

*The Economics of Land Use*



# South Sacramento Habitat Conservation Plan Nexus Study

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# 1. INTRODUCTION AND MITIGATION FEE SCHEDULE

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The South Sacramento Habitat Conservation Plan (SSHCP or Plan) is a regional effort that will provide development and infrastructure projects with streamlined, predictable federal and state permitting processes while creating a Preserve System to protect habitat, open space, and agricultural lands. An approved SSHCP allows project proponents within the Plan Area to simplify and expedite the state and federal Endangered Species Act (ESA) permitting process. In addition to streamlining the ESA permitting processes, a separate but parallel multi-tiered permitting program has been developed to streamline Clean Water Act Section 404 and 401 permitting process and a Master Streambed Alternation Agreement will be prepared to address Section 1602 of the California Fish and Game Code.

The ESA requires that the Plan Permittees provide assurances that the SSHCP will be adequately funded. As a result, the SSHCP funding program is critical to the successful development, implementation, and viability of the SSHCP. The SSHCP includes an economic analysis that evaluates the cost to implement of the SSHCP. The total cost of implementing the SSHCP during the 50-year Permit Term is estimated at \$766.9 million in 2015 dollar terms, an average of approximately \$15.3 million per year. Funding for this Plan is derived entirely from development mitigation fees on the private development and public infrastructure (Covered Activities) seeking permits. In certain cases, direct project proponent contributions (e.g., land dedications) will be accepted in lieu of a portion of the mitigation fee. The SSHCP also is designed to provide the required mitigation under the Clean Water Act Section 404 and, as such, the SSHCP conservation activities and mitigation fees provide the necessary compensatory mitigation and in-lieu fees.

This Nexus Study provides the SSHCP development mitigation fee schedule (mitigation fees) and the nexus findings necessary to justify the establishment of new fees on development under the State of California's Mitigation Fee Act. The Nexus Study builds directly from the South Sacramento Habitat Conservation Plan (SSHCP) and, in particular, the technical analysis included in the SSHCP Economic Analysis and Funding Program (Chapter 12) and Appendix I (updated April 2018).

## Legal Context for Fees

In California, impact fees such as mitigation fees fund public facilities necessary to mitigate impacts stemming from new development. In 1987, the California Legislature adopted the Mitigation Fee Act to provide a framework for the application and administration of such fees. Current prevailing practice among the majority of approved and permitted regional multi-species Habitat Conservation Plans (HCPs) is that any habitat mitigation fees are to be adopted by the relevant jurisdictions (cities and Counties) consistent with the Mitigation Fee Act.<sup>1</sup>

The Mitigation Fee Act, codified in California Government Code Sections 66000 to 66025, requires all public agencies to document five findings when establishing or increasing a fee as a

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<sup>1</sup> For example, Western Riverside County Multiple Species Habitat Conservation Plan, Santa Clara Valley Habitat Plan, and the Coachella Valley Multiple Species Conservation Plan.

condition for new development. The Mitigation Fee Act defines public facilities as including “public improvements, public services and community amenities.” (66000(d)). HCPs ensure that new development mitigates for its impacts under the ESA (and in some cases for its impact under the California Endangered Species Act, the Clean Water Act, and other associated environmental regulations).

Consistent with the interpretation applied to the majority of permitted and approved regional, multi-species HCPs in California, and based on guidance from Sacramento County legal counsel, this Study assumes that mitigation fees should fund the full range of mitigation costs associated with the SSHCP, as long as the costs have been appropriately estimated and the mitigation fees can meet the statutory requirements of the Mitigation Fee Act (make the appropriate nexus findings). The SSHCP Economic Analysis and Funding Program (SSHCP Chapter 12) analyzes the costs to implement the Plan, and based on the estimated costs, calculates mitigation fees. On payment of the appropriate mitigation fees, the SSHCP will then allow participating jurisdictions to incidentally “take” the plant and animal species identified in the SSHCP through the agencies’ local land use planning and development review processes. These take authorizations would be granted in recognition of the mitigating effects of the coordinated preservation system planned by the SSHCP.

The SSHCP is a regional, multi-species HCP that is designed to mitigate for regional impacts. The SSHCP impact analysis estimates and analyzes the effects of the SSHCP Covered Activities on Covered Species and their habitats. The analysis presented in the SSHCP is programmatic to address all SSHCP Covered Activities that will be implemented within the SSHCP Plan Area over the proposed 50-year Permit Term. A stepwise process was used to estimate the level of “take” and impacts to the Covered Species, using removal or degradation of habitat as a proxy for take of individuals. The expected physical, chemical, and biological changes in the habitat provide the basis for assessing the effects on Covered Species.

