

# DIXON PUBLIC LIBRARY DISTRICT

## COMPREHENSIVE LIBRARY FACILITIES IMPACT FEE UPDATE STUDY

ADMINISTRATIVE DRAFT

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# Library Facilities Impact Fee Study

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The following report presents an analysis of the cost of library facilities to accommodate new development within the Dixon Public Library District ('District'). The report provides the technical documentation to support a comprehensive update to the District's facilities mitigation fee (or "impact fee") on new development.

In 2004, Willdan Financial Services (formerly MuniFinancial) prepared the Library Facilities Impact Fee Report, which was used to establish a library facilities impact fee for the District, identifying the contribution from new development necessary to fund library facilities needed by the year 2020. Since the 2004 report, Willdan Financial Services has prepared four reports updating the fee to consider changes in the cost of library facilities and demographics within the District.

This report updates comprehensively updates all assumptions, and re-calibrates the fees based on new facility standards.

## Background and Study Objectives

The District retained Willdan Financial Services to perform this study to comprehensively update its library facilities impact fee. Impact fee programs in California must meet the requirements of the *Mitigation Fee Act* contained in *California Government Code §66000 et seq.* This report provides the necessary findings required by the Mitigation Fee Act for adoption of the library impact fee to be imposed on new development in the District.

## Public Facilities Financing in California

The changing fiscal landscape in California during the past 30 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, counties and special districts have had to adopt a policy of "growth pays its own way." This policy 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 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 or within designated zones of benefit. Development fees need only a majority vote of the legislative body for adoption.

## Facility Standards and Allocation of Costs

This nexus analysis is based on allocating a fair share of planned library facilities to new development. Facility costs are based on average land costs per acre from recent transactions within Dixon, and construction costs were taken from other local library jurisdictions' construction cost estimates.

The facility standards resulting from the completion of the identified planned facilities to be funded by the fee represent an increase over existing standards based on the District's current inventory of facilities and its current service population. The identification and use of facility standards

ensures that new development will only fund the share of planned facilities needed to accommodate growth. As such, this study is consistent with the Mitigation Fee Act and demonstrates that there is a reasonable relationship between new development, the amount of the fee, and facilities funded by the fee.

## Library Facilities Service Population

For the purposes of this study, residents and workers are assumed to be the primary users of libraries. Therefore, demand for library facilities in 2040 is based on the existing and projected residential population and a weighted amount of workers.

Estimates of existing residents in the District are based on estimates for the City of Dixon in 2015, plus an estimate of 6,700 residents in the unincorporated areas. The County's growth management policies limit development to the incorporated areas, so all future growth within the District is assumed to occur within the City of Dixon. Future estimates of residents are based data from the *Association of Bay Area Governments (ABAG) Final Forecast of Jobs, Population and Housing, July 2013*. The City of Dixon used the same projection in its recent *2015 Housing Element Update*, and confirmed that the projection was appropriate to use in this nexus analysis.

Estimates of existing and 2040 workers also come from the ABAG forecast. In calculating the service population, workers are 0.10 of a resident to reflect a lower amount of demand for library facilities. This assumption is consistent with previous studies within the District. **Table 1** below summarizes the estimates of total existing and projected service population for in the District.

**Table 1: Dixon Public Library District Service Population**

	2015	2040	Net Growth
City of Dixon Resident Population <sup>1</sup>	19,200	20,700	1,500
Resident Population Outside City Boundaries <sup>2</sup>	6,700	6,700	-
Subtotal	25,900	27,400	1,500
Employment <sup>3</sup>	4,500	5,780	1,280
Employment Weighting <sup>4</sup>	0.10	0.10	0.10
Weighted Employment	450	580	130
Total District Service Population	26,350	27,980	1,630

Note: Figures have been rounded.

<sup>1</sup> Based on Table E-5 from the California Department of Finance (2015)

<sup>2</sup> Assumes population outside of the City of Dixon will remain static due to Solano County's policies limiting development in rural areas.

