



City of Gilroy
PUBLIC WORKS DEPARTMENT
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AGENDA DATE: December 10, 2012
TO: Thomas J. Haglund, City Administrator
FROM: Rick Smelser, Public Works Director/City Engineer
SUBJECT: Adjustment in the Storm, Water, Sewer and Traffic Impact Fees

Recommendation

It is recommended that City Council approve the attached resolution adjusting the Storm, Water, Sewer and Traffic Impact Fees (Utility and Traffic Impact Fees) as identified below.

Background

2004 Utilities and Traffic Facilities Fee Study (2004 Study) [attached as Exhibit "A"]

In 2004 the city of Gilroy ("City") completed a comprehensive impact fee study related to utilities and traffic facilities. The *2004 Study* set forth the analysis and utility and traffic impact fees to be applied to new residential and new and expanded commercial and industrial development. As defined by the *2004 Study* (attached hereto and incorporated herein) impact fees are a **financing mechanism** that fund public infrastructure and which are calculated based on a formula that includes the following:

1. Estimate of growth projections of new development for the planning horizon of 2038 (*2004 Study*, Chapter 3, Tables 3.1, 3.2 and 3.3).
2. [Determination of] utility and traffic Demand For Facilities based on growth projections of new development and demand rates through 2038. (*2004 Study*, Chapter 4, Storm Drain Facilities, Table 4.1 and 4.2, Chapter 5, Water Facilities, Table 5.1 and 5.2, Chapter 6, Sewer Facilities, Table 6.1 and 6.2 and Chapter 7, Traffic Improvement Facilities, Table 7.1).
3. [Identification of] utility and traffic Facilities To Accommodate Growth through 2038 (*2004 Study*, Chapter 4, Storm Drain Facilities, Table 4.3, Chapter 5, Water Facilities, Table 5.3, Chapter 6, Sewer Facilities, Table 6.3 and Chapter 7, Traffic Improvement Facilities, Table 7.2).
4. [Determination of] Program Administration Costs (*2004 Study*, Chapter 4, Storm Drain Facilities, Table 4.4 and 4.5, Chapter 5, Water Facilities, Table 5.4 and 5.5, Chapter 6, Sewer Facilities, Table 6.4 and 6.5 and Chapter 7, Traffic Improvement Facilities, Table 7.3 and 7.4).
5. [Allocation of] costs per unit of development to determine the Fee Schedule (*2004 Study*, Chapter 4, Storm Drain Facilities, Table 4.6, Chapter 5, Water Facilities, Table 5.6, Chapter 6, Sewer Facilities, Table 6.6 and Chapter 7, Traffic Improvement Facilities Table 7.5).
6. [Comparison and Implementation of] utility and traffic impact fees (*2004 Study*, Chapter 8).

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7. [Identification of] additional funding sources in addition to utility and traffic impact fee revenue to fully fund planned facilities (*2004 Study*, Chapter 9).

Without impact fees the City would be left without a major financing mechanism through which the community could afford to build necessary public infrastructure in a *sustainable* manner to accommodate new growth.

The utility and traffic impact fee cost adjustments are based on new cost data only, and do not change the assumptions and/or methodology of the *2004 Study*. The adjustments are in accordance with Resolutions 2004-96 and 2004-95 adopted November 1, 2004, which address the annual adjustment for the utility and traffic impact fees respectively as follows:

Resolution 2004-96 allows for annual adjustment to the Sewer Development Impact Fees, Water Development Impact Fees and Storm Drain Impact Fees, effective January 1 of each calendar year, based upon any increase in the annual Construction Cost Index ("CCI"). Council also determined that the City could "further adjust the amount of the Sewer Development Impact Fees, Water Development Impact Fees and Storm Drain Impact Fees from time to time based on new data".

Resolution 2004-95 allows for annual adjustment of the Traffic Impact Fee utilizing an independent engineering firm conducting "project review and unit cost analysis based on actual and/or foreseeable costs being experienced by the building industry".

