

PARAMOUNT DEVELOPMENT IMPACT FEE NEXUS STUDY

PUBLIC REVIEW
DRAFT REPORT

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City of Paramount

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1. Introduction and Overview

This Nexus Study is designed to provide the City of Paramount (City) with the necessary technical documentation to support an update of its comprehensive Development Impact Fee (DIF) program. It has been prepared by a team of consultants, including Economic & Planning Systems, Inc. (EPS), Fehr & Peers, and Bartle Wells Associates, with input and direction from City staff. EPS prepared this overall report and the nexus analysis for several fee categories; Fehr & Peers prepared the transportation impact fee nexus study; and Bartle Wells Associates prepared the water capacity nexus study.

Impact fees are one-time charges on new development collected and used by jurisdictions (e.g., a City or County) to cover the cost of capital facilities and infrastructure needed to serve new residential and nonresidential growth. The City currently has a comprehensive DIF program that generates funding to support a range of capital improvements necessitated by new growth in the City. The City's current fee categories include parks, storm drain, and water capacity. This effort includes a nexus analysis to update the City's existing fees, as well as to expand the fee program to include funding for improvements in the following categories: public safety, general facilities, and transportation. Additionally, under separate cover, EPS has provided an analysis of a potential new commercial linkage fee to support the funding of affordable housing in the City.

The Fee Program described in this Report is designed to be consistent with the most recent relevant case law and the principles of Government Code Section 66000 et seq. (subsequently referred to as AB 1600) and subsequent related legislation (including AB 602). The Report provides the nexus and associated fee calculations for the maximum fees the City can charge for the facilities indicated pursuant to AB 1600. The City can adopt fees at or below this maximum level.

Consistent with the existing practice, the fees calculated herein are proposed to be collected on a Citywide basis given the broad scope of capital improvements included in this study.

Purpose and Use of AB 1600 Fees

New development in the City will increase the demand for certain public facilities and infrastructure. The DIF revenues would be collected and expended to fund the portion of these new infrastructure and facility improvements needed to accommodate growth and maintain public service standards. Specifically, the DIF revenues calculated in this study will be used to fund:

- **General Facilities** – this fee will fund general civic facilities and improvements necessary to accommodate growth.
- **Parks Facilities** – this fee will fund park and recreation facility improvements necessary to accommodate growth.
- **Public Safety Facilities** – this fee will fund the Public Safety Department capital facilities and equipment (e.g. vehicles) necessary to accommodate growth. These costs do not include the cost of the City’s contract with the Los Angeles County Sheriff Department to provide police services, nor does it include costs incurred by the Los Angeles County Fire Department to provide fire and EMS services.
- **Storm Drain** – this fee will fund stormwater drainage infrastructure and systems necessary to accommodate growth.
- **Transportation** – this fee will fund needed additions and improvements to the City’s transportation infrastructure to accommodate future use of transportation facilities by the new residents and workers associated with new development. These improvements include infrastructure that supports vehicle, transit, pedestrian, and bicycle modes.
- **Water Capacity Charges** – the water capacity charges are designed to recover the costs of capacity in water system infrastructure.

DIF Legal Context

This Report is designed to provide the necessary technical analysis to support a new schedule of fees that will be established by an update to the City’s Impact Fee Ordinance and Resolution. The City will need to approve an updated DIF Ordinance that enables the collection of fees for capital facilities, pursuant to AB 1600. As noted, AB 1600 is codified California Government Section 66000 et seq., which sets forth procedural requirements for establishing and collecting development impact fees. These procedures require that a reasonable relationship, or nexus, must exist between a governmental exaction and the purpose of the condition. Development impact fees must also meet the Nollan/Dolan tests of “essential nexus” and “rough proportionality”.

The guiding principles that determine the structure, scope, and amount of the proposed DIF Program are as follows:

- **Collected for Capital Facility and Infrastructure Improvements Only.**
Development impact fee revenue will be collected and used to cover the cost of capital facilities and infrastructure that are required to serve new development in the City. Impact fee revenue will not be used to cover the

operation and maintenance costs of these or any other facilities and infrastructure.

- **Used to Fund Facility Needs Created by New Development Rather than Existing Deficiencies.** Impact fee revenues will only be used to pay for new or expanded capital facilities needed to accommodate growth. Impact fee revenue will not be collected or used to cover the cost of existing deficiencies in the City's capital facilities or infrastructure. In other words, the cost of capital projects or facilities that are designed to meet the needs of the City's existing population must be funded through other sources.
- **Fee Amount is Based on a Rational Nexus and calculated on a Proportional Basis.** The impact fee amount is based on a reasonable nexus, or connection, between new development and the needs and corresponding costs of the capital facilities and improvements needed to accommodate it. The costs associated with improvements that serve the needs of both new development and the existing population and workforce are split on a "fair share" basis according to the proportion attributable to each. This ensures both a nexus between the new development and capital improvements as well as a proportional relationship between the amount of fee charged and the impact of the new development.

In September 2021, the State of California adopted Assembly Bill (AB) 602, which includes several new requirements related to the development and implementation of impact fee programs. The key provisions related to the calculations documented in this Nexus Report are summarized below.

- **Capital Improvement Plan:** AB 602 requires that impact fees be based on an approved capital improvement plan. This adoption can occur at the same time as the fee ordinance adoption. Accordingly, this Nexus Report relies on a City of Paramount Development Impact Fee Capital Improvement Plan to be approved by the City Council in conjunction with the update to the City's DIF Program. The CIP, presented in **Appendix C** of this Nexus Report, is derived from the capital improvements needs identified by the City (and included in this report), and is based on existing or target levels of municipal service.
- **Explanation of Level of Service and Fee Increase:** AB 602 requires that the nexus study provide explanations if the fee calculation is based on a change in existing levels of service. Except where otherwise noted in the report, the fee calculations contained within this Nexus Report are based on the City's existing service standards.
- **Original Nexus Study:** AB 602 notes that "if a nexus study supports the increase of an existing fee, the local agency shall review the assumptions of the nexus study supporting the original fee and evaluate the amount of fees collected under the original fee." The original nexus studies establishing the

City's existing parks, storm drain, and water capacity fees are no longer available, and no other studies have taken place since the fees were established. Therefore, no comparison can be made between the assumptions underlying this Nexus Report and the original nexus studies.

- **Residential Fee to be Charged in Proportion to Unit Size:** AB 602 requires that a nexus report adopted on or after July 1, 2022 "calculate a fee imposed on a housing development project proportionately to the square footage of proposed units of the development" with the exception of water capacity fee. A jurisdiction does not need to charge residential fees in proportion to unit size if it makes a specific set of findings. The EPS Team has calculated all fees on a per square foot basis, with the exception of water capacity. This calculation is detailed in **Chapter 10**.

2. Summary of Maximum Allowable Fees

Maximum Allowable Fees

Table 1 summarizes the City's maximum allowable development impact fee schedule for capital needs as evaluated in this Nexus Study. The City can adopt fees below these maximum nexus-supported levels based on policy considerations.

Table 1 Summary of Maximum Allowable Fees

Fee Category	Residential (/unit) (1)		Nonresidential (/sq. ft.)		
	Average		Retail	Office	Warehouse / Industrial
	Unit	Sq. Ft.			
Public Safety	\$144	\$0.11	\$0.04	\$0.06	\$0.02
Parks & Recreation	\$1,451	\$1.10	\$0.40	\$0.58	\$0.20
General Facilities	\$91	\$0.07	\$0.03	\$0.04	\$0.01
Transportation (2)(3)	\$709	\$0.54	\$2.58	\$1.09	\$0.86
Stormwater Drainage	\$632	\$0.48	\$0.66	\$0.66	\$0.66
Water Capacity (4)	\$1,074	\$0.82	\$0.27	\$0.27	\$0.14
Subtotal Impact Fees	\$4,101	\$3.12	\$3.98	\$2.70	\$1.88
TOTAL IMPACT FEES (5)	\$4,183	\$3.18	\$4.06	\$2.76	\$1.92

(1) Includes accessory dwelling units 750 square feet and larger.

(2) In accordance with AB 2533, there is a reduction in impact fees to be assessed in areas close to high quality transit. The fee in a high quality transit area is \$0.38 per square foot.

(3) The transportation fee shown for the Warehouse/Industrial land use is an illustrative average of the Manufacturing land use fee of \$0.63 per square foot and the Warehouse land use fee of \$1.09 per square foot.

(4) Numbers shown are illustrative; actual fees will depend on meter needs of individual projects where the water capacity fee is assessed on a per meter equivalent unit (MEU) basis. For illustrative purposes, in this table development assumptions were made to compare the water capacity fee to the other fee categories. The residential fee shown is a weighted average, assuming that among future residential units built, 35 percent will be single-family units and 65 percent will be multifamily units. The single-family fee assumes one 3/4-inch meter per unit. The multifamily fee assumes one 2-inch meter for every 20 multifamily units. Retail and office assume two 2-inch meters for a 76,230 square foot development on 5 acres (0.35 FAR). Industrial assumes two 2-inch meters for a 152,460 square foot development on 10 acres (0.35 FAR).

(5) Total fees include a two percent administration fee.

Source: Bartle Wells Associates; Fehr & Peers; EPS

These development impact fees apply to new residential and nonresidential development based on a “fair share” allocation of specified capital costs. The maximum fee estimates include a two percent program administration fee.¹

Estimated DIF Revenues Through Build-out

Table 2 provides an estimate of the potential total funding generated by the maximum allowable DIF program through buildout, excluding the Water Capacity Fee. These revenue projections are based on growth projections described in **Chapter 3** of this Report. As shown, under the projected level of growth, the proposed DIF program would generate about \$5.7 million in revenues to cover about 11 percent of the total capital improvements identified in the fee program. The City will need to find other sources of revenue to cover the remaining costs, such as grant funding and revenues from other City funds. Revenues from fees could be higher or lower than this amount depending on the actual level of new development.

Table 2 Revenue Projections and Need for Outside Funding

Fee Category (1)	Total Cost of Improvements	Amount Allocation to DIF Program By Buildout			Additional Funding Needs	
		Amount	Cost Allocation	% of Total Cost	Amount	Cost Allocation
Public Safety	\$1,625,480	\$273,631	16.8%	4.8%	\$1,351,848	83.2%
Parks & Recreation	\$11,529,713	\$2,751,971	23.9%	48.2%	\$8,777,742	76.1%
General Facilities	\$1,750,000	\$172,844	9.9%	3.0%	\$1,577,156	90.1%
Stormwater Drainage	\$22,680,530	\$1,110,554	4.9%	19.5%	\$21,569,976	95.1%
Transportation	\$14,876,200	\$1,396,862	9.4%	24.5%	\$13,479,338	90.6%
Total Impact Fees	\$52,461,923	\$5,705,862	10.9%	100%	\$46,756,060	89.1%

(1) Does not include water capacity fee.

Sources: City of Paramount; Fehr & Peers; EPS

¹ The administration fee is designed to cover expenses for preparation of the development impact fee and subsequent updates as well as the required reporting, auditing, collection and other annual administrative costs involved in overseeing the program. This is a typical administration fee level used in many cities throughout the State.

3. Summary of Methodology and Key Assumptions

This section provides a brief overview of the nexus methodology, the key assumptions, and the approach for allocating future capital facility needs between new and existing development and by land use category. It also summarizes the demographic and land use projections underlying the fee. Subsequent chapters provide more detailed calculations for each fee category.

Summary of Methodology

While the nexus methodology employed in this study varies by fee category as appropriate given the range of capital facilities and improvements covered, there are a number of basic steps common to all. Specifically, for each fee category, EPS has applied the following general steps to calculate the nexus-supported fee amounts:

1. The EPS consultant team established an estimate of existing and future population and employment in Paramount through 2035 using a variety of sources, as described in the subsequent section.
2. The EPS consultant team worked with City staff to identify new infrastructure and capital facility improvements needed to serve both existing and future residents and employees.
3. City staff provided cost estimates for the capital facility estimates described in Step 2 above.
4. EPS allocated the capital facility costs identified in step 3 above between existing and new development to determine the share included in the fee program. These allocation shares were determined in a variety of ways, dependent on the given improvement, available data, and City guidance. In some cases where the need for the facility or improvement is entirely triggered by new development, the costs are allocated 100 percent to the fee program. In cases where the improvement is expected to serve both the existing population and the future population equally, the share of costs attributable to new development are based on the City's current versus future service population. These cost allocation assumptions are documented in subsequent sections.
5. Once costs have been allocated between new and existing development, they are further distributed among residential and nonresidential uses. This process is dependent on facility or improvement type and the associated service

population. For many improvements, costs are distributed based on ratios of residents to employees in the horizon year (as described further below).

6. Once costs are allocated to residential and nonresidential uses, each cost category is divided by the total residential or employment population to arrive at a “cost per resident” or “cost per employee”. The cost per person is multiplied by the people per household or trip rate factor for each residential fee category or by the employment density or trip rate factor for each nonresidential fee category.
7. For residential fees, EPS estimated the average unit size for future residential units based on recent trends in the City and surrounding area. The fee per unit calculated in step 6 is divided by the average unit size to calculate a fee per square foot for residential uses, as required by AB 602. This conversion is not required or made for water capacity fees.
8. A two percent charge is added to the fee to cover the cost of administering the fee program. The fee plus the two percent administration charge determines the maximum fee amount by land use. The administration charge is factored into the maximum allowable fee summary in **Table 1**, but is not calculated in the department-specific fee calculation tables found in the report sections below.

Demographic and Land Use Assumptions

This section describes the demographic and land use assumptions utilized in this study for both existing and future year conditions (i.e., in 2035). The estimates are used for the following primary purposes in the fee calculation:

- Estimates of existing population and employment levels are used to set the baseline of existing needs relative to existing standards.
- Estimates of future population and employment growth in the City are the basis for determining the future need for capital facilities which can be appropriately funded by the fee.
- Estimates related to population and employment density (e.g., persons per household, square feet per employee) are used to allocate costs between land use categories.

Service Population Factor

The DIF is largely predicated on calculations that translate the population and employment projections (provided in the following section) into estimates of existing and future “service populations.” The “service population,” in turn, is derived from assumptions that compare residents and employees based on the

relative service demands or typical service profiles of each, as further described in the following chapters.

While the service population characterization can differ by infrastructure category, for the purposes of this study EPS has relied upon a default service population calculation that assumes the impact of employees on capital facilities is approximately half (or 50 percent) of the impact of residents. The exception is for transportation, where residents and employees are assumed to have equivalent impacts on infrastructure.

Population and Employment Growth Projections

This fee study relies on estimates of projected growth in the resident and employee population likely to occur by 2035. The consultant team used 2023 American Community Survey (ACS) data to establish existing population and employment count. Future growth through 2035 was established using the 2024 Southern California Association of Governments (SCAG) Regional Transportation Plan (RTP) Model. The SCAG RTP growth was supplemented with assumptions regarding growth in two Specific Plan areas in the City—the North Paramount Gateway Specific Plan and the Clearwater Specific Plan—as projected growth in these areas was not reflected in the RTP Model. The projected growth in population and employment is summarized in **Table 3**.

Table 3 Growth Projections for Paramount Through 2035

Category	2023	2035	Growth
Residents	51,072	57,224	6,152
Employees	22,500	23,856	1,356

Note: Baseline population and employment based on 2023 ACS.
Projected population and employment from 2024 SCAG RTP model
and information from City.

Sources: SCAG; City of Paramount; Fehr & Peers; EPS

As summarized in **Table 3**, the City is projected to see growth of approximately 6,150 people in residential population and 1,350 in total jobs, representing a 12 percent and six percent increase over existing conditions, respectively.

Applying the resident equivalency factor described above, the City has a total service population of 62,322, shown in **Table 4**. At buildout, the service population is projected to grow by 6,830 to 69,162, with this new growth accounting for about 9.9 percent of the total future service population. New residents are estimated to account for approximately 90 percent of the growth in

service population, while new employees account for the remaining 10 percent. These proportions are used to allocate costs between residential and nonresidential land uses for many of the facilities included in the DIF, unless otherwise indicated.

Table 4 Summary of Existing and Projected Population and Employment

Item	Amount	Percent
<u>Population</u>		
Existing	51,072	89%
New	<u>6,152</u>	<u>11%</u>
Buildout	57,224	100%
<u>Employment</u>		
Existing	22,500	94%
New	<u>1,356</u>	<u>6%</u>
Buildout	23,856	100%
<u>Service Population (1)</u>		
Existing	62,322	90.1%
<i>Residential</i>	51,072	
<i>Employment</i>	11,250	
New	6,830	9.9%
<i>Residential</i>	6,152	
<i>Employment</i>	<u>678</u>	
Buildout	69,152	100%
<u>Service Population Share</u>		
Total New Service Population	6,830	
<i>Residential</i>	6,152	90%
<i>Employment</i>	678	10%

(1) Service population is defined as population plus a percentage of the existing labor force. In this case, 50% of employees are equivalent to a resident's impact on City services.

Sources: SCAG; City of Paramount; Fehr & Peers; EPS

Land Use Density Assumptions

In addition to the demographic calculations described above, the DIF calculations also utilize assumptions related to population and employment densities by land use type. Specifically, DIF improvement cost estimates per capita or per job are converted to fee rates per unit or square foot based on average persons per household and square foot per employee factors. These assumptions are

summarized in **Table 5** and rely on a data from the U.S. Census and industry standards.

Table 5 Land Use Density Assumptions

Item	Amount
Persons per Household (1)	3.6
Single-family	3.9
Multifamily	3.1
Square Feet Per Employee (2)	
Retail	500
Office	350
Warehouse / Industrial	1,000
Development Density or FAR	
Single-family (units/acre)	10
Multifamily (units/acre)	35
Retail	0.35
Office	0.35
Warehouse / Industrial	0.35

(1) Based on ACS 2023 data.

(2) Based on industry standards.

Sources: U.S. Census Bureau ACS; EPS

4. Public Safety Facilities

This Chapter describes the technical methodology for calculating fees for Public Safety Facilities. It is assumed that both residential and nonresidential development will pay the Public Safety fees.

