



**BARTLE WELLS ASSOCIATES**  
INDEPENDENT PUBLIC FINANCE ADVISORS

1889 Alcatraz Avenue  
Berkeley, CA 94703  
510 653 3399 fax: 510 653 3769  
[www.bartlewells.com](http://www.bartlewells.com)

November 2nd, 2020

Merry Mayhew, City Manager  
City of Hughson  
7018 Pine Street  
Hughson, CA 95326

RE: Development Impact Fees Study

Bartle Wells Associates (BWA) is pleased to submit the attached *Development Impact Fees Study*. The report develops updated Development Impact Fees that are designed to equitably recover the costs of infrastructure and assets benefiting new development.

The City's current Development Impact Fees are based on a fee studies conducted in 2006 and 2007. BWA's proposed fees are based on existing City asset valuations and cost estimates for future park land development.

We enjoyed working with the City on this assignment and appreciate the input and assistance received from City staff throughout the project. Please contact us anytime if you have questions about this report or related impact fee issues.

BARTLE WELLS ASSOCIATES

Douglas Dove, PE, CIPFA  
Principal/President

Michael DeGroot  
Consultant

# CONTENTS

<b>1. Background, Objectives, &amp; Government Code .....</b>	<b>3</b>
Background .....	3
Objectives.....	3
Development Impact Fee Government Code .....	3
<b>2. Impact Fees.....</b>	<b>4</b>
Impact Fee Methodology.....	4
Facility Cost Valuation.....	4
Current Impact Fees.....	5
Projected Customer Base.....	5
Fee Calculations .....	6
Proposed Fees.....	9

## Tables

Table 1 – Summary of Current Fees
Table 2 – Existing and Projected Development – Full Sphere of Influence
Table 3 – Meter Count and Equivalent Meters
Table 4 – Existing Asset Valuation
Table 5 – Park In-Lieu Fee
Table 6 – Park Development Impact Fee
Table 7 – Proposed Fees
Table 8 – Full Schedule of Fees Based on Meter Size

## Appendices

Appendix A - Fixed Asset Lists & Valuation
Appendix B - Regional Impact Fee Survey

# 1. Background, Objectives, & Government Code

---

## Background

The City of Hughson is an agricultural community located in Stanislaus County with an estimated population of 7,500.

## Objectives

Key objectives of the study include:

- Review the City's current fees.
- Ensure that new development is adequately funding the costs of facilities that benefit them.
- Review the various proposed fee methodologies with City staff for conceptual agreement.

## Development Impact Fee Government Code

Development impact fees are governed by California Government Code Section 66000 et. seq. commonly known as AB1600. The Code refers to impact fees as *capacity charges* since their purpose is to recover an equitable share of costs for capacity in infrastructure.

Section 66013 of the Code specifically governs water and sewer capacity charges and states that the fee "*shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed*" unless approved by a two-thirds vote.

The Code also states that "*Capacity charge means a charge for public facilities in existence at the time a charge is imposed or charges for new public facilities to be acquired or constructed in the future that are of proportional benefit to the person or property being charged.*" The Code does not detail any specific method for determining an appropriate fee.

Section 66013 also identifies various accounting requirements for capacity fee revenues, notably that such revenues cannot be co-mingled with other City revenues and must be used solely for the purpose for which the fee was imposed.

