

**Addendum #1 to the North Tahoe Fire Protection District
Fire Facilities Impact Fee Study dated June 6, 2007**

December 3, 2010

INTRODUCTION

The North Tahoe Fire Protection District (District) adopted its current Fire Facilities Impact Fee (Fee) in accordance with MuniFinancial’s Fire Facilities Impact Fee Study, dated June 6, 2007. Since the Fee was adopted, the District has made significant progress in the development of its new Tahoe City station. To honor its obligations under the Mitigation Fee Act, the District retained Goodwin Consulting Group, Inc. to recalculate the Fee given the information now available. This addendum to the MuniFinancial study communicates why the Fee is changing, details how the Fee is changing, and calculates a new Fire Facilities Impact Fee (Updated Fee). *The Updated Fee must be adopted by the District’s Board of Directors before it can take effect.*

PURPOSE OF ADDENDUM #1

As mentioned in the introduction, the Updated Fee is largely necessitated by the progress in the development of the District’s new Tahoe City station. The cost estimates applied to the new Tahoe City station in the prior study can now be replaced by an actual, detailed project budget. In addition, the District entered into a loan agreement to fund project costs, thereby formalizing the associated financing costs. Other components have been modified as well, primarily with the intention of ensuring consistency with the changes indicated above. The analysis that follows will specify how the newly available information compares with the previous cost estimates and will quantify the effect that the new data has on the derivation of the Updated Fee.

DERIVATION OF THE UPDATED FEE

Between the Fee’s initial adoption and this Addendum #1, the District twice adjusted the Fee to reflect inflationary/deflationary pressures. In October 2008, the Fee was increased by nearly 8.6%, but in July 2009, the adjusted Fee was decreased by approximately 0.7% to account for a decline in the Engineering News-Record’s construction cost index. The table below compares the original Fee (as initially adopted) to the existing Fee (with the two adjustments).

	<u>Original Fee</u>	<u>Existing Fee</u>	<u>Change</u>
Residential	\$0.77 per SF	\$0.83 per SF	\$0.06
Commercial	\$0.57 per SF	\$0.61 per SF	\$0.04
Office	\$0.73 per SF	\$0.78 per SF	\$0.05
Industrial	\$0.51 per SF	\$0.54 per SF	\$0.03

To simplify the calculation of the Updated Fee, the overall change in the construction cost index, through November 2010, was applied to the relevant costs in the prior study.

District Headquarters (Tahoe City Station)

Both the financing costs and revised project costs make up the grand total cost estimate for the new Tahoe City station, as presented below.

District Headquarters – Cost Estimates

Building Construction and Site Preparation	\$ 5,973,000
Furnishings, Fixtures, and Equipment – General	\$ 295,852
Furnishings, Fixtures, and Equipment – Radio	\$ 57,000
Furnishings, Fixtures, and Equipment – Data	\$ 49,394
Furnishings, Fixtures, and Equipment – Phone	\$ 18,865
Architect – Basic Services	\$ 1,132,380
Architect – Additional Services	\$ 250,000
Civil Engineering – Regulatory and Permitting	\$ 105,325
Civil Engineering – Additional Services	\$ 46,223
Civil Engineering – Construction Staking	\$ 25,000
Other Consulting – Project Management	\$ 120,000
Other Consulting – Construction Management	\$ 425,000
Other Consulting – Inspection	\$ 100,000
Other Consulting – Legal	\$ 80,000
Agency Fees	\$ 220,000
EOC Equipment	\$ 40,000
Tree Mitigation	\$ 30,000
Wetland Mitigation	\$ 25,000
Dump Site Fencing	\$ 5,000
Golf Netting	\$ 10,000
<i>Subtotal</i>	<i>\$ 9,008,039</i>
Contingency (10%)	\$ 900,804
TRPA Land Coverage	\$ 494,000
Total before Financing Costs	\$ 10,402,843
Financing Costs [Refer to Appendix A for detail]	\$ 597,256
Grand Total	\$ 11,000,099

In the prior study, the new Tahoe City station was assumed to cost \$10,423,600, which included site work and soft costs amounting to \$3,053,200. The prior study also earmarked \$1,200,000 for associated equipment and apparatus. In order to clarify what the \$1.2 million will fund, the *New Tahoe City Station Equipment and Apparatus* line item was changed to “Ladder Truck.”