Capital Needs and Costs

The costs associated with public safety activities fall into two categories: recurring facilities and one-time need facilities. Recurring facilities include new vehicles needed to maintain the Public Safety Department's current level of service to new population, as well as the replacement of these vehicles based on a typical life-cycle. The total cost of new public safety vehicles is based on the replacement schedule of existing public safety vehicles as provided by the City. Specifically, the City leases its public safety vehicles on five-year terms. These new vehicle costs are allocated 100 percent to new development, as they are triggered directly by growth.

The Public Safety Department also provided estimated costs for expansion of its Emergency Operations Center (EOC). Since the EOC will serve both the existing and new service population, the total cost for the facilities is allocated in a fair share proportion to both the existing and new service population, as calculated in **Table 4**.

The cost estimates for the above items attributable to new growth are summarized in **Table 6** and sum to approximately \$274,000.

Table 6 Public Safety Department Capital Needs and Cost Summary

Equipment/ Facility Type	Existing Number	Total Needed by 2035 (1)	# of New Units Needed	Lifespan (years) (2)	# of New Units Needed by 2035 (rounded)	Unit Cost (3)	% Attributable to New Growth (4)	Total Cost Attributable to New Growth
	a	b= a*(1+9.9%)	c = b-a	d	e = (5yrs /d)*c	f	g	h = e*f*g
Recurring Facilities								
Vehicles	18	20	2	5	4	\$31,370	100%	\$125,480
One-Time Need Facilities								
Emergency Operations Center Expansion	N/A	N/A	N/A	N/A	N/A	\$1,500,000	9.9%	\$148,152
Total (5)								\$273,631

(1) Based on projected growth in service population of 9.9% as derived in Table 4.

(2) City currently leases vehicles on five-year terms.

(3) Costs provided by City. Unit cost for vehicles is an average across all department vehicles.

(4) 'Recurring Facilities' are calculated to only account for facilities attributable directly to new growth; thus, these are assigned a 100% figure in this column. 'One-Time Need Facilities' are calculated as a total cost that is needed to serve the entire community, including the population not attributable to new growth; thus, the 9.9% figure is used to derive the total cost attributable solely to new growth.

(5) The sum of total cost may not match with the costs associated with facilities due to rounding.

Sources: City of Paramount; EPS

Cost Allocations and Fee Calculations

Table 7 allocates the \$273,631 in future public safety facility costs based on the relative share of service population growth attributable to new residents and employees respectively, based on the calculations shown in **Table 4**. The fee is then calculated based on assumptions related to persons per household for residential and employees per square foot for nonresidential land uses, as detailed in **Table 5**.

Table 7 Maximum Public Safety Facilities Fee Calculation

Item	Factor / Input	Cost Allocation and Fee Calculation	
<u>Future Residential/ Nonresidential Allocation</u>		<u>Residential</u>	<u>Nonresidential</u>
% Allocation	100%	90%	10%
Public Safety Facilities Cost	\$273,631	\$246,469	\$27,163
Net Future Growth in Residents or Employees (1)		6,152	1,356
Cost per Resident or Employee		\$40	\$20
<u>Land Use</u>		<u>Building Density</u>	
Residential (per unit) (2)	3.60 persons/unit	<u>Maximum Fees (3)</u>	
Retail (per sq. ft.)	500 sq. ft./employee	\$144 per unit	
Office (per sq. ft.)	350 sq. ft./employee	\$0.04 per sq. ft.	
Warehouse / Industrial (per sq. ft.)	1,000 sq. ft./employee	\$0.06 per sq. ft.	
		\$0.02 per sq. ft.	

(1) Calculated in Table 4.

(2) Residential fees are converted from per unit to per square foot fees in Table 20.

(3) The maximum fee calculation may not exactly match the product of the shown cost per resident or employee, and building density due to rounding.

Nexus Findings for Public Safety Facility Fee Component

Purpose of Fee

The Public Safety Fee component developed through this Nexus Study will fund public safety facility improvements and vehicle acquisition necessary to serve new residential and nonresidential development in the City based on the level of service described in this chapter. New development in the City will increase the service population and, therefore, the need for increased public safety services.

Use of Fee

The fee will be used to construct new development's fair share portion of public safety facilities, as well as acquire public safety vehicles necessitated by new development.

Relationship between Use of Fee and Type of Development

Development of new residential and nonresidential land uses in the City will generate a need for additional public safety personnel, facilities, and vehicles. The fee will be used to develop and expand the user capacity for public safety facilities and to acquire vehicles to serve new users from residential and nonresidential development.

Relationship between Need for Facility and Type of Project

Each new residential and nonresidential development project will generate additional demand for public safety services and personnel. Additional public safety personnel will be housed in future public safety facilities and will require associated vehicles to serve additional demand generated by new residents and employees.

Relationship between Amount of Fee and Cost of or Portion of Facility Attributed to New Development

The amount of public safety facilities needed by each land use has been estimated by applying the public safety facility cost per persons served for each land use. The common use factor for residential land uses is the number of persons per household for residential land uses. The common use factor for nonresidential land uses is based on the number of employees generated per 1,000 square feet for commercial, office, and industrial development and on the ratio of public safety demand for an employed resident as compared to a non-employed resident.

5. Parks Facilities

This Chapter describes the technical methodology for the Parks Facilities fees, which includes parks and recreation facilities. It is assumed that both residential and nonresidential development will pay Parks Facilities fees.

Capital Needs and Costs

The capital needs and costs associated with parks facilities fall into two categories: new parkland/facilities and expansion of existing parks facilities.

Table 8 shows the inventory of existing parks and recreation facilities based on information contained in the City's recently-adopted Parks Master Plan. It also calculates the department's existing level of service, presented as acres per 1,000 people in the service population. As shown, the City currently operates approximately 60 acres of parkland, yielding a service level of 1.0 acres per 1,000 service population. If this level is applied to the projected growth in service population, an additional 6.64 acres of parkland would be required to maintain the City's existing parks service level at buildout.

Table 8 Paramount Existing Park Inventory and Level of Service

Facility / Park	Existing Inventory		Existing Level of Service (1)
	Number	Acreage	
PARKS			
Pocket Parks	3	1.1	
Community Parks	4	44.3	
Neighborhood Parks	6	14.1	
Special Use Sites	4	1.1	
Total City-Run Developed Parks	17.00	60.60	1.0 acres/1,000 service population
New Service Population (2)	6,830 People		
New Parkland Supported by Growth	6.64 Acres		

(1) Based on population estimates shown in Table 3.

(2) Calculated in Table 4.

Sources: City of Paramount 2024 Parks Master Plan; EPS

Given this calculation, the parks fee can be based on the cost to acquire and improve an additional 6.64 acres of parkland. Among the list of anticipated parks improvements provided by the Community Services Department, the City has identified two projects that would involve the planning and construction of new

parks. The total acreage of these new parks is less than 6.64 acres; therefore, 100 percent of their costs can be allocated to new growth.

The list of anticipated parks improvements also includes upgrades and expansions of existing parks and recreation facilities. Unlike new parks development, the renovation projects are needed to serve both City's existing and future service population. Consequently, the costs for these improvements allocated to new development are based on the growth in service population as a percentage of the total service population at buildout, as calculated in **Table 4**.

Table 9 lists the anticipated parks improvements and the total estimated capital costs attributable to new development, based on cost information provided by the Community Services and Public Works Departments. Total improvement costs attributable to growth sums to about \$2.7 million.

Table 9 Parks Facility Capital Needs and Cost Estimates

Park Improvements [1]	Acreage	Cost
New Parks		
Somerset Ranch Pocket Park Design	0.07	\$300,000
Century Greenway Park	0.84	\$1,490,000
Subtotal	0.91	\$1,790,000
Park Facility Expansions		
Park Development Concept		\$285,000
Mariposa Classroom Conversion Design		\$287,500
Spane Park Facility Improvements		\$415,000
Paramount Park Community Center Renovation & Expansion		\$8,122,213
Mariposa Ash Tree Lights		\$20,000
Salud Park Volleyball Court Renovation and Expansion		\$400,000
All-American Park Picnic Shelter		\$160,000
Meadows Park Picnic Shelter Renovation and Expansion		\$50,000
Subtotal		\$9,739,713
Percent Attributable to Growth [2]		9.9%
Expansion Costs Attributable to Growth		\$961,971
Total Costs Attributable to New Growth		\$2,751,971

(1) Needs and costs identified by Parks Department and Public Works Department staff

(2) Calculated in Table 4.

Sources: City of Paramount; EPS

Cost Allocation and Fee Calculation

Table 10 allocates the \$2.7 million in future park facility costs attributable to growth between residential and nonresidential development, based on the relative share of service population growth attributable to new residents and employees respectively, as shown in **Table 4**. The fee is then calculated based on assumptions related to persons per household for residential and employees per square foot for nonresidential land uses, as detailed in **Table 5**.

Table 10 Maximum Parks Facilities Fee Calculation

Item	Factor / Input	Cost Allocation and Fee Calculation	
<u>Future Residential/ Nonresidential Allocation</u>		<u>Residential</u>	<u>Nonresidential</u>
% Allocation	100%	90%	10%
Parks Facilities Cost	\$2,751,971	\$2,478,789	\$273,183
Net Future Growth in Residents or Employees (1)		6,152	1,356
Cost per Resident or Employee		\$403	\$201
<u>Land Use</u>		<u>Building Density</u>	
Residential (per unit) (2)	3.60 persons/unit	<u>Maximum Fees (3)</u>	
Retail (per sq. ft.)	500 sq. ft./employee	\$1,451	per unit
Office (per sq. ft.)	350 sq. ft./employee	\$0.40	per sq. ft.
Warehouse / Industrial (per sq. ft.)	1,000 sq. ft./employee	\$0.58	per sq. ft.
		\$0.20	per sq. ft.

(1) Calculated in Table 4.

(2) Residential fees are converted from per unit to per square foot fees in Table 20.

(3) The maximum fee calculation may not exactly match the product of the shown cost per resident or employee, and building density due to rounding.

Nexus Findings for Parks Fee Component

Purpose of Fee

The Parks Fee component developed through this Nexus Study would fund parks and recreation facility improvements and land acquisition necessary to serve new residential and nonresidential development in the City based on the level of service described in this chapter. New development in the City will increase the service population and, therefore, the need for new parks and recreation facilities and parkland.

Use of Fee

The fee will be used to construct new development's fair share portion of park and recreation facilities, as well as acquire parkland necessitated by new development; to plan, design, and develop parks and recreation facilities; and to fund the studies and administration to support the program.

Relationship between Use of Fee and Type of Development

Development of new residential and nonresidential land uses in the City will generate a need for additional parks and recreation facilities and parkland. The fee will be used to develop park and recreation facilities and acquire parkland to serve new users from residential and nonresidential development.

Relationship between Need for Facility and Type of Project

Each new residential and nonresidential development project will generate additional demand for park and recreation facilities and parkland. New parks and recreation facilities and additional parkland will serve additional demand generated by new residents and workers.

Relationship between Amount of Fee and Cost of or Portion of Facility Attributed to New Development

The amount of park and recreation facilities needed by each land use has been estimated by applying the parks and recreation costs per persons served for each land use. The common use factor for residential land uses is the number of persons per household for residential land uses. The common use factor for nonresidential land uses is based on the number of employees generated per 1,000 square feet for commercial, office, and industrial development and on the ratio of parks demand for an employed resident as compared to a non-employed resident.

6. General Facilities

This Chapter describes the technical methodology for calculating fees for General Facilities. It is assumed that both residential and nonresidential development will pay the General Facilities fees.

Capital Needs and Costs

City staff provided information on the General Facilities needs and costs required to serve both existing and future residents. These needs include upgrades and expansions to civic facilities not associated with specific departments, such as City Hall and storage lots. **Table 11** below shows the capital costs associated with upgrades and expansions. Since the improvements are needed to serve both City's existing and future service population, the costs of the facilities allocated to new growth are based on the growth in service population as a percentage of the total service population at buildout, as calculated in **Table 4**. The total cost allocated to new growth is approximately \$173,000.

Table 11 General Facilities Capital Cost Summary

Facilities (1)	Amount
City Hall Electrical Upgrades	\$600,000
City Facility Security Camera and Alarm Upgrades	\$1,000,000
City Storage Lot Security Upgrades	\$150,000
Total Costs	\$1,750,000
Percent Supportable by Growth (2)	9.9%
Costs Supportable by Growth	\$172,844

(1) Needs and costs for new facilities provided by City staff.

(2) Calculated in Table 4.

Sources: City of Paramount; EPS

Cost Allocations and Fee Calculation

Table 12 allocates the \$173,000 in General Facilities costs between residential and nonresidential land uses based on the relative share of service population growth attributable to new residents and employees respectively, as calculated in **Table 4**. The fees are then calculated based on assumptions related to persons per household for residential and employees per square foot for nonresidential land uses, as detailed in **Table 5**.

Table 12 Maximum General Facilities Fee Calculations

Item	Factor / Input	Cost Allocation and Fee Calculation	
<u>Future Residential/ Nonresidential Allocation</u>		<u>Residential</u>	<u>Nonresidential</u>
% Allocation	100%	90%	10%
General Facilities Cost	\$172,844	\$155,686	\$17,158
Net Future Growth in Residents or Employees (1)		6,152	1,356
Cost per Resident or Employee		\$25	\$13
<u>Land Use</u>		<u>Building Density</u>	
Residential (per unit) (2)	3.60 persons/unit	<u>Maximum Fees (3)</u>	
Retail (per sq. ft.)	500 sq. ft./employee	\$91	per unit
Office (per sq. ft.)	350 sq. ft./employee	\$0.03	per sq. ft.
Warehouse / Industrial (per sq. ft.)	1,000 sq. ft./employee	\$0.04	per sq. ft.
		\$0.01	per sq. ft.

(1) Calculated in Table 4.

(2) Residential fees are converted from per unit to per square foot fees in Table 20.

(3) The maximum fee calculation may not exactly match the product of the shown cost per resident or employee, and building density due to rounding.

Nexus Findings for General Facility Fee Component

Purpose of Fee

The General Facility Fee component developed through this Nexus Study would fund civic facility improvements necessary to serve new residential and nonresidential development in the City based on the level of service described in this chapter. New development in the City will increase the service population and civic engagements and therefore contribute to the need for upgraded civic spaces.

Use of Fee

The fee will be used to construct new development's fair share portion of civic facility upgrades.

Relationship between Use of Fee and Type of Development

Development of new residential and nonresidential land uses in the City will generate a need for upgraded civic facilities. The fee will be used to upgrade general facilities to serve new users from residential and nonresidential development.

Relationship between Need for Facility and Type of Project

Each new residential and nonresidential development project will generate additional demand for civic facility space, requiring upgraded facilities able to accommodate this demand.

Relationship between Amount of Fee and Cost of or Portion of Facility Attributed to New Development

The amount of general facilities needed by each land use has been estimated by applying the general facilities cost per persons served for each land use. The common use factor for residential land uses is the number of persons per household for residential land uses. The common use factor for nonresidential land uses is based on the number of employees generated per 1,000 square feet for commercial, office, and industrial development and on the ratio of general facilities demand for an employed resident as compared to a non-employed resident.

7. Storm Drain

This Chapter describes the technical methodology for calculating fees for Storm Drain Facilities. It is assumed that both residential and nonresidential development will pay the Storm Drain fees.

Growth Assumptions

Since the need for storm drain facilities is associated with growth in impervious surface as opposed to growth in population, EPS utilized distinct growth assumptions to determine the allocation of future facility costs to new development. In order to estimate growth in impervious surface that would result from projected new development detailed in **Table 3**, EPS collected data on existing housing units and commercial square footage in the City, as well as average existing density for housing units and floor-to-area ratio for commercial space. This data was used to estimate the number of currently developed acres in the City. EPS then applied an impervious surface factor for residential and commercial uses, utilizing data from the California State Water Resources Control Board.² This calculation results in an estimate of impervious surface currently developed in the City.

To calculate growth in impervious surface, EPS converted growth in residents and employees into growth in housing units and commercial space, using the density assumptions detailed in **Table 5**. Estimated densities for future housing and commercial space was applied to these growth projections in order to estimate growth in developed acres, and the same impervious factors were applied to estimate growth in impervious surface. As shown in **Table 13**, these calculations suggest that new development will result in a 4.9 percent growth in impervious surface in the City through 2035.

