



CARLSBAD TOMORROW:
GROWTH MANAGEMENT CITIZENS COMMITTEE

Agenda

May 26, 2022, 5 p.m.
Special Meeting

Faraday Center
1635 Faraday Ave.
Carlsbad, CA 92008

Welcome to Carlsbad Tomorrow: Growth Management Citizens Committee Meeting

We welcome your interest and involvement in the city's legislative process. This agenda includes information about topics coming before the Growth Management Citizens Committee and the action recommended by city staff. You can read about each topic in the staff reports, which are available on the city website.

How to watch

In Person



Growth Management Citizen Committee Meetings take place at the Faraday Center, 1635 Faraday Ave.

Online



Watch the livestream and replay past meetings on the city website, carlsbadca.gov/residents/communication/city-tv-channel

How to participate

If you would like to provide comments to the Growth Management Citizens Committee, please:

- Fill out a speaker request form.
 - Submit the form to staff before the item begins.
 - When it's your turn, staff will call your name and invite you to the podium.
 - Speakers have three minutes, unless the presiding officer (usually the chair) changes that time.
 - You may not give your time to another person, but groups can select a single speaker as long as three other members of your group are present. Group representatives have 10 minutes unless that time is changed by the presiding officer.
-
- **In writing:** Email comments to committee@carlsbadca.gov Comments received by 2:30 p.m. the day of the meeting will be shared with the committee prior to the meeting. When e-mailing comments, if the comment relates to a specific item on the agenda, please identify in the subject line the agenda item to which your comments relate. All comments received will be included as part of the official record. **Written comments will not be read out loud.**

Reasonable accommodations

Persons with a disability may request an agenda packet in appropriate alternative formats as required by the Americans with Disabilities Act of 1990. Reasonable accommodations and auxiliary aids will be provided to effectively allow participation in the meeting. Please contact the City Manager's Office at 760-434-2821 (voice), 711 (free relay service for TTY users), 760-720-9461 (fax) or manager@carlsbadca.gov by noon on the Thursday before the meeting to make arrangements.

CALL TO ORDER:

ROLL CALL:

APPROVAL OF MINUTES: *Review and approve minutes from the April 28, 2022 meeting.*

PUBLIC COMMENT: *Members of the public are invited to comment on items both on and not on the agenda. Please treat others with courtesy, civility, and respect. In conformance with the Brown Act, public comment is provided so members of the public may participate in the meeting by submitting comments as provided on the front page of this agenda. The Growth Management Citizens Committee will receive comments for 15 minutes at the beginning of the meeting. As needed, public comments will continue at the end of the meeting. In conformance with the Brown Act, no action can occur on non-agenda public comment items.*

WELCOME & INTRODUCTIONS: *Open meeting and welcome attendees. Review purpose and charge for the Committee. Review agenda and meeting format. Allow for any introductions for those not present at previous meetings – staff and committee.*

DISCUSSION ITEMS:

1. **COMMITTEE BUSINESS** – Collaborate and discuss the following topics:

- **City of Carlsbad Budget.** Receive a presentation from city staff on the city budget and financing. (Staff contact: Zach Korach, Finance Director)
- **Financing & Growth Management.** Receive a presentation from city consultants on the economic rationale for how jurisdictions approach growth management, basis for public facility demand forecasts, and approaches to allocating fiscal costs of public facilities. (Consultant: Nancy Bragado, Bragado Planning)
- **City Administration Facilities Performance Standard.** Receive a presentation from city staff on current City Administration Facilities Performance Standards (background, current status, funding source, and other considerations). Group discussion on the standards: Is this standard important to quality of life in Carlsbad? Should this standard be re-evaluated in any way? (Staff contact: Eric Lardy, Principal Planner)
- **Additional Growth Management Topics.** Receive an update on what topics will be addressed by city staff at future committee meetings and additional resources provided on others.

(Staff Contact: Eric Lardy, Principal Planner)

COMMITTEE MEMBER REQUESTS FOR FUTURE AGENDA ITEMS: *Highlight proposed focus for next meeting and invite Committee member suggestions for topics or presentations to consider in upcoming meetings.*

PUBLIC COMMENT:

Continuation of the public comments. This portion of the agenda is set aside for continuation of public comments, if necessary, due to exceeding the total time allotted in the first public comments section. Any remaining public comments shall be read into the record.

ADJOURN: *Closing comments and adjourn meeting.*

NEXT MEETING:

Thursday, June 23, 2022, 5 p.m.



