



CITY OF HAWTHORNE

FISCAL YEAR 2017-18 DEVELOPMENT IMPACT FEE ANNUAL REPORT

PURSUANT TO
THE MITIGATION FEE ACT

As of June 30, 2018
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CITY OF HAWTHORNE, 2017-18 DEVELOPMENT IMPACT FEE ANNUAL REPORT

INTRODUCTION

In approving Assembly Bill ("AB") 1600 (1987), the California Legislature set specific legal parameters for the implementation and management of Development Impact Fees ("Fees" or "Impact Fees"). These parameters took effect January 1, 1989 and are codified as California Government Code ("GOV") Sections 66000 through 66008 ("Mitigation Fee Act").

In accordance with GOV Section 66006(b), a local agency that requires the payment of Impact Fees must prepare an annual report summarizing the revenues, interest income, and expenditures for each separate Impact Fee.

BACKGROUND

Impact Fees were first imposed in the City of Hawthorne ("City") in 1990 to ensure new development pays the capital costs associated with resulting growth. City Council Resolution No. 5892 (1990) approved the establishment of a Water Impact Fee and the formation of a Development Impact Fund (Fund 410) ("Development Impact Fund") to avoid any comingling of the fees with other revenues and funds of the local agency, as required by GOV Section 66006(a). The City plans projects based on the fund balance and revenue projections, and it accumulates the fees in the account until they are sufficient to cover projects.

In 1995, the City adopted additional fees. The fee structure was updated in City Ordinance 1844 (2005) for the Police Fee, Parks Fee, Traffic Fee, and Storm Drainage Fee. The fee amounts were most recently updated in City Ordinance No. 1972 (2010), which set the rates for 2010 based on a Nexus Study completed in that year and stipulated annual adjustments. As of Fiscal Year 2017-18, the City still charges these four Impact Fees.

REPORTING REQUIREMENTS

GOV Section 66006(b) requires the following information be made available within 180 days of the last day of each Fiscal Year for each separate account or fund established for an Impact Fee that is collected for the construction of an improvement:

- a. A brief description of the type of fee in the account or fund.
- b. The amount of the fee.
- c. The beginning and ending balance of the account or fund.
- d. The amount of the fees collected, and the interest earned.
- e. Identification of each public improvement on which fees were spent and the amount spent on each improvement, including the total

percentage of the cost of the public improvement that was funded with fees.

- f. Identification of an approximate date by which the construction of the public improvement will commence if the local agency determines that sufficient funds have been collected to complete financing on an incomplete public improvement.
- g. Description of each interfund transfer or loan made from the account or fund, including the public improvement on which the transferred or loaned fees will be expended, and, in the case of an interfund loan, the date on which the loan will be repaid, and the rate of interest that the account or fund will receive on the loan.
- h. The amount of refunds made.

This annual report details the above information for Fiscal Year 2017-18, as required by GOV Section 66006(b).

A. DEVELOPMENT IMPACT FEE DESCRIPTION

POLICE FACILITIES

Pursuant to Ordinance No. 1972, the Police Facilities Impact Fee is collected to finance the construction of a new police facility. The fee schedule is based on new development's fair share of debt service on the police facility and command center, which was designed to serve both new residents and workers. The principal and interest costs of this facility are allocated to existing and new development evenly, on a per capita basis, through 2025 when the debt service ends.

PARKS FACILITIES

Pursuant to Ordinance No. 1972, the Parks Facilities Impact Fee is collected to finance new park facilities and facility improvements and is based on the City's existing standard of park facilities per capita applied to new development.

TRAFFIC FACILITIES

Pursuant to Ordinance No. 1972, the Traffic Facilities Impact Fee is collected to finance traffic facilities that will be needed to maintain acceptable levels of service as growth occurs.

This fee is based on the cost of completing street, traffic signal, and intersection improvement projects needed to provide additional transportation capacity. Furthermore, in accordance with the Mitigation Fee Act, residential developments near transit stations are set at a rate that reflects the lower rate of trip generation associated with such development.

STORM DRAINAGE FACILITIES

Pursuant to Ordinance No. 1972, the Storm Drainage Facilities Impact Fee is collected to finance storm drain improvement projects. The Storm Drainage Fee is based on the estimated amount of impervious surface¹ created by the development.