² California State Water Resources Control Board Runoff Coefficient Fact Sheet - https://www.waterboards.ca.gov/water_issues/programs/swamp/docs/cwt/guidance/513.pdf

Table 13 Estimated Growth in Impervious Acres

Item	Formula	Number Unit	Source
RESIDENTIAL			
Existing			
Est. Existing Units	a	15,006 Units	CA Department of Finance, 2025 City Population and Housing Estimates
Avg. Density	b	15 Units/acre	Average density of existing residential zoning in City
Est. Developed Acres	$c = a/b$	1,000 Acres	
Impervious Factor	d	62.5%	Average coefficient for single-family and multifamily units, California State Water Resources Control Board Runoff Coefficient Fact Sheet
Est. Impervious Acres	$e = c*d$	625 Acres	
New			
New Population	f	6,152 Persons	Table 3
Household Size	g	3.64 Persons per unit	Table 5
Est. New Units	$h = f/g$	1,690 Units	
Avg. Density	i	49.5 Units/acre	Weighted average density for projected new SF and MF development in City
Est. New Developed Acres	$j = h/i$	34 acres	
Impervious Factor	d	66%	Average coefficient for single-family and multifamily units, California State Water Resources Control Board Runoff Coefficient Fact Sheet
Est. New Impervious Acres	$k = j*d$	23 acres	
Growth			
Total Res. Impervious Acres at Buildout	$l = e+k$	648 Acres	
Percent Growth in Impervious Res. Acres	$m = k/l$	5.3%	
COMMERCIAL			
Existing			
Existing Comm. Bldg. Sq. Ft.	n	12,284,345 Bldg. Sq. Ft.	CoStar
Existing Comm. Land Sq. Ft.	o	33,819,412 Land Sq. Ft.	CoStar
Avg. FAR	$p = n/o$	0.36	
Existing Comm. Land Acres	$q = o/43560$	776 Acres	
Impervious Factor	r	75%	Average coefficient for business and light industrial uses, California State Water Resources Control Board Runoff Coefficient Fact Sheet
Est. New Impervious Acres	$s = q*r$	582 Acres	
New			
New Jobs	t	1,356 Jobs	Table 3
Avg. Employee Density	u	617 Sq. ft./employee	Table 5, average for all commercial uses
Est. New Comm. Bldg. Sq. Ft.	$v = t*u$	836,200 Bldg. Sq. Ft.	
Avg. FAR	p	0.36	
Est. New Comm. Land Sq. Ft.	$w = v/p$	2,302,100 Land Sq. Ft.	
Est. New Comm. Acres	$x = w/43560$	53 Acres	
Impervious Factor	r	75%	Average coefficient for business and light industrial uses, California State Water Resources Control Board Runoff Coefficient Fact Sheet
Est. New Impervious Acres	$y = x*r$	40 Acres	
Growth			
Total Impervious Comm. Acres at Buildout	$z = l+s$	622 Acres	
Percent Growth in Impervious Comm. Acres	$aa = y/z$	8.5%	
TOTAL			
Total Impervious Acres at Buildout	$bb = z+l$	1,270 Acres	
Total Growth in Impervious Acres	$cc = y+k$	62 Acres	
Percent Growth in Impervious Acres	$dd = cc/bb$	4.9%	

Sources: CA Department of Finance; CoStar; California State Water Resources Board; City of Paramount; EPS

Capital Needs and Costs

City staff provided information on the Storm Drain needs and costs required to serve both existing and future residents. These needs include new stormwater capture facilities and equipment, and upgrades to existing facilities. **Table 14** below shows the capital costs associated with these facilities. Since the improvements are needed to serve both City's existing and future service population, the costs of the facilities allocated to new growth are based on the growth in impervious acres as a percentage of the total impervious acres at buildout, as calculated in **Table 13**. The total cost allocated to new growth is approximately \$1.1 million.

Table 14 Storm Drain Capital Cost Summary

Facilities [1]	Formula	Amount
Storm Drain Improvements		\$4,000,000
Spane Park Stormwater Capture		\$18,265,530
Drywell Installation - Garfield and Pequeno Parks		\$415,000
Total Costs	a	\$22,680,530
Percent Supportable by Growth [2]	b	4.9%
Costs Supportable by Growth	c = a * b	1,110,554

(1) Needs and costs for new facilities provided by Public Works Department staff.

(2) Calculated in Table 14.

Sources: City of Paramount; EPS

Cost Allocations and Fee Calculations

Table 15 allocates the \$1.1 million in future storm drain facility costs based on the relative share of impervious surface growth attributable to new residential and commercial development respectively, based on the calculations shown in **Table 13**. This results in a fee per impervious acre for each use category. To calculate a fee per gross acre of development, the fee per impervious acre is multiplied by the impervious factors utilized in **Table 13**. The fees per gross acre for each land use type are detailed in **Table 15**. The fee is calculated based on the nexus between new development and the need for storm drain facilities; the calculation is based on acres of impervious surface, and then converted to a per unit or per building square foot basis based on development density assumptions in **Table 5**.

Table 15 Maximum Storm Drain Facilities Fee Calculation

Item		Factor / Input Cost Allocation and Fee Calculation	
<u>Future Residential/ Nonresidential Allocation</u>		<u>Residential</u>	<u>Nonresidential</u>
% Allocation	100%	51%	49%
Storm Drain Facilities Cost	\$1,110,554	\$566,585	\$543,968
Net Future Growth in Impervious Acreage (1)		23	40
Cost per Impervious Acre (2)		\$25,143	\$13,724
<u>Land Use (per gross acre)</u>		<u>% Impervious (3)</u>	
Residential		66%	\$16,594 per gross acre
Retail / Svc. Commercial		75%	\$10,293 per gross acre
Office		75%	\$10,293 per gross acre
Warehouse / Industrial		75%	\$10,293 per gross acre
<u>Land Use (per square foot)</u>		<u>Density or FAR Per Acre</u>	
Residential (4)		26	\$632 per unit
Retail (per sq. ft.)		0.36	\$0.66 per sq. ft.
Office (per sq. ft.)		0.36	\$0.66 per sq. ft.
Warehouse / Industrial (per sq. ft.)		0.36	\$0.66 per sq. ft.

(1) Calculated in Table 14.

(2) The cost per impervious acre may not exactly match the quotient of the facilities cost and net future growth due to rounding.

(3) California State Water Resources Control Board Runoff Coefficient Fact Sheet
(https://www.waterboards.ca.gov/water_issues/programs/swamp/docs/cwt/guidance/513.pdf)

(4) Residential density represents a weighted average of expected single-family and multifamily units to be built in the future. Residential fees are converted from per unit to per square foot fees in Table 20.

Nexus Findings for Storm Drain Facility Fee Component

Purpose of Fee

The Storm Drain Fee component developed through this Nexus Study will fund storm drain facility improvements necessary to serve new residential and nonresidential development in the City based on the level of service described in this chapter. New development in the City will increase the impervious surface and, therefore, the need for increased storm drain capacity.

Use of Fee

The fee will be used to construct new development's fair share portion of storm drain facilities.

Relationship between Use of Fee and Type of Development

Development of new residential and nonresidential land uses in the City will generate a need for additional storm drain facilities. The fee will be used to develop and expand the capacity for storm drainage in the City.

Relationship between Need for Facility and Type of Project

Each new residential and nonresidential development project will generate additional demand for storm drain capacity, requiring new and upgraded facilities able to accommodate this demand.

Relationship between Amount of Fee and Cost of or Portion of Facility Attributed to New Development

The amount of storm drain facilities needed by each land use has been estimated by applying the storm drain costs per impervious surface developed for each land use. The common use factor for both residential and nonresidential land uses is the estimated impervious surface developed for each land use category.

8. Transportation

The Transportation fee funds improvement needs associated with the City's transportation infrastructure. Since these facilities will serve the needs of both residents and businesses, it is assumed that both residential and nonresidential development will pay the Transportation Fee. The following chapter provides a summary of the improvement needs, cost allocations, and fee levels for the Transportation Fee. A detailed technical memorandum on the methodology used to calculate the Transportation Fee is included in **Appendix A**.

Improvement Needs and Costs

Fehr & Peers worked with City staff to identify the transportation improvement needs and costs required to serve both existing and future residents. **Table 16** below shows the project cost estimation for transportation infrastructure improvements. The cost of improvement is determined by referencing recent costs and adjusting for factors such as construction materials, labor, environmental compliance, and project-specific contingencies.

Table 16 Transportation Improvement Project List and Cost Estimates

Facility Type	Total Cost Estimate
Electronic Message Boards (1)	\$575,000
Alondra Boulevard Capacity Enhancements (1)	\$3,465,000
West Santa Ana Branch Bikeway Phase 3 (1)	\$1,175,200
West Paramount Utility Easement Multi-Use Path (1)	<u>\$9,661,000</u>
Total	\$14,876,200

(1) Project list and cost estimates provided by the City of Paramount.

Cost Allocations and Technical Analysis

The allocation of transportation improvement costs to new growth is based on vehicle trips generated and projected vehicle miles traveled. To calculate fair share for nonresidential uses, Fehr & Peers used Passenger Car Equivalent (PCE) trip rates to normalize the impacts for autos and trucks. For retail and restaurant uses a 30% pass-by trip reduction is considered to account for existing activities. **Table 17** shows the summary trip rates.

Table 17 Standard Institute of Transportation Engineers (ITE) Trip Rates and Adjusted Passenger Car Equivalent (PCE) Trips Rates

Land Use	Unit (1)	Daily Trip Rate	Passenger Car Equivalent (PCE) Trip Rate
Residential Land use (2)	DU	7.68	7.68
Retail / Restaurant (3)	KSF	25.90	27.91
Manufacturing / Industrial	KSF	4.87	6.87
Office	KSF	10.84	11.84
Warehouse	KSF	6.74	11.74

(1) Units used are dwelling unit (DU) for residential uses and 1,000 sq. ft. (KSF) for non-residential uses.

(2) The residential trip rate reflects a weighted average of single-family and multifamily trip rates, based on the distribution of residential land uses within the City. Average Size of Dwelling Unit is 1,315 square feet. (based on information from recent development in City of Paramount (2024)).

(3) 30% average reduction applied to retail and service stations used to account for likelihood of pass-by and diverted trips.

Fehr & Peers calculated the transportation development impact fee program's contribution toward the transportation improvement projects by identifying the total cost of transportation infrastructure improvements, as shown in **Table 16**, and taking into account known funding, fee credits, existing deficiencies and cost of programming and administration.

Applying the estimated cost per trip to each land use category, a maximum fee per square foot of land use is calculated. **Table 18** shows the estimated cost per trip, and cost per square foot by land use category. **Appendix A** provides further detail on the methodology used to make this allocation, as well as the nexus findings.

Table 18 Cost per Trip and Per Square Foot Citywide

Measure	Costs
Total Adjusted New Trips	15,133
Total DIF Program cost	\$1,396,862
Cost per Trip	\$92
Cost per Dwelling Unit (citywide) (1)	\$709
Cost per residential square foot (2)	\$0.54
<i>If located in a high-quality transit area (2)</i>	<i>\$0.38</i>
Cost per manufacturing/industrial square foot (3)	\$0.63
Cost per warehouse square foot (3)	\$1.08
Cost per office square foot (3)	\$1.09
Cost per retail/restaurant square foot (3)	\$2.58

(1) Cost per Dwelling Unit is calculated by multiplying cost per trip to the residential per unit trip rate.

(2) The cost per Dwelling Unit is divided by the average dwelling unit size of 1,315 square feet to arrive at a residential per square foot cost.

(3) Cost per square foot of nonresidential land use applies the cost per trip to the Passenger Car Equivalency (PCE) trip generation rate per thousand square feet for each land use and then divides by 1,000 for a per square foot cost.

9. Water Capacity Fee

The water capacity charges/ fees recover the costs of infrastructure and assets benefiting new development, and fund improvement needs associated with the City's water system infrastructure. Since these systems will serve the needs of both residents and businesses, both residential and non-residential development will pay the water capacity fee. The following chapter provides a summary of the improvement needs, cost allocations, and fee levels for the Water Capacity Fee. The detailed technical analysis that establishes the Water Capacity Charges is provided in **Appendix B**.

Improvement Needs and Costs

Bartle Wells Associates worked with City staff to identify existing water system facilities and costs required to serve both existing and future residents. **Table 19** shows a summary of existing water system asset values for the water capacity charges calculation. The capacity cost is determined by referencing construction projects from recent years and adjusting for factors such as construction materials and labor. Additionally, costs take into consideration physical effects of aging and percent useful life remaining for each asset type.

Table 19 Water System Asset Valuation

Asset Description	System Value for Capacity Charges
<u>Asset Replacement Cost Values Based on Estimated Replacement Costs Adjusted by Remaining Asset Life</u>	
Pipelines	\$12,862,500
Wells & Treatment	<u>\$20,340,000</u>
Total Replacement Value of Assets	\$33,202,500
<u>Less Outstanding Principal Net of Cash Reserves</u>	
Outstanding Principal (1)	(\$22,686,534)
Cash Reserves (2)	<u>\$15,219,380</u>
Net Principal Outstanding (Maximum of \$0)	(\$7,467,154)
Total Value of Assets for Capacity Charges	\$25,735,346

(1) Source: City of Paramount Long Term Liabilities for the Year Ended June 30, 2024.

(2) Source: City of Paramount Comprehensive Annual Financial Report, Statement of Cash Flows

Cost Allocations and Fee Calculations

The Water Capacity fee is calculated by dividing the recoverable cost of water system assets by the projected future capacity of the City's water system. This calculation is shown below in **Table 20**, which is calculated on a per meter equivalent unit (MEU) basis.

Table 20 Water Capacity Charge Calculation per MEU

Capacity Charge Component	Amount
System Cost Recovery	\$25,735,346
Projected 2040 MEUs (1)	<u>12,280</u>
Capacity Charge per MEU	\$2,096

(1) Projection based on the City of Paramount 2020 Urban Water Management Plan.

10. AB 602 Compliance

The updated fee calculations have followed the new requirements of AB 602 in addition to the preexisting requirements of the Mitigation Fee Act. This chapter describes how the analysis complies with key sections of AB 602. There are other compliance components related to implementation and administration of the fee program (such as posting program-related documents online) that the City will oversee.

Capital Improvement Plan

AB 602 requires that jurisdictions adopt a capital improvement plan (CIP) as part of the nexus report process, to identify improvements that will contribute toward expanding the City's infrastructure capacity in order to serve new residents. Accordingly, this Report relies on the CIP presented in **Appendix C**, which was developed by City staff and summarized in the preceding chapters. AB 602 does not apply to water capacity charges, and as such water system costs associated with the Water Capacity Fee are not included in the CIP. The City will adopt the Development Impact Fee CIP at the same time as the fee ordinance adoption through a resolution.

A key purpose of the CIP is to indicate the types of improvements that will be funded in part by the fee program. As shown, the CIP includes a total investment of approximately **\$52.5 million** through 2035. As shown in **Table 2** above, the updated impact fees are estimated to generate approximately **\$5.7 million** in funding to support the listed improvements, although the actual revenue collected from the impact fee is uncertain and will depend on the level of new development in the City. Therefore, as is common, impact fee revenue will only fund a portion of the City's overall improvement program. The City will identify additional funding sources to support these improvements, which may include other City revenues and grants.

Explanation of Level of Service

AB 602 requires that the nexus reports indicate whether the fee calculation is based on existing levels of service or on different levels of service, and to provide an explanation if the latter. As demonstrated throughout this Report, the calculated fees reflect the cost of maintaining the City's existing level of service for each infrastructure category as new growth occurs.

Original Nexus Study

AB 602 states that "if a nexus study supports the increase of an existing fee, the local agency shall review the assumptions of the nexus study supporting the original fee and evaluate the amount of fees collected under the original fee." Of the fees included in this Study, only the Parks, Storm Drain, and Water Capital fees are

updates to existing fees adopted by the City. The remaining fee categories are new fees being adopted by the City.

At the time of this Report, the original nexus studies conducted for the existing fee categories were not available. Given that all three fees were adopted prior to 1989 and have not been formally updated in the interim, it is reasonable to assume that the cost estimates utilized to set the original fees are no longer applicable and that an increase in the fee amounts is to be expected as part of an update that reflects present-day cost conditions.

Residential Fee to be Charged in Proportion to Unit Size

AB 602 requires that a nexus report adopted on or after July 1, 2022 “calculate a fee imposed on a housing development project proportionately to the square footage of proposed units of the development.” The following section details the steps taken to convert the per unit residential fees provided in the previous chapters to a fee that is charged proportionally based on housing unit sizes.

1. **Average Square Feet for Residential Units:** EPS reviewed data provided by the City on recent single-family residential projects permitted in the City, as well as data on multifamily projects built in neighboring cities over the past ten years, to determine average unit size for both single-family and multifamily building units. This calculation resulted in projected average net unit sizes of approximately 1,900 square feet for new single-family units and 1,000 square feet for new multifamily units.

Based on discussions with the City, it was determined that a single fee would be established for all residential unit types, including accessory dwelling units (ADU) over 750 square feet.³ The City projects that among future residential units built, 35 percent will be single-family units and 65 percent will be multifamily units. EPS calculated a weighted average of the average unit sizes based on these proportions. The resulting estimated average size for residential units in the City is approximately 1,315 square feet ($1,900 \times .35 + 1,000 \times .65 = 1,315$).

2. **Fee Per Square Foot:** The fee calculations in the preceding chapters include per residential unit fees for each fee category. The fee per unit is calculated as the cost of future facility needs per resident multiplied by the average household size of 3.6 persons.

³ Assembly Bill (AB) 68 states that local agencies may not impose impact fees on the development of accessory dwelling units less than 750 square feet. It further states that impact fees charged on accessory dwelling units 750 square feet and larger must be “charged proportionally in relation to the square footage of the primary dwelling unit.” Since the impact fees calculated in this Report will be charged on a per square foot basis, the fee charged to ADUs 750 square feet and larger will be proportional to the fee that would be charged to the primary dwelling unit based on size of unit.

As shown in **Table 21**, the average per unit fee for each category is divided by the average unit size to determine a maximum justifiable fee per square foot for each fee category.

Table 21 Residential Fee Per Square Foot

Fee Category	Fee Per Unit	Fee Per Sq. Ft.
<i>Square Footage (1)</i>		<i>1,315</i>
Public Safety	\$144	\$0.11
Parks	\$1,451	\$1.10
General Facilities	\$91	\$0.07
Stormwater	\$632	\$0.48
Transportation	\$709	\$0.54
Water Capacity (2)	\$1,074	\$0.82
TOTAL	\$3,027	\$2.30

(1) Estimated average size for residential units in the City is approximately 1,315 square feet, assuming future residential developments will be 35 percent will be single-family units and 65 percent will be multifamily units. Assumes that the average single-family unit is 1,900 sq.ft. and the average multifamily unit is 1000 sq.ft.

(2) Numbers shown are illustrative; actual fees will depend on meter needs of individual projects where the water capacity fee is assessed on a per meter equivalent unit (MEU) basis. For illustrative purposes, in this table development assumptions were made to compare the water capacity fee to the other fee categories. The residential fee shown is a weighted average, assuming that among future residential units built, 35 percent will be single-family units and 65 percent will be multifamily units. The single-family fee assumes one 3/4-inch meter per unit. The multifamily fee assumes one 2-inch meter for every 20 multifamily units.

The variations in fee level by unit size will make development costs relatively lower for smaller units than larger units, encouraging the development of smaller units. This financial incentive will complement other trends and policies supporting the development of smaller units. For example, as stated above, the City expects the majority of new housing units built will be multifamily units, particularly in the City's Specific Plan Areas.

11. Implementation and Administration

The proposed Development Impact Fee Program is anticipated to be adopted by the City of Paramount through an enabling Ordinance. The City will also adopt an Resolution approving this Nexus Report and the Development Impact Fee CIP and establishing the updated fee amounts.