CARLSBAD TOMORROW: GROWTH MANAGEMENT CITIZENS COMMITTEE Minutes

April 28, 2022

CALL TO ORDER: 5 p.m.

ROLL CALL:

Present:

Primary – Jeff Segall, Scott White, Eric Larson, Stephen “Hap” L’Heureux, Mike Howes, Mary Ryan, Frank Caraglio, Frances Schnall, Harry Peacock, Annika Jimenez, Gita Nassiri, Fred Briggs, Chad Majer, John Nguyen-Cleary, Joseph Stine, Steve Linke, Nelson Ross

Alternate – Ron Withall, Patrick Goyarts, Jan Neff-Sinclair, Casey Carstairs, Don Christiansen, Terence Green, Thierry Ibri, Matthew Reese, Angela O’Hara, Nora Jimenez George, Lisa Stark, Allen Manzano, Art Larson, Kevin Sabellico, William Fowler

Absent:

Primary – William Sheffler, Amy Allemann

Alternate – Patricia Mehan, Erin Nell, Marissa Steketee

APPROVAL OF MINUTES:

Motion by Eric Larson, seconded by Jeff Segall and Stephen “Hap” L’Heureux, to approve the March 30, 2022 minutes.

PUBLIC COMMENTS:

One public comment was received.

1. CITY HALL LOCATION –

Mr. Robert Wilkinson requested the new City Hall be located in the Village, as that area is considered by many to be the town’s center. He noted that this location clearly expresses the community’s identity, pride and spirit.

WELCOME AND INTRODUCTIONS:

Meeting opened with a welcome to attendees from Committee Chair Eric Larson, who reviewed the purpose and charge for the committee, along with the agenda and meeting format. The following committee members and staff introduced themselves, as they were not present at the March 30, 2022 meeting where introductions took place:

Committee Members: John Nguyen-Cleary, Chad Majer, Harry Peacock, and alternate member Patrick Goyarts

Staff: Eric Lardy, Rick Barrett, and Nancy Bragado

DISCUSSION ITEMS:**COMMITTEE BUSINESS**

- **Carlsbad's Growth Management Plan Public Facilities Performance Standards.** Principal Planner Eric Lardy provided a presentation on the public facilities standards that are a part of the current Growth Management Plan. Questions of members of the committee during and after the presentation focused on the finance department's role in updating the city's growth data, the timeline and scope for the committee's recommendation to the city, reiteration of the need for the current GMP committee.
- **Growth Management in Other Cities.** Nancy Bragado, owner of Bragado Planning, provided a presentation illustrating how other cities have been addressing growth management. Nancy's presentation included a growth management overview, financing measures, selected case studies, and takeaways for the Carlsbad GMP. Nancy also highlighted the differences between infill and traditional large-scale development as they relate to growth management.
- **Committee Role.** Principal Planner Eric Lardy explained what to expect through future meetings, the overall process to update the GMP, and what is expected to happen after the committee makes recommendations to the city.
- **Community Engagement.** Senior Program Manager Sarah Lemons provided a short presentation on how the community will be engaged through the citizens committee to create a new approach to manage growth in a way that maintains an excellent quality of life.

Several committee members noted public input after the draft recommendations stage of the GMP update process (November-January), would be helpful before going to City Council.

- **Committee Dialogue.** Facilitator Susan Harden led a discussion centered around the following questions: In terms of public facilities and services, what topics do you feel are most important to address in the future, and what should change about the current GMP? Ideas and thoughts captured during the discussion included the following:

Topics to address in the future

- How will we reconcile all the areas (topics) that don't blend? What steps should be taken first?
- Circulation/traffic
- Walkability and interconnectivity
- Carlsbad is an aging community – what are those impacts
- Parks standards are too simplistic
- Physical and behavioral health
- Fire – response time/services
- Law enforcement/ safety
- Homelessness issues and impacts
- Economic/demographic distributions
- Arts and culture

What should change

- What are the tourism impacts?
 - What are commercial/employee impacts?
 - Water and power – desal, energy, renewable energy
 - Sea level rise and managed retreat
 - City hall
 - Funding of public facilities – sewer and water during buildout
 - Leveraging technology
 - How to make this work long term
 - Address exemptions
 - How to anticipate what other changes the state will require
 - Law enforcement issues
 - Alternatives to development fees?
 - How to predict/manage school growth? Work with districts?
 - More information on lessons learned in past committees
 - More local case study examples
 - Where can we grow when population increases?
- **Committee Name.** Facilitator Susan Harden shared and briefly discussed the various ideas provided by the committee and staff for how the committee name could be changed to better reflect the breadth of issues the committee will be addressing. Common terms submitted for discussion included Future, Tomorrow, Carlsbad, and Quality of Life. Members were then given three dots stickers and asked to place on the names they preferred (amongst the names written on flip charts). Upon a count of the dot ranking exercise and group discussion, the name decided upon for the committee is “Carlsbad Tomorrow – Growth Management Citizens Committee”.