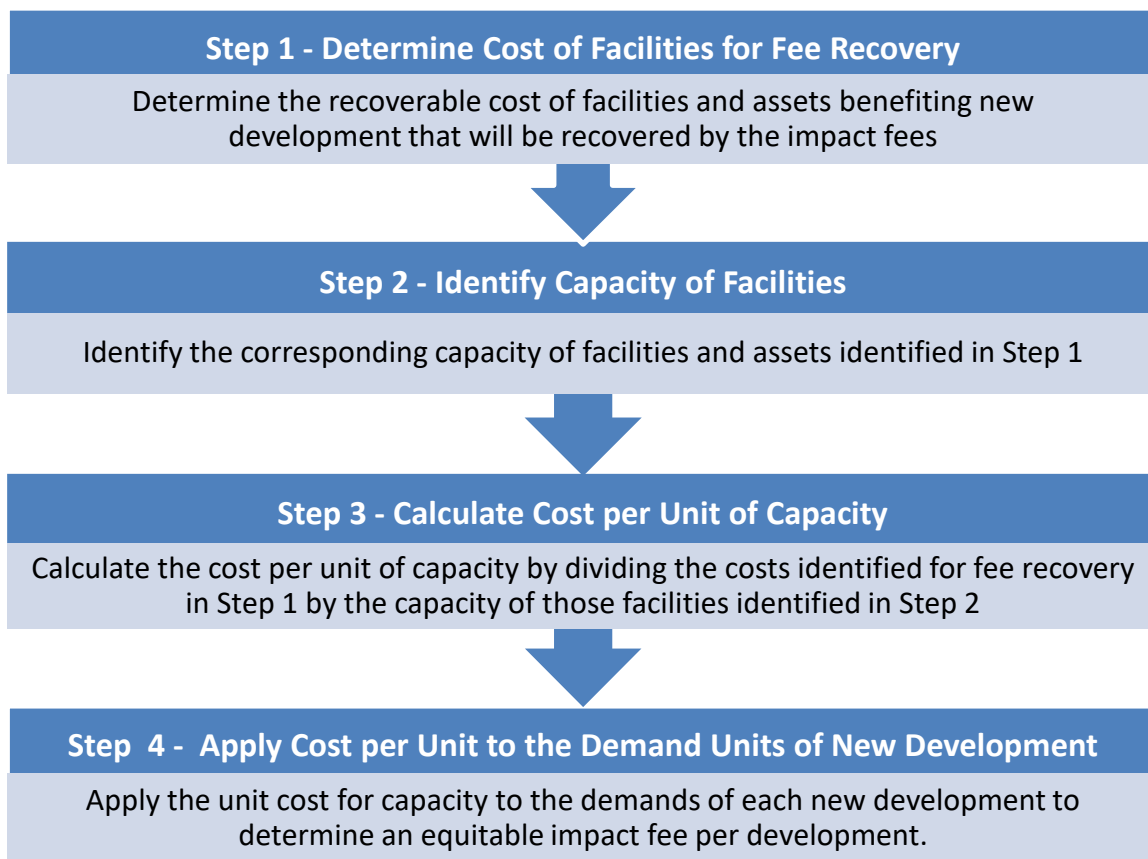
## 2. Impact Fees

---

This section details the calculation of updated impact fees under the buy-in only approach. The fees were calculated and designed to be simple and straightforward to implement.

### Impact Fee Methodology

There are many methods for calculating impact fees. The general methodology used in this report is summarized below.



### Facility Cost Valuation

The fees (with exception to park in lieu and park development) are based on existing capital facilities, as identified in by the City's fixed asset list. Public Facilities includes one future project: a \$500,000 general plan update and Water includes \$5.6 MM of future projects identified to provide reliable water service through a 15-20 year planning period. Park fees are calculated based on the estimated cost per acre to develop future park land. All other fees are calculated based on a buy-in only methodology. Under this approach, the fee is based on the cost of existing facilities and assets (in current dollars) divided by the capacity of the system that would benefit from these assets.

## Current Impact Fees

Table 1 shows the City's current impact fees. The fees were last updated in 2006 and 2007. Under the current structure, residential customers are charged a flat rate per unit, while nonresidential customers are charged a rate per one thousand square feet of new development. Water fees for nonresidential are charged based on meter size.

Table 1  
City of Hughson  
Summary of Current Fees

	<u>Current (SFD)</u>	<u>Current (MFD)</u>	<u>Current (Industrial) - per 1k Sq. Ft.</u>
Public Facility Fee	\$3,050	\$3,050	\$1,017
Storm Drain Fee	\$2,814	\$2,189	\$1,781
Sewer/Wastewater Fee	\$13,755	\$9,628	\$6,465
Water fee	\$3,803	\$2,282	\$9,508 (1" Meter)
Streets Fee	\$4,101	\$2,778	\$2,760
Park Development Fee	\$2,667	\$1,600	N/A
Park In-Lieu Fee	\$1,991	\$1,194	N/A
Community Enhancement Fee	\$1,008	\$605	\$336
	\$33,189	\$23,326	

## Projected Customer Base

Table 2 shows the City's current and projected customer base. The customer base is currently comprised of 2,350 residential units (including 275 multifamily units). Non-residential customers floor area amounts to approximately 630,162 square feet. BWA estimates 1,700 commercial, 3,000 square foot of industrial or 2,000 square footage of public floor area to be equivalent to one residential dwelling unit. BWA equates the impact of one multifamily dwelling unit to be 65% of a single family unit based on 2015 U.S. Census data for Stanislaus County showing that multifamily units have 65% of the number of occupants than single family units on average. Based on these ratios, the existing customer base is 2,525 equivalent dwelling units (EDUs). BWA projects the customer base growing at approximately 2% per year over the next 20 years based on City projections, resulting in 3,492 residential units and 936,388 nonresidential square footage or 3,753 EDUs at buildout in 2039.

