

CITY OF LOMITA

**DEVELOPMENT IMPACT FEE NEXUS
STUDY**

ADMINISTRATIVE DRAFT

JANUARY 31, 2025



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Executive Summary

This report summarizes an analysis of development impact fees needed to support future development in the City of Lomita through 2045. 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 two fee categories: parks and sewer 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. 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.

The *Mitigation Fee Act* findings required to implement impact fees in California demonstrate the *essential nexus* between new development and a fee to fund facilities needed to serve that development. The term *essential nexus* refers to the relationship between new development and the need for facilities (and corresponding impact fees) to serve that development. The findings also require that this study demonstrates *rough proportionality* of the fees- meaning that the amount of the exactions must roughly correspond to the burden placed on the government, resulting from the proposed development project. To ensure that fees are roughly proportional to demand for facilities from new development, this study first allocates facilities costs to new development using the allocation methods described below, then to individual units of new development based on the demand characteristics of each unit, by land use type. This is described in detail in each chapter and summarized in Chapter 7.

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

Facility Standards and Costs

This study uses two approaches 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 sewer trunk line extension to a previously undeveloped area. This approach is used for the sewer 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. The quantity and type of facilities needed to serve growth is identified in

the nexus study. Specific 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 to calculate the park facilities fees in this report.

Use of Fee Revenues

The Mitigation Fee Act requires that this analysis “Identify the use to which the fee is to be put. If the use is financing public facilities, the facilities shall be identified. That identification may, but need not, be made by reference to a capital improvement plan as specified in Section 65403 or 66002, may be made in applicable general or specific plan requirements, or may be made in other public documents that identify the public facilities for which the fee is charged.”¹ Each chapter in this report identifies the appropriate use of impact fee revenues for each particular impact fee category.

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, infrastructure, the acquisition of vehicles or equipment, information technology, software licenses and equipment.

Development Impact Fee Schedule Summary

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

Table E.1: Maximum Justified Impact Fee Schedule

Land Use	Parks (Subdivisions) ¹	Parks (Infill) ²	Sewer Facilities	Total (Subdivisions)	Total (Infill)
<i>Residential per Sq. Ft.</i>	\$ 29.07	\$ 7.06	\$ 1.75	\$ 30.83	\$ 8.81
<i>Nonresidential per Sq. Ft.</i>					
Restaurant	\$ -	\$ -	\$ 12.00	\$ -	\$ 12.00
Commercial/Retail	-	-	2.24	-	2.24
Office	-	-	1.20	-	1.20

¹ Includes fee in-lieu of land dedication charged under the Quimby Act.

² Includes fee for land acquisition charged under the Mitigation Fee Act.

Sources: Tables 3.8 and 4.5.

Other Funding Needed

Impact fees may only fund the share of public facilities related to new development in Lomita. 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 \$252,300 in additional funding will be needed to complete the facility projects the City currently plans to develop. The “Additional Funding Required” column shows non-impact fee funding required to fund a share of

¹ California Government Code §66001 (a) (2).

the improvements partially funded by impact fees. 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, existing or new taxes, special assessments, and grants.

Table E.2: Non-Impact Fee Funding Required

Fee Category	Net Project Cost	Projected Impact Fee Revenue	Additional Funding Required
Parks ¹	\$ 39,172,000	\$39,172,000	\$ -
Sewer Facilities	8,881,613	8,629,313	252,300
Total	\$ 48,053,613	\$47,801,313	\$ 252,300

¹ Assumes that all development will be infill development. Fee revenue and associated project costs may be higher and is dependant on amount of development subject to Quimby Act. See Table 3.6 for more detail.

Sources: Tables 3.6, 4.3.

1. Introduction

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

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

Public Facilities Financing in California

The changing fiscal landscape in California during the past 45 years has steadily undercut the financial capacity of local governments to fund infrastructure. Four 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;
- Unfunded state and federal mandates; 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. *Economic Development Policy 6* of the City’s General Plan states “The City will oversee maintenance or expansion of the infrastructure to keep pace with the development envisioned under the Land Use Plan.” The primary purpose of this report is to update the City’s park impact fees, and establish a sewer facilities fee based on the most current available facility plans and growth projections. The proposed fees will enable the City to expand the provision of public facilities and infrastructure as new development leads to increases in service demands. This report supports the General Plan policy stated above.

