



March 19, 2019

Executive Summary

The City of Carson retained Kelly Associates Management Group LLC (KAMG) to assist in the coordination of the City's Interim Development Impact Fee Study. Development Impact Fees (DIFs) are a valuable tool to fund infrastructure needs associated with new/additional development within the City. The legal basis for DIFs is AB 1600, first adopted in the late 1980s, codified in the California Government Code starting with Section 66000, and known as the "Mitigation Fee Act". Since DIFs are used to enhance capacity and serve new development, there needs to be a rational nexus between the improvement and the new development. The fee cannot be imposed to address existing deficiencies except where they are exacerbated by the new development. Furthermore, other provisions of the Government Code prohibit the use of DIFs for maintenance or operating costs. A much more detailed discussion of the Mitigation Fee Act and the legal basis, requirements and limitations on DIFs is found in the referenced 2017 KAMG White Paper.

Currently the City of Carson does not have any DIFs. The City of Carson is a "low property tax" community as conditioned by the County of Los Angeles. As such, it is extremely difficult for the City to fund both maintenance and operations and capital improvements needed to serve new growth and development.

Until recently, the City of Carson had a moratorium on new or expanded logistics (industrial) facility development. During this moratorium, development could only be considered if the developer both agreed to a) form or participate in future Community Facility Districts (CFDs) to pay for services associated with new development and b) pay a fair share DIF to offset the necessary capital improvements associated with growth. The City of Carson is now moving ahead with adoption of both CFDs and IDIFs.

The City of Carson is undertaking a General Plan update which will set the foundation upon which to comprehensively plan for future infrastructure needs in coordination with future growth and new development. If the City continues to wait until adoption of its General Plan before establishing and collecting DIF's for new development, it risks falling further behind in its ability to fund needed capital improvements.

KAMG recommends that the City of Carson proceed with the adoption of Interim Development Impact Fees (IDIFs) to ensure that development anticipated over the next few years pays its fair share toward necessary infrastructure improvements. The proposed IDIFs would be charged to Residential Condos and Apartments, Commercial, Office, Hotel, Industrial/Business Park, Truck Yard, Recreational, and

Dormitory development. KAMG further recommends that once the General Plan is adopted and additional related studies are completed, the City of Carson complete a more comprehensive DIF study to establish ongoing fees.

Background

Several studies serve as the basis for the proposed IDIF fees.

Five Year Interim Development Impact Fees - In 2017, Kelly Associates Management Group LLC (KAMG) prepared a Phase 1 IDIF Study and White Paper, with the recommendation being that the City of Carson proceed with the required technical studies to refine cost estimates associated with new growth and development over the next 5-year period. By the end of the 5-year period, the General Plan update is anticipated to be completed and a more comprehensive DIF study can be prepared to establish ongoing fees.

Twenty-three major projects were identified by the City, resulting in the anticipated 5-year growth of 1,470 multiple family dwelling units (294 condos/townhouses and 1,176 apartments/studios); 810,000 sq. ft. of commercial; 68,360 sq. ft. of office; 1,073,280 sq. ft. of industrial/business park; 2,187 truck yard spaces; 247 hotel rooms; 599,000 sq. ft. of recreational development; and 300 dormitory beds.

W. G. Zimmerman Engineering Study - Using the above growth projections, the City of Carson contracted with W. G. Zimmerman Engineering, Inc. (WGZE) to prepare the technical costs for the traffic/circulation system improvements and truck traffic impacts/sound wall improvements and installation associated with the 5-year growth. It is projected that the growth will add over 71,000 average daily trips to the City's existing circulation system, resulting in the need for intersection improvements to maintain acceptable levels of service. Ten of the 23 major projects will add significant truck traffic resulting in the need for specific sound wall construction/improvements to reduce level of truck route sound impacts on adjoining sensitive land uses.

Los Angeles Countywide Comprehensive Park & Recreation Needs Assessment – In May 2016, Los Angeles County completed a comprehensive study of parkland needs as part of Measure A (Safe Clean Neighborhoods Parks and Beaches Parcel Tax). This study included Carson's participation and established land acquisition costs of \$950,920/acre plus basic infrastructure costs of \$1,093,300/acre for a total cost of \$2,044,220/acre. It calculated Carson's current parkland ratio at 1.5 acres per 1,000 population, which is significantly lower than the City's General Plan ratio of 3 acres/1,000 ratio and the countywide average of 3.3 acres per 1,000 population. KAMG has calculated the IDIF based on the 3 acres/1,000 ratio.

Community Facilities Districts (CFDs) - Separate from the IDIF studies, but during the same timeframe, the City of Carson contracted with NBS to prepare a Fiscal Impact Analysis for Citywide Future Development. This study provides the analysis for the Community Facilities Districts to offset the costs of ongoing services that exceed anticipated revenue anticipated to be received from future development projects. Some of the assumptions identified in the NBS study were used as the foundation for the IDIF recommendations.