The prior study also assumed that Stations 52 (Kings Beach), 53 (Homewood), 54 (Dollar Point), and 55 (Carnelian Bay) would require expansion-related costs of approximately \$1.4 million. The District now believes, however, that the Kings Beach, Dollar Point, and Carnelian Bay stations can adequately serve the incremental development expected in those areas.

Since the Fee was adopted, the District also commissioned a study to look at the needs of the Homewood station. With the possibility of substantial development in the Homewood area, the existing station’s 2,310 square feet will need to increase. Due to the station’s construction type, however, modular expansion is impractical because the existing station does not meet current seismic requirements. Space for a new station has been estimated at 7,165 square feet, which yields a total cost of \$3,886,600 before demolition costs. To arrive at this estimate, the same

square footage factor from the new Tahoe City station ($\$11,000,099 \div 20,279 \text{ sq. ft.} = \542.44) was applied. Adding demolition costs of \$40,000, the new Homewood station is expected to cost \$3,926,600.

The net effect of these adjustments is that the Updated Fee allocates \$3,332,100 more in mitigation costs to the benefitting residents and workers. Tables 7, 8, and 11 from the prior study are recreated below, identifying the revised numbers and, ultimately, the Updated Fee.

<u>Table 7 (Prior Study)</u>		<u>Updated Fee</u>
New Tahoe City Station	\$ 10,423,600	\$ 11,000,099
Fire Station Expansions		
Station 52	\$ 175,000	\$ 0
Station 53	1,054,000	3,926,600
Station 54	120,000	0
Station 55	98,200	0
Subtotal	\$ 1,447,200	\$ 3,926,600
Vehicles & Equipment		
New Tahoe City Station Equip & Apparatus	\$ 1,200,000	\$ 0
P-25 Compliant Communications System	600,000	676,200
Ladder Truck		1,400,000
Subtotal	\$ 1,800,000	\$ 2,076,200
Subtotal New Facilities	\$ 13,670,800	\$ 17,002,900

<u>Table 8 (Prior Study)</u>		<u>Updated Fee</u>
Existing Fire Facilities	\$ 13,833,300	\$ 15,590,800
Less Tahoe City Station (to be replaced)	(1,982,000)	(2,233,800)
Less Homewood Station (to be replaced)		(1,493,300)
Planned Fire Facilities	13,670,800	17,002,900
Total Fire Facilities	\$ 25,522,100	\$ 28,866,600
Projected 2030 Service Population	26,200	26,200
Facility Standard per Capita	\$ 974	\$ 1,102
Cost per Resident	\$ 974	\$ 1,102
Cost per Worker ¹	\$ 234	\$ 264

¹ Worker weighting factor of 0.24 applied to cost per resident.

Table 11 (Prior Study)

	A	B	C=AxB	D=0.02xC	E=C+D	F=E/1,700 F=E/1,000
Land Use	Cost per Capita	Density¹	Cost per DU or 1,000 SF	Admin. Costs²	Total Fee³	Fee per SF⁴
<i>Residential</i>	\$ 974	1.32	\$ 1,288	\$ 26	\$ 1,313	\$ 0.77
<i>Nonresidential</i>						
Commercial	\$ 234	2.40	\$ 562	\$ 11	\$ 573	\$ 0.57
Office	\$ 234	3.05	\$ 714	\$ 14	\$ 728	\$ 0.73
Industrial	\$ 234	2.13	\$ 498	\$ 10	\$ 508	\$ 0.51

¹ Persons per dwelling unit for residential land uses and employees per 1,000 square feet for nonresidential land uses. Densities include adjustment for vacancy.

² Estimated at two percent of the total fee for district costs such as fee studies, collection, accounting, and annual reporting required by Calif. Govt. Code Section 66000 et seq.

³ Per residential dwelling unit or per 1,000 square feet of nonresidential construction.

⁴ Based on average size of 1,700 square feet for new units in unincorporated Placer County.