COMMITTEE MEMBER REQUESTS FOR FUTURE AGENDA ITEMS:

None

ADDITIONAL PUBLIC COMMENT:

None

ADJOURNMENT:

Next meeting time: Thursday, May 26, 2022 5 p.m.
Chair Larson adjourned the duly noticed meeting at 7:19 p.m.



Bailey Warren - Minutes Clerk



GROWTH MANAGEMENT CITIZENS COMMITTEE

Staff Report

Meeting Date: May 26, 2022

To: Growth Management Citizens Committee

Staff Contact: Eric Lardy, Principal Planner
Eric.Lardy@carlsbadca.gov

Sarah Lemons, Communication & Engagement
Sarah.Lemons@carlsbadca.gov

Subject Committee Business

Recommended Action

Receive presentations from city staff and consultants and discuss the following topics:

- **City of Carlsbad Budget.** Receive a presentation from city staff on the city budget and financing. (Staff contact: Zach Korach, Finance Director).
- **Financing and Growth Management.** Receive a presentation from city consultants on the economic rationale for how jurisdictions approach growth management, basis for public facility demand forecasts, and approaches to allocating fiscal costs of public facilities. (Consultant: Nancy Bragado, Bragado Planning) (Exhibit 1)
- **City Administrative Facilities Performance Standard.** Receive a presentation from city staff on current City Administration Facilities Performance Standards (background, current status, funding source, and other considerations). Group discussion on the standards: Is this standard important to quality of life in Carlsbad? Should this standard be re-evaluated in any way? (Staff contact: Eric Lardy, Principal Planner) (Exhibit 2)
- **Additional Growth Management Topics.** Receive an update on what topics will be addressed by city staff at future committee meetings and additional resources provided on others.

Fiscal Analysis

This action has no fiscal impact.

Environmental Evaluation

In keeping with California Public Resources Code Section 21065, this action does not constitute a "project" within the meaning of the California Environmental Quality Act in that it has no potential to cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Therefore, it does not require environmental review.

Public Notification and Outreach

This item was noticed in keeping with the Ralph M. Brown Act and it was available for public viewing and review at least 72 hours before the scheduled meeting date.

Exhibits

1. Growth Management: Economic & Fiscal Considerations
2. City Administrative Facilities Performance Standard

Exhibit 1 – Growth Management: Economics & Fiscal Considerations

Economic Rationale for Growth Management

Many cities and counties with land use authority and responsibility for providing public facilities and services to its citizens manage their growth to maintain a desired quality-of-life as expressed in their comprehensive plans and policies.

Types of growth management plans can vary significantly, but the economic rationale is to achieve a higher level of total public value or utility by managing and mitigating impacts (what economists may call “externalities”) and their costs that decision-makers – people, developers, investors, public agencies, etc. – may not account for on their own unless they must address these costs through fees, taxes, and regulations.

For example, a large land developer will acquire property, obtain entitlements and financing, design and engineer the site plan, provide infrastructure connections, prepare the land, construct, market the development, and sell units to end builders and occupants, while providing sufficient returns to pay debt and equity investors given the project’s risk. These costs are incurred by the people who benefit directly from the development and are expected. Yet, the occupants of the development generate additional indirect costs, such as off-site impacts to transportation networks, use of public facilities, public safety, parks and open space, stormwater management, utility systems and water resources, air and other environmental quality, etc., and the services to operate and maintain these systems. These costs are shared with other developments and members of the broader public, including existing and future residents, workers, and visitors.

If these costs are not estimated and assigned, development and their occupants may not factor them into their decision-making. If they don’t, public benefits and quality-of-life values may be diminished. If they do through growth management, not only are public facilities and benefits funded, but developers and occupants will have an incentive to seek efficiencies, mitigate impacts and costs through design, plan for co-benefits that reduce impacts and costs per unit, provide amenities that reduce their impacts and fees, seek creative lower-cost substitutes and generally be more sustainable. Therefore, the economic purpose of growth management is not just the provision of public facilities that mitigate impacts and enhance public value, but to internalize public costs so that economic decision-makers, i.e., developers and investors, recognize these costs and have an incentive to be more socially efficient in their planning, engineering, design, and construction.