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 to demonstrate the *essential nexus* between new development and the impact fees needed to support that development. The findings demonstrate

that the fees are proportional to demand for facilities from new development and are necessary to allow the City to adopt the fee schedules presented in this report.

Lomita is forecast to have moderate growth through this study's planning horizon of 2045. This growth will create an increase in demand for public services and the facilities required to deliver them. Given the revenue challenges described above, Lomita 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 capital facilities planning documents to update the City's existing fee program to ensure that the fee program accurately represents the facility needs resulting from new development.

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 *California Construction Cost Index*, is necessary to accurately adjust the impact fees.

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 6.

Administrative Costs

The administration of an impact fee program to comply with the requirements of the Mitigation Fee Act imposes costs on the City for capital budgeting, fee adjustments, mandated annual reports and 5-year reviews of the impact fee program, as well as periodic impact fee update studies and legal review. It is common practice in California for cities to add a small administrative charge to impact fees to cover those costs. These costs are primarily City staff costs necessary to administer the impact fee program.

This study assumes 1% of the maximum justified fee to estimate the administrative costs associated with the fee program. To validate this assumption, Willdan reviewed the administrative costs associated with other cities in California in FY2022-23. Those costs ranged from 1.32% to 1.52% of collected impact fee revenue in the other jurisdictions. Thus, the assumed 1.0% of fee revenue is conservative.

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.

This study uses two methods for determining new development's fair share of planned facilities costs: the **planned facilities method**, and the **existing inventory method**. 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 Wastewater trunk line extension to a previously undeveloped area. An example of the

latter is a portion of a roadway that has been identified as necessary to mitigate the impact from new development through traffic modeling analysis. Under this method new development will fund the expansion of facilities at the standards used in the applicable planning documents. This approach is used for the sewer facilities fees in this report.

Existing Inventory Method

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

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

Under this method new development will fund the expansion of facilities at the same standard currently serving existing development. 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. The quantity and type of facilities needed to serve growth is identified in the nexus study. Specific 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 to calculate the park facilities fees 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 and 4 identify facility standards and planned facilities, allocate the cost of planned facilities between new development and other development, and identify the appropriate development impact fee for parks and sewer facilities, respectively.

Chapter 5 describes how this study complies with the requirements of AB 602.

Chapter 6 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 7.

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 2024 base year and a planning horizon of General Plan buildout, which is not assigned a particular year.

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 2024 is used as an indicator of existing facility demand and to determine existing facility standards.
- The estimate of total development in 2045 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 2024 through buildout 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.

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.

- **Residential:** All residential dwelling units. Fees charged per square foot of living space.
- **Restaurant:** All food service establishments.
- **Commercial/Retail:** All commercial, retail, educational, and hotel/motel development, excluding restaurant development.
- **Office:** All general, professional, and medical office development.

Some developments may include more than one land use type, such as a mixed-use development with both residential and commercial uses. Another similar situation would be a warehousing facility that contains office space. In those cases, the facilities fee would be calculated separately for each land use type included within the building.

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 Lomita, both in 2024 and in 2045.

The base year estimates of residents and dwelling units come from the California Department of Finance. The projection of total dwelling units and residents in 2045 is identified in Table LU-1 of the City's draft General Plan Update.

Base year employees were estimated based on data obtained from the U.S. Census Bureau's OnTheMap Application. The projection of total employment in 2045 is identified in Table LU-1 of the City's draft General Plan Update.

Existing nonresidential building square feet are identified Table 2-3 of the City's General Plan EIR. Total square feet in 2045 are identified in General Plan Table LU-1, and assume that 10% of building square feet are restaurant, 60% are retail and 30% are office, based on the Table 6-5 from the City's Sanitary Sewer Master Plan.

Table 2.1: Demographic Assumptions

	2024	2045	Increase
<i>Residents</i> ¹	20,120	29,459	9,339
<i>Dwelling Units</i> ²			
Single Family	5,070	6,313	1,243
Multifamily	3,546	4,846	1,300
Total	8,616	11,159	2,543
<i>Employment</i> ³	3,035	3,888	853
<i>Building Square Feet (1,000s)</i> ⁴			
Restaurant	253	311	58
Retail	1,516	1,866	350
Office	758	933	175
Total	2,527	3,111	583

¹ Current population from California Department of Finance. 2045 projection from General Plan Table LU-1.