## Mitigation Fee Schedule

The mitigation fees developed in the SSHCP economic model and calibrated to cover the full set of SSHCP implementation costs are shown in **Figure 1** below.<sup>2</sup> As shown, the mitigation fees are expressed per acre of impact, on a gross acre basis by land cover type. The “per acre” basis for the fees ensures that fees for any project are directly tied to its impacts. The differentiation of fees by land cover type provides varied fee levels associated with differential mitigation requirements, including the re-establishment/establishment mitigation costs associated with impacts to aquatic resources.

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<sup>2</sup> More detail on the estimation of SSHCP implementation costs, the derivation of the mitigation fee schedule and its subcomponents, and fee implementation is provided in Sections 3, 4, and 5 of this Nexus Study. This includes implementation topics such as land dedication and mitigation fee adjustment over time.

**Figure 1 SSHCP Mitigation Fee Schedule (Per Gross Acre of Impact)**

<b>Land Cover</b>	<b>Total Fee</b>
Agriculture	\$16,200
Valley Grassland	\$17,700
Vernal Pool	\$191,300
Blue Oak	\$118,400
Riparian	\$142,600
Mine Tailing Riparian Woodland	\$142,900
Seasonal Wetland	\$138,200
Freshwater Marsh	\$139,100
Swale - Direct	\$131,000
Swale - Indirect	\$19,300
Streams/Creeks (VPIH)	\$144,700
Open Water	\$113,600
Streams/Creeks	\$119,400

*Note: Fees for indirect impacts are addressed in the detailed fee schedule presented in Section 5.*

By way of example, a project that directly impacts 20 acres, including 19 acres of valley grassland and 1 acre of vernal pool, would have the follow mitigation fee cost:

- Valley Grassland: 19 acres x \$17,700 = \$336,300
- Vernal Pool: 1 acre x \$191,300 = \$191,300
- Total Mitigation Fees: \$336,300 + \$191,300 = \$527,600

For projects involving impacts Vernal Pools and Streams/Creeks (VPIH), there may be indirect impacts for which a per-acre mitigation fee, shown in **Figure 5** in Section 5 below, may also be due. The estimation of project impacts is the first step in the mitigation fee calculation, determined through the Permit Application Process described in Chapter 10 of the SSHCP.

Finally, the Plan Permittees responsible for collecting the mitigation fees may also add an additional cost to this mitigation fee schedule to cover the costs of collecting the fees from project proponents.

## 2. NEXUS FINDINGS

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The Mitigation Fee Act (California Government Code Sections 66000 to 66025) requires all public agencies to document five findings when establishing or increasing a fee as a condition for new development. The Mitigation Fee Act defines public facilities as including “public improvements, public services and community amenities.” (66000(d)). HCPs are specifically adopted to ensure that new development mitigates for its impacts under the federal Endangered Species Act (and in some cases for its impact under the California Endangered Species Act, the Clean Water Act, and other associated environmental regulations). As such, based on guidance from Sacramento County legal counsel, and consistent with the interpretation applied to the majority of permitted and approved regional, multi-species Habitat Conservation Plans in California, habitat mitigation fees are assumed to be able to fund the full mitigation costs associated with HCPs as long as the costs have been appropriately estimated and the mitigation fees can meet the statutory requirements of the Mitigation Fee Act.

The five statutory findings required for the establishment of a mitigation fee include (in summary format): (1) Purpose of Fee; (2) Use of Fee Revenues; (3) Relationship between Fee and New Development; (4) Relationship between Need for Fee and New Development; and, (5) Reasonable Relationship between Fee Level and New Development. Each of these findings for the SSHCP mitigation fee schedule is provided below.

### **Purpose of Fee**

*Identify the purpose of the fee. (66001(a)(1))*

The purpose of the Development Fee is to cover the mitigation costs associated with new development in the Plan Area. Collectively, the development fees will provide the funding required to implement the SSHCP and, as a result, justify and maintain the incidental take permits for new private and public development in South Sacramento County under the federal Endangered Species Acts. The Federal Endangered Species Act specifically requires that the applicant for incidental take permit “ensure that adequate funding for the plan will be provided.”