A challenge in structuring an effective growth management program is how to measure and allocate public demand, benefits, and costs. There is no one standard model, but most systems rely on three principles:

- Transparent metrics for measuring quality-of-life objectives
- A rational and reasonable nexus to allocate costs and responsibilities to those who benefit
- A fair share allocation benefits and costs that does not disproportionately burden certain populations or locations, and recognizes intentional subsidies put in place to achieve other public policies and objectives

The City of Carlsbad's Growth Management Plan has historically used these three principles to provide for facilities costs and manage growth since it was established. But due to changing state laws and types of growth the city will expect, it is time to re-evaluate the program, including the economics.

Basis for Public Facility Demand Forecasts

One factor that generates demand for public facilities is the population of a community. In the Carlsbad's Growth Management Plan, the standards for three public facilities (administrative facilities, libraries and parks) are based on population demand. For example, the administrative facilities standard is 1,500 square feet per 1,000 population. Planning (siting, designing, financing) public facilities is done far in advance of constructing the facility; therefore, it is helpful if the method to estimate future population demand is consistent from year to year with limited variables. For Growth Management facility planning purposes, the city's method to estimate population demand is based on population data from the U.S. Census – total population (114,746 per 2020 Census) divided by total residential units (47,734 per 2020 Census), which results in an average persons per dwelling (2.404). Every ten years, as the Census is conducted, the city updates the population and persons per dwelling estimates for the next 10-year period, usually occurring when results are available a couple years after the census is collected. The city recently updated its population estimates in the FY 2020-2021 Growth Management Plan Status Report to reflect the 2020 Census; the report updates the persons per dwelling to 2.404 (previously 2.358, per the 2010 Census). When the 2.404 persons per dwelling is applied to the total current dwellings in Carlsbad (46,694 per the FY 2020-2021 report), the current population estimate is 116,025, including accessory dwellings and professional care facilities (note: the population information provided to the committee in April 2021 is from the FY 2019-2020 calculation, which is based on the 2010 Census).

The city's method to estimate population for public facility planning is transparent and easy to administer consistently from year to year. Other methods of estimating population utilize a household size rather than persons per total residential units. A household is defined as the number of "occupied" residential units, not total residential units. Total residential units exceed households by a vacancy factor. For long range planning purposes, the Carlsbad General Plan utilizes this household and vacancy factor method to estimate what the total population will be when all residential land uses planned by the General Plan are built (buildout). Using the General Plan method, Carlsbad's buildout population is estimated to be 133,249, which includes changes in planned residential land uses since the 2015 General Plan was adopted. This will be higher when the city completes the Housing Element Rezone program to add approximately 2,700 units to the general plan.¹

¹ <https://www.carlsbadca.gov/departments/community-development/planning/housing-plan-update>

Methods to estimate population vary among various sources. For example, the San Diego Association of Governments (SANDAG) used a different method than the city when they conducted the most recent Regional Transportation Plan.

Trends in population are also factored into future estimates. Based on the latest estimates for California cities, it is not clear what the current trends will be for household population in coastal cities. Some projections show reduced household populations in single-family homes in later years of demographic projections. This committee will have additional information on demographics at a later meeting, and the city will invite SANDAG demographers to a future meeting to share best available information on current and future demographic trends.

In terms of vacancy rates, a healthy residential market, for example, would have a vacancy rate of say 5% by convention, allowing enough vacant inventory to provide housing options for people looking for homes, either for the first time in Carlsbad or to relocate from their current home (rental or for-sale). According to CoStar, the 2022 Q2 vacancy rate for multi-family housing in San Diego county is 2.6%; Carlsbad's is 1.4%. Rate.com reports a 1.3% vacancy rate for ownership housing. These low vacancy rates indicate a tight market and higher residential costs as demand exceeds available supply.

[The Influence of Household Size](#)

Average household size is the average number of people per household (occupied residential unit, excluding group, institutional housing). There are several factors that influence household sizes, including the number of families with children, age distribution of the population and head of households, culture (some cultures value accommodating extended families and multiple generations out of choice than others), income distribution, divorce rates, residential product types available, market supply shortages that induce co-habitation and sometimes overcrowding, and other factors. No surprise that this combination of variables changes over time.

