



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: AUGUST 6, 2024

FROM: FINANCE DEPARTMENT WARDS: ALL

SUBJECT: APPROVE THE PROFESSIONAL CONSULTANT SERVICES AGREEMENT WITH WILLDAN FINANCIAL SERVICES OF TEMECULA, CA, TO CONDUCT A COMPREHENSIVE DEVELOPMENT IMPACT FEE STUDY IN THE AMOUNT OF \$110,280, PLUS 10% CHANGE ORDER AUTHORITY FOR A TOTAL AMOUNT OF \$121,308 FOR A TERM OF ONE (1) YEAR WITH AN OPTION TO EXTEND FOR SIX (6) ADDITIONAL SIX-MONTH TERMS, NOT TO EXCEED FOUR (4) YEARS

ISSUE:

Approve the Professional Consultant Services Agreement with Willdan Financial Services, of Temecula, CA in accordance with Request for Proposal No. 2350 (RFP 2350) – Comprehensive Development Impact Fee Study in the amount of \$110,280, plus 10% change order authority in the amount of \$11,028, for a not to exceed amount of \$121,308 for a term of one (1) year with an option to extend for six (6) additional six-month terms, not to exceed four (4) years.

RECOMMENDATIONS:

That the City Council:

1. Approve the Professional Consultant Services Agreement in accordance with Request for Proposal No. 2350 (RFP 2350) – Comprehensive Development Impact Fee Study with Willdan Financial Services, of Temecula, CA to conduct a Comprehensive Development Impact Fee Study for a term of one (1) year in the amount of \$110,280, plus 10% change order authority in the amount of \$11,028, for a not to exceed amount of \$121,308 for a term of one (1) year with an option to extend for six (6) additional six-month terms, not to exceed four (4) years; and
2. Authorize the City Manager, or designee, to execute the Professional Consultant Services Agreement with Willdan Financial Services, of Temecula, CA including the ability to make minor and non-substantive changes.

LEGISLATIVE HISTORY:

With the passage of Assembly Bill 1600, known as the 1987 Mitigation Fee Act (Government Code Section 66000 and following), the State of California recognized the burden on local governments from the rising costs associated with needed infrastructure and population increases associated with new development. The Mitigation Fee Act allows cities to collect a development

impact fee (DIF) from developers of new projects. DIFs are used to defray the cost of construction and improvements of public facilities needed as a result of the additional strain placed on public facilities, such as roads, water, wastewater, parks, and schools. DIFs are distinct from taxes and special assessments because they are considered a fee for a service, meaning they must be directly related to the impact of the development. DIFs ensure that new development contributes financially to the additional public resources it necessitates. This helps to avoid placing the entire burden on existing taxpayers who may not directly benefit from the new development.

California's Assembly Bill 602 (AB 602) went into effect in January 2022 and brought significant changes for cities regarding development impact fees (DIFs). AB 602 emphasizes transparency by mandating that cities make DIF reports publicly available, detailing how these fees are collected, spent, and calculated. This increased transparency allows for greater public oversight. Additionally, AB 602 standardizes fee calculations for housing developments, typically basing them on the square footage of the project. While this can simplify the process for some developments, cities may need to adjust their procedures to comply. Finally, AB 602 strengthens the requirements for nexus studies, which demonstrate the link between DIFs and the impact on specific public facilities. Cities will need to ensure these studies are conducted regularly and meet the new criteria outlined in the legislation. Overall, AB 602 introduces new requirements and reporting obligations for cities, impacting how they manage and administer their DIF programs.

BACKGROUND:

The City of Riverside last updated its Development Impact Fees (DIFs) in 2006, adjusting only the fees for Parks, Recreation, and Community Services. Other City DIFs, particularly those for transportation and fire stations, date back to the 1980s and 1990s. Due to inflation and the City's growth, the current fees are significantly lower than what is needed to address future development and redevelopment needs. Additionally, new laws and regulations, such as AB 602, require a nexus fee study to be completed at least every eight years.