### **Use of Fee Revenues**

*Identify the use to which the fee is to be put. If the use is financing public facilities, the facilities shall be identified. That identification may, but need not, be made by reference to a capital improvement plan as specific in Section 65403 or 66002, may be made in applicable general or specific plan requirements, or may be made in other public documents that identify the public facilities for which the fee is charged. (66001(a)(2)).*

The draft SSHCP is the public document that outlines the conservation actions required to be undertaken by plan participants (and the SSHCP Joint Powers Authority (JPA) as their agent) to obtain incidental take permits - associated with federal Endangered Species Act requirements - for new public and private development in South Sacramento County. Revenues from the mitigation fees will be used to fund the mitigation actions identified in the SSHCP. The revenue from the mitigation fees will be used to fund the necessary habitat acquisition, habitat re-establishment/establishment, habitat management and monitoring, and program administration

costs (see Section 3 below as well as Chapter 12 of the Draft SSHCP for more detail on the mitigation costs to be funded). This includes the costs associated with the establishment of the non-depleting endowment as well as the HCP Plan development costs. In addition, individual jurisdictions participating in the SSHCP and charging the mitigation fees have the option of charging an additional administration fee to cover the costs of collecting the fees.

### **Relationship**

*Determine how there is a reasonable relationship between the fee's use and the type of development project on which the fee is imposed. (66001(a)(3)).*

The SSHCP mitigation fees will be used to cover the costs of mitigating for new development/infrastructure projects, both private and public, in the Plan Area. As such, the use of the fees is directly tied to new development and, in particular, to the impacts the new development has on federal endangered species and their habitat. The SSHCP development fee structure charges a per gross acre fee on new development based on the land cover(s) impacted. This ensures that the mitigation fees paid by any project are directly tied to their impact. The differentiation of fees by land cover also means the fee levels are tied to a project's habitat impacts and the different types and levels of mitigations required.

### **Need**

*Determine how there is a reasonable relationship between the need for the public facility and the type of development project on which the fee is imposed. (66001(a)(4)).*

To meet the housing, economic development, infrastructure, and other goals of the participating jurisdictions/agencies, new development in the Plan Area will occur in South Sacramento County. New Development will impact land cover types and species discussed in the SSHCP which necessitates mitigation under the federal Endangered Species Act to conserve habitat pursuant to the SSHCP. The SSHCP has been developed to address this need and provide a streamlined, regional approach to obtaining these permits. The investments required under the SSHCP include land acquisition, habitat (re-) establishment, habitat management and monitoring, and program management.

### **Proportionality**

*Determine how there is a reasonable relationship between the amount of the fee and the cost of the public facility or portion of the public facility attributable to the development on which the fee is imposed. (66001(b)).*

SSHCP implementation is required to provide streamlined incidental take permits for new private and public projects in the Plan Area impacting habitat. As a result, new development projects are fully responsible for the SSHCP implementation costs and the mitigation fee schedule is established to cover the full implementation cost of the SSHCP. Section 3 below summarizes the implementation cost estimates with more detail provided in Chapter 12 and Appendix I of the SSHCP (see Appendix A). Section 4 below outlines the derivation of the mitigation fee schedule so as to ensure the fees are calibrated to precisely cover the estimated implementation costs. Mitigation fees are charged on a per gross acre of impact basis to ensure that the aggregate fee due from any new development project is scaled proportionally to the size and habitat impacts of the project. Also, because development of different land cover types has different impacts and

different mitigation requirements, the mitigation fee schedule differentiates between different land cover types providing another direct link between impact and fee level.



### 3. SSHCP COST ANALYSIS

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The federal Endangered Species Act (ESA) requires that the Plan Permittees provide assurances that the SSHCP will be adequately funded over the proposed 50-year Permit Term. The Biological Goals and Measurable Objectives of the SSHCP cannot be attained without adequate funding. The SSHCP funding program is critical to the successful development, implementation, and viability of the SSHCP. Estimating the full costs of the SSHCP is an essential step to demonstrate adequate funding to meet regulatory requirements.

Chapter 12 of the SSHCP presents the Economic Analysis and SSHCP Funding Program. The economic analysis evaluates the many costs associated with implementation of the SSHCP and identifies the funding mechanisms that will be used to pay for the SSHCP. In order to ensure sufficient funding, all costs associated with the Conservation Actions necessary to implement the SSHCP had to be identified. Because of the geographic scale of the Plan, the complexity of the Conservation Actions, and the long timeframe over which these actions will occur, the SSHCP costs are initial, planning-level estimates, needed to establish the Plan's mitigation fee schedule and to implement the Plan. A process of revising cost estimates and updating the mitigation fee schedule is required to ensure that the SSHCP's primary funding source - mitigation fees - are adjusted as costs fluctuate through time (e.g., due to real estate market cycles affecting land costs).

This Study summarizes the data considered and the implementation cost components estimated in determining the planning-level estimates of SSHCP implementation costs and associated funding needs. More detailed information on SSHCP implementation costs is provided in Chapter 12 and Appendix I of the SSHCP.