AB 1600 and AB 602 outline several implementation/ administration procedures for impact fee programs. This section highlights four of these procedures: publication of fee information online, the annual fee review, the five-year report, and eight-year comprehensive update.

Publication of Financial and Zoning Information

Assembly Bill (AB) 1483 requires all cities, counties, and special districts with a website to make the following information available online, if applicable:

- The current schedule of fees, exactions, and affordability requirements imposed by the city, county, or special district (including any dependent special district), applicable to a proposed housing development project. The schedule must be presented in a way that clearly identifies the fees and requirements that apply to each parcel.
- All zoning ordinances and design and development standards for each parcel.
- The current and five previous annual fee or financial reports.
- An archive of impact fee nexus studies, cost of service studies, or equivalent, conducted by the city, county, or special district on or after January 1, 2018.

The above information must also be updated within thirty days of any changes.

Annual Review

This Report and the technical information contained herein should be maintained and reviewed periodically by the City as necessary to ensure alignment of capital needs and new development and to enable the adequate programming of funding sources. To the extent that capital needs, improvement requirements, or costs change over time, the Fee Program may need to be updated. Specifically, AB 1600 (at Gov. Code §§ 66001(c), 66006(b)(1)) stipulates that each local agency that requires payment of a fee make specific information available to the public annually within 180 days of the last day of the fiscal year:

- A description of the type of fee in the account.
- The amount of the fee.
- The beginning and ending balance of the fund.
- The amount of fees collected, and interest earned.
- Identification of the improvements constructed.

- The total cost of the improvements constructed.
- The fees expended to construct the improvement.
- The percentage of total costs funded by the fee.
- The approximate date for construction of the improvement.

Assembly Bill (AB) 516 additionally requires reports to include the following information:

- Identification of each public improvement identified in the previous report, and whether construction began on the approximate date noted
- For previously identified projects that did not start construction on the approximate date identified in the prior report, a reason for the delay and a revised approximate construction start date
- For any refunds made, the number of persons or entities identified to receive those refunds

Because of the dynamic nature of growth and infrastructure requirements, and the additional requirements of AB 516, the City should monitor development activity, the need for improvements, and the adequacy of the fee revenues and other available funding. Formal annual review of the fee program should occur, at which time adjustments should be made as necessary.

Annually, the City should update the its fee program to reflect inflation and other factors that affect the costs of projects in the fee program. The annual adjustment will be based on the Consumer Price Index for All Urban Consumers (CPI-U), Los Angeles-Long Beach-Anaheim, published by the U.S. Bureau of Labor Statistics.

Five-Year Report

Updated fees will be collected from new development within the City once the updated Ordinance or Resolution takes effect. The use of these funds, however, may need to wait until a sufficient fund balance can be accrued. According to Government Code Section 66006, the City is required to deposit, invest, account for, and expend the fees in a prescribed manner. The fifth fiscal year following the first deposit into the Fee account or fund, and every five years thereafter, the City is required to make all of the following findings with respect to that portion of the account or fund remaining unexpended:

- Identify the purpose for which the fee is to be put;
- Demonstrate a reasonable relationship between the fee and the purpose for which it is charged;
- Identify all sources and amounts of funding anticipated to complete financing of incomplete improvements; and
- Designate the approximate dates on that the funding referred to in the above paragraph is expected to be deposited in the appropriate account or fund.

Eight-Year Update

AB 602 requires that cities undertake a comprehensive update of their development impact fee programs, including conducting a comprehensive nexus analysis, at least every eight years to account for changes in improvement costs, growth projections, and other factors.



APPENDIX A:

Fehr & Peers Technical Memorandum - Paramount Development Impact Fees for Transportation

Transportation Development Impact Fee (DIF) Program Nexus Study

Prepared for:
CITY OF PARAMOUNT

November 13, 2025

LB23-0120

FEHR  PEERS

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Executive Summary

What is the Citywide Transportation Development Impact Fee?

The Transportation Development Impact Fee Program (“DIF Program”) or (“Fee(s)”) is a type of development impact fee created to address the impacts of new residents and workers utilizing transportation-related infrastructure, (e.g., roads, intersections, bridges) and facilities that serve transit, pedestrians and/or non-motorized vehicles (e.g., trails, bike lanes, sidewalks). The DIF Program is established such that new development and redevelopment projects will pay their “fair share” toward new and expanded transportation infrastructure and facilities that mitigate the impacts caused by this growth.

Who pays the Fees?

Fees are paid for by applicants of land use development and redevelopment projects—including, but not limited to, residential, office, retail, and industrial uses.

How are the Fees calculated?

The Fees are calculated based on the Nexus Study presented here, prepared per the requirements of the Mitigation Fee Act. Fees established herein follow the fundamental legal tenets of having an essential nexus (relationship) and being roughly proportional to the impacts which the fee is designed to mitigate. The relationship is drawn between transportation related impacts of future development, and the transportation infrastructure improvements that development will require to support the increased

demand—improvements such as roadway expansion and non-motorized transportation facilities. The costs associated with the identified improvements are then proportionally related to future development, quantified by the magnitude of anticipated impacts. As the DIF Program is a type of development impact fee program, it is designed to account for the impacts of future developments and does not address existing deficiencies. Specifically, fee programs cannot charge new development to fix existing deficiencies and, as such, this study identifies whether there are existing deficiencies in the system so that the cost to fix those deficiencies is not burdened onto future development. One common example of this relationship is related to providing added roadway capacity where a segment or intersection is already not operating at the city's defined acceptable threshold. In this instance, the full cost of the improvement cannot be burdened onto new development, which can only be burdened with their "fair share" of the cost of the improvement.

How are Fees assessed?

Fees are assessed based on the anticipated impact of new developments on the transportation infrastructure, calculated using trip rates that reflect expected trip generation by land use type, accounting for impacts of both autos and trucks. Assessed fees are proportional to the development's estimated increase to transportation demand, with different land use categories, such as residential, commercial, and industrial, assigned appropriate rates based on their impact. The fee calculation process involves identifying the project's land use type, applying the appropriate adjusted trip rate, and calculating fees based on the maximum allowable and adopted fee schedule. Pursuant to Government Code Section 66016.5(a)(5)(A), residential fees, although initially estimated using dwelling units provided by the local General Plan, are then converted to a per square foot fee rather than a per dwelling unit basis.





Introduction

Nexus Study Scope

This Transportation Impact Fee Program Nexus Study ("Nexus Study" or "Study") provides the technical documentation to support the City of Paramount's ("City") update of the DIF Program by defining the relevant geographic boundaries, the types of development projects to which the Fee is imposed, and the types of transportation infrastructure to be funded by the DIF Program. The DIF Program will fund infrastructure improvements throughout the City, to support its growth by evaluating the current growth estimates, infrastructure needs, construction costs, and the associated fee basis.

The Nexus Study provides the basis for the City to collect fees consistent with the California Mitigation Fee Act (AB 1600/Government Code 66000 et seq.). This analysis also demonstrates that the Fees established have a reasonable relationship based on the needs, benefits, and proportionality to the impacts which the Fee is designed to mitigate.

Regulatory Context

California Government Code

California Government Code §§ 66000-66025, often referred to as the Mitigation Fee Act, governs how local governments can impose development impact fees. This legislation ensures that such fees are both legally defensible and equitable. The Mitigation Fee Act allows the City to adopt an ordinance establishing the legal authority that enables the fee and defines the program structure. The fee program typically is updated every 5 to 8 years. These updates allow the program to incorporate new projects, reflect changes in costs, and account for future growth.

In establishing, increasing, or imposing a fee as a condition for the approval of a development project,¹ Government Code §§ 66001(a) and (b) state that the local agency must:

- Identify the purpose of the fee.
- Identify how the fee is to be used.
- Determine a reasonable relationship between the fee established and the type of development project for which the fee is imposed.
- Determine how the need for the public facility relates to the type of development project for which the fee is imposed.
- Demonstrate the relationship between the fee and the cost of the public facility.

Once the DIF Program is adopted, this Nexus Study and the technical information it contains will be maintained and reviewed periodically by the City to ensure Fee accuracy and to enable the adequate programming of funding sources. To the extent that transportation improvement requirements, costs, and development potential changes over time, the DIF program will need to be updated.

California Assembly Bill 602

Effective January 1, 2022, AB 602 requires that impact fees levied on residential development must be calculated such that they are proportional to the square footage of future units. A nexus study must evaluate how existing and future residential development can be estimated by residential square feet, or document why the use of residential square feet is not relevant in the case that it would not appropriately reflect the relationship between the fee, facility demand, and residential land use. Importantly, the legislation specifies that only Accessory Dwelling Units (ADUs) of 750 square feet or less are exempt from development impact fees, larger ADUS are subject to the fee program per square feet basis.

Effective July 1, 2022, AB 602 also mandates that large jurisdictions² adopting a nexus study shall adopt a capital improvement plan as a part of the nexus study. At the time of this Study's development, the residential population within the County of Los Angeles is approximately 9.76 million³ and thus, a Capital Improvement Plan (CIP) is required as a part of this Study. The City of Paramount updates and publishes their Capital Improvement Plan as part of the annual citywide budgeting procedure, and the latest

¹ Development includes any land use activity that involves construction of residential, commercial, industrial, office, or other non-residential improvements which requires the issuance of a building permit. Such improvements are generally expected to create additional impacts to the City's transportation infrastructure once completed through additional travel demand associated with the proposed use.

² As defined in Section 53559.1 of the Health and Safety Code, "Large jurisdiction" means a county with a population of more than 250,000, or any city within that county.

³ United States Census Bureau, 2024 ACS 1-Year Estimate



documentation can be found on the City's website⁴. Further, the City has prepared a draft amendment to the Capital Improvement Plan (as incorporated into the Major Project's Program) to be considered as part of the establishment of fees under the DIF program. The amendment is available for review under separate cover.

California Environmental Quality Act (CEQA)

CEQA impact considerations do not apply to fee programs, as these programs function solely as government funding mechanisms and do not entail a commitment to specific projects that could cause significant physical environmental impacts. As such, they are not considered "projects" under CEQA. However, for capital improvement projects funded by the DIF or other sources, the appropriate environmental documentation must be completed prior to construction—unless the project is determined to be exempt from CEQA⁵.

Methodology

Data Collection

This Study utilized data from various citywide planning documents, including the Paramount General Plan, North Paramount Gateway Specific Plan, Clearwater Specific Plan, Capital Improvement Program (CIP) cost estimates and records, and publicly available United States Census Data and American Community Survey (ACS) Estimates.

Cost Estimation

The cost estimation for transportation infrastructure improvements is prepared by City of Paramount. For each type of infrastructure—such as roadway lane miles, bicycle lanes, sidewalks, and trail facilities—the cost of improvement is determined by referencing recent costs and adjusting for factors such as construction materials, labor, environmental compliance, and project-specific contingencies. The project list and cost estimates are listed in **Table 1**.

⁴ City of Paramount. Five-Year Capital Improvement Program (CIP) Document. Accessible through the Capital Improvement Projects page on the City website. City of Paramount. Adopted Budget. Available on the City website under Government; Administrative Services; Finance; Section titled "Capital Outlays, Capital Projects and Capital Assets".

⁵ CEQA Guidelines Section 15378(b)(4)

Table 1 – Project List and Cost Estimates

Facility Type	Total Estimated Cost
Electronic Message Boards*	\$575,000
Alondra Boulevard Capacity Enhancements*	\$3,465,000
West Santa Ana Branch Bikeway Phase 3*	\$1,175,200
West Paramount Utility Easement Multi-Use Path*	\$9,661,000
TOTAL	\$14,876,200

* Project list and cost estimates provided by the City of Paramount

Maximum Allowable Fee

The maximum allowable fee is calculated using the following steps:

1. Identify total program costs – cost for improvements, plus cost for implementation
2. Account for known funding (current fund balance) and fee credits (amount to be subtracted from fund balance due to outstanding obligations, such as improvement reimbursement programs discussed in later sections of this Study)
3. Account for existing deficiencies
4. Account for administrative fees
5. Determine proportional allocation of cost to new development

Other DIF Considerations

- While the Study establishes a justified maximum fee based on proportional costs of infrastructure improvements for new development, the City Council retains the authority to adopt transportation impact fees lower than the maximum allowable amounts calculated in the Nexus Study. This flexibility allows the Council to balance the need for infrastructure funding with considerations such as encouraging development or addressing affordability concerns, while still maintaining compliance with the California Mitigation Fee Act.
- The fee program is designed specifically to address transportation infrastructure needs generated by new development and does not cover the cost of remedying existing deficiencies in the system. Under the California Mitigation Fee Act, impact fees can only be used to fund improvements proportionate to the impacts of future development. As a result, any existing deficiencies, such as under-capacity roads or outdated infrastructure, must be addressed through alternative funding sources.

Summary of Findings

The findings of this Study support the implementation of a transportation development impact fee program through the following steps:

- Identify the purpose of the fee



- Account for existing population and projected growth
- Determine the appropriate facility standards
- Provide cost estimates of necessary improvements
- Demonstrate the need, benefit, and fair share responsibility of the public facilities

Transportation-related development impact fees will be assessed per unit of land use proposed in the amount no more than the Maximum Fee Calculations provided at the end of this Study.



Fee Structure and Development

Purpose of Impact Fee Program

An impact fee program is often utilized to ensure that new developments contribute to the cost of public infrastructure that are proportional to the additional demand created by the development projects. As cities grow, new residential, commercial, and industrial projects increase the burden on the existing transportation networks. Without an impact fee program, the financial burden of accommodating this growth would fall disproportionately on existing residents, who would be forced to subsidize the infrastructure needs caused by new development.

In the last decade, the City experienced growth in jobs with a slight decline in population.⁶ The City's General Plan envisions population, and employment increases through 2035 and lays out a comprehensive vision that relies on well-maintained and effective infrastructure. The DIF Program is essential to securing sufficient funding for new and expanded facilities that are necessitated by new development.

Existing Service Population and Transportation Facilities

The City serves an existing population of approximately 51,070 residents and 22,500 employees. This diverse and growing population places significant demands on the city's infrastructure, public services,

⁶ Number of residents decreased between 2013 and 2023 from an estimate of 54,750 to 51,070, number of employees increased from an estimate of 20,500 to 22,500. ACS 5-year Estimates and Census.

and amenities. Besides roadways, trails, bike lanes, and sidewalks, the City has a wide range and variety of transportation facilities that serve the population of the City. Some aspects of improvements to these types of infrastructure are difficult to measure tangibly—factors such as safety, comfort, equity, and access to the system. However, all these factors are crucial to the viability of an effective transportation system. Infrastructure such as traffic management systems, access to regional transit systems, and a multimodal transportation network to support active and healthy mobility are all vital elements of a system able to foster sustainable development.

Development Trends

What types of existing and new development are occurring, and are there geographic differences that might affect the need for facilities and associated fees charged to certain types of development in an area?

Land use growth and new development require the support of transportation infrastructure. It is imperative to estimate the amount of new development expected to take place within the planning horizon, and the additional transportation facilities that would be required to prevent overburdening the existing service population (residents and employment) with the cost of new improvements. The City's General Plan anticipates that between 2023 and 2035 the number of households will grow by nearly 1,300, leading to an estimated increase of nearly 6,152 residents by buildout of the General Plan (**Table 2**). One trend that should be noted is the increasing proportion of households with fewer residents, as families are having fewer children. The estimate of future households is the best available information used to estimate the number of future dwelling units, which are expected to have fewer residents per household in 2035 than they do today. The number of employees is also expected to grow by nearly 1,400 across various industries including manufacturing, education, and office, amongst the highest growing sectors.

Table 2 – Development Trends

Measure	Impact Fee Base Year (2023)	Impact Fee Nexus Horizon Year (2035)	Change	% Change
Residents	51,072	57,224	6,152	12%
Employees	22,500	23,856	1,356	6%
Total Service Population (Residents + Employees)	73,752	81,080	7,508	10.2%
Households	14,348	15,632	1,284	9%

Although development projects will take place in specific parcels across the city, the City's transportation network is designed to serve all areas. However, improvements in a specific area tend to benefit development within that area more than development in a different area of the city. To that end, and to ensure that there is a localized nexus between new development and improvements needed to serve that

new development, the geographic composition of growth areas have a relationship with proposed projects for local benefits. Based on the SCAG 2024 RTP/SCS, the population and employment growth are distributed across various parts of the city. While growth would not occur uniformly across all Census Blocks of the City, the estimated changes in population and employment growth point to increased demand throughout the City for additional transportation infrastructure.

Infrastructure Improvements

Facility Standards

Establishing an appropriate facility standard is crucial for ensuring that the future inventory of transportation infrastructure in Paramount meets the demands of new development, while still aligning with the City's long-term goals. The following standards are derived from the City's adopted policies and standards.

Complete Streets Standards – The General Plan includes support for encouraging improvements that encourage active transportation modes, designed to safely and efficiently accommodate all users, including pedestrians, cyclists, motorists, and transit riders. Paired with the City's Active Transportation Plan, multimodal elements such as mixed-use trails, bike lanes, sidewalks, and connections to transit will be integrated as a critical component of the transportation network. This ensures that new developments contribute their fair share to a transportation system that is inclusive and accessible to all residents, by mitigating increased demand for mobility generated by new development within the City. In addition, the Health and Safety Element discusses the need to incorporate resiliency into city plans, while the Active Transportation Plan provides guidance for implementing specific projects that promote complete streets and alternative modes of travel. Furthermore, the City Council has adopted a resolution in support of complete streets.

Roadway Capacity and Quality – Maintaining efficient traffic flow and safety is a goal in the General Plan, especially on arterial roadways, with policies aimed at improving roadways and minimizing cut-through traffic or other impacts to local streets. To address this, the circulation element, known as the Transportation Element in the Paramount General Plan, identifies a sliding impact scale for transportation facilities operating at a Level of Service (LOS) C, D, E, or F⁷. This sliding scale describes the amount of traffic that can be added before triggering a local deficiency, which would then require that new developments include improvement to handle the increased traffic they generate. This standard ensures that the road infrastructure remains functional as the city grows. The following information related to

⁷ Level of Service (LOS) is a measure of roadway and intersection performance, graded from A (free-flow, minimal delay) to F (severe congestion, high delay).



roadway facilities supports and helps to validate the rough proportionality of the program and how it relates to new development.