City of Carson Capital Projects and City Executive Management Team Memo - The City of Carson also provided KAMG with a Capital Projects list for possible inclusion into the IDIF. Per the attached City's Executive Management Team memo there is an existing need for significant municipal infrastructure

improvements that is being further impacted by future development growth. This list of projects is in addition to the specific Traffic/Circulation System Improvement needs identified in the WGZE study of the 23 projects projected within the next 5-year period. KAMG reviewed this list and has included projects that are justified as a capital project that adds capacity necessary to accommodate growth.

Analysis

KAMG has incorporated the methodology of the WGZE study, the Los Angeles County Comprehensive Study of Parkland Needs, and the NBS study to produce the recommendations in the attached Table A: Recommended IDIFs for Parks and Specific Traffic Improvements.

In particular, the Specific Traffic Improvements IDIF is based directly on the WGZE study.

The Parks IDIF is based largely on the Los Angeles Countywide Comprehensive Park & Recreation Needs Assessment for land acquisition and infrastructure costs. The person per household and nonresidential impact equivalencies are derived from the NBS study. The NBS study estimated a population/ dwelling unit ratio of 2.0 for studios/1 bedroom and 3.6 for all other residential units, a 1 employee/950 sq. ft. for commercial use, and a 1 employee/1,000 sq. ft. for industrial use. Finally, the NBS study provided reduction factors for demands on public service, with an overall reduction of demand of 50% for an employee over the service needs of a resident, with an additional 25% reduction in impacts on services relating to city park facilities.

KAMG utilized a reduction factor for dormitory and hotel occupants of city parks, with a usage rate of 10%, recognizing that university students have significant recreational opportunities on campus and hotel guests are transient and less likely to utilize city parks. This reduction factor is intended to ensure that these uses are not overburdened by the IDIF.

WGZE's study of sound wall needs demonstrate that the impacts are more site specific than citywide. As a result, KAMG recommends that the City of Carson utilize the sound wall study to assess specific mitigation measures from the ten specified truck traffic inducing projects identified in their study.

The City of Carson Capital Projects list was reviewed by KAMG to determine whether each of the projects is justified as a capital project that adds capacity necessary to accommodate growth. Based on our analysis, a few of the projects are not yet vetted enough for inclusion at this time. Specifically, the landscape master plan and associated median improvements have yet to be addressed as a current policy or standard by the City. It is anticipated that with the current General Plan update, these landscape beautification efforts will be addressed and subsequently may be ready for inclusion in the permanent DIF following adoption of the General Plan update.

KAMG has also determined that various projects should not be included because they are directly related to ongoing or deferred maintenance and do not entail development of additional infrastructure growth capacity. Specifically, KAMG is not including the following projects as eligible toward the IDIF: #16 Annual Street Tree Replacement, #40 ADA Upgrade of City Facilities, and the various Roadway Pavement Projects #166 Martin Luther King Jr. Street, #169 Dominguez, #179 Avalon, #180 Carson Street, #181 Victoria, #182 213th Street, #183 Wilmington, #184 Main Street, #185 164th, #186 Lomita, #187 Sepulveda and #188 Figueroa.

For all the remaining projects that not only address existing needs but also future growth capacity, KAMG calculated a per person cost equivalency based on the future population to be served which is a combination the current residential and nonresidential equivalency population plus the 5-year future residential and nonresidential equivalency growth based primarily on the NBS study methodology. This methodology ensures that new development growth only pays its proportional fair share toward each of the eligible listed capital improvement projects.

The four broad categories of additional capital improvement infrastructure are as follows: Beautification, General Government Facilities, Transportation Infrastructure, and Utilities and Sustainability. Beautification includes signage and street furniture that assist in reducing congestion and associated pollution. General Government Facilities includes a new teen center, a new corporate yard/public services complex, major improvements to city hall and security cameras citywide at major intersections. Transportation Infrastructure includes Lenardo Drive, street widenings, new traffic signals and upgrades, bicycle lanes and paths, bridge widening and a new transit center. Utilities and Sustainability includes Green Streets, Opterra solar and back-up system and a reclaimed water system. The Attached Table B: Maximum IDIFs for Additional Categories of Broad Capital Improvements provides a breakdown of potential fees by development type. KAMGs calculation sheets are also attached.

The total maximum IDIFs are of combination of the specific IDIFs for Parks, Specific Traffic Improvements (Table A), plus the broad categories of Beautification, General Government Facilities, Transportation Infrastructure and Utilities and Sustainability (Table B). .

Table 1: Combined Maximum IDIFs for each Development type

| Development type | Dev. units | Maximum combined categories IDIF |
|---|------------|----------------------------------|
| Residential MFR Studio/1Bedroom | DU | \$14,333.43 |
| Residential MFR all other residential units | DU | \$25,368.05 |
| Commercial | KSF | \$3,903.55 |
| Office | KSF | \$2,707.93 |
| Hotel | room | \$1,433.53 |
| Industrial/Business Park | KSF | \$2,178.02 |
| Truck Yard | Space | \$620.34 |
| Recreational | KSF | \$3,900.73 |
| Dormitory | Bed | \$870.34 |

DU = Dwelling Unit; KSF = 1000 square feet

Comparison Cities

KAMG reviewed the DIFs of a few nearby cities. KAMG focused on the cities of Signal Hill, Torrance and Long Beach that have updated their DIFs recently. These three cities represent a range of small, medium and large size cities with varying levels of current growth. Each city has its own unique development potential and associated growth induced infrastructure needs; therefore, it is not possible to compare DIFs between cities except to gauge whether a DIF may be so high as to potentially discourage development. KAMG notes that some cities choose to limit their DIFs substantially below

their maximum justified fair share amount in order to subsidize development that they are seeking to attract. Hawthorne is an example of this where they significantly lowered their DIFs in 2010 and have not adjusted them since that time.