The SSHCP economic analysis and associated cost estimates reflect a wide range of program and cost factors, including but not limited to:

- Estimated acres of impact of future Covered Activities (SSHCP Chapter 6);
- Estimated costs of the SSHCP habitat preservation and implementing re-establishment/establishment requirements, costs of land by location of the proposed SSHCP Preserve System (SSHCP Chapter 7);
- Estimated costs of anticipated Preserve System management and monitoring activities (SSHCP Chapter 8);
- Staffing and overhead costs of the proposed SSHCP implementation structure (SSHCP Chapter 9); and
- Estimated costs of addressing any future changed circumstances (SSHCP Chapter 11).

#### **Cost Categories**

Estimated costs associated with implementing the SSHCP are organized into the following eight categories.

**Land or Easement Acquisition for the Preserve System** - Meeting the Plan's Biological Goals and Measurable Objectives for preservation of SSHCP land cover types requires acquisition of land or conservation easements on properties with suitable ecological characteristics.

**Habitat Re-establishment/Establishment Activities in the Preserve System** – The SSHCP includes habitat re-establishment/establishment requirements that are separate and distinct from preservation requirements, with costs that include but are not limited to site reconnaissance, soil testing, other site feasibility studies, engineering design, land acquisition, staking, earthwork, plant and seed procurement, planting/seeding, and installation of irrigation systems.

**Habitat Management, Monitoring, and Adaptive Management in the Preserve System** - All preserve lands acquired in fee title, and a small portion of lands acquired by easement, will be subject to active land management. Further, all Preserve lands acquired in fee title or by conservation easement will be monitored by the Implementing Entity or consultants that are hired to complete monitoring tasks, including analyzing and reporting on Covered Species.

**Changed Circumstances** – The SSHCP includes procedures and associated costs to deal with unforeseen events, including potential climate change effects on the Plan Area.

**Agricultural Enhancement in the Preserve System** – Landowners who engage in farming on lands included in the Preserve are eligible for monetary payments to fund site improvements, such as wells, fences, barns, drainage/irrigation systems; the demolition of onsite structures; and clearing land that does not impact wetland or riparian resources.

**Plan Administration** – Plan administration costs represent operating costs that will be incurred by the Implementing Entity, including staffing, supplies, facilities, equipment, outside professional services, and other miscellaneous expenses.

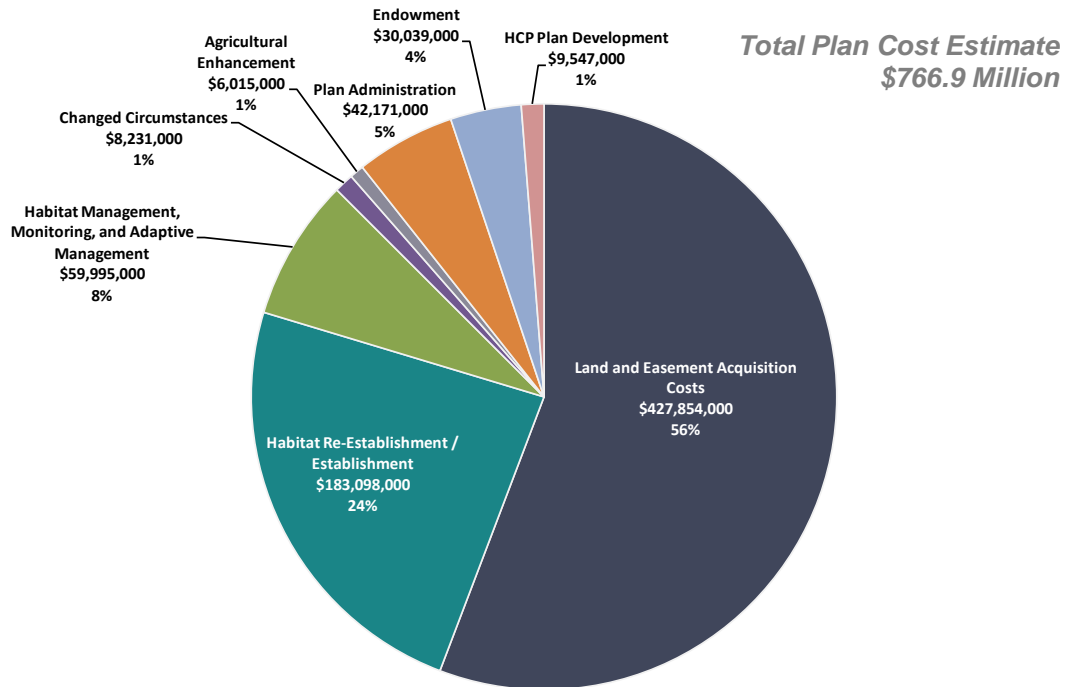
**Endowment** – The SSHCP includes a non-wasting endowment from which the real interest earned is sufficient to cover average annual post-permit costs, including management, monitoring, agricultural enhancement, and plan administration, as well as a legal defense fund.