Infrastructure, Financing & Growth

Growth and economic development drive the need for public infrastructure. The most prudent and efficient means of providing infrastructure is *simultaneous with or prior to growth*. Infrastructure to serve the new growth (new people and business) brought about by new development takes the form of storm drain channels, pipes, culverts and detention ponds, water production wells, booster pump stations, water mains and reservoirs, sewer trunk mains, lift stations and treatment plants, roads, bridges, traffic signals and interchanges to provide for desired community services. In order to pay for new infrastructure a source of funding is necessary. In Gilroy, and for most cities in California, as well as across the nation, that source of funding has been impact fees charged to new development. In their simplest form, impact fees raise the money necessary to pay the cost to build infrastructure needed to serve new residents and businesses. Impact fees were developed as a funding mechanism to ensure that the existing residents of a community are not burdened with the expense of building new infrastructure to serve *new growth*. This is referred to as the "**fair share**" concept of having new development pay its own way. Impact fees when established must adhere to the requirements of California's *Mitigation Fee Act* (Government Code Section 66000 et seq.). The *2004 Study* identifies the purpose of the utility and traffic impact fees:

"The policy of the City of Gilroy is that new development will not burden existing development with the cost of public facilities required to accommodate growth. The purpose of the public facilities fee is to implement this policy by providing a funding source from new development for capital improvements to serve that development. The fee advances a legitimate interest of the City by enabling the City to provide municipal services to new development." (*2004 Study*, Chapter 2, p. 5)

Impact fees, their form and amount, vary from community to community. The amount of an impact fee is a direct result of the types of infrastructure standards a community sets forth for *itself* and ultimately decides to build. The city of Gilroy has 5 impact fees:

Storm Impact Fee (subject of this report)
Water impact Fee (subject of this report)
Sewer Impact Fee (subject of this report)
Traffic Impact Fee (subject of this report)
Public Facilities Impact Fee

An Economic Reset

The City of Gilroy, like other cities in both California and the nation, has experienced a significant economic reset in recent years. The economic collapse of the nation's financial markets significantly constrained credit availability for both business and consumers. The federal government intervened with a national stimulus program that has slowly led to the thawing of the financial markets and the gradual extension of credit. The collapse of the financial markets was largely due to the subprime mortgage crisis in which loose credit standards placed people in homes they could not afford with the effect of causing an unsustainable run-up in housing prices. This scenario worked until it could no longer sustain itself. The bitter pill that followed was the most significant economic slowdown since the Great Depression. Now credit is severely restricted and prudent credit measures have returned to both the commercial and residential arenas.

In the residential home market, cautious credit measures lead to fewer potential homebuyers in the marketplace, fewer new home starts and remarkably lower home prices. The Great Recession affected much more than home prices however. Millions lost jobs nationwide and the dramatic effect of the Great Recession was felt in lower consumer prices almost across the board including housing, gasoline and other commodities, as well as, labor rates. Commercial real estate has suffered as well. The freeze in credit markets and depressed consumer demand exacerbated the economic crisis and provided unprecedented depth to the recession. All of these factors combined to usher in a significant economic reset.

Changed Governmental Fiscal Structures

The recession led to a dramatically changed fiscal environment for all levels of government. Gilroy is no exception. As the financial markets collapsed, Gilroy debt service sky rocketed forcing a realignment of that debt into both short and long term financing strategies. As the depth of the recession took hold loss of sales, property and utility users taxes coupled with a near halt in local development ravaged the City's budget. The City took bold, aggressive action to counter the effects of this revenue loss and has since enjoyed four fiscal years of balanced budgets and recently adopted a new balanced biennial operations budget. The City also took action to stem the hemorrhaging of its capital budget, largely financed by impact fees, by cutting projects and funding only those absolutely necessary and/or financed by grants and/or stimulus funds. The City has committed itself to a **sustainable** budgeting structure to ensure the financial viability of the organization for residents reliant on city services and infrastructure. Each future policy decision of the council is to continue this commitment to sustainable financial decisions.