The City currently assesses impact fees on new commercial, industrial, and residential developments, as well as redevelopment projects within its boundaries. The following development impact fee categories are currently included in the City's DIF program and require a comprehensive review:

- Traffic Signals
- Transportation
- Park Facilities and Trails
- Bridges
- Fire Protection
- Storm Drainage
- Sewer
- Water Facilities

The City is considering the potential inclusion of the following development impact fee categories in its DIF program:

- Public Art
- Public Safety Facilities
- Water Connection
- Airport Improvement

- Libraries
- Drainage Improvement
- Warehouse and Logistics
- Accessory Dwelling Unit

Development Impact Fees are imposed one-time, on new residential and non-residential development only. According to the California Mitigation Fee Act, local agencies must prepare and consider a study documenting the following when adopting impact fees:

- Identify the purpose of the fee
- Identify the use of fee revenues
- Determine a reasonable relationship between the fee's use and the type of development paying the fee
- Determine a reasonable relationship between the need for the fee and the type of development paying the fee
- Determine a reasonable relationship between the amount of the fee and the cost of the facility attributable to development paying the fee

The City is seeking a consultant with significant experience in Nexus Studies and an understanding of the legal and policy frameworks governing development impact fees. The consultant will conduct a development impact fee study that meets the requirements of the Mitigation Fee Act (California Government Code Section 66000 et seq., also known as "AB1600") as amended by Assembly Bill 602 and complies with Proposition 218 and other regulations. The study should include detailed and legally defensible justification and analysis for each DIF, including nexus studies that demonstrate the financial connection between the need for each proposed fee and new development.

It is critical that new development pays its fair share of the cost of adding capacity to the City's facilities and infrastructure. Otherwise, existing residents and property owners are asked to subsidize the construction of facilities and infrastructure needed to service new development. Therefore, staff recommends a comprehensive study at this time to evaluate all of the City's non-utility impact fees.

DISCUSSION:

On February 2, 2024, the City issued Request for Proposal No 2350 (RFP 2350) on PlanetBids seeking prospective bidders to provide professional consultant services for the preparation of a comprehensive Development Impact Fee study. This study aims to meet the requirements of the Mitigation Fee Act (California Government Code Section 66000 et seq., also known as "AB1600") as amended by Assembly Bill 602, as well as the requirements of Proposition 218 and other regulations. The notification was sent to 890 City of Riverside vendors and 500 external vendors. With 18 prospective proposers, RFP 2350 closed on February 28, 2024, receiving one response. The response was found to be responsive and responsible. Under the guidance of the purchasing department, the proposal was evaluated by a member in the Finance Department and deemed to be a qualified proposal. When the purchasing department reached out to the prospective proposers that opted to not participate, responses back ranged from firm's not having the capacity to take on more projects to not believing the firm's response would be competitive.

Willdan is recommended by staff to conduct the DIF study for the City of Riverside due to its extensive experience and proven expertise in implementing defensible fee programs. The firm has assisted over 100 California government agencies with developing and updating various fee

types, ensuring defensible documentation and thorough coordination of fee program changes for different agency departments and stakeholders. Their innovative methodologies, including the use of focus groups to inform the development community and the public about the impact fees, ensure fair-minded and sensible projects. This experience is complemented by their deep understanding of the legal and policy frameworks governing development impact fees, including compliance with the Mitigation Fee Act and updates from Assembly Bill 602.

With twenty-five years of development impact fee experience, the firm has successfully conducted over 125 impact fee studies in the past five years, including comprehensive fee updates for various cities and counties. This extensive experience, coupled with their ability to explain technical information in a concise and understandable manner, ensures that the City of Riverside will receive a detailed and legally defensible analysis for each DIF, demonstrating the financial connection between the need for each proposed fee and new development.