**SSHCP Plan Development** – The development and preparation of the SSHCP documents entailed a significant amount of Permittee and consultant time and costs, which are included in the economic analysis.

## **Cost Summary**

Including all cost categories, the SSHCP Implementation Cost estimate is \$766.9 million, as shown in **Figure 1**, in 2015 dollar terms. The land and easement acquisition costs represent the majority of the costs (56 percent) and habitat re-establishment/establishment costs almost one-quarter of the costs (24 percent). The remaining costs consist of Habitat Management, Monitoring, and Adaptive Management, Plan Administration, Endowment, and the more modest cost categories of Changed Circumstances, Agricultural Enhancement, and HCP Plan Development.

**Figure 2 SSHCP Implementation Cost Summary**



South Sacramento Habitat Conservation Plan, Appendix I

## Cost Analysis Methodology

The SSHCP cost analysis relies on a detailed financial spreadsheet model to track costs and funding requirements associated with SSHCP implementation (see SSHCP Appendix I). The model assesses SSHCP conservation requirements and generates a set of cost estimates, organized by SSHCP land cover type categories. Based on the anticipated cost to acquire necessary land and to implement the Plan, the model estimates funding requirements and the required level of the mitigation fees that will be imposed on Covered Activities to meet these funding requirements.

The preparation of the SSHCP economic analysis and funding program relied on a multi-step process to identify Plan costs and fee levels. The analysis commenced with review of a hypothetical "Preferred SSHCP Preserve System" that indicated the approximate location and SSHCP land cover type that could be acquired by the SSHCP. Based on the anticipated Preserve System, the economic analysis included a land valuation exercise to identify estimates of per-acre land costs, consistent with on the location and land cover type anticipated for acquisition. The economic analysis also included a review of cost assumptions for habitat re-establishment/establishment, management, monitoring, and other costs yielded additional cost estimates by SSHCP land cover type. Consistent with the Plan's Biological Goals and Measurable Objectives, costs were aggregated to identify the total funding needed for implementation of the SSHCP Preserve System. From this total cost estimate, considering the total acreage of anticipated impacts, the funding program identified appropriate per-acre impact fees.

## 4. MITIGATION FEE CALCULATION

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The SSHCP employs a mitigation fee structure where covered projects and activities incur different mitigation fees based on the types and amounts of land cover/habitat impacted. The underlying principle for the differentiation in the mitigation fee schedule is that land preservation and conservation requirements, and therefore costs, vary by habitat type. One-time mitigation fees pay for the full cost of mitigating project effects on the Covered Species. Once paid, applicants do not need (for covered species impacts) to find their own mitigation to satisfy State and federal Endangered Species or Clean Water Act laws.

Applicants will be allowed to dedicate land in fee title or easements instead of paying SSHCP mitigation fees. If an applicant proposes to dedicate fee title or an easement and the Implementing Entity determines that a proposed land dedication is acceptable for incorporation into the Preserve System, then the “land purchase” component of the SSHCP development fee can be reduced. The remaining components of the SSHCP development fee will remain unchanged, as they are used to fund management and monitoring, Plan administration, and other key features of Plan implementation.

The fee schedule calculated by the economic analysis reflects the inclusion of five projects within the Urban Development Area (UDA) where hardline preserves/land dedications have been identified and are assumed as part of the SSHCP conservation strategy. These preserves are considered preapproved under the SSHCP and therefore do not require approval by the Implementing Entity other than to ensure that the preserve boundaries and other SSHCP requirements are consistent with the SSHCP. Each of these projects has been designed to include on-site preserves that are consistent with the SSHCP Conservation Strategy.

The SSCHP mitigation fee calculation assumes that hardline preserves will dedicate 1,850 acres of land that reduces the cost of the SSHCP. The fee calculation also assumes that an additional 1,673 acres of land within the UDA will be dedicated by project applicants. Mitigation fees that cover land acquisition costs reflect an adjustment for these land dedications. Mitigation fees that cover all other costs are calculated based on total impacts, including those partially mitigated by land dedications, since additional funding for management, monitoring, administration, and other costs will be required to fully satisfy the SSHCP activities on the dedicated land areas. **Figure 3** illustrates total program costs, impact acres, and resulting fees, with land and other cost calculated separately.

