
MENLO PARK FIRE PROTECTION DISTRICT

STAFF REPORT

TO: Board of Directors
FROM: Administrative Services

MEETING DATE: February 16, 2016
PREPARED BY: Jon Hitchcock
APPROVED BY: Harold Schapelhouman

ITEM: **CONSIDER FOR APPROVAL A RESOLUTION**

- A. APPROVING THE EMERGENCY SERVICES AND FIRE PROTECTION IMPACT FEE NEXUS STUDY; AND**
- B. APPROVING THE FIRE PROTECTION IMPACT FEE WAIVER / CREDIT POLICY; AND**
- C. APPROVING THE STUDY TO BE FORWARDED TO THE CITIES OF EAST PALO ALTO AND MENLO PARK, THE TOWN OF ATHERTON, AND THE COUNTY OF SAN MATEO FOR APPROVAL BY THEIR COUNCIL/BOARD**

STAFF RECOMMENDATION

1. That the Board of Directors accepts the report as presented.
2. That the Board of Directors approves the Emergency Services and Fire Protection Impact Fee Nexus Study.
3. That the Board of Directors approves the Emergency Services and Fire Protection Impact Fee waiver / credit policy.
4. That the Board of Directors approves the study to be forwarded to the Cities of East Palo Alto and Menlo Park, the Town of Atherton, and the County of San Mateo for approval at their Council/Board meeting.

BACKGROUND

The purpose of the impact fee program is to provide a funding source for the Fire District to address new development and the intensification of existing land uses within the Fire District's boundaries. The District's previous draft study calculated fees by establishing an existing facility standard which was based on the total capital cost needed to provide fire protection services. Upon completion of this draft study the District met with stakeholders which included representatives from both the local jurisdictions as well as from large development companies to listen to their comments on the proposed impact fees. The District received several comments, two of which are discussed in detail below.

The first comment was the fee should be based on an estimate of specific future capital improvement costs that are allocated to new development based on a fair share apportionment and not based on an existing facility standard. Both the facility standard methodology and this alternative methodology are acceptable methodologies, however the alternative methodology is used more frequently. The alternative methodology was not originally used by the District since the District did not have an adopted Capital Improvement Plan (CIP) at the time the fee study was prepared. However, the District now has an adopted a 5-year Capital Improvement Plan and a standards of coverage study which can be used to calculate the fees under this alternative methodology.

A second comment expressed concern over not using the City of Menlo Park proposed General Plan Update growth projections for residential and employment populations in the Study. The previous draft included lower growth projections for the City of Menlo Park developed by the Association of Bay Area Governments (ABAG). These projections are considerably lower than the projections developed by Placeworks; a planning consultant for the City of Menlo Park that has provided development, population and employment growth projections to the City as part of the development of its General Plan Update. ABAG's numbers are lower because the ABAG numbers do not include the growth projections included in the proposed, un-adopted General Plan Update. The proposed General Plan Update for the City of Menlo Park has been in processing for over a year and is scheduled to be considered by the City Council for adoption in August 2016. Therefore, the District believes the proposed land use changes and associated development in proposed General Plan Update represent reasonable assumptions regarding future service population growth in the City of Menlo Park.

In order to address these concerns Staff has updated the draft Emergency Services and Fire Protection Impact Fee Nexus Study to be based on a fair share apportionment of specific future capital improvement costs to new development and to incorporate the Placeworks growth projections. Several other comments were provided which the District has addressed throughout the revised draft Emergency Services and Fire Protection Impact Fee Nexus Study or can be addressed by the Board through their implementation policy.

DISCUSSION

The revised methodology requires the District to identify its Capital needs over the next 20 years. As detailed in the table below, Staff has developed a long term Capital Improvement Plan for the construction of the District's fire stations and the replacement of the District's apparatus and vehicles which uses the Board-adopted 5 year Capital Improvement Plan as a base.