While it would be challenging to consistently model changes in demand variables over time, the U.S. Census does report average household size for multi-family (generally smaller than average), single-family housing (generally larger than average), and the population living in group quarters, such as Institutional (including correctional facilities, nursing homes, or mental hospitals), and Non-Institutional (including education dormitories, military barracks, group homes, missions, or shelters). The detailed Census estimates average household size by selected characteristics.

Demand forecasts for some public facilities are tied more to households and some to population. For example, car ownership and travel demand may relate more to households than population. Demand for parks and libraries may relate more to population.

While development impact fees under growth management are assessed on total new residential units, vacant and occupied, actual demand is generated by occupied units or households. However, housing occupancy fluctuates and, therefore, to ensure adequate public facilities for the population of all residential units (existing and future), the city plans for facilities based on a population estimate that utilizes an average persons per dwelling for all dwellings, as described above.

Other Influences on Demand for Public Facilities

Other factors that influence demand for housing and therefore public facilities and services include demographics, income distribution, seasonal vs. full-time housing inventory, location within the city, and demand generated by visitors and people working in Carlsbad who are not residents.

The number of jobs within a jurisdiction is an important generator of housing demand, and therefore demand for public facilities and services. Carlsbad has become an important and growing employment center in the region, particularly in North County. Historically, Carlsbad has not developed fully the number of residential units to potentially accommodate its job inventory, partly relying on other cities to provide some of its workers' housing needs, but Carlsbad's ratio of homes to workers has improved significantly over the past two decades. According to CITECON, based on the U.S. Census and Bureau of Labor Statistics data as reported by YCharts, Carlsbad's estimated ratio of occupied homes per job within Carlsbad in the year 2000 was 0.68, well below the countywide average of 0.95. By the year 2022, it is estimated that Carlsbad's ratio has improved to 0.82, almost as high as the countywide average of 0.85. Regionally, the ratio of homes to workers has fallen. While this may reflect an increase in workers per household, this may also indicate a growing percentage of workers living outside the region in southern Riverside County, southern Orange County, and Tijuana, to commute to their jobs in San Diego County. As work habits enabled by communication technology evolves to a hybrid model for some sectors where more people divide their workweek between working from home and at work, the percentage of workers choosing to live outside the region for more affordable housing may continue to grow. Still, for growth management in the future, including beyond the current Regional Housing Needs Assessment allocation and Housing Element cycle, job growth in the city will be an increasingly important variable for housing demand allocations, especially as State and Regional climate policies encourage more housing opportunities closer to work centers to reduce average vehicle-miles-travelled and associated greenhouse gas emissions.

Allocating Fiscal Costs

Growth management plans, including Carlsbad's, tend to manage growth in two ways – total development at “build-out” and over time. Both are tied to an estimated capacity given General Plan policies, public facilities, and performance metrics. The notion of “buildout” implies that once the city achieves that amount – or carrying capacity - and facilities are funded and provided, no more growth is to occur. Development over time is tied to a policy of “concurrency” which means that adequate public facilities must be provided per the growth management plan and a development phasing plan within a given period before or after the granting of permits to ensure that the facilities are in place in time.

Development is capped in this fashion regardless of market demand. As explained in the April memorandum, State law now prohibits residential caps at buildout and over time due to the declared housing crisis. The Carlsbad City Council has amended its Growth Management Plan to comply. As a practical matter, housing demand will likely continue to grow as the region's and Carlsbad's economies grow, and more jobs are generated. While there are plenty of examples of cities that have lost jobs and population – such as St. Louis, Detroit, and Gary for example – or cities in growth regions that naturally grow slowly because of limited job growth within them – North San Diego County and Carlsbad are expected to continue to grow over the next several decades according to the San Diego Association of Governments (SANDAG) forecasts.

There are two basic approaches for allocating costs – average and marginal.

Average Cost Approach

Carlsbad's current Growth Management Plan cost allocation is generally an "average cost" approach, common for growth management cities that are primarily developing greenfield land (such as master plan developments) for the first time. Public facilities are planned, costs are estimated, then costs are allocated to units over time, accounting for inflation, charged primarily through impact fees and, for some facilities, special tax districts such as Mello-Roos Community Facilities Districts. Developers may receive a credit against their fees if they finance and build the required facility directly at the required standard. Developers may choose to do this if they are able to provide a facility more efficiently. Since all development built the first time on a piece of land benefits from the planned facilities, an average cost approach is common.