**Figure 3 Program Costs, Impacted Acres, and Fee Estimates**

Land Cover Type	Program Costs			Total Impact Acres d	Impact Acres Net of Land Dedication e	Per-Acre Mitigation Fees		
	Land <sup>1</sup>	Other	Total			Land	Other	Total
	a	b	c			f = a/e	g = b/d	h = f + g
Agriculture	\$126,520,380	\$28,778,146	\$155,298,526	9,696.0	9,553.3	\$13,244	\$2,968	\$16,212
Valley Grassland	\$244,195,721	\$104,876,136	\$349,071,857	22,014.0	18,871.7	\$12,940	\$4,764	\$17,704
Vernal Pool - Direct	\$7,867,727	\$65,138,370	\$73,006,097	389.0	329.8	\$23,853	\$167,451	\$191,304
Vernal Pool - Indirect	\$2,226,696	\$890,047	\$3,116,743	94.0	93.4	\$23,853	\$9,469	\$33,322
Blue Oak	\$765,389	\$4,801,519	\$5,566,908	47.0	47.0	\$16,285	\$102,160	\$118,445
Riparian	\$9,413,852	\$43,782,248	\$53,196,100	373.0	373.0	\$25,238	\$117,379	\$142,617
Mine Tailing Riparian Woodland	\$2,048,678	\$29,098,366	\$31,147,044	218.0	218.0	\$9,398	\$133,479	\$142,876
Seasonal Wetland	\$1,763,124	\$12,686,073	\$14,449,198	105.0	101.3	\$17,401	\$120,820	\$138,220
Freshwater Marsh	\$2,630,990	\$14,764,975	\$17,395,965	127.0	115.3	\$22,828	\$116,260	\$139,088
Swale - Direct	\$2,322,495	\$27,277,881	\$29,600,375	234.0	161.3	\$14,399	\$116,572	\$130,972
Swale - Indirect	\$633,575	\$214,176	\$847,751	44.0	44.0	\$14,399	\$4,868	\$19,267
Streams/Creeks (VPIH) - Direct	\$368,466	\$2,445,745	\$2,814,211	22.0	11.0	\$33,569	\$111,170	\$144,739
Streams/Creeks (VPIH) - Indirect	\$134,274	\$21,240	\$155,514	4.0	4.0	\$33,569	\$5,310	\$38,879
Open Water	\$2,245,488	\$15,080,605	\$17,326,092	155.0	137.4	\$16,349	\$97,294	\$113,643
Streams/Creeks	\$1,382,521	\$12,573,115	\$13,955,636	117.0	115.4	\$11,978	\$107,463	\$119,441
<b>Total</b>	<b>\$404,519,376</b>	<b>\$362,428,642</b>	<b>\$766,948,018</b>	<b>33,639.0</b>	<b>30,175.7</b>			

<sup>1</sup> Includes land costs associated with Preservation activities. Additional land acquisition costs for Re-Establishment/Establishment included under the Other cost category.

## 5. FEE SCHEDULE

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This Section provides more detail on the components of the mitigation fee schedule shown in **Figure 1** in Section 1. The additional detail indicates the additional components of the mitigation fee associated with aquatic resources (and establishment/ re-establishment in particular). It also indicates the portion of the mitigation fees for each land cover associated with land preservation to show the potential fee adjustment associated with appropriate land dedication. This Section also provides an overview of the land dedication option as well as the process for refining mitigation fees over time. More detail on these implementation issues is provided in the SSHCP and will be covered by the Mitigation Fee Ordinances.

### **Additional Detail on Mitigation Fee Schedule**

As described in the preceding sections, the SSHCP employs a mitigation fee structure, where covered projects and activities incur different fees based on the types of habitat and amount of habitat impacted. The underlying principle for the development fee structure is that land preservation and conservation requirements, and therefore costs, vary by habitat type. For example, per-acre land costs will vary by land cover type depending on the need to mitigate the loss of land covers inside the UDA (Urban Development Area) where land is more expensive. Similarly, annual monitoring costs are assumed to differ by land cover, while land management costs apply to fee title acquisitions. Re-establishment/establishment mitigation requirements only apply to certain types of land covers.

The mitigation fees determined in the SSHCP economic model are shown below in **Figure 4**, consistent with their presentation in SSHCP Chapter 12 Table 12-5. Mitigation fees are shown by land cover, with the preservation component of the fee distinguished from the re-establishment/establishment fee.

**Figure 5** and **Figure 6** show additional detail on the components of the mitigation fee. This includes the "land fee" that covers the land mitigation costs, but also the components of the fee associated with non-land components, such as habitat management and monitoring, endowment, administration, and establishment/ re-establishment among others. As discussed in the next section, developers dedicating suitable habitat land would receive a credit against the land component of the mitigation fee if the land dedicated is appropriate and accepted by the SSHCP Implementing Entity (see Chapter 9 of the SSHCP).