<sup>3</sup> Estimates from ABAG's Final Forecast of Jobs, Population and Housing, 2013.

<sup>4</sup> Employment weighting of 0.10 based on estimated use.

Sources: California Department of Finance; Association of Bay Area Governments (ABAG) *Final Forecast of Jobs, Population and Housing (July 2013)*; Dixon Public Library District; Willdan Financial Services.

## Occupant Densities

A key demographic assumption for the purpose of allocating library facilities costs across varying land uses is the number of persons per dwelling unit, or employees per 1,000 square feet of nonresidential building space. This study uses data from the U.S. Census Bureau's 2012

American Community Survey to estimate current population densities for the District. The residential occupant density factors were developed from the American Community Survey tables B25033 and B25024. Note that the American Community Survey lacks data on secondary residential dwelling unit density. This study assumes 1.0 persons per secondary residential dwelling unit. Dixon considers 1.0 persons per secondary residential unit a reasonable estimate of occupancy density.

The nonresidential occupancy factors for are based on occupancy factors found in the Employment Density Study Summary Report, prepared for the Southern California Association of Governments by The Natelson Company. Though not specific to Dixon, the Natelson study covered employment density over a wide array of land use and development types, making it reasonable to apply these factors to other areas.

A summary of the population density estimates used in this study appears in Table 2 below.

**Table 2: Occupancy Density Assumptions**

<u>Residential</u>		
Single Family Unit	2.84	Persons per dwelling unit
Multi-family Unit	2.57	Persons per dwelling unit
Second / Accessory Unit	1.00	Persons per dwelling unit
<u>Non-Residential</u>		
Retail	2.00	Employees per 1,000 sq. ft.
Office	3.33	Employees per 1,000 sq. ft.
Industrial	1.40	Employees per 1,000 sq. ft.
Warehouse	0.42	Employees per 1,000 sq. ft.

Sources: US Census, 2012 American Community Survey, Tables B25033 and B25024; The Natelson Company, Inc., Employment Density Study Summary Report, October 31, 2001, densities for Suburban Developing Counties (rew eighted by WFS), pp. 15-23; Willdan Financial Services.

## Existing Library Facilities

The amount of existing library facilities that the Library owns will be used to inform the facility standards in this analysis. Table 3 summarizes the District’s existing library facility inventory. Only facilities owned by the District and included in the inventory.

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**Table 3: Existing Library Facilities**

	Amount	Units	Unit Cost	Total Replacement Cost
<i>Land</i>				
230 N. First Street	0.64	acres	\$228,000	\$ 145,920
125 East B Street	0.11	acres	228,000	25,080
193 East B Street	0.33	acres	228,000	75,240
Subtotal	1.08			\$ 246,240
<i>Buildings</i>				
Main Library	6,000	sq. ft.	\$ 700	\$ 4,200,000
Miller Building <sup>1</sup>	4,905	sq. ft.	-	-
Subtotal	10,905	sq. ft.		\$ 4,200,000
<i>Items</i>	49,204	items	\$ 30	\$ 1,476,100
Total Value - Existing Facilities				\$ 5,922,300

<sup>1</sup> Shown for informational purposes. Not value is shown because building must be upgraded before it can be used as a library.

Sources: Dixon Public Library District; Willdan Financial Services.

## Planned Facilities

**Table 4** summarizes the planned library facility needed to serve the District through 2040. The District plans to improve the currently unused Miller Building so that it is usable for library activities. The unit cost of \$700 per square foot is consistent with library construction cost assumptions from nearby jurisdictions including the Sacramento County Library Authority, and the Solano County Public Library. In all, the project is estimated to cost approximately \$3.4 million.