Council Policy, Standards & Vision Guides Community Design

As stated earlier, fees paid to any of the impact funds, including the utility and traffic impact fees, pay for infrastructure projects necessary to accommodate growth related to new development within the City. Without these impact fees the City would be required to find another way to pay for such growth inducing infrastructure requirements. The amount of an impact fee paid to any of the impact funds above is *directly related* to the number and cost of the projects identified in the various impact funds.

The number and cost of the projects in the impact funds are directly related to the master plans completed for the purpose of identifying the services and infrastructure necessary to serve the population of Gilroy as that population increases through 2038. The master plans set forth community infrastructure standards and are adopted as policy documents by the city council. Master plans are consistent with the City's General Plan, the City's ultimate council adopted development policy document.

In this way, impact fees are individual and distinctive to each community. Direct comparison of impact fee amounts between communities can be a spurious exercise as each community's infrastructure needs are undoubtedly different and the community design as articulated within a particular city's general plan is as specific and unique as the individual characteristics of the city itself. Because of this, caution should be exercised when making broad based fee comparisons.

However, impact fees can and should be controlled. If the dollar amount of an impact fee is in direct relation to the number and cost of the projects the fee is designed to fund then the number and cost of projects should be carefully tailored to produce achievable community results over time. The challenge is to achieve community design standards and plan to build necessary infrastructure *over time* without either compromising those standards or discouraging development altogether.

Utility and Traffic Impact Fee Adjustments; Relationship to 2004 Study & Mitigation Fee Act Findings

The 2004 analysis utilized the following factors provided by the City Master Plans for each of the five impact fee categories:

1. Project cost assumptions;
2. Facility needs assumptions;
3. Anticipated buildout schedules; and the
4. Financing plans for the projects

Note that the utility and traffic impact fee adjustments only make changes to the above Master Plan factors and do not change the assumptions and methodology of the 2004 Study analysis.

The utility and traffic impact fee adjustments involved a review of the above master plans, the cost assumptions associated with the master plans and a re-costing of the projects consistent with the current pricing experienced in this area resulting from the recession's effect on items such as materials, property values and labor rates. The resulting costs were utilized to determine possible fee reductions, per the methodology of the normal annual fee adjustments. As with previous annual adjustments, the utility and traffic impact fee adjustments preserve, for the public benefit, the core projects of the fund so that residents and future council's can rely on the utility and traffic impact fees to adequately and *sustainably* provide financing for necessary infrastructure.

The utility and traffic impact fee adjustments are limited to a review of the utility and traffic impact fee nexus study projects that underlie the fees and do not propose any changes that would affect the statutory findings made by the Gilroy City Council at adoption of the utility and traffic impact fees in 2004. No changes are proposed that would change the original analysis of the reasonable relationship between new development, the fees, and utility and traffic facilities to be funded.

The utility and traffic impact fee adjustments do not review or suggest any changes to the methodology or calculations related to items such as the service population projections, existing utilities or the utility standards studied and adopted by the Gilroy City Council. Therefore, the utility and traffic impact fee adjustments do not alter or affect the statutory findings made by the Gilroy City Council in adopting the

2004 Study. Accordingly, the utility and traffic impact fee adjustments support the following findings made in Chapter 2 of the *2004 Study* and the established basis for each, which are:

1. Purpose of fee;
2. Use of fee revenues;
3. Benefit relationship;
4. Burden relationship; and
5. Proportionality

Discussion

A detailed review of each project and the cost factors associated with each project was performed within the utility and traffic master plans. Cost adjustments were made based on new cost data consistent with the current unit pricing experienced in this area, and did not affect the statutory findings made by the City Council at adoption of the utility and traffic impact fees in 2004. No changes were proposed that would change the original analysis of the reasonable relationship between new development and the utility and traffic impact fees or facilities to be funded by those fees. The cost adjustments reflect the Great Recession's effect on items such as materials, property values and labor rates consistent with current industry indicators and the City's own experience bidding out recent utility and traffic related projects.