**Figure 4 SSHCP Mitigation Fee Schedule**

<b>Land Cover</b>	<b>Preservation Fee</b>	<b>Re-Establishment/ Establishment Fee</b>	<b>Total Fee</b>
Agriculture	\$16,212	\$0	\$16,212
Valley Grassland	\$17,704	\$0	\$17,704
Vernal Pool - Direct	\$33,322	\$157,982	\$191,304
Vernal Pool - Indirect	\$33,322	\$0	\$33,322
Blue Oak	\$21,049	\$97,396	\$118,445
Riparian	\$34,477	\$108,140	\$142,617
Mine Tailing Riparian Woodland	\$13,981	\$128,896	\$142,876
Seasonal Wetland	\$22,189	\$116,031	\$138,220
Freshwater Marsh	\$27,851	\$111,236	\$139,088
Swale - Direct	\$19,267	\$111,705	\$130,972
Swale - Indirect	\$19,267	\$0	\$19,267
Streams/Creeks (VPIH) - Direct	\$38,879	\$105,860	\$144,739
Streams/Creeks (VPIH) - Indirect	\$38,879	\$0	\$38,879
Open Water	\$21,160	\$92,483	\$113,643
Streams/Creeks	\$16,592	\$102,849	\$119,441

Figure 5 SSHCP Mitigation Fee Schedule Detail – Preservation Fees

Land Cover	Land Acquisition	Habitat Management and Monitoring	Changed Circumstances	Agricultural Enhancement	Plan Administration	Plan Development	Endowment Fee	Preservation Fee Total
Agriculture	\$13,244	\$695	\$91	\$204	\$1,162	\$263	\$553	\$16,212
Valley Grassland	\$12,940	\$1,973	\$274	\$161	\$1,162	\$263	\$930	\$17,704
Vernal Pool - Direct	\$23,853	\$3,873	\$540	\$341	\$2,325	\$526	\$1,865	\$33,322
Vernal Pool - Indirect	\$23,853	\$3,873	\$540	\$341	\$2,325	\$526	\$1,865	\$33,322
Blue Oak	\$16,285	\$1,973	\$273	\$162	\$1,162	\$263	\$930	\$21,049
Riparian	\$25,238	\$3,588	\$511	\$408	\$2,325	\$526	\$1,881	\$34,477
Mine Tailing Riparian Woodland	\$9,398	\$1,749	\$251	\$215	\$1,162	\$263	\$943	\$13,981
Seasonal Wetland	\$17,401	\$2,003	\$277	\$154	\$1,162	\$263	\$929	\$22,189
Freshwater Marsh	\$22,828	\$2,295	\$306	\$85	\$1,162	\$263	\$913	\$27,851
Swale - Direct	\$14,399	\$2,102	\$286	\$131	\$1,162	\$263	\$923	\$19,267
Swale - Indirect	\$14,399	\$2,102	\$286	\$131	\$1,162	\$263	\$923	\$19,267
Streams/Creeks (VPIH) - Direct	\$33,569	\$2,650	\$341	\$0	\$1,162	\$263	\$893	\$38,879
Streams/Creeks (VPIH) - Indirect	\$33,569	\$2,650	\$341	\$0	\$1,162	\$263	\$893	\$38,879
Open Water	\$16,349	\$2,032	\$279	\$148	\$1,162	\$263	\$927	\$21,160
Streams/Creeks	\$11,978	\$1,787	\$255	\$206	\$1,162	\$263	\$941	\$16,592



Figure 6 SSHCP Mitigation Fee Schedule Detail – Re-Establishment / Establishment Fees

Land Cover	Re-Est. / Est.	Land Acquisition	Habitat Management and Monitoring	Changed Circumstances	Plan Administration	Plan Development	Endowment Fee	Re-Est. / Est. Fee Total
Agriculture								\$0
Valley Grassland								\$0
Vernal Pool - Direct	\$139,786	\$13,058	\$2,495	\$326	\$1,162	\$263	\$893	\$157,982
Vernal Pool - Indirect								\$0
Blue Oak	\$79,200	\$13,058	\$2,495	\$326	\$1,162	\$263	\$893	\$97,396
Riparian	\$89,943	\$13,058	\$2,495	\$326	\$1,162	\$263	\$893	\$108,140
Mine Tailing Riparian Woodland	\$110,699	\$13,058	\$2,495	\$326	\$1,162	\$263	\$893	\$128,896
Seasonal Wetland	\$97,835	\$13,058	\$2,495	\$326	\$1,162	\$263	\$893	\$116,031
Freshwater Marsh	\$93,040	\$13,058	\$2,495	\$326	\$1,162	\$263	\$893	\$111,236
Swale - Direct	\$93,508	\$13,058	\$2,495	\$326	\$1,162	\$263	\$893	\$111,705
Swale - Indirect								\$0
Streams/Creeks (VPIH) - Direct	\$87,664	\$13,058	\$2,495	\$326	\$1,162	\$263	\$893	\$105,860
Streams/Creeks (VPIH) - Indirect								\$0
Open Water	\$74,287	\$13,058	\$2,495	\$326	\$1,162	\$263	\$893	\$92,483
Streams/Creeks	\$84,652	\$13,058	\$2,495	\$326	\$1,162	\$263	\$893	\$102,849