**Table 4: Planned Library Facilities**

	Amount	Units	Unit Cost	Total Cost
Convert Miller Building for Library Use	4,905	Sq. Ft.	\$ 700	\$ 3,433,500

Sources: Dixon Library District; Sacramento County Public Library Authority; Mack5; Willdan Financial Services.

## Cost Allocation

**Table 5** shows new development's projected per capita investment in library facilities at the planning horizon. This value is calculated by dividing cost of existing and planned facilities by the service population at the planning horizon. The value per capita is multiplied by the worker weighting factor of 0.10 to determine the value per worker.



**Table 5: Library Facilities System Standard**

Value of Existing Facilities	\$ 5,922,300
Value of Planned Facilities	<u>3,433,500</u>
Total System Value (2040)	\$ 9,355,800
Future Service Population (2040)	27,980
Cost per Capita	\$ 334
Facility Standard per Resident	\$ 334
Facility Standard per Worker <sup>1</sup>	33

<sup>1</sup> Based on a weighing factor of 0.10.

Sources: Tables 1, 3 and 4, Willdan Financial Services.

## Maximum Justified Impact Fee

**Table 6** displays the library facilities fee schedule. The library facilities impact fee per dwelling unit is based on the total cost per capita multiplied by the average population density by type of unit described above. The total fee includes an impact fee program administrative charge of two percent (2.0%). The administrative charge funds legal, accounting, administrative support, revenue collection, revenue and cost accounting, and mandated public reporting costs associated with the fee program.

**Table 6: Maximum Justified Library Facilities Impact Fees - System Standard**

Land Use	A Cost per Capita	B Density	C = A x B		D = C x 2%		E = C + D		F = E / 1,000	
			Base Fee <sup>1</sup>	Admin. Costs <sup>2</sup>	Fee per DU / KSF	Fee per Sq. Ft.				
<i>Residential (per dwelling unit)</i>										
Single Family	\$ 334	2.84	\$ 949	\$ 19	\$ 968					
Multi-family	334	2.57	858	17	875					
Second / Accessory Unit	334	1.00	334	7	341					
<i>Nonresidential (per 1,000 square feet)</i>										
Retail	\$ 33	2.00	\$ 66	\$ 1	\$ 67	\$ 0.07				
Office	33	3.33	110	2	112	0.11				
Industrial	33	1.40	46	1	47	0.05				
Warehouse	33	0.42	14	-	14	0.01				

<sup>1</sup> Fee per dwelling unit of residential or 1,000 square feet of nonresidential.

<sup>2</sup> Administrative charge of 2.0 percent for (1) legal, accounting, and other administrative support, and (2) impact fee program administration.

Sources: Tables 2 and 5, Willdan Financial Services.

## Non-Fee Funding Required

Completing the planned facilities will provide a higher value of facilities per capita than is currently provided in the District. Impact fee revenue may not be used to increase the level of service provided to existing development. Therefore, impact fee revenue will not fully fund the planned facilities and non-fee funding will be required. **Table 7** shows the projected fee revenue and the non-fee funding required through 2040. After accounting for the projected future impact fee revenue, approximately \$2.9 million in non-fee funding will be needed to complete the planned library facilities.

The District will need to use alternative funding sources to fund existing development's share of the planned public safety protection 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 7: Revenue Projection - System Standard**

Cost per Capita	\$	334
Growth in Service Population (2015 - 2040)		<u>1,630</u>
Fee Revenue	\$	544,400
Cost of Planned Facilities	\$	3,433,500
Non-Fee Revenue to Be Identified		2,889,100

Note: Figures rounded to the nearest hundred.

Sources: Tables 1, 4 and 5.