2015-2035 Capital Improvement Plan Summary - 2015 Dollars
2016 Fire Protection Fee Nexus Study - MPFPD

Capital Improvement Plan Summary- 2015 Forecasted Expenditures									
Facility	2015-16	2016-17	2017-18	2018-19	2019-20	2020-25	2025-30	2030-35	Total
<u>Buildings</u>									
Admin. & Fire Prevention	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Station 1 & Training Facility	\$0	\$75,000	\$250,000	\$3,000,000	\$5,000,000	\$4,678,472	\$0	\$0	\$13,003,500
Station 2	\$4,363,422	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,363,400
Station 3	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000,000	\$5,292,842	\$6,292,800
Station 4	\$0	\$0	\$0	\$0	\$75,000	\$9,993,548	\$0	\$0	\$10,068,500
Station 5	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6,292,842	\$6,292,800
Station 6	\$1,500,000	\$3,300,000	\$3,300,000	\$1,500,000	\$0	\$0	\$0	\$0	\$9,600,000
Station 77	\$0	\$0	\$0	\$0	\$0	\$0	\$10,068,548	\$0	\$10,068,500
Station 77 Ancillary Bldgs	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000,000	\$0	\$1,000,000
Subtotal	\$5,863,422	\$3,375,000	\$3,550,000	\$4,500,000	\$5,075,000	\$14,672,020	\$12,068,548	\$11,585,684	\$60,689,500
<u>Apparatus</u>									
Fire Engine	\$595,000	\$0	\$1,190,000	\$1,190,000	\$0	\$1,190,000	\$2,975,000	\$1,190,000	\$8,330,000
Ladder Truck	\$0	\$0	\$0	\$1,700,000	\$0	\$0	\$0	\$3,400,000	\$5,100,000
Ladder Truck (New)	\$0	\$0	\$0	\$1,700,000	\$0	\$0	\$0	\$0	\$1,700,000
Squad (New)	\$0	\$0	\$0	\$0	\$0	\$0	\$300,000	\$0	\$300,000
Patrol Pumper	\$190,000	\$0	\$0	\$200,000	\$0	\$0	\$0	\$390,000	\$780,000
BC Command Vehicle	\$0	\$0	\$0	\$110,000	\$0	\$0	\$110,000	\$110,000	\$330,000
Airboat	\$0	\$0	\$0	\$0	\$80,000	\$0	\$0	\$80,000	\$160,000
Other Vehicles and Equip.	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$1,000,000	\$1,400,000	\$1,300,000	\$4,700,000
Subtotal	\$985,000	\$200,000	\$1,390,000	\$5,100,000	\$280,000	\$2,190,000	\$4,785,000	\$6,470,000	\$21,400,000
Grand Total	\$6,848,422	\$3,575,000	\$4,940,000	\$9,600,000	\$5,355,000	\$16,862,020	\$16,853,548	\$18,055,684	\$82,089,500

The total cost of the Capital Improvement Plan from 2015 to 2035 is \$82,089,500. All figures are presented in constant 2015 dollars. However the share of costs attributable to new development is 15% or a total of \$12,068,500 as shown in the table below. The allocation factors by project were estimated by District staff and represent the share of each project triggered by planned new service population.

Proposed new improvements include the following:

- **New Apparatus** MPFPD currently has one front line ladder truck. However, the District will require a second ladder truck due to increasing population and the addition of proposed elevated structures. Having two front line ladder trucks would allow MPFPD to strategically place the ladder trucks on the east side and west side of the District at stations located near existing and proposed elevated structures, thus improving response times. A new squad vehicle will help to address increased service demand from incidents related to worsening traffic congestion due to increased employees and residents. These vehicle costs are attributable 100 percent to demand generated by new development.
- **Relocation, Expansion, Remodeling and/or New Construction of Fire Stations** – While the District currently does not have a plan to increase its number of fire stations, most of the existing fire stations will need to be upgraded and/or expanded within the next 25 years due to population growth and building age. The District has identified at least two fire stations (Station #4 and Station #77) which are proposed to be rebuilt and potentially relocated in order to respond to demand from new development and maintain service standards including response times. The costs for these expansions have been allocated 50 percent to new development; the expansions effectively double the capacity of the stations, and the additional capacity is needed for additional vehicles and staff to serve new development.

Capital Improvements Needed to Service New Development and Cost Allocations
2016 Fire Protection Fee Nexus Study - MPFPD