B. FEE AMOUNTS

Tables 1A and 1B identify all fee amounts for residential and non-residential developments charged in Fiscal Year 2017-18. The fees were adjusted during the Fiscal Year on March 14, 2018 according to the City Cost Index, a measurement of the increase in construction costs. This adjustment is applied to each of the fees, except for the Police Fee, in accordance with the Ordinance 1972 (2010). Table 1a shows the fee schedule charged prior to March 14, 2018. Table 1b shows the fee schedule following March 14, 2018.

Table 1A. 2017-18 Fee Amounts (through March 14, 2018)								
Type		Police	Parks	Traffic		Storm Drain	Total	
				Non-TOD	TOD		Non-TOD	TOD
Single Family (Per Dwelling Unit)	All	\$874	\$2,921	\$1,121	\$628	\$196	\$5,112	\$4,619
Multi-Family (Per Dwelling Unit)	All	621	2,077	785	439	134	3,617	3,271
Commercial (Per 1,000 Sq. Ft.)	0-299,000 Sq. Ft.	173		3,666		29	3,868	
	300,000+ Sq. Ft.	173		2,936		29	3,138	
	Eating & Drinking	173		11,047		29	11,249	
	Lodging	173		1,189		29	1,391	
Office (Per 1,000 Sq. Ft.)	0-49,000 Sq. Ft.	234		2,664		24	2,922	
	50,000-299,000 Sq. Ft.	234		1,731		24	1,989	
	300,000+ Sq. Ft.	234		1,212		24	1,470	
	Medical	234		2,787		24	3,045	
	Government	234		3,455		24	3,713	
	Institutional/Educational	234		1,267		24	1,525	
Industrial (Per 1,000 Sq. Ft.)	All	87		1,003		14	1,104	

Source: City of Hawthorne, Planning Department

¹ Impervious surfaces, such as roofs and parking areas, prevent rainfall from being absorbed by the soil and cause it to run off, requiring it to be collected by the storm drainage system.

Table 1B. 2017-18 Fee Amounts (after March 14, 2018)								
Type		Police	Parks	Traffic		Storm Drain	Total	
				Non-TOD	TOD		Non-TOD	TOD
Single Family (Per Dwelling Unit)	All	\$874	\$3,569	\$1,370	\$767	\$239	\$6,052	\$5,449
Multi-Family (Per Dwelling Unit)	All	621	2,538	959	536	164	4,282	3,859
Commercial (Per 1,000 Sq. Ft.)	0-299,000 Sq. Ft.	173		4,479		35	4,687	
	300,000+ Sq. Ft.	173		3,587		35	3,795	
	Eating & Drinking	173		13,496		35	13,704	
	Lodging	173		1,453		35	1,661	
Office (Per 1,000 Sq. Ft.)	0-49,000 Sq. Ft.	234		3,255		29	3,518	
	50,000-299,000 Sq. Ft.	234		2,115		29	2,378	
	300,000+ Sq. Ft.	234		1,481		29	1,744	
	Medical	234		3,405		29	3,668	
	Government	234		4,221		29	4,484	
	Institutional/Educational	234		1,548		29	1,811	
Industrial (Per 1,000 Sq. Ft.)	All	87		1,225		17	1,329	

Source: City of Hawthorne, Planning Department

C. FUND BEGINNING & ENDING BALANCE

Table 2 provides the Development Impact Fund's beginning and ending balances for each fee in Fiscal Year 2017-18. See Appendix A for the beginning and ending balances in Fiscal Years 2013-14 through 2017-18.

Table 2. Fund Activity for FY 2017-18					
Type	Police	Parks	Traffic	Storm Drain	Total
Beginning Balance	\$225,769	\$466,027	\$2,147,685	\$1,190,418	\$4,029,899
Fees Collected	50,206	88,866	582,626	12,014	733,712
Interest Earned	858	1,725	8,487	3,738	14,807
Transfers	(15)	(49)	(3)	(19)	(86)
Refunds	-	-	-	-	-
Expenditures	-	(79)	(804)	-	(883)
Other ¹	(5,584)	(18,722)	(7,226)	(1,314)	(32,846)
Ending Balance	\$271,234	\$537,768	\$2,730,764	\$1,204,837	\$4,744,603

Source: City of Hawthorne, Fund 410 Financial Documents

¹In Fiscal Year 2017-18, \$32,846 was refunded to Yukon Gardens LLC because it had overpaid residential impact fees and needed to be refunded the overage.