Since the *2004 Study*, and based on the effects of the Great Recession, the anticipated dollar values for construction, equipment, land, and other related costs ("project cost assumptions") have changed and affected the underlying budget assumptions for projects included in the *2004 Study*. These assumptions include project cost adjustment and cost of living adjustments, including land values, construction, equipment, vehicle, personnel costs, short and long-term financing and anticipated interest rates. Accounting for this cost correction and then appropriately accounting for annual cost increases going forward provide the City with an opportunity to make fee adjustments within the utility and traffic impact fee structures and also account for cost increases over time. These modifications are both intuitive and appropriate so long as they are undertaken in a financially sustainable manner and are joined by the model's expectation of future "cost based" increases in order to ensure the fee keeps pace with inflationary cost increases that have clearly returned to the economy since the conclusion of the Great Recession. The new financial models for the sewer and traffic impact fees include low, automatic fee increases in order to raise the necessary financing over time to pay for the projects included in the plan. These anticipated fee increases are separate from fee increases related to the CCI. They must be applied regardless of the CCI to ensure the sewer and traffic impact funds do not slide into a deficit position in future years. The sewer impact fee model anticipates needed annual fee increases of 4% for 5 years, 2014 through 2018 and the traffic impact fee model anticipates needed annual fee increases of 3% for 6 years, 2014 through 2019.

All of the fees should be reviewed periodically to appropriately account for cost increases and provide the City with the opportunity to make fee adjustments within each of the impact fee structures over time to ensure the fees are reacting to existing economic conditions and provide for a sustainable financing plan for public infrastructure. During the period of this fee analysis, from November 2011 through November 2012, an engineering firm representing a portion of the development community reviewed and assisted in the analysis of each fee and corresponding fee reduction presented to Council. Each of the fee changes provide specific recommendations to ensure sustainable funding to pay for the projects included in the fees master plan.

The effect of the project cost adjustments within the utility and traffic master plans results in an overall approximate 18% reduction in the utility and traffic impact fees as follows:

| Storm Impact Fee | Current Fee | Revised Fee | Fee Reduction | Percent Reduction |
|--------------------------------------|--------------------|--------------------|----------------------|--------------------------|
| Land Use Fee Category | | | | |
| Residential – Low Density (\$/acre) | \$ 688 | \$ 564 | \$ 124 | 18% |
| Residential – High Density (\$/acre) | \$ 1,080 | \$ 886 | \$ 194 | 18% |
| Commercial (\$/acre) | \$ 1,864 | \$ 1,528 | \$ 336 | 18% |
| Commercial–Assembly Hall (\$/acre) | \$ 688 | \$ 564 | \$ 124 | 18% |
| Industrial (\$/acre) | \$ 1,375 | \$ 1,128 | \$ 247 | 18% |

| Water Impact Fee | Current Fee | Revised Fee | Fee Reduction | Percent Reduction |
|--------------------------------------|--------------------|--------------------|----------------------|--------------------------|
| Land Use Fee Category | | | | |
| Residential – Low Density (\$/unit) | \$ 5,236 | \$ 4,294 | \$ 942 | 18% |
| Residential – High Density (\$/unit) | \$ 2,118 | \$ 1,737 | \$ 381 | 18% |
| Commercial (\$/kgpd) | \$ 8,208 | \$ 6,731 | \$ 1,477 | 18% |
| Industrial (\$/kgpd) | \$ 8,208 | \$ 6,731 | \$ 1,477 | 18% |

*kgpd represents 1,000 gallons per day

| Sewer Impact Fee | Current Fee | Revised Fee | Fee Reduction | Percent Reduction |
|--------------------------------------|--------------------|--------------------|----------------------|--------------------------|
| Land Use Fee Category | | | | |
| Residential – Low Density (\$/unit) | \$ 12,531 | \$ 10,275 | \$ 2,256 | 18% |
| Residential – High Density (\$/unit) | \$ 6,781 | \$ 5,560 | \$ 1,221 | 18% |
| Commercial (\$/cgpd) | \$ 3,966 | \$ 3,252 | \$ 714 | 18% |
| Industrial (\$/cgpd) | \$ 3,966 | \$ 3,252 | \$ 714 | 18% |