Table 2  
City of Hughson  
Existing and Projected Development - Full Sphere of Influence

	Existing Development		Projected New Development (20 Year, 2% Annual Growth)		Total Projected Development	
	Dwelling Units	Square Feet	Dwelling Units	Square Feet	Dwelling Units	Square Feet
Single family / mobile home	2,075		1,008		3,083	
Multi-family	275		134		409	
Commercial		225,766		109,710		335,476
Industrial		379,740		184,534		564,274
Public		24,656		11,982		36,638
Subtotal	2,350	630,162	1,142	306,226	3,492	936,388
Total	2,350	272	1,142	132	3,492	404
Total EDUs (1) (2)	2,525		1,227		3,753	

(1) - Single family @ 1 D.U. = 1 EDU; Multi-family @ 1 D.U. = .65 EDUs

(2) - Commercial @ 1,700 sq. ft. = 1 EDU; industrial @ 3,000 sq. ft. = 1 EDU.; public @ 2,000 sq. ft. = 1 EDU

Table 3 shows the City's current and projected water meters by meter size. The customer base is currently comprised of 1,972 metered connections or 2,341 equivalent 5/8" meters. The meter equivalents are based on American Water Works Association (AWWA) standard flow ratios. BWA projects total 5/8" meter equivalents of 3,479 in 20 years based on a 2% estimated annual growth rate.

Table 3  
City of Hughson  
Water Meter Count and Equivalent Meters

Meter Type	AWWA*			Projected Meter Equivalents (20 Years, 2% Growth)	
	Total	Meter Ratio	Equivalents	Distribution	
5/8 or 3/4"	1,911	1.0	1,911	82%	2,840
1"	13	1.7	22	1%	32
1 1/2"	11	3.3	37	2%	54
2"	24	5.3	128	5%	190
2 & 3/4"	1	6.3	6	0%	9
4"	5	16.7	83	4%	124
6"	1	33.3	33	1%	50
6" Fire Protection	1	3.3	3	0%	5
8"	2	53.3	107	5%	158
8" Fire Protection	2	5.3	11	0%	16
Total Meters	1,972		2,341	100%	3,479

\*American Water Works Association

## Fee Calculations

Table 4 shows the existing valuation of the City's existing assets by department. The total cost of existing system assets at historical purchase prices is approximately \$117 MM. BWA adjusted the purchase cost to

today's dollars using the Engineering News-Record Construction Cost Index (ENR CCI). The current value of City assets in today's dollars excluding depreciation is estimated to be \$223 MM. Taking out accrued depreciation, the replacement cost less depreciation (RCNLD) of City assets is estimated to be \$145 MM. Appendix A shows detailed asset lists and valuations for each of the City's departments. To calculate capacity fees, BWA divided the RCNLD of City assets by the estimated 2039 meter equivalents for water and sewer and total dwelling units for all other fees.

Table 4  
City of Hughson  
Existing Asset Valuation

<u>Fee Category</u>	<u>Orig Cost</u>	<u>Current \$<sup>1</sup></u>	<u>RCNLD<sup>2</sup></u>	<u>Projected EDUs / Meter Equivalents (2039)</u>	<u>\$/EDU or Meter Equivalent<sup>3</sup></u>
Water	\$26,001,287	\$50,375,929	\$28,242,931	3,479	\$8,119
Sewer	41,546,971	68,352,419	50,935,539	3,479	\$14,642
Storm	12,248,901	45,003,784	24,984,051	3,753	\$6,658
Community Enhancement	1,674,215	2,671,695	1,395,728	3,753	\$372
Public Facilities	13,770,741	19,055,249	16,919,509	3,753	\$4,509
<u>Streets</u>	<u>21,688,532</u>	<u>37,689,760</u>	<u>22,739,747</u>	<u>3,753</u>	<u>\$6,060</u>
Total	\$116,930,647	\$223,148,836	\$145,217,504		