The work plan for the Development Impact Fee (DIF) study outlined in the Willdan proposal for the City of Riverside includes the following key tasks:

- **Identify & Consider Fee Categories & Policy Issues:** Review agency documents related to existing capital planning policies, funding programs, and impact fees to identify potential policy issues and seek guidance from City staff.
- **Identify Existing Development and Future Growth:** Consult with City staff to identify current development levels and project future growth consistent with the City's current planning policies, including identifying growth projections and developing an approach for converting land use data to measures of facility demand.
- **Determine Facility Standards:** Identify facility standards required to accommodate growth through evaluating possible facility standards based on current facility inventories and available planning documents.
- **Determine Facilities Needs and Costs:** Identify the type, amount, and cost of facilities needed to accommodate growth and correct any deficiencies, including quantifying planned facilities based on growth projections and facility standards, distinguishing between facilities needed for growth and those needed to correct existing deficiencies, and gathering planning-level data on new facilities costs.
- **Identify Funding and Financing Alternatives:** Determine the extent of alternative funding available for new facilities, ensuring compliance with the Mitigation Fee Act, which requires reporting on the anticipated source and timing of additional funding if impact fees only partially fund a capital project.
- **Comparison and Feasibility Analysis:** Prepare a comparison of the current and proposed impact fees to those of comparable/surrounding jurisdictions in Riverside County and an assessment of the effect of fees on development feasibility.
- **Calculate Fees and Prepare Report:** Provide a technically defensible fee report that comprehensively documents project assumptions, methodologies, and results.
- **Prepare Impact Fee Schedule Calculation Tool:** Provide an interactive that can be used by City staff and developers to calculate impact fees associated with a development project.
- **Meetings:** The Willdan staff will attend various meetings throughout the City's engagement, including sessions with City staff and departments, public engagement meetings, and council meetings.

Purchasing Resolution 24101 Section 508 states, “Contracts procured through Formal Procurement shall be awarded by the Awarding Entity to the Lowest Responsive and Responsible Bidder, except that... (c) Contracts procured through Formal Procurement for Services or Professional Services, where a Request for Proposals or Request for Qualifications was used to solicit Bids, shall be awarded by the Awarding Entity in accordance with the evaluation criteria set forth in the Request for Proposals or Request for Qualifications.”

The Purchasing Manager concurs with the award recommendation and confirms that this request is in compliance with Purchasing Resolution No. 24101.

STRATEGIC PLAN ALIGNMENT:

Hiring a consultant to conduct a comprehensive development impact fee study supports **Strategic Priority 5 – High Performing Government** and **Goal 5.3** - Enhance communication and collaboration with community members to improve transparency, build public trust and encourage shared decision making.

Financial reporting aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – Willdan Financial Services would provide a comprehensive Development Impact Fee study. The project is designed to be an inclusive and transparent process that incorporates community engagement and the involvement of City Boards & Commissions, as appropriate. Community outreach will be conducted with full transparency, open to all interested individuals and groups, and with a goal of educating participants, listening to and addressing concerns, and incorporating feedback into the final fee recommendations.
2. **Equity** – The Riverside community at large is invited to participate in community engagement efforts and public meetings related to DIF study. Equity is a major consideration when recommending development impact fee levels to ensure that City services and programs are accessible to all.
3. **Fiscal Responsibility** – The DIF study will inform the public and City leadership that the costs of new infrastructure and public services required by new developments are equitably distributed, preventing undue financial burdens on existing residents. By generating dedicated revenue for infrastructure improvements, it maintains service levels and supports long-term financial planning.
4. **Innovation** – Community engagement is an important component of the DIF study and will help ensure that the City’s DIF program leads to innovative solutions that address community needs while meeting development goals.
5. **Sustainability & Resiliency** – A well-designed DIF study provides a framework for fostering innovation in urban planning, sustainability, and economic development.

FISCAL IMPACT:

The fiscal impact of this action is \$121,308 which includes a 10% contingency of \$11,028. Funds are budgeted and available in the General Fund, Non-Departmental Citywide Financial Management, Professional Services account number, 7223700-421000. A portion of the funding

for this agreement will be funded through carryovers of unused budget from FY 2023/24 within this account.

Prepared by: Jaime Martinez, Budget Manager
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Certified as to
availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by: Edward Enriquez, Assistant City Manager/Chief Financial
Officer/Treasurer
Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. RFP Award Recommendation
2. Professional Consultant Services Agreement with Willdan Financial Services