*cgpd represent 100 gallons per day

Adjustment Relies on Anticipated Fee Escalation for reasonable fund balance at the end of 40 years:

FY 2014 - 2018 (5 years) - fee increases at 4% per year to ensure sustainable funding necessary to pay for the projects included in the plan

| Traffic Impact Fee | Current Fee | Revised Fee | Fee Reduction | Percent Reduction |
|---|--------------------|--------------------|----------------------|--------------------------|
| Land Use Fee Category | | | | |
| Residential – Low Density (\$/unit) | \$ 11,809 | \$ 9,683 | \$ 2,126 | 18% |
| Residential – High Density (\$/unit) | \$ 9,572 | \$ 7,849 | \$ 1,723 | 18% |
| Commercial–Low Traffic/Assembly Hall (\$/ksf) | \$ 13,065 | \$ 10,713 | \$ 2,352 | 18% |
| Commercial – High Traffic (\$/ksf) | \$ 26,390 | \$ 21,640 | \$ 4,750 | 18% |
| Industrial – General (\$/ksf) | \$ 5,178 | \$ 4,246 | \$ 932 | 18% |
| Industrial – Warehouse (\$/ksf) | \$ 3,753 | \$ 3,077 | \$ 676 | 18% |

*ksf represents 1,000 square feet

Adjustment Relies on Anticipated Fee Escalation for reasonable fund balance at the end of 40 years:

FY 2014 - 2019 (6 years) - fee increases at 3% per year to ensure sustainable funding necessary to pay for the projects included in the plan

Recommended Annual Review

It is recommended that an annual review of project cost adjustments be conducted to ensure that the fees remain agile and in keeping with actual cost experience. The new financial model for the sewer and traffic impact fees includes low, automatic fee increases in order to raise the necessary financing over time to pay for the projects included in the plan, yet it is possible that the annual cost of living could be

higher than these automatic increases. Additionally, the increases are for a limited period of time, five (5) years for sewer and six (6) years for traffic. Careful attention to construction cost index increases over time is a necessary action in order for the Council to provide the community *sustainable* utility and traffic facilities financial plans that adequately provide for infrastructure needs.

Human Resources Impact

There are no human resource impacts with this action.

Environmental Determination

The Resolution is not a "project" requiring environmental review under the California Environmental Quality Act (Pub. Resources Code Section 21000 *et seq.*, "CEQA"). Consistent with CEQA Guidelines Section 15378(b)(4),¹ the Utility and Traffic Impact Fee adjustments authorized by the Resolution are a governmental fiscal activity which will not result in a potentially significant physical impact on the environment.

Financial Impact

There are no financial impacts with this fee reduction.

¹ The CEQA Guidelines are codified at 14 C.C.R. § 15000 *et seq.*
Item VIII.B.

RESOLUTION NO. 2012-53

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF GILROY DECREASING THE STORM, WATER,
SEWER AND TRAFFIC IMPACT FEES**

WHEREAS, the City has committed itself to a sustainable budgeting structure to ensure the financial viability of the organization for residents reliant on city services and infrastructure. Each future policy decision of the council is to continue this commitment to sustainable financial decisions; and

WHEREAS, without impact fees the City would be left without a major financing mechanism through which the community could afford to build necessary public infrastructure in a sustainable manner to accommodate new growth; and

WHEREAS, master plans set forth community infrastructure standards and are adopted as policy documents by the City Council and are consistent with the City's General Plan, the City's ultimate council adopted development policy document; and

WHEREAS, by Resolution 2004-96, adopted November 1, 2004, the City Council of the City of Gilroy allowed for annual adjustment to the Sewer Development Impact Fees, Water Development Impact Fees and Storm Drain Impact Fees, effective January 1 of each calendar year, based upon any increase in the annual Construction Cost Index ("CCI"); and

WHEREAS, by said Resolution 2004-96 the City Council also determined that the City could further adjust the amount of the Sewer Development Impact Fees, Water Development Impact Fees and Storm Drain Impact Fees from time to time based on new data; and