1 Valued in current dollars by Engineering News-Record Construction Cost Index (ENR CCI)

2 Replacement Cost New Less Depreciation.

3 Fees for Water & Sewer based on meter size, all other based on equivalent dwelling units (EDU)

Table 5 shows the calculation for the Park In-Lieu Fee. The Quimby Act allows the City to require that new development set aside some amount of land (between 3 and 5 acres / 1,000 people) for the purposes of providing park land. Developers have the choice of physically securing suitable land for this set-aside or paying a park "in-lieu" fee calculated such that the City can use those funds to procure the land itself. For the purposes of this study, we estimate that the cost of providing this land, in-lieu of dedicating it directly, would be approximately \$300,000 per acre. We estimate that 10.52 acres of park land would cost approximately \$3.2 MM. With 1,089 new residential EDUs being added, the cost per EDU is \$2,898.

Table 5  
City of Hughson  
Park In-Lieu Fee

	Area	Cost / acre	Total Cost	Allocation to growth
<b>Future Park Land Requirements</b>				
Future park land purchases <sup>1</sup>	<u>10.52</u>	\$300,000	<u>\$3,154,537</u>	<u>100%</u>
	10.52		\$3,154,537	100%
Total allocated value to growth			\$3,154,537	
Projected future residential EDUs <sup>2</sup>			1,089	
Projected park in-lieu fee (single family residence)			\$2,898	
Projected park in-lieu fee (multi-family residence)			\$1,884	

1 - BWA estimated cost

2 - Assumes population growth in city limits of 3,505 and desired ratio of 3 acres/1,000 residents

Table 6 shows the calculation for the Park Development Impact Fee. The park development impact fee is assessed to recover the costs of providing parks for future residents. Based on criteria outlined in the Quimby Act, we estimate that the City of Hughson will add 3 acres of developed park for every 1,000 new residents.

BWA estimates that the City will add approximately 1,089 new EDUs and 3,505 residents within the City limits. At this desired ratio, this means the City will need to provide approximately 10.52 acres of new parks for these residents. Rough cost estimates suggest that the cost of developing these parks (exclusive of the cost of purchasing land, see Park In-Lieu Impact Fee), will average around \$750,000 per acre. This means total park development costs could approach \$7.9 MM. Approximately \$3.9 million of this amount is allocable to future development.

These parks will be used almost exclusively for the purposes of providing recreation to City residents and as such, are not allocable to commercial development. Divided among the estimated 1,089 residential EDUs expected within the City limits (with multi-family residences being assessed the fee at 0.65 EDU), the single family residential park development impact fee is \$3,623.



Table 6  
City of Hughson  
Park Development Impact Fee

	<u>Area</u>	<u>Cost / acre<sup>1</sup></u>	<u>Total cost</u>	<u>Allocation to growth</u>
<b>Future Park Development</b>				
Future park development	<u>10.52</u>	\$750,000	<u>\$7,886,343</u>	50%
	10.52		\$7,886,343	
Total allocated value to growth			\$3,943,172	
Projected future residential EDUs			1,089	
Projected parks development fee (single family residence)			\$3,623	
Projected parks development fee (multi-family residence)			\$2,355	

---

1 - BWA estimated cost

---

## Proposed Fees

Table 7 shows the proposed development impact fee schedule for each customer class. BWA recommends charging commercial and industrial based on water meter size for sewer rather than square footage to better align with wastewater flows. Proposed fees are based on the following standard ratios: one single family EDU = 0.65 multifamily dwelling units, 1,700 square foot of commercial floor area and 3,000 square foot of industrial floor area.

Table 7  
City of Hughson  
Proposed Fees

	SFD		MFD		Non Residential	
Proposed Fee Based on Meter Size	Current	Proposed	Current (per DU)	Proposed MFD (Per DU)	Proposed by Meter Size (\$/1" Meter Shown)	
Water	\$3,803	\$8,119	\$2,282	\$5,277	\$9,508 (1" Meter)	\$13,623
Sewer	\$13,755	\$14,642	\$9,628	\$9,517	\$19,395 (per 3,000 sq. ft.)	\$24,569
	SFD		MFD		Industrial (1 DU = 3,000 Sq. Ft.)*	
Proposed Fee Based on Equivalent Dwelling Unit	Current	Proposed	Current (per DU)	Proposed MFD (Per DU)	Current (per 1k Sq Ft.)	Proposed (per 1k Sq Ft.)
Storm Drain	\$2,814	\$6,658	\$2,189	\$4,327	\$1,781	\$2,219
Public Facility Fee	\$3,050	\$4,509	\$3,050	\$2,931	\$1,017	\$1,503
Community Enhancement Fee	\$1,008	\$372	\$605	\$242	\$336	\$124
Streets	\$4,101	\$6,060	\$2,778	\$3,939	\$2,760	\$2,020
Park Development Fee	\$2,667	\$3,623	\$1,600	\$2,355	N/A	N/A
Park In-Lieu Fee	\$1,991	\$2,898	\$1,194	\$1,884	N/A	N/A
<b>Total</b>	<b>\$33,189</b>	<b>\$46,879</b>	<b>\$23,326</b>	<b>\$30,471</b>	<b>\$46,585</b>	<b>\$55,790</b>
% Increase		41%		31%		20%