## Program Implementation

The library facilities impact fee would be collected at time of building permit issuance. Because the District does not have the statutory authority to adopt a fee, it must rely on the County Board of Supervisors for the authority in the unincorporated areas, and the City of Dixon's authority within City limits. In addition, to implement the fee the District, in cooperation with the City and County, should:

- Identify funding sources to complement impact fee revenues to fund planned facilities;
- Maintain an annual Capital Improvement Program budget or another accounting mechanism to indicate where fees are being expended to accommodate growth;
- Maintain records on use of the administrative charge to justify the amount;
- Comply with the annual and five-year reporting requirements of *Government Code* Section 66001 and 66006; and
- Identify appropriate inflation indexes in the fee ordinance and allow an automatic inflation adjustment to the fee annually.

Typically, an inflation index can be based on the District's recent capital project experience or from any reputable published source, such as the Construction Cost Index of the Engineering News Record. The District may also elect use separate indexes for land and construction.

Calculating the land index may require use of a property appraiser every several years. To calculate the fee increase, total planned facility costs represented by land or construction, as appropriate, should weight each index.

## Mitigation Fee Act Findings

Impact fees are assessed and typically paid when a building permit is issued for a new development project by the local agency responsible for regulating land use (cities and counties). To guide the imposition of facilities fees, the California State Legislature adopted the Mitigation Fee Act with Assembly Bill 1600 in 1987 and subsequent amendments. The Mitigation Fee Act, contained in California Government Code §§66000 – 66025, establishes requirements on local agencies for the imposition and administration of fees. The Mitigation Fee Act requires local agencies to document five statutory findings when adopting fees.

The five findings required by the Mitigation Fee Act to adopt the library facilities impact fee are presented below and supported by this nexus study (code references are to the California Government Code). The findings presented here are suggested findings only. The District adopted findings for existing plan area library fees at the time that those library facilities fees were initially approved by the Board of Supervisors. It is necessary to adopt new findings to accompany these Districtwide library facilities fees. The District may adopt findings presented here, or may choose to adopt updated or different findings.

### Purpose of Fee

For the first finding the District must:

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

District policy is that new development will not burden the existing service population with the cost of facilities required to accommodate growth. The purpose of the library facilities impact fee is to implement this policy by providing a funding source from new development for the library facilities needed to serve that development. The fees advance a legitimate interest by enabling the District to provide library facilities for new development.

### Use of Fee Revenues

For the second finding the agency must:

- ◆ *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)).*

The library facilities impact fee would be available to fund new and expanded library facilities to accommodate new development. The facilities needed to accommodate new development are preliminarily identified in this report and are consistent with the Dixon Library District's policies and standards. The facilities include, but are not limited to: land acquisition, library building construction, equipment and computer purchases necessary for library functions, collection acquisition, and all capital project-related planning, design, engineering, environmental, and management costs.

### Benefit Relationship

For the third finding the agency must:

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

The District will restrict fee revenue to uses described above under the “Use of Fee Revenues” finding. The District will keep fee revenue in a segregated account. Facilities funded by the fee will serve new development based on the recommendations of the District and action by the District. Over the 25-year planning horizon the District will use non-fee revenues to fund existing development’s fair share of new or expanded facilities. This approach ensures a reasonable relationship between the use of fee revenue and new residential development that will pay the fees.

## Burden Relationship

For the fourth finding the agency must:

- ◆ *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))*

Service population provides an indicator of the demand for library facilities needed to accommodate growth. Service population is calculated based on the number of residents associated with residential development.

The need for the fee is based on the library facilities standards identified in this report. These standards determine the facilities needed to support the 2040 service population. New development’s fair share of planned facilities is based on projected new residential service population by 2040.

## Proportionality

For the fifth finding the agency must:

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

This reasonable relationship between the library facilities impact fee for a specific development project and the cost of the facilities attributable to that project is based on the estimated size of the service population that the project will accommodate. The library facilities impact fee schedule when applied based on the type and number of dwelling units in a development project results in a total fee that reflects the estimated service population of the project. Larger development projects will generate a higher service population and pay a higher fee than smaller projects. Thus, the application of the fee schedule to a specific project ensures a reasonable relationship between the fee and the cost of the facilities attributable to that project.