WHEREAS, on November 1, 2004, the City Council adopted Resolution 2004-95, which sets forth the City's policy in relation to annual adjustments of the Traffic Impact Fee; and

WHEREAS, pursuant to Resolution 2004-95, the City allows for annual adjustment of the Traffic Impact Fee utilizing an independent engineering firm conducting project review and unit cost analysis based on actual and/or foreseeable costs being experienced by the building industry; and

WHEREAS, the City performed a detailed review of the cost assumptions associated with the Storm, Water, Sewer and Traffic master plans and a re-costing of the projects consistent with the current pricing experienced in this area resulting from the recession's effect on items such as materials, property values and labor rates are consistent with current industry indicators and the City's own experiences bidding out various projects over the past two years, providing the basis for a significant decrease in the Storm, Water, Sewer and Traffic Impact Fees; and

WHEREAS, this cost adjustments are based on new cost data only, and do not affect the statutory findings made by the City Council at adoption of the Storm, Water, Sewer and Traffic impact fees in 2004. No changes are proposed that would change the original analysis of the reasonable relationship between new development, the Storm, Water, Sewer and Traffic utility and traffic impact fees, and facilities to be funded; and

WHEREAS, the resulting Storm, Water, Sewer and Traffic financial models, based on the original 2004 Storm, Water, Sewer and Traffic Studies horizon, only produces a sustainable and balanced result for the Sewer model with annual increases of 4% for 5 years, 2014 through 2018 and the Traffic model with annual increases of 3% for 6 years, 2014 through 2019 and that these anticipated fee increases are separate from fee increases related to the CCI and must be applied regardless of the CCI to ensure the Storm and Traffic impact funds do not slide into a deficit position in future years; and

WHEREAS, the City Council by resolution may adjust the amount of the Storm, Water, Sewer and Traffic impact fees from time to time based on new data and now wishes to adjust the Storm, Water, Sewer and Traffic impact fees in accordance with the results of the 2011 cost adjustments; and

WHEREAS, this Resolution is not a project requiring environmental review consistent with Section 15738(b)(4) of the State Guidelines implementing the California Environmental Quality Act (Pub. Resources Code Section 21000, *et seq.*, "CEQA"), inasmuch as it is a government fiscal activity, as the fee adjustments do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment.

NOW, THEREFORE, BE IT RESOLVED THAT:

- A. The Storm, Water, Sewer and Traffic Impact Fees are hereby decreased as described in the attached Exhibit A.
- B. The Sewer Impact Fees shall include a 4% fee increase for 5 years, effective July 1, 2013 (FY14) in order to ensure financing over time to pay for the projects included in the plan.
- C. The Traffic Impact Fees shall include a 3% fee increase for 6 years, effective July 1, 2013 (FY14) in order to ensure financing over time to pay for the projects included in the plan.
- D. The Storm, Water, Sewer and Traffic Impact Fees shall be reviewed periodically to appropriately account for cost increases, in addition to 4% increases for the Sewer Impact Fee and the 3% increases for the Traffic Impact Fee, to provide the City with the opportunity to make fee adjustments within the Storm, Water, Sewer and Traffic

Impact Fee structure over time to ensure the fees are reacting to existing economic conditions and provide for a sustainable financing plan for public infrastructure.

E. The decrease to the Storm, Water, Sewer and Traffic Impact Fees approved by this Resolution shall be effective sixty (60) days after the date of approval of this Resolution.

F. This Resolution is not a project requiring environmental review under CEQA. Consistent with CEQA Guidelines Section 15378(b)(4), the fee adjustments authorized under this Resolution constitute a governmental fiscal activity which will not result in a potentially significant physical impact on the environment.