Transportation Project List and Estimated Costs

Based on the projected increases in service population between existing year and the Impact Fee horizon year of 2035, accommodating future development would require additional transportation infrastructure that can serve various modes of travel between land uses, within the City, and connecting to regional freeways. Multimodal transit infrastructure can help maintain access, facilitate economic development, and help realize City goals associated with alternative forms of transportation, reducing greenhouse gases, and enhancing resiliency and sustainability of the transportation system. The projected need for transportation facilities is calculated in proportion to the amount of growth in service population anticipated over the horizon of the DIF, while accounting for funds that have already been collected for these projects. A description of each project follows **Table 3**.

Table 3 – DIF Transportation Project List and DIF Eligible Costs

Project	Total Estimated Cost	Funded Costs	Unfunded Costs	New Development Contribution %	New Development Contribution \$
Alondra Blvd. Capacity Enhancement	\$3,465,000	\$600,000	\$2,865,000	10.2% ⁸	\$292,230
WSAB Bikeway Phase 3	\$1,175,200	\$0	\$1,175,200	10.2%	\$119,870
West Paramount Utility Easement Multi-Use Path	\$9,661,000	\$775,000	\$8,886,000	10.2%	\$906,372
Electronic Message Boards	\$575,000	\$75,000	\$500,000	10.2%	\$51,000

These transportation network improvements are identified based on the City's General Plan, Active Transportation Plan, and Climate Action Plan (adopted 2021) goals to ensure efficient traffic circulation across the city and access to multi-modal transportation network. The new development would pay their fair share of the projects. The fair share is calculated based on expected growth as described in (**Table 2**). There are four projects identified for funding through the DIF Program:

⁸ The need for the extra capacity and operational improvements is created by the additional traffic generated by future development. The existing roadway can serve current demand but added roadway and intersection capacity is required to accommodate growth and prevent congestion. Accordingly, the full project cost is allocated to new development.

- **Alondra Boulevard Capacity Enhancements** – the City Council approved initiating design and environmental clearance work for the Alondra Boulevard Capacity Enhancement Improvements Project from Hunsaker Avenue (west city-limit) to Lakewood Boulevard (east city-limit). The project is intended to accommodate new growth and reduce the potential for cut-through traffic within local neighborhoods. The proposed capacity enhancement improvements consist of roadway and intersection widening, median modifications, parkway narrowing, undergrounding of existing overhead utilities, ADA sidewalk and curb ramp improvements, green streets improvements, and traffic signal modifications. The fee program includes this suite of projects to reduce the potential impacts of development on Alondra Boulevard. This is consistent with Transportation Element Policy 3 where the City “...will continue to develop and enhance the existing streets and intersections in the City.”
- **WSAB Bikeway Phase 3** – the City is pursuing construction of the West Santa Ana Branch (WSAB) Bikeway Class I bicycle and pedestrian trail along the railroad right-of-way that runs diagonally across the City. The approximately 2.3 mile trail would connect users from the Los Angeles River to the San Gabriel River through the cities of Paramount and Bellflower. Phase 3 of this project, from Paramount Boulevard to Garfield Avenue, includes bicycle and pedestrian infrastructure improvements including fencing, energy efficient LED pedestrian lighting, landscaping, decomposed granite, Americans with Disabilities Act (ADA) curb ramps, at-grade pedestrian/cyclist crossing, and street furniture for trail users. This is consistent with Transportation Element Policy 11, related to alternative forms of transportation where the “City of Paramount will continue to support the local public transit system and ongoing efforts to improve connections with other regional transit facilities.”
- **West Paramount Utility Easement Multi-use Path** – The City identified this project in the Active Transportation Plan. The project would install a dedicated bike and pedestrian trail along the Southern California Edison easement from north of Salud Park to the West Santa Ana Branch Bikeway Phase 4, just south of the 105 freeway. This is consistent with Transportation Element Policy 11 related to alternative forms of transportation where the “City of Paramount will continue to support the local public transit system and ongoing efforts to improve connections with other regional transit facilities.”
- **Electronic Message Boards** – as new development occurs additional vehicle activity on local roadways will increase the number of vehicles that cross active railroad tracks. To proactively prevent additional collisions arising from new development and increased activity, a series of electronic message boards will be installed throughout the City. In the first phase, the electronic message boards will alert commuters on Downey Avenue of cargo train crossings and delays.

DIF projects and associated program cost estimates are provided in **Table 3**. Project cost estimates were provided by the City of Paramount based on quantities, unit cost estimates, and preliminary design activities completed by the city. The city’s planned development is infill in nature, and consistent with the goals and policies outlined in the General Plan. Additionally, the new facilities delivered by this fee program meet the requirement for rough proportionality, as the estimated percent contribution to three



of the four projects is capped at 10.2%, which is directly tied to the projected increase in service population by 2035 in the City of Paramount.

Cost Estimating Assumptions

Cost estimates for transportation improvements are referenced from the latest available and relevant cost records. The cost to construct each improvement is calculated as an average of project costs with similar scopes and adjusted to account for forecasted future costs of environmental procedures, engineering design, and contingency. Future updates to the DIF Program should also index costs to an industry standard (typically the Caltrans Construction Contract Cost Index) and adjust the fee schedule annually to ensure that the program maintains consistency with what actual costs are to deliver the program accordingly.

Cost for Program Administration

The DIF Program includes an administrative fee equal to 2% of the total project cost. This is in line with representative implementation costs as specified in the *Nexus Study and Residential Feasibility Calculation Templates in fulfillment of AB 602* report prepared by the Turner Center for Housing Innovation at UC Berkeley for the California Department of Housing and Community Development (HCD).

Existing Deficiencies

Existing deficiencies refer to the gaps or inadequacies in current infrastructure or facilities that prevent them from meeting the desired service levels or standards. In the context of capacity-based projects—such as roadway widening—identifying and accounting for existing deficiencies is critical because these projects are often intended to enhance the ability of the infrastructure to accommodate current and future traffic volumes; or, in more simple terms, new development cannot pay to fix existing deficiencies.

While future development should not be burdened with addressing existing deficiencies in infrastructure, it is important to recognize that new growth proportionally contributes to the increased demand for expanded or improved facilities. New development will increase the existing levels of demand for transportation facilities. Therefore, it is reasonable and equitable to require new development to contribute its fair share toward the costs of infrastructure improvements that are necessitated by this growth.

In the case of roadway widening or other capacity-based projects, the need for additional infrastructure is created by traffic from new development. These improvements are designed to provide the capacity required to accommodate the City's projected growth, not to correct existing deficiencies. Thus, applying impact fees proportional to the new development is justified because the fees are not addressing pre-existing deficiencies, but rather the incremental impact that the new development imposes on the infrastructure system based on the proportion of growth to existing population and infrastructure level of service.

Without new development, the need for such infrastructure improvements would not arise, or would arise at a much later time. Impact fees serve as a mechanism to ensure that new growth is financially responsible for the additional demands it places on public facilities, aligning with the principles and policies of the City of Paramount General Plan, which emphasizes the importance of a fair and proportionate allocation of infrastructure costs as described in *Transportation Element Policy 5*.

This DIF Program applies two simple tests as it relates to roadway infrastructure needs:

- **“But For” Argument – But for new development, the improvement would not be required.** This typically applies to facilities that operate acceptably today but need widening in the future to serve future development. Alternatively, this could be applied to new roadway connections that are required to access new development. In these types of cases, since new development drives 100% of the need for the infrastructure, 100% of the cost of that infrastructure is included in the fee estimate.
- **“Fair Share” Argument – For facilities that are currently deficient, new development is only responsible for paying their “fair share” toward the improvement.** In this case, the increased demand by new development is divided by the total future demand on the roadway to identify what that fair share would be.

The expansion of roadways is typically justified by the need to reduce congestion and improve traffic flow, thereby directly responding to the deficiencies in capacity that limit the effectiveness of the existing road network. However, this approach is less applicable to other types of projects, such as multimodal improvements, which focus on enhancing infrastructure for various modes of transportation—like pedestrian pathways, bicycle lanes, and public transit facilities—rather than increasing capacity for a single mode. Multimodal improvements are designed to create a more integrated and balanced transportation network, often emphasizing safety, accessibility, and sustainability rather than solely addressing capacity deficiencies. Therefore, while existing deficiencies might drive roadway widening projects, they do not similarly affect the calculations for multimodal improvements, which are generally aimed at improving the overall quality and functionality of the transportation system (including reducing Vehicles Miles Traveled (VMT) and Greenhouse Gases (GHG)) rather than expanding its capacity.

For complete streets facilities, there is not a specific “existing deficiency” as achieving the city’s GHG reduction targets is outlined for the city as a whole. As such, new development can only be responsible for its fair share (as a percentage of total service population) of those improvements. For all the complete streets projects, new development is assumed to be responsible for up to 10.2% of the project cost, which corresponds to the new development as compared to the future service population of the city.







Nexus Analysis

Need

The Nexus Analysis, in alignment with the California Mitigation Fee Act, as amended including by AB 602 (2021), must establish a clear and proportional relationship between new development and the demand for public infrastructure. This section focuses on demonstrating the direct link between anticipated growth within the City and the necessity for transportation infrastructure improvements. By doing so, it ensures that the City's Development Impact Fees (DIF) comply with the essential nexus and rough proportionality standards mandated by relevant legal precedents such as *Nollan v. California Coastal Commission* and *Dolan v. City of Tigard*.

Paramount's General Plan projects the City's level of growth by 2035, with an anticipated future population of approximately 57,224 residents and 23,856 jobs at the Impact Fee Horizon year 2035 (**Table 2**). Such growth is reasonably expected to elevate the demand for transportation infrastructure, and necessitating enhancements to maintain current service levels. The General Plan outlines a vision for a circulation network that accommodates various transportation modes (vehicles, bicycles, pedestrians, and public transit) across the city. To support this vision, strategic investments in infrastructure are essential to prevent congestion and ensure safe, efficient mobility.

Given the projected growth, the City must expand its transportation network proportionally. The General Plan has a sliding scale for evaluating LOS impacts when a roadway is operating at LOS C, D, E, or F for its roadways. Failure to expand infrastructure to meet the additional demands from growth could degrade the service levels of facilities, leading to congestion, safety concerns, and a diminished quality of life for all who rely on the transportation system. Furthermore, this growth exacerbates safety risks by increasing

potential conflicts at intersections, pedestrian crossings, train crossings, and other high-use areas. Consequently, safety improvements—such as intersection enhancements, protected non-motorized facilities, and modernized traffic controls—are essential to maintaining a safe and efficient transportation system while accommodating new development.

As outlined in the General Plan and supported by transportation planning principles, developments generate varying impacts on transportation networks. Therefore, the DIF must differentiate this relationship by aligning fees assessed with the projected impacts of each type of future development, as shown in **Table 4**.

Benefits

The transportation infrastructure projects identified in the Nexus Study are essential to support the anticipated growth. These include roadway expansions, intersection improvements, and the development of multimodal transportation options such as bike and pedestrian pathways. Each project is carefully selected to address specific infrastructure needs that will arise from increases in service population and to meet General Plan goals for accessibility, safety, alternative transportation, and reducing greenhouse gases to combat climate change. The City's General Plan prioritizes the multi modal projects and those supporting modal shifts from autos to cleaner mode such as walk and bike. Reduction of greenhouse gases is a key component of its sustainability goals, aligning with state policies to reduce GHG emissions.

Increasing bikeway facilities aligns with the City's objectives to promote alternative transportation and enhance access to the transportation network for all user groups, thus improving air quality and reducing GHG emissions. The General Plan specifically highlights the need to expand alternative forms of transportation, such as Class II bike lanes and protected Class IV bikeways, to create a more connected, comfortable, and safe biking environment. The City's Active Transportation Plan similarly emphasizes the role of expanding bikeways in improving access to schools, parks, and transit hubs, providing a viable alternative to car travel for short to medium distances. Enhanced bikeway networks will not only facilitate active transportation but also contribute directly to the City's GHG emission reduction strategy. As such, these projects are consistent with goals and policies in the City's General Plan, Active Transportation Plan, and the Climate Action Plan.

The Active Transportation Plan and Climate Action Plan emphasize a shift toward reducing Automobile trips by promoting compact, walkable communities and enhancing active transportation networks. One of the most effective strategies to meet the state's GHG reduction targets is to reduce dependence on automobiles. By providing safe and comfortable walking and biking facilities, the City would reduce the number of vehicle trips, by providing alternative travel options and enhancing access and connectivity to two future train stations along the Southeast Gateway Line that will significantly enhance local and regional access without needing to rely on a vehicle.

Maintaining active transportation pathways is crucial for recreation and mobility. Building out the City's trail system is an environmentally friendly and cost-effective way to accommodate increasing travel demand without exploring additional roadway capacity enhancements. The existing segment of the WSAB

trail in Paramount extends from Lakewood Boulevard to Somerset Boulevard. This would help create a network of trails connecting the future train stations at Paramount/Rosecrans and I-105/C-line. The WSAB segment would help connect central, eastern, and northern portions of the City with transit and the Los Angeles River Bike Path. The West Paramount Utility Easement Multi-Use Path provides a north-south connection that links the southern, central, and western portions of the city with each other and future transit stations, enhancing the City's ability to accommodate local and regional travel in a more sustainable manner that helps meet documented City goals. The focus within the planning horizon is on providing improved accessibility, safety, and connectivity to a growing active transportation network that helps meet local increases in demand for travel. Most of the City's planned developments are expected at infill areas, where existing pedestrian infrastructures are typically already in place. The DIF-funded a mix of multimodal projects; this balanced approach aligns with the General Plan's goal to expand alternative modes, thereby supporting the City's commitment to sustainability and enhancing the quality of life for its residents.

Cost Allocation

AB 602 mandates that development impact fees for residential units be calculated based on square footage rather than the traditional per-unit metric, unless a local agency makes the finding—that includes an explanation of why a per square foot metric is not appropriate—that an alternative basis of calculation is reasonably related, and that other policies in the fee structure supports smaller developments.

The principle of proportionality underlies the requirement that fees imposed on new developments must be proportionate to the impact those developments have on public facilities. To adhere to proportionality basis mandated by AB 602, we calculate the average trip rate per dwelling unit using the weighted average of Single-Family and Multi-Family trip generation rates from Institute of Transportation Engineers' (ITE) *Trip Generation Manual*, and the distribution of residential land uses within the City (65% Single Family and 35% Multi-Family).

To calculate fair share for non-residential uses, Passenger Car Equivalent (PCE) trip rates are used to normalize the impacts for autos and trucks. For retail and restaurant uses a 30% pass-by trip reduction is considered to account for existing activities. The final summary trip rates are shown in **Table 4**

The fee per trip is then calculated based on total growth in PCE trips associated with all residential and non-residential uses.

Table 4 – Standard ITE Trip Rates and Adjusted PCE Trips Rates

Land Use	Unit*	Daily Trip Rate	Passenger Car Equivalent (PCE) Trip Rate
Residential Land use**	DU	7.68	7.68
Retail / Restaurant***	KSF	25.9	27.91
Manufacturing / Industrial	KSF	4.87	6.87



Office	KSF	10.84	11.84
Warehouse	KSF	6.74	11.74

* Dwelling Unit (DU) for Residential, Thousand Square Feet (KSF) for Commercial.

** The residential trip rate reflects a weighted average of Single-Family and Multi-Family trip rates, based on the distribution of residential land uses within the City. Average Size of Dwelling Unit is 1,315 square feet. (based on information from recent development in City of Paramount (2024))

*** 30% average reduction applied to retail and service stations used to account for the likelihood of pass-by and diverted trips

Total Program Costs

Total costs of the DIF program are calculated by the following steps, each ensuring that the fees collected are appropriately aligned with the costs incurred by new development impacts.

1. **Identify Total Costs of Transportation Improvements.** The total cost of expansion and improvement projects is **\$14,876,200** as provided in **Appendix B**.
2. **Account for Known Funding (Balance) and Fee Credits (Obligations).** While the City does not have an existing DIF program, the City of Paramount has obtained funding for three of the four projects on the DIF project list in the amount of **\$1,450,000**.⁹ This balance is subtracted from the estimated costs to complete improvement projects, and to account for unspent dollars toward future projects. Improvement reimbursement programs allow developers to recover costs for constructing public infrastructure that exceeds the immediate needs of their project and benefits the broader community. Such reimbursement programs typically involve formal reimbursement agreements which the City would be obligated to fulfill, outstanding obligations should be accounted for and subtracted from the remaining balance. At the time of this Study, there are no known reimbursement obligations. Subtracting the known funding from the total transportation improvements cost estimates results in a total unfunded project cost of **\$13,426,200**.
3. **Account for Existing Deficiencies.** All facilities where capacity-related improvement projects are identified are first evaluated to determine if they adequately serve the City's current service population, while for multimodal projects, the project percent contribution is capped at its fair share growth. Therefore only a proportional amount of the total project costs is to be funded by future development. Deductions to account for existing deficiencies are in the amount of **\$12,056,728**.
4. **Account for Programming and Administrative Fees.** The administrative fee associated with the fee program is estimated to be **2%**. This percentage reflects the typical level used by many jurisdictions statewide to cover staff time and other costs associated with administering the

⁹ DIF Fund Balance as of June 2024

program. The actual fee may be adjusted in the future to reflect the City's documented administrative effort. This fee is in line with representative implementation costs including as specified in the *Nexus Study and Residential Feasibility Calculation Templates in fulfillment of AB 602* report prepared by the Turner Center for Housing Innovation at UC Berkeley for the HCD.

Table 5 describes the total program cost.

Table 5 – DIF Program Cost Total

Program Element	Total Cost
Total Project Cost	\$14,876,200
Available Funds	-\$1,450,000
Total Unfunded Project Costs	\$13,426,200
Adjustments for Existing Deficiencies*	-\$12,056,728
DIF Program Project Contributions (Appendix B)	\$1,369,472
Administrative Fee (2%)	\$27,389
DIF Program Total	\$1,396,862

* See Table 3.