Facilities	Net Cost to District	Percent of Cost Allocated to New Development	Cost Allocated to New Development	Remaining Portion to be Offset by Other Funding Sources
Admn. & Fire Prevention	\$0	0%	\$0	\$0
Station 1 & Training Facility	\$13,003,500	0%	\$0	\$13,003,500
Station 2	\$4,363,400	0%	\$0	\$4,363,400
Station 3	\$6,292,800	0%	\$0	\$6,292,800
Station 4	\$10,068,500	50%	\$5,034,250	\$5,034,250
Station 5	\$6,292,800	0%	\$0	\$6,292,800
Station 6	\$9,600,000	0%	\$0	\$9,600,000
Station 77	\$10,068,500	50%	\$5,034,250	\$5,034,250
Station 77 Ancillary Bldgs	\$1,000,000	0%	\$0	\$1,000,000
Subtotal	\$60,689,500	17%	\$10,068,500	\$50,621,000
Apparatus & Equipment (# of Items)				
Fire Engine (14)	\$8,330,000	0%	\$0	\$8,330,000
Ladder Truck (3)	\$5,100,000	0%	\$0	\$5,100,000
Ladder Truck (1)	\$1,700,000	100%	\$1,700,000	\$0
Squad (1)	\$300,000	100%	\$300,000	\$0
Patrol Pumper (4)	\$780,000	0%	\$0	\$780,000
BC Command Vehicle (3)	\$330,000	0%	\$0	\$330,000
Airboat (2)	\$160,000	0%	\$0	\$160,000
Other Vehicles and Equipment	\$4,700,000	0%	\$0	\$4,700,000
Subtotal	\$21,400,000	9%	\$2,000,000	\$19,400,000
Grand Total	\$82,089,500	15%	\$12,068,500	\$70,021,000

(#) Indicates the quantity to be purchased over the next 20 years which includes replacement per the District's replacement schedule.

Approximately 26,900 additional persons are expected to reside within the District’s boundaries during the planning horizon as a result of new residential development and employment is estimated to grow by 25,300 jobs. The service population growth calculated using the numbers from the proposed general plan update is 41,584. In comparison, the service population growth from the previous report which used numbers provided by ABAG was only 17,670.

FISCAL IMPACT

The revised methodology and the updated service population growth allows for the share of costs attributable to new development to be shared over a greater service population. Therefore the cost per resident and per employee has significantly reduced. The table below shows a comparison of the new proposed rates based on planned growth to the rates developed using the previous methodology as well as to the current fees in the City of Palo Alto, which recently adopted a new fire impact fee.

**Proposed Fees by Land Use Comparison
2016 Fire Protection Fee Nexus Study - MPFPD**

Land Uses	Rates based on Planned Growth	Rates based on Previous Methodology	Palo Alto Fees
Residential Uses			
Base Rate	\$299	\$682	NA
Single Family	\$879	\$2,007	\$996
Multi Family	\$655	\$1,492	\$797
2nd Unit	\$655	\$1,492	NA
Other Unit Types	\$299	\$682	NA
Non-Residential Uses			
Base Rate	\$173	\$396	NA
Retail	\$433	\$989	\$560
Hotel	\$347	\$792	\$560
Office - R&D	\$572	\$1,319	\$740
Industrial	\$217	\$792	\$190
Other Unit Types	\$173	\$396	NA

Based on the amount of projected development, the District estimates it will receive approximately \$12,068,500 in fee revenue between 2015 and 2035 if the projected rate of development and resident and employee growth occurs. If the Board adopts fee waivers or credits then the fee revenue estimate would decrease. The remaining capital improvement costs will need to be funded by other revenue sources.

The table below shows a potential CIP funding analysis over the 20-year time frame of the fee study and shows the current CIP fund balance of approximately \$20.8 million and the revenue projected to be generated by impact fees of \$12.4 million. Given estimated capital improvement expenditures of \$82.1 million and \$360,000 of fee administration costs, there is a \$49.2 million shortfall. The District has set aside an average of \$2.5 million per year in reserves for capital improvements, however this practice is not guaranteed to continue and is subject to the fluctuation of property tax revenues as well as the allocation of funds as determined by Staff and the Board of Directors. Assuming this practice continues it would result in an additional \$47.5 million over 20 years.

Funding of Fee	Amount
CIP Fund Balance	\$20,800,000
New Potential Impact Fee Revenue	\$12,430,555
Admin. Costs (3%)	(\$362,055)
Estimated Capital Improvement Expenditures	(\$82,089,500)
Shortfall	(\$49,221,001)
*Annual Property Tax Funding @ \$2.5m	\$47,500,000
Fund Balance	(\$1,721,001)

* Represents reasonable average but not guaranteed
 FY 15-16 contribution already shown in the CIP Fund Balance

ATTACHMENT

A – Resolution

Exhibit 1 - Draft Emergency Services and Fire Protection Impact Fee Nexus Study

Exhibit 2 - Impact Fee Schedule Calculation & the Impact Fee Waiver and Credit Policy