D. FEES COLLECTED & INTEREST EARNED

Table 2 presents all fees collected and interest earned in the Development Impact Fund for all fees in Fiscal Year 2017-18. See Appendix A for all fees collected and interest earned in the Development Impact Fund in Fiscal Years 2013-14 through 2017-18.

E. PUBLIC IMPROVEMENT EXPENDITURES

Table 3 identifies each Fiscal Year 2017-18 public improvement on which fees were expended, the expenditures on each improvement, and the percentage of cost funded with Impact Fees.

Table 3. 2017-18 Public Improvement Expenditures			
Project Name	Expenditure	Source	Percentage (Of Total Improvement Cost)
<u>Police Facilities</u>			
<i>N/A</i>	<i>\$0</i>	<i>N/A</i>	<i>0%</i>
<u>Park Facilities</u>			
<i>N/A</i>	<i>\$0</i>	<i>N/A</i>	<i>0%</i>
<u>Traffic Facilities</u>			
<i>N/A</i>	<i>\$0</i>	<i>N/A</i>	<i>0%</i>
<u>Storm Drainage Facilities</u>			
<i>N/A</i>	<i>\$0</i>	<i>N/A</i>	<i>0%</i>

Source: City of Hawthorne, Fund 410 Financial Documents

The City expended \$883 in Fiscal Year 2017-18 on administrative expenses related to traffic fees and park fees. As shown on Table 3, no funds were expended on improvement projects using Police, Park, Traffic, or Storm Drainage Impact Fees. The administrative expenses are shown in Appendix A.

The City often uses Impact Fees to satisfy local matching requirements on State and Federal grants for large-scale infrastructure projects. Funds from Park, Traffic, and Storm Drainage fees have been accumulating in the fund for this purpose. The City plans to utilize current balances as part of the planned public improvements in Fiscal Years 2018-19 and 2019-20, as shown in Table 4, as well as future improvements.

The City has applied Police Fee revenues to debt service on a pro rata basis for \$530,000 and \$135,000 on Fiscal Year 2012-13 and Fiscal Year 2014-15, respectively. The City will continue to collect the Police Fee for the financing of the Police Facility. For reference on how these funds will be used, the original 2001 Ground Lease amortization schedule (as identified in the 2010 Development Impact Fee Update) is attached as Appendix B, and the debt service schedule for the 2016 Certificates of Participation, Series A is attached as Appendix C. The 2001 Ground Lease was used to finance the construction of the new police headquarters. The 2016 Certificates of Participation, Series A were used to pay off the 2001 Ground Lease.

F. PUBLIC IMPROVEMENT COMMENCEMENT DATES

As shown in Table 4, the City determined that sufficient funds have been collected to commence traffic and storm drain improvements on El Segundo Boulevard, traffic improvements on Hawthorne Boulevard and Prairie Avenue, and park improvements on Holly Park. These improvements are projected to commence in Fiscal Year 2018-19 and 2019-20 and are estimated to require \$607,417 in Storm Drainage Fees, \$1,760,000 in Traffic Fees, and \$200,000 in Park Fees.