Marginal Cost Approach

Another method is a "marginal cost" approach. This is more common in older growth management cities that are experiencing growth primarily through redevelopment and targeted infill development of properties that had already been developed. Redeveloped properties are often changing uses, say from an obsolete commercial or light industrial use to a residential mixed-use, are intensifying use of an existing building, say the adaptive reuse of a building originally built for another purpose, or are intensifying the use, say by utilizing surface parking to build higher density housing with structured parking.

In these situations, the amount of development in a community relative to the existing supply is often small, say less than 1 percent, in any given year. Demand for public facilities at the margin may be lower or higher depending on the context and the prior average cost approach may not be accurate. For these, an evaluation of marginal costs may be a more appropriate method.

Even if costs are accurately calibrated, the revenues accumulated from infill and redevelopment in some communities may not be sufficient except over a long period of time or if a major redevelopment project is undertaken in a low-density area. The City of San Diego has this issue with park fees collected at a community level in its older community plan areas. In this case, cities sometimes choose to expand the geographic area in which fees collected may be spent.

A Combined Tier Approach?

A city such as Carlsbad that is still building its last phases of its first generation of development, to be followed by additional development after the original buildout number is reached, may consider a combined two-tiered method for allocating costs. A first tier in accordance with the original Growth Management Plan's average cost allocation approach, and a second tier in accordance with a new marginal cost approach for growth occurring after the original buildout number is reached, one that plans for greater cost efficiencies for marginal growth.

Importance of Standards

Costs are estimated for the public facilities planned. The public facilities planned are tied to performance standards. Therefore, standards have a direct influence on costs. There is no one set of standards used by all jurisdictions; each determine their standards based on their contexts and priorities. Most standards are tied to a jurisdiction's comprehensive or general plan, technical requirements for facility performance and engineering, compliance with local, state, and federal regulations, and other policies and strategies, such as climate action plans, economic development strategies, and health and safety objectives. The city's existing 11 performance standards relate back to things the city directly controls and measures in its general plan, but also includes things (such as schools) that the city doesn't directly control and have other fee programs (such as school fees) and funding allocation (through portions of property taxes).

Influences on these standards and costs include, but are not limited to, the following:

- Geography served – facilities that serve a larger geography may incur higher costs due to size, but may have more sources of funding that reduces cost per payer
- Development patterns – more compact development tends to reduce costs per unit, such as for lane-miles of roads or water consumption, and enable more active mobility such as walking and biking that increases costs for bike and pedestrian facilities but reduces costs for roads
- Plan & design efficiencies – designs that maintain solar access to reduce heating requirements, or shading to reduce air-conditioning requirements may enable greater use of passive energy sources and reduce energy demand per household or capita
- Location efficiencies – more development near transit corridors connected to job centers or housing within employment centers may reduce vehicle trips and road demand
- Co-benefits – designing linear open space corridors and parks to serve stormwater management, habitat provision, and trails that connect to the broader circulation system may address multiple public facility needs with the same right-of-way, or combining libraries and recreation centers may have building and land cost efficiencies
- Equity – fair distribution of public facilities, such as parks, libraries, bike lanes and sidewalks may reduce trips and enhance access to healthier living patterns, potentially reducing public health costs in the long-run

As the city evaluates its future growth management, an opportunity exists to revisit standards that create greater efficiencies and benefits.

Sources of Fiscal Funding

Growth generates fiscal impacts for 1) Capital improvements, and 2) Ongoing operations & maintenance of those improvements and public services. In addition to providing funding through conventional means (such as indirect increases in property and sales tax) growth directly can provide services through:

Impact Fees

The primary source of funding growth management capital improvements in California are impact fees, enabled through the Mitigation Fee Act (1987), assigned to internalize and mitigate the costs of off-site impacts and proportional demands for public facilities. The assessment of impact fees requires a nexus

analysis, (per Gov. Code §66001(a) and (b)), the methodology of which is proscribed in California under AB602 (2021). The nexus is the relationship between what the payer pays and their share of benefit that is “roughly proportional” based on the Supreme Court ruling in *Nollan vs. California Coastal Commission* and *Dolan vs. City of Tigard*. Consequently, costs cannot be apportioned based on ability to pay or property valuation and cannot charge new growth to fund deficits to serve existing population/units.