² Current values from California Department of Finance. 2045 projection from General Plan Table LU-1.

³ Current estimates of primary jobs from the US Census' OnTheMap. 2045 projection from General Plan Table LU-1.

⁴ Existing building square feet identified General Plan EIR Table 2-3. 2045 building square feet identified in General Plan Table LU-1. Assumes 10% of building square feet are restaurant, 60% are retail and 30% are office, based on Sanitary Sewer Master Plan Table 6-5.

Sources: California Department of Finance, Table E-5, 2024; City of Lomita General Plan Table LU-1; General Plan EIR Table 2-3; Lomita Sanitary Sewer Master Plan Table 6-5; Willdan Financial Services.

Occupant Densities

Park fees in this report are calculated based on residential square footage. 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. The densities ensure that the fee per unit of new development is roughly proportional to the demand for facilities from various types of development. The average occupant density factor used in this report are shown in **Table 2.2**. The residential density factor was calculated using the most recent data from the American Community Survey specifically for the City of Lomita.

Table 2.2: Occupant Density

Residential 2.64 Residents per dwelling unit

Sources: City of Lomita General Plan Table LU-1; Willdan Financial Services.

3. Park Facilities

The purpose of the park facilities impact fee is to fund the park facilities needed to serve new development. The maximum justified impact fee is presented based on the existing standard of park facilities per capita. Fee revenue would be used to expand the provision of parks to meet demand from future development. The *essential nexus* for this facility category is between the demand for City parks from the projected increase in residents and the additional parks needed to meet those service demands. The fees are roughly proportional to demand because they ensure that new development can maintain the City’s existing ratio of park acres to residents, and the fees are scaled based on the number of residents occupying a new dwelling unit. A fee in-lieu of parkland dedication charged under the Quimby Act is also included in this chapter.

Service Population

Park and recreation facilities in Lomita primarily serve residents. Therefore, demand for services and associated facilities is based on the City’s residential population. **Table 3.1** shows the existing and future projected service population for park facilities.

Table 3.1: Park Facilities Service Population

	Residents
Existing (2024)	20,120
Growth (2024 to 2045)	9,339
Total (2045)	29,459

Source: Table 2.1.

Existing Parkland and Park Facilities Inventory

The City of Lomita maintains several parks throughout the city. **Table 3.2** summarizes the City’s existing parkland inventory in 2024. All facilities are owned by the City. In total, the inventory includes a total of 12.93 acres of City-owned parkland.

Table 3.2: Park Land Inventory

Name	Developed Acres	Undeveloped Acres	Total
Annex Park	0.20	-	0.20
City Hall Lawn	0.56	-	0.56
Hathaway Park	1.00	-	1.00
Irene Lewis Park	-	0.90	0.90
Lomita Park	9.40	-	9.40
Louis and William J. Teuchert Park	0.40	-	0.40
Metro Park	-	0.10	0.10
Narbonne Plaza	0.17	-	0.17
Veterans Park	0.20	-	0.20
Total	11.93	1.00	12.93

Source: City of Lomita.

Table 3.3 summarizes the City's inventory of special use park facilities. These facilities represent improvements that are not considered typical park amenities. The total replacement cost of the special use facilities inventory is divided by the existing developed park acreage to determine the special use facilities cost per developed park acre.

Table 3.3: Special Use Facilities Inventory

Description	Quantity	Units	Unit Cost	Total Replacement Cost
Gymnasium / Community Center	7,200	Sq. Ft.	\$ 423	\$ 3,042,270
Park Office - Stephenson Center	3,500	Sq. Ft.	272	951,930
Teuchert Park Residence	884	Sq. Ft.	175	154,875
Teuchert Park Residence Shed	320	Sq. Ft.	34	11,025
Teuchert Park Residence Garage	320	Sq. Ft.	34	11,025
Total	12,224			\$ 4,171,125
Total Developed Park Acres				11.93
Special Use Facilities Cost per Developed Park Acre				\$ 349,600

Sources: City of Lomita, CJPIA Property Schedule, 2022; Table 2, Willdan Financial Services.

