which the fees will be put. If the use is financing facilities, the facilities shall be identified. That identification may, but need not, be made by reference to a capital improvement plan as specified in §65403 or §66002, may be made in applicable general or specific plan requirements, or may be made in other public documents that identify the facilities for which the fees are charged (§66001(a)(2) of the Act).*

Fees proposed in this report, if enacted by the City, would be used to fund expanded facilities to serve new development. Facilities funded by these fees are designated to be located within the City's sphere of influence. Fees addressed in this report have been identified by the City to be restricted to funding the following facility categories: general public facilities, traffic facilities, library facilities, parks, water facilities and storm drain facilities.

Benefit Relationship

- ♦ *Determine the reasonable relationship between the fees' use and the type of development project on which the fees are imposed (§66001(a)(3) of the Act).*

The City will restrict fee revenue to the acquisition of land, construction of facilities and buildings, and purchase of related equipment, furnishings, vehicles, and services used to serve new development. Facilities funded by the fees are expected to provide a citywide network of facilities accessible to the additional residents and workers associated with new development. Under *the Act*, fees are not intended to fund planned facilities needed to correct existing deficiencies. Thus, a reasonable relationship can be shown between the use of fee revenue and the new development residential and non-residential use classifications that will pay the fees.

Burden Relationship

- ♦ *Determine the reasonable relationship between the need for the public facilities and the types of development on which the fees are imposed (§66001(a)(4) of the Act).*

Facilities need is based on a facility standard that represents the demand generated by new development for those facilities. For each facility category, demand is measured by a single facility standard that can be applied across land use types to ensure a reasonable relationship to the type of development. For most facility categories service population standards are calculated based upon the number of residents associated with residential development and the number of workers associated with non-residential development. To calculate a single, per capita standard, one worker is weighted less than one resident based on an analysis of the relative use demand between residential and non-residential development.

The standards used to identify growth needs are also used to determine if planned facilities will partially serve the existing service population by correcting existing deficiencies. This approach ensures that new development will only be responsible for its fair share of planned facilities, and that the fees will not unfairly burden new development with the cost of facilities associated with serving the existing service population.

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

Proportionality

- ◆ *Determine how there is a reasonable relationship between the fees amount and the cost of the facilities or portion of the facilities attributable to the development on which the fee is imposed (§66001(b) of the Act).*

The reasonable relationship between each facilities fee for a specific new development project and the cost of the facilities attributable to that project is based on the estimated new development growth the project will accommodate. Fees for a specific project are based on the project's size. Larger new development projects can result in a higher service population resulting in higher fee revenue than smaller projects in the same land use classification. Thus, the fees ensure a reasonable relationship between a specific new development project and the cost of the facilities attributable to that project.

See *Chapter 2, Growth Forecasts*, or the *Service Population, or Equivalent Dwelling Units* sections in each facility category chapter for a description of how service populations or other factors are determined for different types of land uses. See the *Fee Schedule* section of each facility category chapter for a presentation of the maximum justified facilities fees.

Appendix

Table A.1: Police: Lease Payments for Police Building

Date	Payment (nom. dollars)	Discount Factor¹	Payment (real dollars)
<i>Past Payments</i>			
Jan-05	\$ 122,132	1.564	\$ 191,009
Jul-05	328,156	1.564	513,222
Jan-06	155,606	1.511	235,132
Jul-06	295,606	1.511	446,681
Jan-07	153,506	1.460	224,114
Jul-07	298,506	1.460	435,810
Jan-08	151,331	1.411	213,468
Jul-08	301,331	1.411	425,057
Jan-09	148,706	1.363	202,671
Jul-09	303,706	1.363	413,920
Jan-10	145,994	1.317	192,246
Jul-10	305,994	1.317	402,935
Jan-11	143,194	1.272	182,182
Jul-11	308,194	1.272	392,109
Jan-12	140,306	1.229	172,472
Jul-12	310,306	1.229	381,446
Jan-13	136,906	1.188	162,602
Jul-13	311,906	1.188	370,447
Jan-14	133,844	1.148	153,589
Jul-14	313,844	1.148	360,143
Jan-15	130,694	1.109	144,902
Jul-15	320,694	1.109	355,559
Jan-16	127,131	1.071	136,186
Jul-16	322,131	1.071	345,075
Jan-17	123,475	1.035	127,797
Jul-17	328,475	1.035	339,972
Jan-18	119,375	1.000	119,375
Subtotal	\$ 5,981,051		\$ 7,640,121

¹Discount rate assumed to be 3.5% per year.

Source: City of Morgan Hill.

Table A.1: Police: Lease Payments for Police Building - Continued

Date	Payment (nom. dollars)	Discount Factor¹	Payment (real dollars)
<i>Future Payments</i>			
Jul-18	329,375	1.000	329,375
Jan-19	115,175	0.966	111,280
Jul-19	335,175	0.966	323,841
Jan-20	110,638	0.934	103,281
Jul-20	340,638	0.934	317,989
Jan-21	105,750	0.902	95,380
Jul-21	345,750	0.902	311,847
Jan-22	100,500	0.871	87,580
Jul-22	350,500	0.871	305,441
Jan-23	94,875	0.842	79,882
Jul-23	354,875	0.842	298,795
Jan-24	89,025	0.814	72,422
Jul-24	359,025	0.814	292,067
Jan-25	82,950	0.786	65,198
Jul-25	367,950	0.786	289,205
Jan-26	76,395	0.759	58,015
Jul-26	371,395	0.759	282,042
Jan-27	69,463	0.734	50,967
Jul-27	379,463	0.734	278,423
Jan-28	62,178	0.709	44,079
Jul-28	387,178	0.709	274,477
Jan-29	54,540	0.685	37,357
Jul-29	394,540	0.685	270,238
Jan-30	46,550	0.662	30,806
Jul-30	401,550	0.662	265,739
Jan-31	38,119	0.639	24,373
Jul-31	413,119	0.639	264,150
Jan-32	29,213	0.618	18,047
Jul-32	419,213	0.618	258,982
Jan-33	19,950	0.597	11,908
Jul-33	429,950	0.597	256,633
Jan-34	10,213	0.577	5,890
Jul-34	440,213	0.577	253,873
Subtotal	\$ 7,525,438		\$ 5,769,583

¹Discount rate assumed to be 3.5% per year.

Sources: City of Morgan Hill; Willdan Financial Services.