\*Commerical @ 1,700 sq. ft. = 1 SFD; industrial @ 3,000 sq. ft. = 1 SFD.; public @ 2,000 sq. ft. = 1 SFD

Table 8 shows the full schedule of water and sewer fees based on meter size. Private fire meters are recommended to be charged 10% of the regular meter fee to reflect the benefits private customers receive such as saving lives and extinguishing fires more quickly. The nature of this capacity differs from a regular meter capacity because it is on standby and not used except in emergencies. Additionally, private fire meters provide benefits to the public at large by preventing the spreading of fires. Therefore, the fee for private fire meters should be a fraction of the fee for a standard meter. Industry standard capacity fees for fire meters range from 0% to 25% of the standard meter capacity fee.

Table 8  
City of Hughson  
Full Schedule of Fees Based on Meter Size

<b>Meter Type</b>	<b>Meter Ratio</b>	<b>Water Fee</b>	<b>Sewer Fee</b>
3/4" & Below & Residential	1.0	\$8,119	\$14,642
1"	1.7	\$13,623	\$24,569
1 1/2"	3.3	\$27,061	\$48,804
2"	5.3	\$43,295	\$78,082
2 & 3/4"	6.3	\$51,414	\$92,723
4"	16.7	\$135,302	\$244,014
6"	33.3	\$270,607	\$488,034
8"	53.3	\$432,970	\$780,852
6" Fire Protection*	3.3	\$27,061	N/A
8" Fire Protection*	5.3	\$43,297	N/A