Mello-Roos Community Facilities Districts

Another source often used are Mello-Roos Community Facility Districts (CFDs), special tax districts that can apply to both capital costs and specified operations & maintenance expenses, enabled by the Mello-Roos Community Facilities Act of 1982. While CFDs may be formed by voters in existing communities, they are more commonly used for infrastructure to support greenfield developments, or a few targeted sites, given that it is easier to conduct formation when there are fewer than 12 property owners. In this case, the vote is by acreage; therefore, the owners of larger properties within the district can ensure adoption. CFDs may also be dis-contiguous parcels and formed with other jurisdictions with a Joint-Powers Agreement.

Carlsbad uses both Impact Fees and CFDs. CFD 1 funds civic facilities, street system improvements, and interstate interchanges that benefit a large portion, but not all, of the city. CFD 3 Improvement Areas 1 & 2 fund drainage, landscaping, sewer, street, street lighting, utility, and water improvements for a smaller area.

Assessment Districts

Assessment districts are formed to fund specific public improvements and require a more direct link between the benefit and assessment paid than some other mechanisms. Carlsbad utilizes Lighting and Landscape Districts and Benefit Assessment Districts to fund certain public improvements and their maintenance. These fund streetscape, medians, sidewalks, street lighting and landscaping to enhance the city’s urban design and safety. Combined, the two districts cover most of the city. Carlsbad also formed Benefit Area No. 1 – Buena Vista Channel Maintenance District to manage drainage into the Buena Vista Lagoon.

Other Mechanisms

While jurisdictions in other states often fund community infrastructure with property tax assessments, Proposition 13’s limitation on annual increases in property tax assessments discourage use of property taxes for these purposes. Cities in California generally use their property tax revenue to fund city general fund operations.

Other funding mechanisms for public facilities are used in California, such as general obligation bonds, other special tax districts, tax increment, business improvement districts, benefit assessments, special purpose taxes, state and federal grants and subventions (such as gas tax dollars), negotiated or formula-based value capture techniques, tax sharing agreements, joint power authorities, public-private-partnership (P3) financing, revenue bonds and certificates-of-participation, and other sources. Most of the tax-based mechanisms require voter approval, a super majority if proposed by the government for a specific purpose or facility, simple majority if proposed by citizens referendum. Enhanced Infrastructure Financing tax increment districts (EIFDs) is a form of tax increment used in a few places, such as the City of San Diego’s border area and West Sacramento’s river corridor, but, unlike previous California Redevelopment, requires other taxing jurisdictions to agree to participate rather than collect tax

increment by formula. Tools such as negotiated development agreements, value capture mechanisms such as incentive zoning, and P3 financing are contractual arrangements entered into voluntarily and generally can be established by City Council action after a public hearing process.

While most of these mechanisms fund capital improvements, some have the flexibility or specific purpose to fund operations & maintenance. Typically, a city's general fund revenues from property taxes, sales taxes, transient-occupancy taxes, state grants, and user fees cover most general fund costs of government services, operations & maintenance.

Which mechanisms to consider that would augment the city's Growth Management program going forward will be discussed in more detail at future committee meetings that focus on developing strategy recommendations.

Influence on Land Values

In allocating costs to establish impact fees, special taxes, or other mechanisms, an important consideration is how the fees may affect housing and land values. One opinion is that higher impact fees increase the cost of housing as costs are passed on to the homebuyer or renter. Another opinion is that developers already price homes as high as the market will bear, and that rather than increase prices further to cover higher fees, developers re-calculate the residual land value associated with higher fees and reduce the amount they are willing to pay the original owner of the property they would like to develop. Consequently, land values adjust.

Timing is a consideration. Developers who have already purchased their land do not have the option to pay less unless it's a term in their purchase or option agreement. Developers who have not yet purchased a property can adjust what they are willing to pay, but if it drops below what the property owner is willing to accept, the property owner may choose not to sell, reducing the inventory of land to increase housing supply. For these reasons, some jurisdictions phase in increases in impact fees, say over a two to three-year period, so as not to penalize developers that have already purchased their property to redevelop.

Countering these potential downward pressures on property values, or market acceptance of higher home and rental prices, is the value of benefits derived from the public facility improvements made.

Conclusion

There are many ways to establish funding programs and establish structures for development to provide capital and ongoing resources. They need to be specifically adapted for each organization's context since their economic tax base, future development, employment, and political will all vary. These are considerations and topics that can be discussed in more detail during conversations about the existing 11 Performance Standards, and future standards that may be recommended to the City Council.

