

**South Lake County  
Fire Protection District**



# Fire Mitigation Fee Nexus Study Overview



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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
- 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 District added EMS
  - Fire station construction costs went from \$64-70 psf to \$600+ psf
  - Class A Engine / Pumper cost went from \$200k to \$700k
  - Water Tender cost went up from \$110k 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



- Impact fees are imposed as a condition of development approval by land use authority
- Special districts lack land use authority
- Fire protection districts are specifically prohibited from charging impact fees
  - Fire Protection District Law of 1987 (Health and Safety Code Section 13916)
- Cities and Counties may impose impact fees that benefit special districts
  
- **District Board:** approves nexus study and forwards it to the County
- **County of Lake Board of Supervisors:** adopts the fee on behalf of the District

# 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



- Fire Mitigation Fee is based on future development's share of existing and future public facility costs:
  - 10 million sf of existing development within the District
  - 1.4 million sf of new development projected in the next 18 years
  - 11.4 million sf of total development projected by 2040
  - \$29.3 million of total cost / value of District's existing and planned facilities
  - \$252,000 in District's mitigation fee fund
  - \$29.1 million is the net cost of District's facilities to be allocated to all development
  - \$2.56 is the net cost allocation per sf of all development

# 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 Fee



| Description                      | Amount / Sq.Ft. |                |
|----------------------------------|-----------------|----------------|
|                                  | Residential     | Nonresidential |
| Base Fee per Sq. Ft.             | \$1.96          | \$2.56         |
| Administrative Surcharge      2% | \$0.04          | \$0.05         |
| <b>Total Fee Amount</b>          | <b>\$2.00</b>   | <b>\$2.61</b>  |

- 2% Admin Surcharge covers Mitigation Fee Act compliance costs (nexus studies, recordkeeping, reporting, etc.)
- Fee applies to all new development
- Includes automatic annual inflation adjustment

# Projected Fee Revenue



- Projected fire mitigation fee revenue: **\$3.1 million** over 18 years
- Planned facilities costs: **\$8.9 million**
- Available mitigation fee funds: **\$252k**
- Funding needed from other sources: **\$5.9 million**

# Questions?



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