Parkland and Park Facilities Unit Costs

Table 3.4 displays the unit costs necessary to develop parkland in Lomita. The cost of improving a acre of parkland with standard park improvements is based on Willdan's recent experience with other clients in Southern California. The assumed cost of land acquisition of \$5.5 million per acre is based on land sales comparisons in Lomita from the previous fire years, as reported by CoStar. In total, this analysis assumes that it costs \$6.6 to acquire and develop an acre of parkland in Lomita.

Table 3.4: Park Facilities Unit Costs

	Cost Per Acre
Standard Park Improvements ¹	\$ 750,000
Special Use Facilities	<u>349,600</u>
Total Improvement Cost per Acre	\$ 1,099,600
Land Acquisition	<u>5,537,300</u>
Total Cost per Acre	\$ 6,636,900

¹ Improvement cost per acre based on Willdan's experience with other Southern California clients.

² Acquisition cost per acre based on average cost per acre indicated by sales comparisons within the past five years as reported by Costar.

Sources: City of Lomita; Costar; Willdan Financial Services.

Parkland and Park Facility Standards

Park facility standards establish a reasonable relationship between new development and the need for expanded parkland and park facilities. Information regarding the City's existing inventory of existing parks facilities was obtained from City staff.

The most common measure in calculating new development's demand for parks is the ratio of park acres per resident. In general, facility standards may be based on the Mitigation Fee Act (using a city's existing inventory of parkland and park facilities), or an adopted policy standard contained in a master facility plan or general plan. Facility standards may also be based on a land dedication standard established by the Quimby Act.² In this case, the City will use the Mitigation Fee Act to impose park impact fees for development not occurring in subdivisions and will use the Quimby Act for development occurring in subdivisions.

Mitigation Fee Act

The Mitigation Fee Act does not dictate use of a particular type or level of facility standard for public facilities fees. To comply with the findings required under the law, facility standards must not burden new development with any cost associated with facility deficiencies attributable to existing development.³ In this case, the fees will be set to maintain the City's existing parkland standard of acres per 1,000 residents.

Quimby Act

The Quimby Act specifies that the dedication requirement must be a minimum of 3.0 acres and a maximum of 5.0 acres per 1,000 residents. A jurisdiction can require residential developers to dedicate above the three-acre minimum if the jurisdiction's existing park standard at the time it adopted its Quimby Act ordinance justifies the higher level (up to five acres per 1,000 residents).

² California Government Code §66477.

³ See the *Benefit and Burden* findings in *Background Report*.

The standard used must also conform to the jurisdiction's adopted general or specific plan standards.

The Quimby Act only applies to land subdivisions. The Quimby Act would not apply to residential development on future approved projects on single parcels, such as apartment complexes and other multifamily development.

The Quimby Act allows payment of a fee in lieu of land dedication. The fee is calculated to fund the acquisition of the same amount of land that would have been dedicated.

The Quimby Act allows use of in-lieu fee revenue for any park or recreation facility purpose. Allowable uses of this revenue include land acquisition, park improvements, and rehabilitation of existing parks.

City of Lomita Parkland and Park Facilities Standards

Table 3.5 shows the existing standard for improved park acreage per 1,000 residents based on the type of parkland. The City has an existing parkland standard of 0.64 acres per 1,000 residents, which is less than the minimum Quimby standard of 3.0 acres per 1,000 residents. The impact fee analysis in this report will be based on maintaining the City's 0.64 acre per 1,000 resident standard as new development adds demand for parks in Lomita. The City's improved parkland standard is 0.59 acres per 1,000 residents. Fees in-lieu of land dedication for subdivisions are calculated at the minimum *Quimby* standard of 3.0 acres of developed parkland per 1,000 residents.

Table 3.5: Park Standards

	Land	Improvements
Park Acreage	12.93	11.93
Service Population (2024)	20,120	20,120
Existing Standard (Acres per 1,000 Residents)	0.64	0.59
Quimby Act Standard (Acres per 1,000 Residents)	3.00	

Sources: Tables 3.1 and 3.2.

Facilities Needed to Accommodate New Development

Table 3.6 shows the park land and improvements needed to accommodate new development at the existing standard and Quimby standard. To achieve the standard by the planning horizon, depending on the amount of development subject to the Quimby Act, new development must fund the acquisition of between 5.98 and 28.02 parkland acres, at a total cost ranging between \$33.1 and \$155.2 million, and the improvement of 5.51 acres at a cost of \$6.1 million.