CARLSBAD TOMORROW -GROWTH MANAGEMENT CITIZENS COMMITTEE
STAFF REPORT—Exhibit 2
May 26, 2022

City Administrative Facilities

1,500 sq. ft. per 1,000 population must be scheduled for construction within a five-year period or prior to construction of 6,250 dwelling units, beginning at the time the need is first identified.

BACKGROUND

The origin of the city administrative facilities standard, and other facility standards, dates back to the early 1980s. A precursor to the Growth Management Plan was [City Council Policy No. 32 Public Facilities Management System](#) (adopted in 1982), which established the initial facility standards for various facilities, including administrative facilities. Per the policy, a minimum of 115,000 square feet was needed to serve a target population of 100,000 (1,150 sq. ft. per 1,000 population). That standard was established by estimating the number of city employees needed to serve a target population size and then estimating the amount of administrative facility space needed for the employees. When the Growth Management Plan and Citywide Facilities and Improvements Plan were adopted in 1986, the administrative facilities standard was updated to what it is today.

FACILITY PERFORMANCE ANALYSIS

Based on the most recent population estimate (June 30, 2021) of 116,025, the current demand for administrative facilities is 174,038 square feet. To date, city administrative facilities exceed the performance standard. The existing inventory of city and Carlsbad Municipal Water District buildings (leased and owned) occupied for administrative services are included in Table 7:

Facility	Address	Square Feet
City Hall Complex	1200 Carlsbad Village Drive	16,000
Faraday Administration Building	1635 Faraday Ave.	68,000
Fleet Service Center	2480 Impala Drive	10,540
Water District (Maintenance & Operations)	5950 El Camino Real	18,212
Parks Yard (Maintenance & Operations)	1166 Carlsbad Village Drive	4,012
Public Works Operations	405 Oak Ave.	9,950
Safety Center (Police and Fire administration)	2560 Orion Way	55,027
First Responder Safety Training Center	5750 Orion Way	15,090
Senior Center (Parks & Recreation administration)	799 Pine Ave.	5,770
Harding Community Center (Parks & Recreation administration)	3096 Harding St.	1,335
Total		203,936

Buildout Facility Adequacy Analysis

Based on the current General Plan residential land use designations, the projected buildout population is 133,249, the demand for city administrative facilities will be 199,874 square feet. The existing 203,936 square feet of administrative facilities exceeds the growth management performance standard at buildout and there are current projects that will impact and provide additional space once completed.

- **New Orion Center Project**

A development proposal is underway for the Orion Center project, which will centralize the city's maintenance and operations functions into a single location on Orion Way. The goal for the facility is to accommodate the existing and future needs for the following departments: Public Works (Utilities/CMWD, General Services and Construction Management & Inspection) and Parks & Recreation (Parks Maintenance). The proposed project will free up three existing city facilities for redevelopment: 5950 El Camino Real, 405 Oak Street, and 1166 Carlsbad Village Drive. The new buildings will provide 85,320 square feet of administrative space, which will be a net increase of 53,146 square feet over the three existing sites which will no longer be needed.

- **New City Hall Project**

The City of Carlsbad currently operates out of more than a dozen locations, some of which are approaching the end of their useful life. Having most city staff in one location will make doing city business more efficient for workers and the community. That's why the city is planning a new consolidated city hall where the main administrative functions of the city could operate out of one location that also provides better meeting spaces including a larger City Council chamber and shared indoor and/or outdoor community spaces.

The new city hall project is in the process of identifying spatial requirements for city staff to determine the size of the new city hall, and site criteria to determine which of four potential locations is best suited for the new city hall and civic center. The initial project has three phases, including the 1) Space Needs Analysis Report, 2) Site Criteria Evaluation, and 3) Best Professional Recommendation. The City Council approved Phases 1 and 2 on September 17, 2019, with the third phase anticipated to be presented to City Council by the end of June 2022.

OTHER STANDARDS AND JURIDICITION REVIEWS

This is a performance standard that is unique to the City of Carlsbad. While there are many regulations that describe how to construct a building and requirements when one is chosen (such as requirements for LEED construction). Additionally, it is not clear what the changes in the workforce will be that continue to occur coming out of the pandemic environment. Many cities have goals to reduce footprints and have alternative schedules for the positive impacts to reduce greenhouse gas emissions. Technology changes have also occurred in recent years, shifting more services online. The future for the demands for this metric is unclear.