Maximum Fee Calculation¹⁰

What is the maximum justified fee by land use type—based on the prior steps—that can be charged to new development? Fees on residential land use are levied per building square foot unless an alternative method is justified.

Table 6 shows the estimated cost per trip, and per square foot.

¹⁰ Government Code §§ 66005.1 (a) – If housing development satisfies all of the following characteristics, then a transportation fee, or the portion of the fee relating to vehicular traffic impacts, must be set at a rate that reflects a lower rate of automobile trip generation associated with such housing developments in comparison to housing developments without these characteristics, unless the local agency adopts specific findings:

- The housing development is located within one-half mile of a transit station and there is direct access between the housing development and the transit station along a barrier-free walkable pathway not exceeding one-half mile in length.
- Convenience retail uses, including a store that sells food, are located within one-half mile of the housing development.
- The housing development provides either the minimum number of parking spaces required by the local ordinance, or no more than one onsite parking space for zero-to-two-bedroom units, and two onsite parking spaces for three or more-bedroom units, whichever is less.



Table 6 – Cost per Trip and Per Square Foot Citywide

Measure	Costs
Total Adjusted New Trips	15,133
Total Program cost	\$1,396,862
Cost per Trip	\$92
Cost per Dwelling Unit (citywide)*	\$709
Cost per residential square foot**	\$0.54
Cost per manufacturing/industrial square foot**	\$0.63
Cost per retail/restaurant square foot**	\$2.58
Cost per warehouse square foot**	\$1.08
Cost per office square foot**	\$1.09

* Cost per Dwelling Unit is calculated by multiplying cost per trip to the residential per unit trip rate.

** The cost per Dwelling Unit is divided by the average dwelling unit size of 1,315 square feet to arrive at a residential per square foot cost.

*** Cost per square foot of non-residential land use applies the cost per trip to the Passenger Car Equivalency (PCE) trip generation rate per thousand square feet for each land use and then divides by 1,000 for a per square foot cost.

Applying the estimated cost per trip to each land use category, a maximum fee per square foot of land use is calculated. Please note that per AB 602 requirements and assessments within this Study, impact fees for proposed residential projects should be assessed by size (square feet), adjusted by their relationship to the average size of Single-Family Residential units.

Developments near quality transit generally produce fewer vehicle trips due to the availability of transit options, which encourages a shift away from car usage. As such, AB 2533 was passed which requires lower impact fees to be assessed in areas where development is close to high quality transit. This bill was codified in Government Code section 66005.1.

Consistent with this requirement, difference conditions of residential development rates from the ITE Trip Generation Manual (11th Edition) were utilized to estimate the reductions appropriate for development meeting the requirements of the legislation. Please note that, by using ITE rates to develop this adjustment, low-rise multifamily units near high quality transit see a fee reduction of approximately 30% compared to the same development that is not near high quality transit. However, for mid-rise multifamily units, ITE rates show an increase in vehicle trip making for development near transit. To simplify the fee program, the same 30% reduction shown is applied to all residential land uses near a transit station.

Table 7 shows the summary of fee per square footage for residential and various commercial land uses.

Table 7 – Maximum Fee Calculation

Land Use	Unit	Maximum Fee Per Land Use Category by Zone
Residential	For an average Dwelling Unit of 1,315 SF	\$709
	<i>Sq. Ft. (to be used for collection fee) *</i>	\$0.54
	<i>If located in a high-quality transit area**</i>	\$0.38
Commercial/Retail***	SF	\$2.58
Office/Business Park	SF	\$1.09
Manufacturing	SF	\$0.63
Warehouse	SF	\$1.08

* For Multi-Family Residential Units (low-rise or mid-rise), proposed square footage of projects above or below the average size (1,315 square feet for residential), shall be responsible for a proportional increase or decrease to the impact fees assessed. (See table and examples for application of fees in the following sections)

** See text description related to 30% reduction for land use in a high-quality transit area that was derived using ITE rates for low-rise multifamily units away from and proximate to transit.

*** 30% reduction in trips is already included to account for pass-by trips.



Fee Implementation

Steps to Calculate Transportation Development Impact Fees

Step 1 – Determine Project Description and Land Use Quantities

In this step, the development project is clearly defined by identifying the land use type and its scale. The description should include:

Project type: Residential, commercial/retail, office/business park, manufacturing, warehouse

Project size: Specify the quantity in units of the chosen land use category. For the DIF, all uses are measured by square feet.

Step 2 – Apply Transportation Development Impact Fees

Once the land use quantities are identified, the next step is to apply the appropriate transportation development impact fee rates.

Locate the fee schedule: Use the pre-determined transportation impact fee schedule (**Table 7**) that outlines the fee rates for different land use categories, such as single-family residential, multifamily, commercial, or warehouse.

Calculate the total fee: Multiply the number of proposed quantities of land use by the corresponding transportation impact fee rate.

Example Calculation

Step 1 – Determine Project Description and Land Use Quantities

Example: A proposed development includes 100 multi-family dwelling units averaging 1,500 sq. ft. (150,000 sq. ft.) and 40,000 square feet of office space.

Step 2 – Apply Transportation Development Impact Fees

Example: If the fee for a multi-family detached home is \$0.54 per sq. ft., the fee for 150,000 sq. ft. would be:

$$150,000 \text{ sq. ft.} \times \$0.54/\text{sq. ft.} = \$81,000$$

Example: If the fee for office space is \$1.09 per square feet, the fee for 40,000 square feet of office space would be:

$$40,000 \text{ SF} \times \$1.09/\text{sq. ft.} = \$43,600$$

Summing up the total fees: After calculating the fees for each land use type, the total transportation impact fee for the project is obtained by adding the individual fees, or \$124,600.

Program Administration

This section outlines the procedures for administering and reporting on the City of Paramount's Transportation Development Impact Fee (DIF) program. It includes guidelines for program administration, updates, regular reporting, and how to address land uses that are not explicitly described within the land use categories of the fee structure. The requirements and procedures for refunds and filing of grievances in settling disputes regarding fee assessment are also detailed.

Program Administration

The City will be responsible for the overall administration and ongoing management of the DIF program. This involves maintaining accurate records of fee collection, project funding, and program adjustments.

Key Administrative Responsibilities:

- **Fee Collection:** Ensure that all development projects subject to the DIF program pay the appropriate fees based on the approved fee schedule.
- **Fund Allocation:** Manage and allocate collected fees toward transportation infrastructure improvements that are directly related to growth.
- **Monitoring and Adjustments:** Regularly monitor the need for fee adjustments, including indexing fees to account for inflation or changes in construction costs.

To maintain the program's financial sustainability and relevance, the City will apply an annual adjustment to the DIF, reflecting changes in construction costs. Adjustments should be based on an established construction cost index, such as the California Department of Transportation's (Caltrans) Construction Contract Cost Index, to ensure fees align with current market conditions.

Program Update

In compliance with AB 602, the City of Paramount's Transportation Impact Fee Program requires periodic updates and reviews to ensure its alignment with current development patterns, infrastructure needs, and legal standards. The statute requires the City to:

- Review the Fee Program every five (5) years per Government Code §§ 66001.
- Update the Nexus Study every eight (8) years per AB 602
- Update the Fee Program and/or Nexus Study if there are any other substantial changes/updates to the Mitigation Fee Act

- Update the Fee Program and/or Nexus Study due to major changes in the policies/assumptions due to a General Plan Update or other citywide planning effort.
- Update the Fee Program and/or Nexus Study if the City changes its development impact criteria.
- Update the Fee Program and/or Nexus Study if the construction costs change significantly.
- Annually update the Fee Program to reflect inflation and other factors that affect the costs of projects in the fee program. The annual adjustment will be based on the Consumer Price Index for All Urban Consumers (CPI-U), Los Angeles-Long Beach-Anaheim, published by the U.S. Bureau of Labor Statistics.

The City must adopt or update a Capital Improvement Plan (CIP) as part of the Nexus Study. The CIP outlines the infrastructure projects that will be funded by the collected impact fees, ensuring transparency and planning consistency.

Program Reporting

Government Code §§ 65940.1 requires that the City maintains the following items (which must also be posted on their website):

- A current schedule of fees, exactions, and affordability requirements imposed by the DIF.
- All zoning ordinances and development standards adopted by the City showing the information, which shall specify the zoning, design, and development standards that apply to each parcel.
- A list that specifies the information that will be required from any applicant for a development project.
- The current and five previous annual fee reports or the current and five previous annual financial reports, fee nexus studies, cost of service studies, or equivalent, conducted by that City, on or after January 1, 2018.

Unique Land Use Categories

In cases where a proposed development does not fit neatly into the predefined land use categories within the DIF program, the City will apply a methodology that ensures the fee is proportional to the anticipated impact of the development on transportation infrastructure.

Impact Assessment: For new or uncommon land uses, the project must submit a traffic impact assessment to determine the projected vehicle trips, or other relevant metrics (e.g., Vehicle Miles Traveled, VMT), generated by the proposed development.

Trip Generation Data: The City will reference the most recent edition of the Institute of Transportation Engineers (ITE) Trip Generation Manual to estimate the transportation demand of the new land use. If no specific trip generation data is available for the proposed land use, the City will use a comparable category from the manual as a proxy.

Custom Fee Calculation: Once the anticipated transportation demand is assessed, the City will calculate a custom fee based on the closest comparable land use category in the DIF schedule, adjusted for any unique characteristics of the development.

Refund Provisions

Under California Government Code §§ 66001(d) and (e), the City of Paramount must refund any unexpended development impact fees, along with accrued interest, if not used or committed within five years of collection. Refunds are issued to the current record owners on a pro-rata basis, determined using the last equalized assessment roll. If administrative costs of processing the refund exceed the refund amount, the City may, after a public hearing, allocate the funds to a related public improvement serving the original development. Additionally, the City must make specific findings every five years regarding the purpose, relationship, and anticipated use of unspent fees, ensuring transparency and accountability in fee management.

Grievances

California Government Code §§ 66000-66025 requires that legal avenues be available to contest the fees associated with this update. Under the Act, §66001(a)(3) requires that a local agency demonstrate “a reasonable relationship between the fee’s use and the type of development project on which the fee is imposed,” ensuring that all fees remain proportional and impact based. At the same time, §66020(a) establishes a formal avenue to contest such fees by stating that “any party may protest the imposition of fees, dedications, reservations, or other exactions imposed on a development project by a local agency.” Following this requirement, City of Paramount is open to anyone disputing the transportation impact fee and generally would be facilitated by the following key considerations that are required by the Government Code (as presented on the following page).

Fee Challenges and Protest Procedures

Under Government Code § 66020, developers or property owners who disagree with the amount or validity of an imposed fee must follow a specific protest procedure. To preserve their right to challenge the fee:

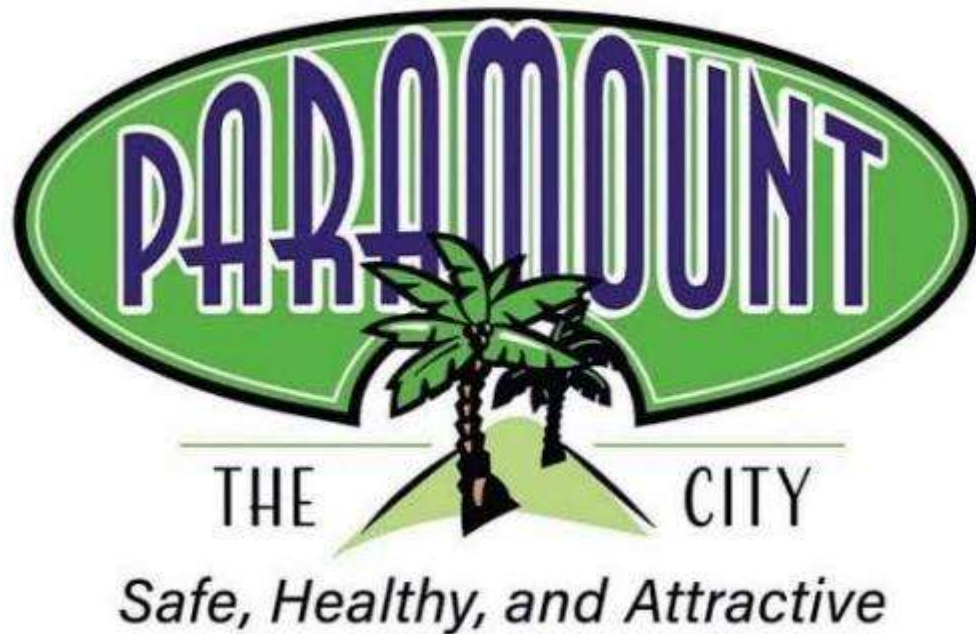
- The developer/owner must submit a written notice of protest to the City at the time of fee payment or within 90 days after the fee imposition, whichever occurs first.
- The protest must clearly outline the grounds for dispute, such as the lack of nexus between the fee and the development's impact or disagreement with the fee calculation method.

Failure to file a protest within this period waives the right to legally challenge the fee in the future. This is consistent with the Municipal Code as noted above.

Public Hearing for Disputes

If the dispute is not resolved at the local level, the developer has the right to seek judicial review. To initiate this process:

- A lawsuit challenging the fee must be filed within 180 days of the fee being imposed or from the final decision issued by the City after the grievance process.



DRAFT

City of Paramount

Water Capacity Charges Study

October 3, 2025



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS



APPENDIX B:

Appendix B: Bartle Wells Associates Technical Report – Water Capacity Charges Study



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October 3, 2025

Sol Bejarano
City of Paramount, Management Analyst
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Re: Water Capacity Charges Study

Bartle Wells Associates is pleased to submit the attached Water Capacity Charges Study to the City of Paramount. The report develops water capacity charges that are designed to equitably recover the costs of infrastructure and assets benefiting new development.

Key objectives of the study include developing capacity charges that recover the costs of capacity in water system infrastructure, are fair and equitable to both existing customers and new connections, are based on industry-standard methodology, and comply with all legal requirements. The study recommends a set of charges that would apply uniformly to the City's service area.

We enjoyed working with the City on this assignment and appreciate the ongoing input and assistance received from the City's project team. Please contact us anytime if you have questions about the recommendations presented in this report or other related issues.

Yours truly,

Erik Helgeson, MBA
Consultant

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1. BACKGROUND, OBJECTIVES, & GOVERNMENT CODE

1.1. Background

The City of Paramount (City) is located in Los Angeles county, approximately fifteen miles southeast of downtown Los Angeles, in Southern California. The City encompasses approximately 5 square miles and has an estimated population of 51,000.

The City levies water capital improvement charges on new or expanded connections to the City's water system. These charges are levied as a condition of development or change in use and are designed to recover the cost of capacity in infrastructure and assets benefiting new development.

Capacity charges are one-time charges, paid up-front as a condition of new development or expansion. Capacity charges are separate from the City's rates for water services. New connections begin paying the City's water rates after they have paid their capacity charge and become ongoing customers.

The City retained Bartle Wells Associates to update the City's water capacity charges with the goal of developing updated charges that:

- Recover the full costs of water system infrastructure and assets that benefit new or expanded development to help ensure that growth pays its own way;
- Equitably recover costs based on the new or increased capacity needs of new development or redevelopment;
- Are consistent with industry-standard practices and methodologies;
- Comply with government code.

1.2. Government Code

Development impact fees are governed by California Government Code Section 66000 et. seq. This section of the Code was initially established by Assembly Bill 1600 (AB 1600) and is commonly referred to as the Mitigation Fee Act. Pursuant to the Code, a development impact fee is not a tax or special assessment, but is, instead, a voluntary charge levied to defray the cost of public facilities needed to serve new development.

Section 66013 of the Code specifically governs water and wastewater capacity charges. This section of the Code defines a "capacity charge" to mean *"a charge for public facilities in existence at the time a charge is imposed or charges for new public facilities to be acquired or constructed in the future that are of proportional benefit to the person or property being charged."*

The Code distinguishes “capacity charges” from “connection fees” which are defined as fees for the physical facilities necessary to make a water or sewer connection, such as costs related to installation of meters and pipelines from a new building to a water or sewer main. This report refers to the City’s Water Capital Improvement Fee as “capacity charges,” in line with the intended purpose of these fees.

According to the Section 66013, a water or wastewater capacity charge “*shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed*” unless approved by a two-thirds vote. As such, the capacity charges calculated in this report represent the maximum charges that the City can levy. Section 66013 does not detail any specific methodology for calculating capacity charges.

Section 66016 of the Code identifies the procedural requirements for adopting or increasing water capacity charges and Section 66022 summarizes the general process by which the charges can be legally challenged. The full text of Sections 66013, 66016 and 66022 are attached in Appendix A.