The facility standards and resulting fees under the Quimby Act are higher because development will be charged to provide 3.0 acres of parkland per 1,000 residents, and 0.59 acres of improvements, whereas development not subject to the Quimby Act will be charged to provide only 0.64 acres of parkland per 1,000 residents, and 0.59 acres of improvements. Since the exact amount of development that will be subject to the Quimby fees is unknown at this time, Table 3.6 presents the range of total land costs that may be incurred depending on the amount of development subject to the Quimby Act.

Table 3.6: Park Land to Accommodate New Development

	Calculation	Parkland	Improvements	Total Range ¹
<i>Parkland (Quimby Act), Improvements (Mitigation Fee Act)²</i>				
Facility Standard (acres/1,000 capita)	A	3.00	0.59	
Service Population Growth (2024 to 2045)	B	<u>9,339</u>	<u>9,339</u>	
Facility Needs (acres)	$C = A \times B / 1000$	28.02	5.51	
Average Unit Cost (per acre)	D	<u>\$ 5,537,300</u>	<u>\$ 1,099,600</u>	
Total Cost of Facilities	$E = C \times D$	\$ 155,155,000	\$ 6,059,000	\$ 161,214,000
<i>Parkland and Improvements - Mitigation Fee Act³</i>				
Facility Standard (acres/1,000 capita)	A	0.64	0.59	
Service Population Growth (2024 to 2045)	B	<u>9,339</u>	<u>9,339</u>	
Facility Needs (acres)	$C = A \times B / 1000$	5.98	5.51	
Average Unit Cost (per acre)	D	<u>\$ 5,537,300</u>	<u>\$ 1,099,600</u>	
Total Cost of Facilities	$E = C \times D$	\$ 33,113,000	\$ 6,059,000	\$ 39,172,000

Note: Totals have been rounded to the thousands.

¹ Values in this column show the range of the cost of parkland acquisition and development should all development be either subject to the Quimby Act, or to the Mitigation Fee Act, respectively.

² Cost of parkland to serve new development shown if all development is subject to the Quimby Act (Subdivisions of 50 units or more). Parkland charged at 3.0 acres per 1,000 residents; improvements charged at the existing standard.

³ Cost of parkland to serve new development shown if all development is subject to the Mitigation Fee Act. Parkland and improvements are charged at the existing standard.

Sources: Tables 3.1, 3.4 and 3.5.

Park Facilities Cost per Capita

Table 3.7 shows the cost per capita of providing new parkland and park facilities at the existing facility standard, and at the Quimby standard. The cost per capita is shown separately for land and improvements. The cost per capita is shown separately for land and improvements. The costs per capita in this table will serve as the basis of four fees:

- A Quimby Act Fee in-lieu of land dedication. This fee is payable by residential development occurring in subdivisions.
- A Mitigation Fee Act Fee for land acquisition. This fee is payable by residential and nonresidential development not occurring in subdivisions.
- A Mitigation Fee Act Fee for park improvements. This fee is payable by all development.

A development project pays either the Quimby Act Fee in-lieu of land dedication, or the Mitigation Fee Act Fee for land acquisition, not both. All development projects pay the Mitigation Fee Act fee for park improvements.

Table 3.7: Cost per Capita

	Calculation	<u>Land</u>		<u>Improvements</u>	
		Quimby Fee	OR Impact Fee	AND	Impact Fee
Parkland Investment (per acre)	A	\$ 5,537,300	\$5,537,300	\$	1,099,600
Standard (acres per 1,000 capita)	B	3.00	0.64		0.59
Total Cost per 1,000 capita	$C = A \times B$	\$16,611,900	\$3,543,900	\$	648,800
Cost per Resident	$D = C / 1,000$	\$ 16,612	\$ 3,544	\$	649

Sources: Tables 3.4 and 3.5.

Use of Fee Revenue

The City plans to use parkland and park facilities fee revenue to purchase parkland or construct improvements to add to the system of park facilities that serves new development. The City may only use impact fee revenue to provide facilities and intensify usage of existing facilities needed to serve new development.