## **Selected Implementation Issues**

Mitigation Fee implementation will be covered in more detail in the Mitigation Fee Ordinances. This section describes two fee implementation components, the land dedication option and the process for updating mitigation fees over time.

### **Land Dedication In Lieu of Development Fees**

The implementation strategy outlined in Chapter 9 describes a land dedication process where project proponents can dedicate land towards satisfying their mitigation requirements and thereby reduce their development fees. When the dedication of land is accepted into the SSHCP Preserve System, mitigation fees will be adjusted by excluding the appropriate portion of the land acquisition component of the mitigation fee. It should be noted that the remaining components of the SSHCP mitigation fees (i.e., Re-establishment/Establishment, Endowment, and Other) will remain unchanged, as they are used to fund ongoing conservation activities that are required on all Preserve lands.

### **Mitigation Fee Adjustment Program**

The ESA requires that the Plan Permittees provide assurances that the SSHCP will be adequately funded. As a result, the SSHCP funding program (mitigation fees) must ensure that the SSHCP remains viable in perpetuity. The mitigation fee schedule described in this Nexus Study (and in the SSHCP) is based on 2015 planning-level implementation cost estimates. Recognizing the fluctuations in implementation costs through time (e.g. land acquisition costs, re-establishment/establishment costs etc.) due to real estate cycles and typical inflationary increases in costs, HCPs require a system for tracking implementation costs and adjusting mitigation fees as necessary. Similar to other regional, multi-species HCPs, the SSHCP includes automatic mitigation fee adjustments and periodic mitigation fee audits.

#### ***Automatic Adjustment of Development Fees to Account for Inflation***

The proposed SSHCP development fees will be automatically adjusted annually for inflation. For purposes of development fee adjustments, the SSHCP development fees are organized into two categories: (1) land acquisition and (2) all other costs of implementing the SSHCP. These two categories are subject to differing rates of inflation. Therefore, an inflation index that is appropriate to each category has been selected.

The SSHCP cost analysis assumes that the cost of land acquisition is tied directly to real estate values in the Plan Area. All other costs are tied more generally to changes in the cost of labor/personnel, services, and goods and materials. Therefore, it is anticipated that different rates of inflation could apply to land acquisition and other costs over time and require different inflation indices.

For land acquisition costs, the index to adjust the land acquisition cost portion of development fees will be the annual Home Price Index for the Sacramento–Arden–Arcade–Roseville, California Metropolitan Statistical Area from the Office of Federal Housing Enterprise Oversight. This index is selected because it is a well-regarded public data source with relevant geographic coverage. The development fee adjustment index will be based on the change in the average annual Home Price Index (Quarter 1 through Quarter 4) for the prior calendar year. The “other costs” will be

indexed using the California Construction Cost Index (CCCI). The CCCI is the most applicable index as it tracks labor and materials costs that are relevant to other SSHCP costs.

***Periodic Audit and Adjustment of SSHCP Development Fees***

In addition to annual development fee adjustments, the SSHCP will conduct periodic comprehensive reviews of the SSHCP funding program and development fees to ensure that the development fees generated by Covered Activities are adequately covering Plan implementation costs. A comprehensive development fee audit will be completed at least every 3 years for the first 15 years of the Plan (i.e., years 3, 6, 9, 12, and 15) and at least every 5 years thereafter (i.e., years 20, 25, 30, 35, 40, and 45), where year 1 is the first full calendar year of SSHCP implementation. This minimum frequency of development fee audits was established to avoid cost-related uncertainties in early years of Plan implementation and to allow time to accumulate sufficient data to analyze the relationship between costs and development fee revenues. The audit process will include a detailed review of implementation costs and how actual costs compare to the cost assumptions in the original economic model (see Appendix I). Following completion of the independent development fee audits, SSHCP development fees may be adjusted to reflect refined cost estimates.