1.3. Proposed Water Capacity Charges

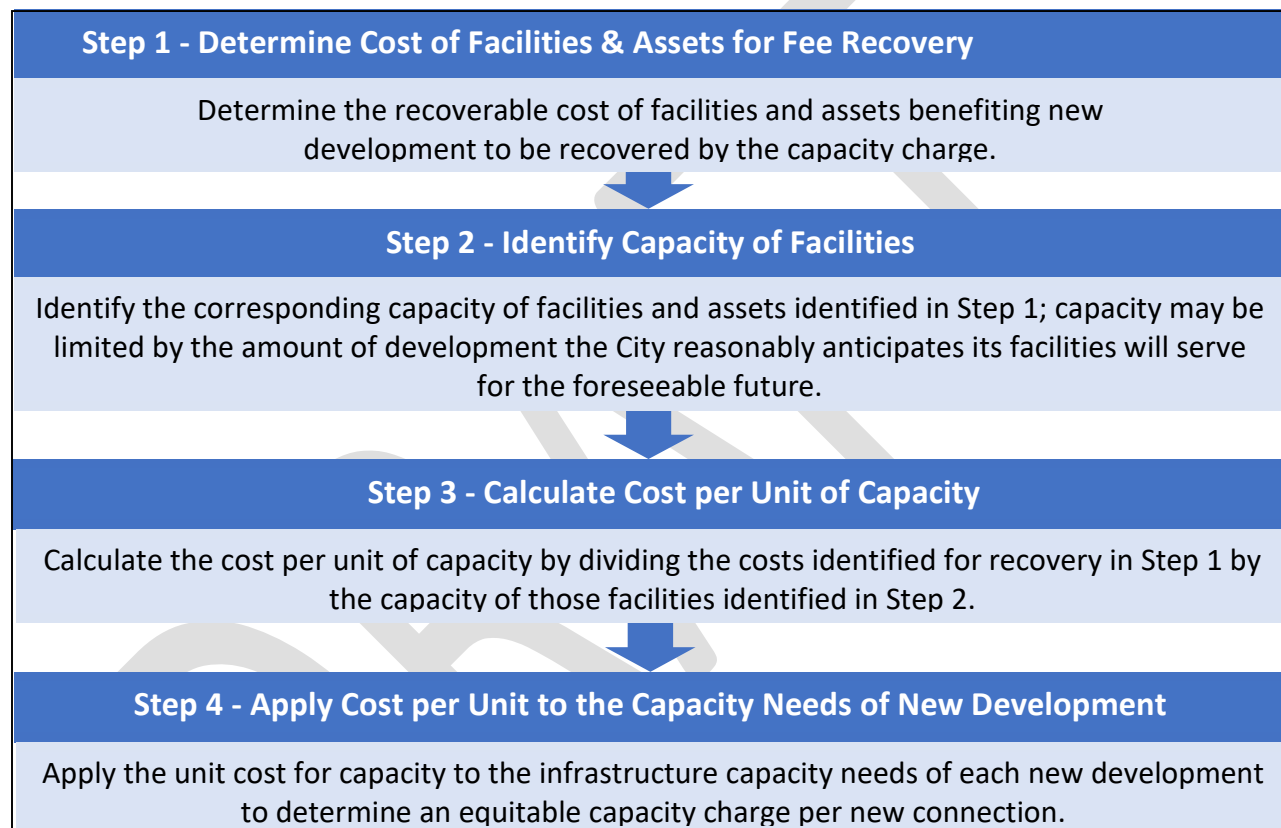
This report develops updated water capacity charges designed to equitably recover the costs of facilities and assets benefitting new development. The recommended charges are based on a *System Buy-In Approach* under which new or expanded connections would fund their proportionate share of costs (in current dollars) for capacity needed in existing water system facilities and assets.

2. CAPACITY CHARGE METHODOLOGY

Public agencies have used a wide range of methodologies to calculate capacity charges. This section presents our general methodology and a brief overview of common methods for calculating updated capacity charges.

Our general methodology used to calculate updated water capacity charges is summarized in the following figure.

Figure 1: Capacity Charge Methodology



Public agencies have used a wide range of methodologies to calculate capacity charges. BWA recommends use of a *Buy-in* Method to calculate updated water capacity charges. Under this method, new connections “buy in” for a proportionate share of capacity needed in the City’s existing water system facilities and assets. A brief overview of common methods for calculating updated capacity charges is presented below.

Buy-In Only Approach (Recommended):

- Cost Recovery: Cost of existing assets (in current, inflation-adjusted dollars)
- Capacity Denominator: The projected capacity of the system at the Horizon Year (2040)

Expansion or Marginal Cost Approach:

- Cost Recovery: The cost of anticipated expansion-related capital improvements in current, inflation-adjusted dollars
- Denominator: Expansion capacity in City facilities with completion of the growth-related capital improvements at the Horizon Year

Buy-In + Expansion Cost Approach:

- Under this approach, the capacity charge includes two components: a) a buy-in component to recover an equitable share of costs for existing facilities available to serve new development (in current dollars), plus b) an expansion component to recover the cost of capacity in future facilities needed to serve projected new development.
- *The Buy-in + Expansion Method* is a widely used and accepted method for calculating capacity charges, particularly for service areas that are largely built out but require additional infrastructure improvements to meet the demands of anticipated growth and redevelopment.

3. WATER CAPACITY CHARGE CALCULATION

3.1. Current Water Capacity Charges

The City levies water capital improvement fees on new or expanded connections to the City's water system where construction of additional dwelling units or change in land use intensity is proposed, or an existing connection from an industrial, commercial, or institutional parcel where proposed modifications will either increase water consumption by more than 25 percent or will increase the existing fire flow requirements. Table 1 below summarizes the City's current water capacity charges which are based on the Fire Department requirements for fire flow and duration and calculated on a per acre charge.

Table 1 – Current Water Capacity Charges

Fire Flow (gpm)	Duration	Charge per Acre
0 to 750	2 hours	\$1,200
851 to 1,250	2 hours	1,300
1,251 to 1,750	2 hours	1,400
1,751 to 2,250	2 hours	1,600
2,251 to 2,750	2 hours	1,800
2,751 to 3,250	2 hours	2,000
3,251 to 3,750	2 hours	2,400
3,751 to 4,250	2 hours	2,800
4,251 to 5,000	2 hours	3,200

3.2. Existing Water System Facilities & Assets

The City is responsible for the operation, maintenance, and repair of the water treatment and distribution system, comprised of 3 wells, and 130 miles of water pipe. The following tables show an inventory of water system assets along with current replacement cost estimates used to determine the current construction costs of the water system.

Replacement costs may be determined using established indexes, for example the Consumer Price Index (CPI) which measures the average change over time in the price of a basket of everyday goods and services such as food and transportation, or the Engineering News-Record Construction Cost Index (ENR-CCI) which measures the change in a package of construction materials and labor costs over time. This adjustment takes into consideration the change in the value of a dollar over time. For this analysis, cost estimates per unit of measurement for pipelines are and based on the City's 2015 Water Master Plan and escalated to current dollars using the ENR-CCI, 20-Cities Average. This index represents the average cost of construction and labor across 20 major US cities and provides a more conservative measure of cost trends compared to individual city indexes which can be more volatile due to local price fluctuations.

To provide recognition of the physical effects of aging, percent useful life remaining for each asset type is determined by dividing the age of assets by type by their estimated useful life. This adjustment takes into account the anticipated reduction of asset wear, tear, and decay caused by aging to determine water system assets for recovery by capacity charges.

Table 2 – Water Distribution Assets

Water Main	Size	Units	Replacement Costs	Total Replacement Costs [1]	Service Life	Average Age	Average % Life Remaining	Adjusted Replacement Costs
Type	Inches	Linear Feet	Per Unit	2024 \$	Years	Years	%	2024 \$
Cast Iron	Up to 4"	2,400	\$300	\$720,000	80	75	6%	\$45,000
Cast Iron	6-12"	106,000	\$300	\$31,800,000	80	75	6%	\$1,987,500
All Other	6-20"	577,600	\$300	\$173,280,000	80	75	6%	\$10,830,000
Total				\$205,800,000				\$12,862,500

1, Water main age, lengths, and replacement costs based on the 2015 Water Master Plan, escalated to current dollars using the ENR-CCI 20-Cities Index as of December 2024.

Cost estimates for wells and treatment assets are based on construction projects from recent years. To provide recognition of the physical effects of aging, percent useful life remaining for each asset is determined by dividing the age of assets by their estimated useful life. This adjustment takes into account the anticipated reduction of asset wear, tear, and decay caused by aging to determine water system assets for recovery by capacity charges.

Table 3 – Water Wells & Treatment Assets

Wells and Treatment Assets ¹	Estimated Replacement Cost	Estimated Useful Life	Asset Age	Life Remaining	Adjusted Replacement Costs
Well Number	2024 \$s	Years	Years	%	2024 \$s
14	\$6,000,000	50	40	20%	\$1,200,000
15 ²	\$11,000,000	50	13	74%	\$8,140,000
16 ²	\$11,000,000	50	0	100%	\$11,000,000
Total	\$28,000,000				\$20,340,000

1, Wells and treatment assets and replacement costs provided by the City of Paramount Public Works Staff.

2, City has on-site treatment facilities located at Well 15 and Well 16.

3.3. Value of Water System Assets for Recovery

Under the methodology used in this report, water capacity charges are designed to recover a proportionate share of the replacement value of existing water system facilities and assets (in current dollars). The value of existing assets is determined by identifying the estimated current replacement cost of assets and then reducing the value to only reflect the remaining estimated useful life. While the charge could be based on the replacement value, this approach was used because it reflects the remaining value of assets.

The updated charges exclude the outstanding principal, net of cash. The value of assets is reduced by the outstanding principal balances related to the financing of assets because the outstanding principal balance reflects asset value that will be paid by future rate revenues. Existing cash balances have been collected from customers and could be used to pay off the debt principal. For this study, reserves exceeding the outstanding principal were not included as assets.

Table 4 shows a summary of existing water system asset values for the water capacity charges calculation.

Table 4 – Water System Asset Valuation

Asset Description	System Value for Capacity Charges
<u>Asset Replacement Cost Values Based on Estimated Replacement Costs Adjusted by Remaining Asset Life</u>	
Pipelines	\$12,862,500
Wells & Treatment	<u>20,340,000</u>
Total Replacement Value of Assets	\$33,202,500
<u>Less Outstanding Principal Net of Cash Reserves</u>	
Outstanding Principal ¹	(\$22,686,534)
Cash Reserves ²	<u>15,219,380</u>
Net Principal Outstanding (Maximum of \$0)	(\$7,467,154)
Total Value of Assets for Capacity Charges	\$25,735,346

1, Source: City of Paramount Long Term Liabilities for the Year Ended June 30, 2024.

2, Source: City of Paramount Comprehensive Annual Financial Report, Statement of Cash Flows Proprietary Funds Year Ended June 30, 2024.

3.4. Current and Projected Water System Capacity

The next step in calculating capacity charges for the City's water system is to determine the current capacity of the system. Existing customer connections are converted into Meter Equivalent Units (MEUs) by meter size. The benefit of using MEUs is that they relate the relative capacity of connections by the American Water Works Association (AWWA) standards for maximum safe operating capacity by meter size. In short, using MEUs accounts for the relative capacity of connections with meters of various sizes and the likelihood of larger meters generating more system demand. Since single family residences are the City's primary water connection type, and since current development requirements for new single family connections require a minimum ¾" meter, this study calculates the meter equivalent ratio based on a ¾" meter base. The meter ratio for all other meters is determined by dividing the capacity for that meter by the capacity for a ¾" meter

Table 5 summarizes the data used to determine the City's current number of MEUs, which is reflective of the current capacity of the system.

Table 5 – Current Meter Equivalent Units

Meter Size	Meter Capacity ¹	Meter Ratio	Total Meters	Total Meter Equivalent Units (MEUs)
5/8"	35	1.00	5,811	5,811
3/4"	35	1.00	2	2
1"	55	1.57	731	1,148
1.5"	120	3.43	239	820
2"	175	5.00	446	2,230
3"	550	15.71	10	157
4"	880	25.14	13	327
6"	1,400	40.00	5	200
8"	3,500	100.00	5	500
10"	5,500	157.14	2	314
Totals			7,264	11,509

1, Based on the American Water Works Association (AWWA) maximum safe operating capacity.

2, This study assumes all existing 5/8" SRF connections have a 3/4" meter equivalency since current design requirements for new residential homes require 3/4" meters.

Table 6 projects the number of MEUs for the City's future customer base through 2040 based on a) the City's most recent population growth estimates and b) the City's existing MEU count. The projections shown represent the total customer demand that the City's water system is projected to serve through 2040.

Table 6 – Projected Water System Demand

Customers Served	
Population 2025	57,404
Population 2040 ¹	<u>61,266</u>
Population Increase %	6.7%
Current MEU	11,509
Population Increase %	<u>6.7%</u>
Projected 2040 MEUs	<u>12,280</u>
<i>1, Projection based on the City of Paramount 2020 Urban Water Management Plan.</i>	

3.5. Water System Cost Recovery per MEU

Table 7 calculates an updated capacity charge using the Buy-in Method by dividing a) the recoverable cost of water system assets by b) the projected future capacity of the City's water system. The calculation results in a water system capacity charge of \$2,320 per MEU.

Table 7 – Water Capacity Charge Calculation per MEU

Capacity Charge Component	Amount
System Cost Recovery	\$25,735,346
Projected 2040 MEUs ¹	<u>12,280</u>
Capacity Charge per MEU	<u>\$2,096</u>
<i>1, Projection based on the City of Paramount 2020 Urban Water Management Plan.</i>	

While the proposed capacity charges developed in this study are higher than the City's existing charges, they are developed to reflect the current cost of infrastructure and help ensure that new and expanded connections pay for their share of capacity in the City's water system.

3.6. Accessory Dwelling Units

Accessory Dwelling Units (ADUs) are generally defined as secondary residential dwelling units constructed on a residential property and may include a) second independent living units within or attached to the living area of an existing primary residence, and b) detached accessory dwelling units. ADUs are governed by California Government Code Section 65852.2.

The Code includes language governing water and sewer capacity charges for ADUs including:

- ADUs within the living area of a primary residence “shall not be considered to be a new residential use for the purposes of calculating connection fees or capacity charges for utilities, including water and sewer service.” Hence, the Agency may not levy capacity charges on ADUs that meet the requirements of the Code and are constructed within the living area of primary residence. To be considered within the living area of a primary residence, the Code permits “an expansion of not more than 150 square feet beyond the same physical dimensions as the existing accessory structure.”
- Detached ADUs, or ADUs that require expansion of a primary residence in excess of 150 square feet, may require a new or separate utility connection directly between the accessory dwelling unit and the utility. Consistent with Section 66013, the connection may be subject to a connection fee or capacity charge that shall be proportionate to the burden of the proposed accessory dwelling unit, based upon either its size or the number of its plumbing fixtures, upon the water or sewer system.”

In compliance with the Code, the water system “burden” and corresponding capacity charges for ADUs eligible to pay such charges are proposed to be calculated in proportion to the square footage of an ADU as compared to the average square footage of a single family home or MEU, resulting in a proportionate cost per square foot for an ADU.

Table 8 on the following page show the City’s capacity charge calculation for ADUs.

Table 8 – Water Capacity Charge Calculation for ADUs

Capacity Charge Component	Amount
Capacity Charge per MEU	\$2,096
MEU Sq. Ft ¹	<u>1,315</u>
Capacity Charges per Square Foot ²	<u>\$1.59</u>

1, Based on average size for single family homes.

2, Applicable to new ADUs 750 sq. ft. and larger requiring or requesting a new water connection.

Water capacity charges for new ADUs 750 square feet and larger requiring or requesting a separate connection to the City’s water system would be calculated based on the square footage of each unit multiplied by the capacity charge per square foot.

4. CAPACITY CHARGES APPLICATION

This section highlights some key issues regarding the application and implementation of the updated capacity charges.

4.1. Capacity Charge Ordinance: Purpose of Charge

Pursuant to Government Code 66013, revenue derived from the City's capacity charges can only be used for the purpose for which the charges are collected. In order to maximize the City's flexibility for use of capacity charge revenues, BWA recommends that the ordinances/resolutions adopting new charges broadly define the purpose of each capacity charge, such as to recover a proportionate share of costs for existing and future water system facilities and assets from new or expanded connections to the water system.

4.2. Annual inflation Adjustments

To account for future construction cost inflation, BWA recommends that the City's capacity charge ordinances include language authorizing automatic annual adjustments along with the ability to implement a "catch-up" adjustment if an annual adjustment is ever deferred or only partially implemented. This will allow for a multi-year adjustment if the City ever defers an annual adjustment.

4.3. Use of Capacity Charge Revenues

BWA recommends that the City apply all capacity charge revenues to fund water system capital improvements.

4.4. Capacity Charge Application with Unknown Uses

Developers occasionally seek permits for development projects whose ultimate uses are not known at the time the capacity charge is paid. In these cases, BWA recommends the City levy the capacity charge for the estimated number of water meters by size as an initial payment that would be subject to adjustment after the development is occupied and its uses are known. The future adjustment may include the requirement to pay additional capacity charges or potentially receive a partial refund. In such cases, the City should require written acknowledgment from the property owner regarding the potential requirement for additional capacity charges to be paid based on the future use of the property.

4.5. Changes in Property Use

In cases where a property experiences a change in use, such as if an office is converted into a restaurant, the City is entitled to collect capacity fees for any change in water demand, similar to a redevelopment project.

4.6. Capacity Charge Credits for Redevelopment

Capacity charges for redevelopment projects and/or expansions should be based on the incremental demand generated from each project. Under this approach, future redevelopment projects would get credited for the capacity purchased by the prior development. For example, if a customer initially paid capacity charges for a 1-inch meter and later upgrades their connection to a 1.5-inch meter, they would be responsible for their incremental demand on the water system. The capacity charges for this customer would be calculated as the difference between the current capacity charges for a 1.5-inch meter less the capacity charges for a 1-inch meter.

4.7. Limited Term of Application for an Adopted Capacity Charge

Other California agencies have experienced problems with developers' purchasing capacity many years in advance of anticipated development in order to lock in lower fees. To avoid these problems, the City should require that capacity fees be paid up front as a condition of development and should allow the charges to be effective for a limited period of time (typically one year) after which the developer or property owner would be responsible for paying any increase to the charges.

4.8. Future Adjustments to Capacity Charges

In future years, BWA recommends that the City update its capacity charges annually. The City's capacity charge ordinances can allow for automatic annual adjustments based on the Consumer Price Index for All Urban Consumers (CPI-U) for Los Angeles-Long Beach-Anaheim, which is City's preferred cost index. The maximum annual charge in a given year is the capacity charge amount shown in the study above increased by the percent change between that year's CPI-U and 334.531 (CPI-U, December 2024).

Additionally, the City should review and consider updating its capacity fees when substantial revisions are made to anticipated capital improvement costs or to substantial changes in projected demand. In general, BWA recommends that capacity fees be independently reviewed and/or updated approximately once every five years.

APPENDIX A

California Government Code: Key Sections Pertaining to Capacity Charges

California Government Code
Key Sections Pertaining to Capacity Charges
Sections 66013, 66016, 66022 & 66023

66013

(a) Notwithstanding any other provision of law, when a local agency imposes fees for water connections or sewer connections, or imposes capacity charges, those fees or charges shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed, unless a question regarding the amount of the fee or charge imposed in excess of the estimated reasonable cost of providing the services or materials is submitted to, and approved by, a popular vote of two-thirds of those electors voting on the issue.