Fee Schedule

To calculate fees by land use type, the investment in park facilities is determined on a per capita basis for both land acquisition and improvement. These cost factors (shown in Table 3.7) are cost per capita based on the unit cost estimates and facility standards. The fee per average sized dwelling unit is converted into a fee per square foot by dividing the fee per dwelling unit by the assumed average square footage of a dwelling unit.

Table 3.8 shows the maximum justified park fees based on the Quimby Act standard and based on the existing park standards under the Mitigation Fee Act, respectively.

The total fee includes a one percent (1%) administrative charge to fund costs that include: (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. See the *Administrative Costs* section of Chapter 1 for a discussion of this assumption.

Table 3.8: Park Facilities Fee Schedule

Land Use	A Cost Per Capita	B Density ¹	C = A x B Base Fee ²	D = C x 0.01 Admin Charge ^{2, 3}	E = C + D Total Fee	F = E / Average Fee per Sq. Ft. ⁴
Quimby Act - Subdivisions						
Parkland	\$ 16,612	2.64	\$ 43,856	\$ 439	\$ 44,295	\$ 27.98
Improvements	649	2.64	1,713	17	1,730	1.09
Total	\$ 17,261		\$ 45,569	\$ 456	\$ 46,025	\$ 29.07
Mitigation Fee Act - Infill						
Parkland	\$ 3,544	2.64	\$ 9,356	\$ 94	\$ 9,450	\$ 5.97
Improvements	649	2.64	1,713	17	1,730	1.09
Total	\$ 4,193		\$ 11,069	\$ 111	\$ 11,180	\$ 7.06

¹ Average residents per dwelling unit calculated based on Tables B25024 and B25033 from the American Community Survey for the City of Lomita.

² Fee per average sized dwelling unit or per 1,000 square feet of nonresidential building space.

³ Administrative charge of 1.0 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.

⁴ Assumes an average of 1,583 square feet per dwelling unit in the State of California per the 2023 American Housing Survey.

Sources: Tables 3.7 and 2.2.

4. Sewer Facilities

This chapter details an analysis of the need for sewer facilities to accommodate growth within the City of Lomita. The projects and associated costs in this chapter were identified in the City’s 2024 Sanitary Sewer System Master Plan (SSSMP). The *essential nexus* for this facility category is between the demand for sewer facilities from the projected increase sewer flow and the additional sewer facilities needed to meet those convey that flow to a wastewater treatment plant. The fees are roughly proportional to demand because they ensure that new development will pay no more than its proportionate share of the identified planned facilities needed to serve the City through the planning horizon, and the fees are scaled based on the amount of wastewater flow generated by residential and nonresidential land uses.

Sewer Demand

Estimates of new development and its consequent increased sewer demand provide the basis for calculating the sewer facilities fee. The need for sewer facilities improvements is based on the sewer demand placed on the system by development. A typical 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 sewer improvements because they represent the average rate of demand that will be placed on the system per land use designation.

Table 4.1 shows the calculation of equivalent dwelling unit (EDU) demand factors based on flow generation by land use category. The flow generation estimates based on data from the City’s Wastewater Master Plan. EDU factors express water flow from each land use in terms of the flow generated by a single family dwelling unit. Use of EDU factors to estimate demand and allocate fees ensures that the fees are roughly proportional to the sewer demand generated by each unit of new development.

Table 4.1: Sewer Demand by Land Use

Land Use Type	Average Flow Generation per DU or 1,000 Sq. Ft.	Equivalent Dwelling Unit (EDU)
<i>Residential Dwelling Unit</i>		
Single Family	210	1.00
Multifamily	160	0.76
<i>Nonresidential - per 1,000 Sq. Ft.</i>		
Restaurant	800	3.81
Commercial/Retail	150	0.71
Office	80	0.38

¹ Gallons per acre per day.

² 1,000 building square feet per acre for nonresidential. Nonresidential densities are based on floor-area-ratios of 0.6 for commercial, 0.4 for office and 0.8 for

Sources: City of Lomita Sanitary Sewer System Master Plan, October 2024; Willdan Financial Services.

EDU Generation by New Development

Table 4.2 shows the estimated EDU generation from new development through buildout. The EDU factors from Table 4.1 are multiplied by the land use assumptions from Table 2.1 to estimate total EDUs in the base year, at the planning horizon and for new development. New development will generate approximately 2,768 new EDUs through buildout, comprising 21.5% of sewer demand in the City at that time.