Table 11 (Updated Fee)

	A	B	C=AxB	D=0.02xC	E=C+D	F=E/1,700 F=E/1,000
Land Use	Cost per Capita	Density¹	Cost per DU or 1,000 SF	Admin. Costs²	Total Updated Fee³	Updated Fee per SF⁴
<i>Residential</i>	\$ 1,102	1.32	\$ 1,454	\$ 29	\$ 1,483	\$ 0.87
<i>Nonresidential</i>						
Commercial	\$ 264	2.40	\$ 635	\$ 13	\$ 647	\$ 0.65
Office	\$ 264	3.05	\$ 807	\$ 16	\$ 823	\$ 0.82
Industrial	\$ 264	2.13	\$ 563	\$ 11	\$ 574	\$ 0.57

¹ Persons per dwelling unit for residential land uses and employees per 1,000 square feet for nonresidential land uses. Densities include adjustment for vacancy.

² Estimated at two percent of the total fee for district costs such as fee studies, collection, accounting, and annual reporting required by Calif. Govt. Code Section 66000 et seq.

³ Per residential dwelling unit or per 1,000 square feet of nonresidential construction.

⁴ Based on average size of 1,700 square feet for new units in unincorporated Placer County.

CONCLUSION

Employing the approach outlined in the prior study, the Updated Fee compares to the existing Fee as follows:

	<u>Updated Fee</u>	<u>Existing Fee</u>	<u>Change</u>
Residential	\$0.87 per SF	\$0.83 per SF	\$0.04
Commercial	\$0.65 per SF	\$0.61 per SF	\$0.04
Office	\$0.82 per SF	\$0.78 per SF	\$0.04
Industrial	\$0.57 per SF	\$0.54 per SF	\$0.03

The Updated Fee improves on the cost estimates relied upon in the prior study by making use of the itemized project budget for the new Tahoe City station as well as the financing agreement now in place. Should the District’s Board of Directors adopt the Updated Fee, it will be subject to the same future inflation adjustments and other Program Implementation items contemplated in the prior study.

Appendix A
Financing Costs Calculation

Loan Amount	\$10,000,000
Interest Rate	3.27%
Inflation Rate	3.00%
Net Interest Rate	0.27%
Term (Years)	29

Year	Principal	Interest	Annual Fee	Total Loan Payment
1		\$79,933	\$30,000	\$109,933
2		\$327,000	\$30,000	\$357,000
3	\$236,275	\$327,000	\$30,000	\$593,275
4	\$244,001	\$319,274	\$29,291	\$592,566
5	\$251,980	\$311,295	\$28,559	\$591,834
6	\$260,220	\$303,055	\$27,803	\$591,078
7	\$268,729	\$294,546	\$27,023	\$590,298
8	\$277,516	\$285,759	\$26,216	\$589,491
9	\$286,591	\$276,684	\$25,384	\$588,659
10	\$295,963	\$267,312	\$24,524	\$587,799
11	\$305,641	\$257,634	\$23,636	\$586,911
12	\$315,635	\$247,640	\$22,719	\$585,994
13	\$325,956	\$237,319	\$21,772	\$585,047
14	\$336,615	\$226,660	\$20,794	\$584,069
15	\$347,622	\$215,653	\$19,785	\$583,060
16	\$358,990	\$204,285	\$18,742	\$582,017
17	\$370,729	\$192,546	\$17,665	\$580,940
18	\$382,851	\$180,423	\$16,553	\$579,828
19	\$395,371	\$167,904	\$15,404	\$578,679
20	\$408,299	\$154,976	\$14,218	\$577,493
21	\$421,651	\$141,624	\$12,993	\$576,268
22	\$435,439	\$127,836	\$11,728	\$575,003
23	\$449,678	\$113,597	\$10,422	\$573,697
24	\$464,382	\$98,893	\$9,073	\$572,348
25	\$479,567	\$83,708	\$7,680	\$570,955
26	\$495,249	\$68,026	\$6,241	\$569,516
27	\$511,444	\$51,831	\$4,755	\$568,030
28	\$528,168	\$35,107	\$3,221	\$566,496
29	\$545,439	\$17,836	\$1,636	\$564,911
	\$10,000,000	\$5,615,356	\$537,837	\$16,153,193

Net Present Value of Loan Payments	\$10,512,256
Net Proceeds	\$10,000,000
Financing Cost (before Loan Origination Fee)	\$512,256
Loan Origination Fee	\$85,000
Financing Cost (after Loan Origination Fee)	\$597,256