

Lake County Fire Mitigation Fee Nexus Studies Public Hearing



May 21, 2024



Municipal Advisory | Pension Optimization | Revenue Generation | Quantitative Strategies



What is a Mitigation Fee?



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

Definitions and Use



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

Fire Mitigation Fees in Lake County



- The mitigation fee ordinance was adopted in September 1992 by Lake County
- Covers 5 fire districts: Kelseyville, Lake County, Lakeport, Northshore, South Lake County
- No significant updates to the fee program have been done since then (31 years)
- Program set fee ceiling of \$1.00 psf and did not include inflation adjustment provision
- What changed since the program was implemented:
 - The Districts added EMS
 - Fire station construction costs went from \$64-70 psf to \$600+ psf
 - Class A Engine / Pumper cost went from \$200-350k to \$700k
 - Water Tender cost went up from \$110-125k to \$400-550k

Legal Framework



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

Legal Framework – California Law



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

Mitigation Fee Adoption Process



- Fees are imposed as a condition of development approval by land use authority
- Special districts lack land use authority
- Counties may impose mitigation fees that benefit special districts
- **Districts' Boards:** approved nexus studies and forwarded them to the County
- **County of Lake Board of Supervisors:** adopts the fee on behalf of the Districts

Nexus Findings



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

Fire Mitigation Fee Methodology



- Fee is based on future development's share of existing and future public facility costs
- Separate calculations were done for each District
- Each District determined fee structure and fee adjustments, if any, based on their specific development patterns and facility needs
- General methodology:
 - Determine existing development within each District
 - Prepare development projections thru 2040 for each District
 - Prepare existing facilities inventory for each District
 - Identify additional facilities that are needed through 2040
 - Identify money available in Mitigation Fee Funds of each District
 - Allocate net facility cost to all development and consider what adjustments are necessary for each District

Fire Mitigation Fee Methodology



	Kelseyville	Lake Co	Lakeport	Northshore	So Lake Co
Existing Dev't (sf)	10.4 million	17.4 million	10.8 million	10.1 million	10 million
New Dev't thru 2040 (sf)	1.6 million	1.5 million	1.1 million	0.9 million	1.4 million
Total Dev't by 2040 (sf)	11.9 million	18.9 million	11.8 million	11 million	11.4 million
Total Facilities by 2040	\$17.8 million	\$37 million	\$34.7 million	\$22.1 million	\$29.3 million
Mitigation Fee Funds	\$295,000	\$141,000	\$480,000	\$283,000	\$252,000
Net Facility Cost	\$17.6 million	\$36.9 million	\$34.2 million	\$21.9 million	\$29.1 million
Allocation (psf)	\$1.47	\$1.89 - res \$2.36 - nonres	\$2.89	\$1.98	\$2.56

Fire Mitigation Fee Survey



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

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

Proposed Fire Mitigation Fees



District	Fee PSF		
	Res	Nonres	Surcharge
Kelseyville FPD	\$1.50	\$1.50	n/a
Lake Co FPD	\$1.93	\$2.41	\$0.50
Lakeport FPD	\$2.00	\$2.45	\$0.50
Northshore FPD	\$2.02	\$2.02	n/a
South Lake County FPD	\$2.00	\$2.61	n/a

- Add'l details on proposed Fee amounts and Fee increases can be found in **Tables 1 and 2** of each District's Nexus Study (page 2)
- See next slide for footnote details

Proposed Fire Mitigation Fees (cont.)



- **Fees include 2% Admin Surcharge for Mitigation Fee Act compliance costs**
 - nexus studies, recordkeeping, reporting, etc.
- **All Districts include automatic annual inflation adjustment**
 - Engineering News-Record Building Cost Index (20 cities average)
- **Fees apply to all new development**
 - All new private residential and nonresidential buildings and covered additions
 - Certain exceptions for ADUs smaller than 750 sf and rebuilds, as discussed in Nexus Studies
- **Additional High Impact Surcharge (Lake Co FPD and Lakeport FPD only)**
 - Applies to 3+ story buildings and nonresidential buildings with over 15,500 sf footprint

Projected Fee Revenue



	Kelseyville	Lake Co	Lakeport	Northshore	So Lake Co
Projected Fee Revenues thru 2040	\$2.3 million	\$3.1 million	\$2.3 million	\$1.8 million	\$3.1 million
Planned Facility Costs thru 2040	\$5.3 million	\$19.5 million	\$24.7 million	\$3.9 million	\$8.9 million
Available Fee Funds	\$295,000	\$141,000	\$480,000	\$283,000	\$252,000
Non-Fee Funding Needed	\$2.6 million	\$16.2 million	\$22 million	\$1.9 million	\$5.9 million

Questions?



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