Table 4.2: Sewer Facilities Equivalent Dwelling Units

Land Use	EDU Factor	2024		Growth 2024 to 2045		Total - 2045	
		Units / 1,000 SF	EDUs	Units / 1,000 SF	EDUs	Units / 1,000 SF	EDUs
<i>Residential - per Dwelling Unit</i>							
Single Family	1.00	5,070	5,070	1,243	1,243	6,313	6,313
Multifamily	0.76	3,546	2,695	1,300	988	4,846	3,683
Subtotal		8,616	7,765	2,543	2,231	11,159	9,996
<i>Nonresidential - per 1,000 Sq. Ft.</i>							
Restaurant	3.81	253	963	58	222	311	1,185
Commercial/Retail	0.71	1,516	1,077	350	248	1,866	1,325
Office	0.38	758	288	175	67	933	355
Subtotal		2,527	2,328	583	537	3,111	2,865
Total			10,093		2,768		12,861
			78.5%		21.5%		100%

Sources: Tables 2.1 and 4.1.

Facility Needs and Costs

Table 4.3 identifies the planned sewer facilities to be funded by the fee. The new sewer facilities were all identified in the SSSMP. Projects that are needed to provide capacity to accommodate new development are allocated 100% to the fee. Projects that do not expand capacity to serve new development are not allocated to the impact fee.

Table 4.3: Sewer Facilities Allocation to New Development

CIP	Street	Diameter (Inches)	Length (LF)	Pipe Unit Cost (\$/LF)	No. of MH	MH Unit Cost (\$/MH)	Estimated Construction Cost	Professional Services and Contingencies	Estimated Total Cost	Allocation to New Development	Costs Allocated to New Development
1	Ebony/Walnut	15	3,350	550	16	15,000	\$ 2,082,500	\$ 937,125	3,019,625		
	Cross Streets	8	6,425	450	32	15,000	3,371,250	1,517,063	4,888,313		
	Total		9,775		48		\$ 5,453,750	\$ 2,454,188	\$ 7,907,938	100%	\$ 7,907,938
DIV	Western Ave	8	250	550	2	15,000	\$ 167,500	\$ 75,375	\$ 242,875	100%	\$ 242,875
2	248th St.	8	320	450	2	15,000	\$ 174,000	\$ 78,300	\$ 252,300	0%	\$ -
3	Oak Street	8	600	450	4	15,000	\$ 330,000	\$ 148,500	\$ 478,500	100%	\$ 478,500
	Total						\$ 6,125,250	\$ 2,756,363	\$ 8,881,613		\$ 8,629,313

Source: Table 9-6, City of Lomita Sanitary Sewer System Master Plan, October 2024.

Cost per EDU

The cost of planned facilities allocated to new development is divided by the total growth in EDUs to determine a cost per EDU. **Table 4.4** displays this calculation.

Table 4.4: Cost per EDU

	Primary
Cost Allocated to New Development	\$ 8,629,313
Growth in EDUs (2024 to 2045)	<u>2,768</u>
Cost per EDU	\$ 3,118

Sources: Tables 4.2 and 4.3.

Fee Schedule

The maximum justified fee for sewer facilities is shown in **Table 4.5**. The cost per EDU is converted to a fee per unit of new development based on the EDU factors shown in Table 4.1. The fee per average dwelling unit is converted into a fee per square foot by dividing the fee per dwelling unit by the assumed average square footage of a dwelling unit.

The total fee includes a one percent (1%) administrative charge to fund costs that include: (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. See the *Administrative Costs* section of Chapter 1 for a discussion of this assumption.

Table 4.5: Maximum Justified Sewer Facilities Fee Schedule

	A	B	$C = A \times B$	$D = C \times 0.01$	$E = C + D$	$E / \text{Average}$
	Cost Per EDU	EDU Factor	Base Fee ¹	Admin Charge ^{1, 2}	Total Fee ¹	Fee per Sq. Ft. ³
<i>Residential Dwelling Unit</i> ⁴	\$ 3,118	0.88	\$ 2,744	\$ 27	\$ 2,771	\$ 1.75
<i>Nonresidential - per 1,000 Sq. Ft.</i>						
Restaurant	\$ 3,118	3.81	\$11,880	\$ 119	\$ 11,999	\$ 12.00
Commercial/Retail	3,118	0.71	2,214	22	2,236	2.24
Office	3,118	0.38	1,185	12	1,197	1.20

¹ Fee per average sized dwelling unit or per 1,000 square feet of nonresidential building space.