---

\*Fire meter ratio 10% of regular meter

# **APPENDIX A**

## **Fixed Asset Lists & Valuation**

<b>Hughson Existing Asset Valuation, 2020</b>			
<b>Water</b>	<b>Original Cost</b>	<b>Original Cost, Current \$</b>	<b>Replacement Cost New Less Depreciation</b>
Buildings	\$2,127,666	\$3,009,737	\$1,805,842
Equipment	43,130	48,501	19,044
Improvements	4,174,182	14,279,915	1,452,899
Land	2,928,159	4,527,708	4,527,708
Vehicles	50,822	54,745	24,814
Water Lines	5,961,172	16,971,975	9,463,036
Well #9	4,697,319	4,697,319	4,697,319
Water Conservation Program (Future)	1,700,000	1,700,000	1,700,000
Non-Potable Irrigation System (Future)	1,900,000	1,900,000	1,900,000
Conveyance System Improvements (Future)	1,750,000	1,750,000	1,750,000
Water Master Plan (Future)	250,000	250,000	250,000
Water Meter Radios	21,983	21,983	21,983
Smart Water Meters	250,000	250,000	250,000
Kubota RTV (1/3)	5,517	5,517	5,517
<u>Well</u>	<u>141,337</u>	<u>908,530</u>	<u>374,769</u>
Grand Total	\$26,001,287	\$50,375,929	\$28,242,931
<b>Sewer &amp; Storm</b>	<b>Original Cost</b>	<b>Original Cost, Current \$</b>	<b>Replacement Cost New Less Depreciation</b>
Buildings	\$25,215,708	\$30,213,618	\$23,502,209
Equipment	51,295	63,734	2,008
Improvements	114,514	124,821	112,339
Land	15,075,537	30,432,598	30,432,598
Lift Station	219,667	332,435	270,381
Machinery	235,695	486,261	0
Sewer Lines	8,065,453	21,784,365	11,801,455
Storm Drain Lines	4,615,295	29,667,632	9,747,936
Vehicles	191,675	239,706	39,630
Grand Total	\$53,784,839	\$113,345,170	\$75,908,556
<b>Sewer</b>			
Buildings	\$25,215,708	\$30,213,618	\$23,502,209
Equipment	51,295	63,734	2,008
Improvements	114,514	124,821	112,339
Land (1/2)	7,537,769	15,216,299	15,216,299
Lift Station	219,667	332,435	270,381
Machinery	235,695	486,261	0
Sewer Lines	8,065,453	21,784,365	11,801,455
Kubota RTV (2/3)	11,033	11,033	11,033
<u>Vehicles (1/2)</u>	<u>95,837</u>	<u>119,853</u>	<u>19,815</u>
Grand Total	\$41,546,971	\$68,352,419	\$50,935,539
<b>Storm</b>			
Land (1/2)	7,537,769	15,216,299	15,216,299
Storm Drain Lines	4,615,295	29,667,632	9,747,936
<u>Vehicles (1/2)</u>	<u>95,837</u>	<u>119,853</u>	<u>19,815</u>
Grand Total	\$12,248,901	\$45,003,784	\$24,984,051
<b>Community/Senior Center (Community Enhancement)</b>	<b>Original Cost</b>	<b>Original Cost, Current \$</b>	<b>Replacement Cost New Less Depreciation</b>
Buildings	\$725,283	\$1,348,876	\$449,625
<u>Land</u>	<u>105,073</u>	<u>195,414</u>	<u>195,414</u>
Grand Total	\$830,356	\$1,544,289	\$645,039
<b>RDA (Community Enhancement)</b>	<b>Original Cost</b>	<b>Original Cost, Current \$</b>	<b>Replacement Cost New Less Depreciation</b>
Buildings	\$300,891	\$425,632	\$255,379
Improvements	495,038	633,973	443,781
<u>Statue</u>	<u>47,930</u>	<u>67,800</u>	<u>51,528</u>
Grand Total	\$843,859	\$1,127,405	\$750,688
<b>Community Services (Public Facilities)</b>	<b>Original Cost</b>	<b>Original Cost, Current \$</b>	<b>Replacement Cost New Less Depreciation</b>
Buildings	\$455,181	\$615,209	\$394,197
Improvements	5,508,058	6,952,617	5,037,888
General Plan Update (Future)	500,000	500,000	500,000
Lebright Field Purchase (1/2)	149,886	149,886	149,886
<u>Land</u>	<u>7,157,617</u>	<u>10,837,538</u>	<u>10,837,538</u>
Grand Total	\$13,770,741	\$19,055,249	\$16,919,509

<b>General Government (Streets)</b>	<b>Original Cost</b>	<b>Original Cost, Current \$</b>	<b>Replacement Cost New Less Depreciation</b>
Buildings	\$258,266	\$969,119	\$0
Equipment	362,360	507,822	29,732
Improvements	102,430	134,462	82,291
Land	1,923,308	3,325,595	3,325,595
Machinery	58,013	103,965	0
Roadways	2,777,617	4,246,654	4,246,654
POD Cameras for LE	42,841	42,841	42,841
Vehicles	74,508	124,614	0
Grand Total	\$5,599,343	\$9,455,072	\$7,727,113
<b>Public Works (Streets)</b>	<b>Original Cost</b>	<b>Original Cost, Current \$</b>	<b>Replacement Cost New Less Depreciation</b>
Bridges	\$1,696,265	\$3,457,095	\$1,678,185
Buildings	206,457	514,817	0
Curb & Gutter	2,371,196	4,058,408	2,430,780
Equipment	138,297	183,853	23,182
Land	116,859	196,717	196,717
Machinery	183,889	269,214	0
Pavement	7,541,218	13,373,151	7,392,434
Pump Station	233,183	339,004	283,916
Sidewalk	1,074,859	1,684,849	1,060,107
Soundwalls	313,700	869,386	243,428
Street Lights	167,439	1,076,317	64,579
Mowers	12,500	12,500	12,500
Santa Fe S Overlay (FY 19/20)	362,600	362,600	362,600
Santa Fe N Overlay (FY 18/19)	477,898	477,898	477,898
2nd St Project	342,945	342,945	342,945
Locust Street Widening	208,832	208,832	208,832
Lebright Field Purchase (1/2)	149,886	149,886	149,886
<u>Vehicles</u>	<u>491,167</u>	<u>657,216</u>	<u>84,646</u>
Grand Total	\$16,089,189	\$28,234,688	\$15,012,634

## **APPENDIX B**

### **Regional Impact Fee Survey**

## DIF SURVEY - SFR