Table 4. Public Improvement Commencement Dates				
Project Name	Estimated Completion	Expenditure	Source	Funding Percent
<i>El Segundo Boulevard Improvement</i>	2018-19	\$ 7,347,215		100%
		607,417	Storm Drainage Impact Fees	8%
		1,000,000	Traffic Impact Fees	14%
		548,283	Measure R	7%
		440,563	Measure M	6%
		1,200,010	Prop C	16%
		834,129	SB 1	11%
		2,666,812	MTA Call for Projects	36%
50,000	Sewer	1%		
<i>Hawthorne Boulevard Improvement - Phase I</i>	2018-19	\$ 5,117,078		100%
		200,000	Traffic Impact Fees	4%
		3,447,451	MTA Measure R	67%
		200,000	Local Measure M	4%
1,269,628	Sewer	25%		
<i>Prairie Avenue Mobility Improvement</i>	2018-19	\$ 7,711,435		100%
		560,000	Traffic Impact Fees	7%
		2,588,896	MTA Call for Projects	34%
		1,237,000	MTA Measure R	16%
		880,500	HSIP5-07-016	11%
		2,016,000	STP-L	26%
429,039	CDBG	6%		
<i>Holly Park Improvement</i>	2019-20	\$ 800,000		100%
		200,000	Park Impact Fees	25%
600,000	LA County Park Prop. A & Measure A	75%		

Source: City of Hawthorne, Public Works Department

Note: Budgets subject to change.

G. INTERFUND TRANSFERS & LOANS

There were no interfund transfers or loans made during Fiscal Year 2017-18. \$86 were inadvertently deposited into the Development Impact fund during Fiscal Year 2016-17. This was corrected in Fiscal Year 2017-18 by moving \$86 to the General Fund.

H. REFUNDS & ALLOCATIONS

There were no refunds made pursuant to GOV Section 66001(4)(e) or (f) in Fiscal Year 2017-18.

APPENDIX A

Appendix A. Fund Activity for FYs 2013-14 Through 2017-18						
Type	2013-14	2014-15	2015-16	2016-17	2017-18	
Police	Beginning Balance	\$51,827	\$139,309	\$189,399	\$214,078	\$225,769
	Fees Collected	87,411	184,952	24,448	11,247	50,206
	Interest Earned	71	139	231	429	858
	Transfers	-	-	-	15	(15)
	Refunds	-	-	-	-	-
	Expenditures	-	(135,000)	-	-	-
	<i>Non-Admin</i>	-	(135,000)	-	-	-
	<i>Admin</i>	-	-	-	-	-
Other	-	-	-	-	(5,584)	
Ending Balance	\$139,309	\$189,399	\$214,078	\$225,769	\$271,234	
Parks	Beginning Balance	\$129,964	\$298,484	\$900,133	\$832,212	\$466,027
	Fees Collected	268,710	601,264	58,085	27,654	88,866
	Interest Earned	204	385	1,034	1,638	1,725
	Transfers	-	-	-	49	(49)
	Refunds	-	-	-	-	-
	Expenditures	(100,394)	-	(127,040)	(395,526)	(79)
	<i>Non-Admin</i>	(100,394)	-	(126,904)	(395,526)	-
	<i>Admin</i>	-	-	(136)	-	(79)
Other	-	-	-	-	(18,722)	
Ending Balance	\$298,484	\$900,133	\$832,212	\$466,027	\$537,768	
Traffic	Beginning Balance	\$839,146	\$1,387,989	\$1,760,327	\$2,072,620	\$2,147,685
	Fees Collected	548,637	619,031	310,562	70,980	582,626
	Interest Earned	711	858	2,235	4,083	8,487
	Transfers	-	-	-	3	(3)
	Refunds	-	-	-	-	-
	Expenditures ¹	(504)	(247,552)	(504)	-	(804)
	<i>Non-Admin</i>	-	(247,048)	-	-	-
	<i>Admin</i>	(504)	(504)	(504)	-	(804)
Other	-	-	-	-	(7,226)	
Ending Balance	\$1,387,989	\$1,760,327	\$2,072,620	\$2,147,685	\$2,730,764	
Storm Drain	Beginning Balance	\$1,612,705	\$1,634,217	\$1,178,529	\$1,185,556	\$1,190,418
	Fees Collected	20,674	43,595	5,749	2,580	12,014
	Interest Earned	837	718	1,278	2,263	3,738
	Transfers	-	-	-	19	(19)
	Refunds	-	-	-	-	-
	Expenditures	-	(500,000)	-	-	-
	<i>Non-Admin</i>	-	(500,000)	-	-	-
	<i>Admin</i>	-	-	-	-	-
Other	-	-	-	-	(1,314)	
Ending Balance	\$1,634,217	\$1,178,529	\$1,185,556	\$1,190,418	\$1,204,837	