² Administrative charge of 1.0 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 Assumes an average of 1,583 square feet per dwelling unit in the State of California per the 2023 American Housing Survey.

⁴ Average EDU factor per residential dwelling unit weighted by projected single family and multifamily development.

Sources: Tables 4.1 and 4.4.

5. AB 602 Requirements

On January 1, 2022, new requirements went into effect for California jurisdictions implementing impact fees. Among other changes, AB 602 added Section 66016.5 to the Government Code, which set guidelines for impact fee nexus studies. Four key requirements from that section which concern the nexus study are reproduced here:

66016.5. (a) (2) When applicable, the nexus study shall identify the existing level of service for each public facility, identify the proposed new level of service, and include an explanation of why the new level of service is appropriate.

66016.5. (a) (4) If a nexus study supports the increase of an existing fee, the local agency shall review the assumptions of the nexus study supporting the original fee and evaluate the amount of fees collected under the original fee.

66016.5. (a) (5) A nexus study adopted after July 1, 2022, shall calculate a fee imposed on a housing development project proportionately to the square footage of proposed units of the development. A local agency that imposes a fee proportionately to the square footage of the proposed units of the development shall be deemed to have used a valid method to establish a reasonable relationship between the fee charged and the burden posed by the development.

66016.5. (a) (6) Large jurisdictions shall adopt a capital improvement plan as a part of the nexus study.

Compliance with AB 602

The following sections describe this study's compliance with the new requirements of AB 602.

66016.5. (a) (2) - Level of Service

1. For the park facilities fees, which are calculated under the existing standard methodology, the fees are calculated such that new development funds facilities at the existing level of service. The existing level service in terms of acres per 1,000 residents is shown in Table 3.5.
2. For the sewer facilities fees which are calculated under the planned facilities methodology, the fees are calculated to ensure that the level of service does not fall to unacceptable levels. The sewer facilities needed to serve new development were identified in the City's SSSMP as necessary to serve new development at an acceptable level of service.

66016.5. (a) (4) – Review of Original Fee Assumptions

The City does not currently charge impact fees under the Mitigation Fee Act. The park facilities fee charged by the City pre-dates the Mitigation Fee Act, and has not been updated since it was adopted. Accordingly, there are no existing nexus study assumptions to review.

66016.5. (a) (5) – Residential Fees per Square Foot

Impact fees for residential land uses are calculated per square foot for all fee categories and comply with AB 602.

66016.5. (a) (6) – Capital Improvement Plan

The Capital Improvement Plan for this nexus study is comprised of the identified planned facilities within each facility fee chapter. Planned facilities identified in this document are sourced from the City's current adopted CIP, master plans and other relevant documents. Adoption of this nexus study would approve the planned facilities identified herein as the Capital Improvement Plan for this nexus study.

6. 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. The impact fee nexus study must first be adopted at a public hearing to comply with AB 602. That public hearing must be noticed at least 30 days in advance. 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 can keep 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 California Construction Cost Index (CCCI) be used for adjusting fees for inflation.

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 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 as long as 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.

7. 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 *Mitigation Fee Act* findings required to implement impact fees in California demonstrate the *essential nexus* between new development and a fee to fund facilities needed to serve that development. The term *essential nexus* refers to the relationship between new development and the need for facilities (and corresponding impact fees) to serve that development. The findings also require that this study demonstrates *rough proportionality* of the fees- meaning that the amount of the exaction must roughly correspond to the burden placed on the government, resulting from the proposed development project. To ensure that fees are roughly proportional to from new development, this study first allocates facilities costs to new development using the allocation methods described in the preceding chapters, then to individual units of new development based on the demand characteristics of each unit.

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 public facilities to serve 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 boundaries. Fees addressed in this report have been identified by the City to be restricted to funding the following facility categories: parkland acquisition and improvement, and sewer 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 parks the service population standards are calculated based upon the number of residents associated with residential development. For sewer facilities demand is based on increased wastewater flow generated by new development, by type of 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* 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 proposed facilities fees.