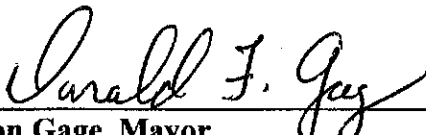
PASSED AND ADOPTED this 10th day of December, 2012 by the following roll call vote:

AYES: COUNCILMEMBERS: ARELLANO, AULMAN, BRACCO, LEROE-MUÑOZ, TUCKER, WOODWARD and GAGE

NOES: COUNCILMEMBERS: NONE

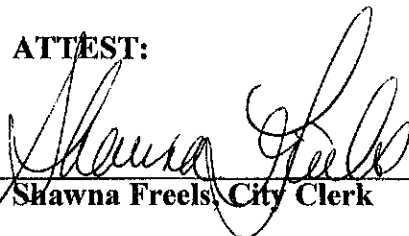
ABSENT: COUNCILMEMBERS: NONE

APPROVED:



Don Gage, Mayor

ATTEST:



Shawna Freels, City Clerk

EXHIBIT A

The following Storm, Water, Sewer and Traffic Impact Fee schedule is established for the City of Gilroy:

| <u>Storm Impact Fee</u> | Units | Fee |
|--------------------------------|--------------|------------|
| Land Use Fee Category | | |
| Residential – Low Density | \$/acre | \$ 564 |
| Residential – High Density | \$/acre | \$ 886 |
| Commercial | \$/acre | \$ 1,528 |
| Commercial–Assembly Hall | \$/acre | \$ 564 |
| Industrial | \$/acre | \$ 1,128 |

| <u>Water Impact Fee</u> | Units | Fee |
|--------------------------------|--------------|------------|
| Land Use Fee Category | | |
| Residential – Low Density | \$/unit | \$ 4,294 |
| Residential – High Density | \$/unit | \$ 1,737 |
| Commercial | \$/kgpd | \$ 6,731 |
| Industrial | \$/kgpd | \$ 6,731 |

**kgpd represents 1,000 gallons per day*

| <u>Sewer Impact Fee</u> | Units | Fee |
|--------------------------------|--------------|------------|
| Land Use Fee Category | | |
| Residential – Low Density | \$/unit | \$ 10,275 |
| Residential – High Density | \$/unit | \$ 5,560 |
| Commercial | \$/cgpd | \$ 3,252 |
| Industrial | \$/cgpd | \$ 3,252 |

**cgpd represent 100 gallons per day*

Adjustment Relies on Anticipated Fee Escalation for reasonable fund balance at the end of 40 years:

FY 2014 - 2018 (5 years) - fee increases at 4% per year to ensure sustainable funding necessary to pay for the projects included in the plan

| <u>Traffic Impact Fee</u> | Units | Fee |
|--------------------------------------|--------------|------------|
| Land Use Fee Category | | |
| Residential – Low Density | \$/unit | \$ 9,683 |
| Residential – High Density | \$/unit | \$ 7,849 |
| Commercial–Low Traffic/Assembly Hall | \$/ksf | \$ 10,713 |
| Commercial – High Traffic | \$/ksf | \$ 21,640 |
| Industrial – General | \$/ksf | \$ 4,246 |
| Industrial – Warehouse | \$/ksf | \$ 3,077 |

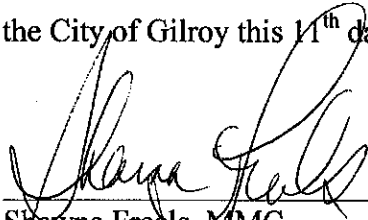
**ksf represents 1,000 square feet*

Adjustment Relies on Anticipated Fee Escalation for reasonable fund balance at the end of 40 years:

FY 2014 - 2019 (6 years) - fee increases at 3% per year to ensure sustainable funding necessary to pay for the projects included in the plan

I, SHAWNA FREELS, City Clerk of the City of Gilroy, do hereby certify that the attached Resolution No. 2012-53 is an original resolution, or true and correct copy of a city resolution, duly adopted by the Council of the City of Gilroy at a regular meeting of said Council held on the 10th day of December, 2012, at which meeting a quorum was present.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Official Seal of the City of Gilroy this 11th day of December, 2012.



Shawna Freels, MMC
City Clerk of the City of Gilroy

(Seal)