(b) As used in this section:

(1) “Sewer connection” means the connection of a structure or project to a public sewer system.

(2) “Water connection” means the connection of a structure or project to a public water system, as defined in subdivision (f) of Section 116275 of the Health and Safety Code.

(3) “Capacity charge” means a charge for public facilities in existence at the time a charge is imposed or charges for new public facilities to be acquired or constructed in the future that are of proportional benefit to the person or property being charged, including supply or capacity contracts for rights or entitlements, real property interests, and entitlements and other rights of the local agency involving capital expense relating to its use of existing or new public facilities. A “capacity charge” does not include a commodity charge.

(4) “Local agency” means a local agency as defined in Section 66000.

(5) “Fee” means a fee for the physical facilities necessary to make a water connection or sewer connection, including, but not limited to, meters, meter boxes, and pipelines from the structure or project to a water distribution line or sewer main, and that does not exceed the estimated reasonable cost of labor and materials for installation of those facilities.

(6) “Public facilities” means public facilities as defined in Section 66000.

(c) A local agency receiving payment of a charge as specified in paragraph (3) of subdivision (b) shall deposit it in a separate capital facilities fund with other charges received, and account for the charges in a manner to avoid any commingling with other moneys of the local agency, except for investments, and shall expend those charges solely for the purposes for which the charges were collected. Any interest income earned from the investment of moneys in the capital facilities fund shall be deposited in that fund.

(d) For a fund established pursuant to subdivision (c), a local agency shall make available to the public, within 180 days after the last day of each fiscal year, the following information for that fiscal year:

(1) A description of the charges deposited in the fund.

(2) The beginning and ending balance of the fund and the interest earned from investment of moneys in the fund.

(3) The amount of charges collected in that fiscal year.

(4) An identification of all of the following:

(A) Each public improvement on which charges were expended and the amount of the expenditure for each improvement, including the percentage of the total cost of the public improvement that was funded with those charges if more than one source of funding was used.

(B) Each public improvement on which charges were expended that was completed during that fiscal year.

(C) Each public improvement that is anticipated to be undertaken in the following fiscal year.

(5) A description of each interfund transfer or loan made from the capital facilities fund. The information provided, in the case of an interfund transfer, shall identify the public improvements on which the transferred moneys are, or will be, expended. The information, in the case of an interfund loan, shall include the date on which the loan will be repaid, and the rate of interest that the fund will receive on the loan.

(e) The information required pursuant to subdivision (d) may be included in the local agency's annual financial report.

(f) The provisions of subdivisions (c) and (d) shall not apply to any of the following:

(1) Moneys received to construct public facilities pursuant to a contract between a local agency and a person or entity, including, but not limited to, a reimbursement agreement pursuant to Section 66003.

(2) Charges that are used to pay existing debt service or which are subject to a contract with a trustee for bondholders that requires a different accounting of the charges, or charges that are used to reimburse the local agency or to reimburse a person or entity who advanced funds under a reimbursement agreement or contract for facilities in existence at the time the charges are collected.

(3) Charges collected on or before December 31, 1998.

(g) Any judicial action or proceeding to attack, review, set aside, void, or annul the ordinance, resolution, or motion imposing a fee or capacity charge subject to this section shall be brought pursuant to Section 66022.

(h) Fees and charges subject to this section are not subject to the provisions of Chapter 5 (commencing with Section 66000), but are subject to the provisions of Sections 66016, 66022, and 66023.

(i) The provisions of subdivisions (c) and (d) shall only apply to capacity charges levied pursuant to this section.

(Amended by Stats. 2007, Ch. 94, Sec. 1. Effective January 1, 2008.)

66016

(a) Prior to levying a new fee or service charge, or prior to approving an increase in an existing fee or service charge, a local agency shall hold at least one open and public meeting, at which oral or written presentations can be made, as part of a regularly scheduled meeting. Notice of the time and place of the meeting, including a general explanation of the matter to be considered, and a statement that the data required by this section is available, shall be mailed at least 14 days prior to the meeting to any interested party who files a written request with the local agency for mailed notice of the meeting on new or increased fees or service charges. Any written request for mailed notices shall be valid for one year from the date on which it is filed unless a renewal request is filed. Renewal requests for mailed notices shall be filed on or before April 1 of each year. The legislative body may establish a reasonable annual charge for sending notices based on the estimated cost of providing the service. At least 10 days prior to the meeting, the local agency shall make available to the public data indicating the amount of cost, or estimated cost, required to provide the service for which the fee or service charge is levied.

and the revenue sources anticipated to provide the service, including General Fund revenues. Unless there has been voter approval, as prescribed by Section 66013 or 66014, no local agency shall levy a new fee or service charge or increase an existing fee or service charge to an amount which exceeds the estimated amount required to provide the service for which the fee or service charge is levied. If, however, the fees or service charges create revenues in excess of actual cost, those revenues shall be used to reduce the fee or service charge creating the excess.

(b) Any action by a local agency to levy a new fee or service charge or to approve an increase in an existing fee or service charge shall be taken only by ordinance or resolution. The legislative body of a local agency shall not delegate the authority to adopt a new fee or service charge, or to increase a fee or service charge.

(c) Any costs incurred by a local agency in conducting the meeting or meetings required pursuant to subdivision (a) may be recovered from fees charged for the services which were the subject of the meeting.

(d) This section shall apply only to fees and charges as described in Sections 51287, 56383, 65104, 65456, 65584.1, 65863.7, 65909.5, 66013, 66014, and 66451.2 of this code, Sections 17951, 19132.3, and 19852 of the Health and Safety Code, Section 41901 of the Public Resources Code, and Section 21671.5 of the Public Utilities Code.

(e) Any judicial action or proceeding to attack, review, set aside, void, or annul the ordinance, resolution, or motion levying a fee or service charge subject to this section shall be brought pursuant to Section 66022.

(Amended by Stats. 2006, Ch. 643, Sec. 19. Effective January 1, 2007.)

66022

(a) Any judicial action or proceeding to attack, review, set aside, void, or annul an ordinance, resolution, or motion adopting a new fee or service charge, or modifying or amending an existing fee or service charge, adopted by a local agency, as defined in Section 66000, shall be commenced within 120 days of the effective date of the ordinance, resolution, or motion.

If an ordinance, resolution, or motion provides for an automatic adjustment in a fee or service charge, and the automatic adjustment results in an increase in the amount of a fee or service charge, any action or proceeding to attack, review, set aside, void, or annul the increase shall be commenced within 120 days of the effective date of the increase.

(b) Any action by a local agency or interested person under this section shall be brought pursuant to Chapter 9 (commencing with Section 860) of Title 10 of Part 2 of the Code of Civil Procedure.

(c) This section shall apply only to fees, capacity charges, and service charges described in and subject to Sections 66013, 66014, and 66016.

(Amended by Stats. 2006, Ch. 643, Sec. 20. Effective January 1, 2007.)

66023

(a) Any person may request an audit in order to determine whether any fee or charge levied by a local agency exceeds the amount reasonably necessary to cover the cost of any product, public facility, as defined in Section 66000, or service provided by the local agency. If a person makes that request, the legislative body of the local agency may retain an independent auditor to conduct an audit to determine whether the fee or charge is reasonable, but is not required to conduct the audit if an audit has been performed for the same fee within the previous 12 months.

(b) To the extent that the audit determines that the amount of any fee or charge does not meet the requirements of this section, the local agency shall adjust the fee accordingly. This subdivision does not apply to a fee authorized pursuant to Section 17620 of the Education Code, or Sections 65995.5 and 65995.7.

(c) Except as otherwise provided in subdivision (h), the local agency shall retain an independent auditor to conduct an audit only if the person who requests the audit deposits with the local agency the amount of the local agency's reasonable estimate of the cost of the independent audit. At the conclusion of the audit, the local agency shall reimburse unused sums, if any, or the requesting person shall pay the local agency the excess of the actual cost of the audit over the sum which was deposited.

(d) Any audit conducted by an independent auditor to determine whether a fee or charge levied by a local agency exceeds the amount reasonably necessary to cover the cost of providing the product or service shall conform to generally accepted auditing standards.

(e) The procedures specified in this section shall be alternative and in addition to those specified in Section 54985.

(f) The Legislature finds and declares that oversight of local agency fees is a matter of statewide interest and concern. It is, therefore, the intent of the Legislature that this chapter shall supersede all conflicting local laws and shall apply in charter cities.

(g) This section shall not be construed as granting any additional authority to any local agency to levy any fee or charge which is not otherwise authorized by another provision of law, nor shall its provisions be construed as granting authority to any local agency to levy a new fee or charge when other provisions of law specifically prohibit the levy of a fee or charge.

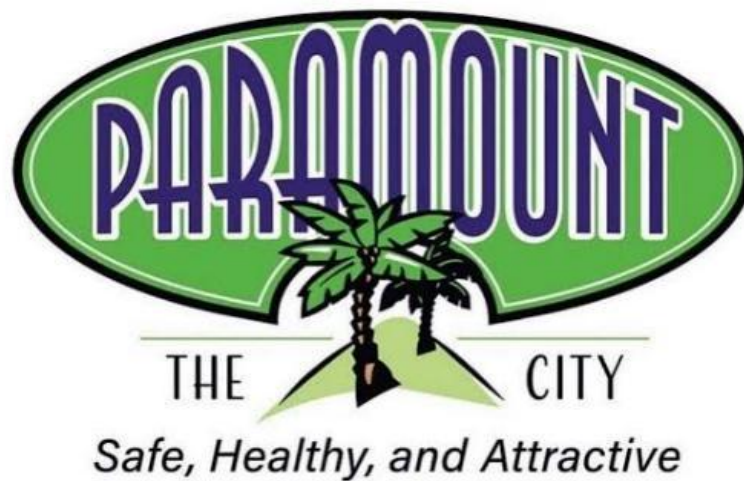
(h) Notwithstanding subdivision (c), if a local agency does not comply with subdivision (b) of Section 66006 following the establishment, increase, or imposition of a fee, but requires payment of that fee in connection with the approval of a development project for three consecutive years, the local agency shall not require a deposit for an independent audit requested pursuant to this section and shall pay the cost of the audit.

(Amended by Stats. 2018, Ch. 357, Sec. 1. (SB 1202) Effective January 1, 2019)

APPENDIX B

Water Capacity Charge Study Tables





City of Paramount

Water Capacity Charge Study Tables

Draft



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

Table 1
City of Paramount
Water Capacity Charge Study DRAFT
Current Water Capital Improvement Charges

Fire Flow (gpm)	Duration	Charge per Acre
0 to 750	2 hours	\$1,200
851 to 1,250	2 hours	1,300
1,251 to 1,750	2 hours	1,400
1,751 to 2,250	2 hours	1,600
2,251 to 2,750	2 hours	1,800
2,751 to 3,250	2 hours	2,000
3,251 to 3,750	2 hours	2,400
3,751 to 4,250	2 hours	2,800
4,251 to 5,000	2 hours	3,200

Table 2
City of Paramount
Water Capacity Charge Study DRAFT
Current Meter Equivalent Units

Meter Size	Meter Capacity¹	Meter Ratio	Total Meters	Total Meter Equivalents Units (MEUs)
5/8"	35	1.00	5,811	5,811
3/4"	35	1.00	2	2
1"	55	1.57	731	1,148
1.5"	120	3.43	239	820
2"	175	5.00	446	2,230
3"	550	15.71	10	157
4"	880	25.14	13	327
6"	1,400	40.00	5	200
8"	3,500	100.00	5	500
10"	5,500	157.14	2	314
Totals			7,264	11,509

1, Based on AWWA maximum safe operating capacity.

2, This study assumes all existing 5/8" SRF connections have a 3/4" meter equivalency since current design requirements for new residential homes require 3/4" meters.

Table 3
City of Paramount
Water Capacity Charge Study DRAFT
Projected Meter Equivalent Units

Customers Served

Population 2025	57,404
Population 2040 ¹	<u>61,266</u>
Population Increase %	6.7%
Current MEU	11,509
Population Increase %	<u>6.7%</u>
Projected 2040 MEUs	<u>12,280</u>

1, Projection based on the City of Paramount 2020 Urban Water Management Plan.

Table 4
City of Paramount
Water Capacity Charge Study DRAFT
Distribution System Assets

Water Main	Size	Units	Replacement Costs	Replacement Costs [1]	Total	Service Life	Average Age	Average % Life Remaining	Adjusted Replacement Costs
Type	Inches	Linear Feet	Per Unit	2024 \$		Years	Years	%	2024 \$
Cast Iron	Up to 4"	2,400	\$300	\$720,000		80	75	6%	\$45,000
Cast Iron	6-12"	106,000	\$300	\$31,800,000		80	75	6%	\$1,987,500
All Other	6-20"	577,600	\$300	\$173,280,000		80	75	6%	\$10,830,000
Total				\$205,800,000					\$12,862,500

1, Water main age, lengths, and r eplacement costs based on the 2015 Water Master Plan, escalated to current dollars using the ENR-CCI 20-Cities Index as of December 2024.

Table 5
City of Paramount
Water Capacity Charge Study DRAFT
Water Supply and Treatment Assets

Wells and Treatment Assets ¹	Estimated Replacement Cost	Estimated Useful Life	Asset Age	Life Remaining	Adjusted Replacement Costs
<i>Well Number</i>	<i>2024 \$s</i>	<i>Years</i>	<i>Years</i>	<i>%</i>	<i>2024 \$s</i>
14	\$6,000,000	50	40	20%	\$1,200,000
15 ²	\$11,000,000	50	13	74%	\$8,140,000
16 ²	\$11,000,000	50	0	100%	\$11,000,000
Total	\$28,000,000				\$20,340,000

1, Wells and treatment assets and replacement costs provided by the City of Paramount Public Works Staff.

2, City has on-site treatment facilities at Well 15 and Well 16.

Table 6
City of Paramount
Water Capacity Charge Study DRAFT
Asset Summary

Asset Description	System Value for Capacity Charges
Asset Replacement Cost Values Based on Estimated Replacement Costs Adjusted by Remaining Asset Life	
Pipelines	\$12,862,500
Wells & Treatment	<u>20,340,000</u>
Total Replacement Value of Assets	\$33,202,500
Less Outstanding Principal Net of Cash Reserves	
Outstanding Principal ¹	(\$22,686,534)
Cash Reserves ²	<u>15,219,380</u>
Net Principal Outstanding (Maximum of \$0)	(\$7,467,154)
Total Value of Assets for Capacity Charges	<u>\$25,735,346</u>

1, Source: City of Paramount Long Term Liabilities for the Year Ended June 30, 2024.

2, Source: City of Paramount Comprehensive Annual Financial Report, Statement of Cash Flows Proprietary Funds Year Ended June 30, 2024.

Table 7
City of Paramount
Water Capacity Charge Study DRAFT
Capacity Charge Calculation

Capacity Charge Component	Amount
System Cost Recovery	\$25,735,346
Projected 2040 MEUs	<u>12,280</u>
Capacity Charge per MEU	<u>\$2,096</u>

Table 8
City of Paramount
Water Capacity Charge Study DRAFT
Proposed Capacity Charges

Meter Size	Meter Capacity	Meter Ratio	Proposed Capacity Charge
5/8"	35	1.00	\$2,096
3/4"	35	1.00	\$2,096
1"	55	1.57	\$3,291
1.5"	120	3.43	\$7,189
2"	175	5.00	\$10,480
3"	550	15.71	\$32,928
4"	880	25.14	\$52,693
6"	1,400	40.00	\$83,840
8"	3,500	100.00	\$209,600
10"	5,500	157.14	\$329,365

Table 9
City of Paramount
Water Capacity Charge Study DRAFT
ADU Capacity Charge Calculation

Capacity Charge Component	Amount
Capacity Charge per MEU	\$2,096
MEU Sq. Ft ¹	<u>1,315</u>
Capacity Charges per Square Foot ²	<u>\$1.59</u>

1, Based on average size for single family homes.

2, Applicable to new ADUs 750 sq. ft. and larger requiring or requesting a new water connection.



APPENDIX C:
City of Paramount Development Impact Fee Capital
Improvement Plan

Appendix C: Capital Improvement Plan
Paramount Development Impact Fee Update and Nexus Study; EPS # 244011

Improvement/Project	Cost
Public Safety	
Vehicles (1)	\$125,480
Emergency Operations Center Expansion	\$1,500,000
Subtotal	\$1,625,480
Parks & Recreation	
<i>New Parks</i>	
Somerset Ranch Pocket Park Design	\$300,000
Century Greenway Park	\$1,490,000
<i>Park Facility Expansions</i>	
Park Development Concept	\$285,000
Mariposa Classroom Conversion Design	\$287,500
Spane Park Facility Improvements	\$415,000
Paramount Park Community Center Renovation & Expansion	\$8,122,213
Mariposa Ash Tree Lights	\$20,000
Salud Park Volleyball Court Renovation and Expansion	\$400,000
All-American Park Picnic Shelter	\$160,000
Meadows Park Picnic Shelter Renovation and Expansion	\$50,000
Subtotal	\$11,529,713
General Facilities	
City Hall Electrical Upgrades	\$600,000
City Facility Security Camera and Alarm Upgrades	\$1,000,000
City Storage Lot Security Upgrades	\$150,000
Subtotal	\$1,750,000
Stormwater Drainage	
Storm Drain Improvements	\$4,000,000
Spane Park Stormwater Capture	\$18,265,530
Drywell Installation - Garfield and Pequeno Parks	\$415,000
Subtotal	\$22,680,530
Transportation	
Electronic Message Boards	\$575,000
Alondra Boulevard Capacity Enhancements	\$3,465,000
West Santa Ana Branch Bikeway Phase 3	\$1,175,200
West Paramount Utility Easement Multi-Use Path	\$9,661,000
Subtotal	\$14,876,200
Total (2)	\$52,461,923

(1) Assumes four new vehicles would be attributed to growth in service population.

(2) Does not include costs associated with the water capacity fee.