Appendix A. Fund Activity for FYs 2013-14 Through 2017-18 (continued)						
Type		2013-14	2014-15	2015-16	2016-17	2017-18
Total	Beginning Balance	\$2,633,642	\$3,459,999	\$4,028,388	\$4,304,466	\$4,029,899
	<i>Total Fees Collected</i>	<i>925,431</i>	<i>1,448,842</i>	<i>398,844</i>	<i>112,461</i>	<i>733,712</i>
	<i>Total Interest Earned</i>	<i>1,824</i>	<i>2,100</i>	<i>4,778</i>	<i>8,412</i>	<i>14,807</i>
	<i>Total Transfers</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>86</i>	<i>(86)</i>
	<i>Total Refunds</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	<i>Total Expenditures</i>	<i>(100,898)</i>	<i>(882,552)</i>	<i>(127,544)</i>	<i>(395,526)</i>	<i>(883)</i>
	<i>Total Other</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(32,846)</i>
	Ending Balance	\$3,459,999	\$4,028,388	\$4,304,466	\$4,029,899	\$4,744,603

¹ The Nexus Study calculated the fees to include an administrative fee of 2% to fund administrative costs. Pursuant to GOV Section 66006(a), fees shall be expended “solely for the purpose for which the fee was collected,” setting a 2% limit on administrative expenses. This limit has not been exceeded.

Source: City of Hawthorne, Fund 410 Financial Documents

APPENDIX B

Appendix B. Police Facilities Amortization Schedule	
Fiscal Year Ending	Total Payment
FY 2003	\$ 7,431
FY 2004	293,122
FY 2005	1,253,894
FY 2006	1,284,240
FY 2007	1,282,565
FY 2008	1,280,822
FY 2009	1,279,008
FY 2010	1,277,120
FY 2011	1,275,156
FY 2012	1,273,111
FY 2013	1,270,983
FY 2014	1,268,769
FY 2015	1,266,464
FY 2016	1,264,065
FY 2017	1,261,569
FY 2018	1,258,972
FY 2019	1,256,269
FY 2020	1,253,455
FY 2021	1,250,527
FY 2022	1,247,480
FY 2023	1,244,309
FY 2024	1,241,009
FY 2025	1,237,575
Total	\$ 26,827,914

Note: Total includes principal and interest payments, and additional rental payments where applicable.

Sources: City of Hawthorne, Willdan Financial Services

APPENDIX C

Appendix C. 2016 Certificates of Participation, Series A Debt Service Schedule			
Payment Date	Principal	Interest	Total
8/1/16	\$ -	\$ 103,970	\$ 103,970
2/1/17	-	252,900	252,900
8/1/17	-	252,900	252,900
2/1/18	-	252,900	252,900
8/1/18	-	252,900	252,900
2/1/19	-	252,900	252,900
8/1/19	-	252,900	252,900
2/1/20	-	252,900	252,900
8/1/20	-	252,900	252,900
2/1/21	-	252,900	252,900
8/1/21	-	252,900	252,900
2/1/22	-	252,900	252,900
8/1/22	-	252,900	252,900
2/1/23	-	252,900	252,900
8/1/23	-	252,900	252,900
2/1/24	-	252,900	252,900
8/1/24	-	252,900	252,900
2/1/25	-	252,900	252,900
8/1/25	-	252,900	252,900
2/1/26	-	252,900	252,900
8/1/26	2,145,000	252,900	2,397,900
2/1/27	-	210,000	210,000
8/1/27	2,470,000	210,000	2,680,000
2/1/28	-	160,600	160,600
8/1/28	2,570,000	160,600	2,730,600
2/1/29	-	109,200	109,200
8/1/29	2,675,000	109,200	2,784,200
2/1/30	-	55,700	55,700
8/1/30	2,785,000	55,700	2,840,700
TOTAL	\$ 12,645,000	\$ 6,232,970	\$ 18,877,970

Note: Principal and interest payments with respect to the Certificates on each February 1 and August 1 are derived from Lease Payments made by the City on the preceding January 15 and July 15.

Source: City of Hawthorne 2016 Certificates of Participation Official Statement