The following Table 2 compares the DIFs of Signal Hill (updated 3/2019), Torrance (updated 7/2018) and Long Beach (updated 10/2018) with the proposed maximum IDIFs for Carson.

Table 2: Comparison Cities' DIFs

| Development type | Signal Hill | Torrance | Long Beach | Carson - proposed |
|------------------|---------------------------|-------------------------|-------------------|---------------------------|
| MFR/du | \$27,575.42 - \$36,055.42 | \$2,427.13 | \$5,602.78 | \$14,333.43 - \$25,368.05 |
| Commercial/ksf | \$7,530 - \$10,670 | \$5,799.34 | \$6,729 - \$8,229 | \$3,903.55 |
| Office/ksf | \$1,230 | \$5,799.34 | \$5,883 - \$6,883 | \$2,707.93 |
| Industrial/ksf | \$750 | \$1,347.87 - \$1,954.31 | \$4,470 | \$2,178.02 |

du = dwelling unit, ksf = 1,000 square feet

Recommendation

It is recommended that the City Council review and approve, or modify and approve IDIFs in Table 1. As presented, the IDIFs in Table 1 are the maximum levels that are justified and reflect the parkland ratio of 3.0 acres/1000 population as stated in the current Carson General Plan. The City Council may adopt any level of IDIFs up to the maximum levels in Table 1. The City Council should adopt an Ordinance establishing the IDIFs by category and a Resolution adopting the specific fees.

It is further recommended that the City of Carson utilize WGZE's sound wall study to assess specific mitigation measures from the ten specified truck traffic inducing projects identified in their study.

Reference documents:

September 2017 KAMG Phase 1 Study and White Paper

City of Carson Major Projects List (revised 11/15/18) – 5 Year Projection

WGZE Traffic and Sound Wall Impact Fee Study, February 2019

NBS Fiscal Impact Analysis for Citywide Future Development, March 2019

Los Angeles Countywide Comprehensive Park & Recreation Needs Assessment

Carson Executive Management Team Memo and City of Carson Capital Projects List, March 19, 2019

KAMG Calculation Sheets March 19, 2019

Attached:

Table A Recommended IDIFs for Parks and Specific Traffic Improvements.

Table B: Maximum IDIFs for Additional Categories of Broad Capital Improvements

Table A: Recommended IDIFs for Parks and Specific Traffic Improvements

| Development type | Dev. units | Traffic IDIF | Parks IDIF (based on 3 acres/1000) |
|---|------------|--------------|------------------------------------|
| Residential MFR Studio/1Bedroom | DU | \$540.13 | \$12,265 |
| Residential MFR all other residential units | DU | \$540.13 | \$22,077 |
| Commercial | KSF | \$2,293.19 | \$806 |
| Office | KSF | \$1,097.57 | \$806 |
| Hotel | room | \$744.14 | \$613 |
| Industrial/Business Park | KSF | \$647.87 | \$766 |
| Truck Yard | Space | \$237.95 | \$306 |
| Recreational | KSF | \$3,824.34 | - |
| Dormitory | Bed | \$180.95 | \$613 |

DU = Dwelling Unit; KSF = 1000 square feet

Table B: Maximum IDIFs for Additional Categories of Broad Capital Improvements

| Development type | Dev. units | Beautification IDIF | General Government Facilities IDIF | Transportation Infrastructure IDIF | Utilities and Sustainability IDIF |
|---|------------|---------------------|------------------------------------|------------------------------------|-----------------------------------|
| Residential MFR Studio/1Bedroom | DU | \$47.74 | \$342.48 | \$697.72 | \$440.36 |
| Residential MFR all other residential units | DU | \$85.93 | \$616.46 | \$1255.89 | \$792.64 |
| Commercial | KSF | \$25.12 | \$180.25 | \$367.22 | \$231.77 |
| Office | KSF | \$25.12 | \$180.25 | \$367.22 | \$231.77 |
| Hotel | room | \$2.38 | \$17.12 | \$34.88 | \$22.01 |
| Industrial/Business Park | KSF | \$23.87 | \$171.24 | \$348.86 | \$220.18 |
| Truck Yard | Space | \$2.38 | \$17.12 | \$34.88 | \$22.01 |
| Recreational | KSF | \$2.38 | \$17.12 | \$34.88 | \$22.01 |
| Dormitory | Bed | \$2.38 | \$17.12 | \$34.88 | \$22.01 |

DU = Dwelling Unit; KSF = 1000 square feet