MEMORANDUM

To: Elisa Sabatini

From: Charlie Tschudin

Date: March 18, 2024

Subject: 2024 Habitat Agency Development Fees Adjustment

Chapter 8 of the Yolo HCP/NCCP (Plan) requires an automatic inflation adjustment to the Plan's development fees and describes the adjustment process.[1] These fees are a critical revenue source providing most of the Plan's total funding. The Conservancy makes this adjustment annually to ensure that Plan revenues from development fees keep pace with the effect of inflation on Plan implementation costs. The ordinance adopting the development fees incorporates this annual adjustment, so this is an administrative process that does not require Conservancy Board approval. The purpose of this memorandum is to describe the fee adjustment methodology and provide a revised development fee schedule for 2024. The approach and methodology described in this memorandum has been reviewed and approved by the economic consultant that drafted Chapter 8 of the Plan (Urban Economics).

The Plan includes two development fees based on the type of permanent impact caused by the activity seeking coverage under the Plan: a land cover fee and a wetland fee. The Plan also has development fees for temporary impacts from activities subject to the land cover and wetland fees. Temporary fees are calculated based on the same fees as the fee for permanent impacts and adjusted for the length of time that the impact occurs.

Adjustment Methodology and Data

Plan implementation costs include a wide range of cost categories affected in varying ways by inflation. The automatic inflation adjustment method breaks Plan costs into two primary cost categories to allow the use of a different inflation index more closely related to each category. The Plan's recommended inflation indices are from federal government and professional land appraisal sources and are widely used to estimate inflation across various sectors of the economy. The two cost categories are:

1. Land acquisition (reserve system assembly costs)
2. All other Plan costs (e.g. maintenance, monitoring, restoration, and program administration)

Land acquisition costs are treated separately from other Plan costs because land costs (1) are a significant share of total Plan costs and (2) are influenced by agricultural economic factors that are different from those factors affecting other Plan costs, and (3) tend to be more volatile

[1] Yolo Habitat Conservancy, *Yolo HCP/NCCP* (April 2018), pp. 8-39 to 8-40 and Table 8-10.

than other Plan costs. The Conservancy may decide to use other cost inflation indices during Plan implementation than those described below to better represent changes in Plan costs.

Inflation of Land Acquisition Costs

The inflation index used to adjust the land acquisition cost component of fees is primarily based on the prior year's annual report of agricultural land values for the southern Sacramento Valley (*Trends in Agricultural Land and Lease Values: California and Nevada*) published by the California Chapter of the American Society of Farm Managers and Rural Appraisers (ASFMRA). The ASFMRA data is applicable to the following three land cover types that combined represent 88 percent of the total reserve:

- Cultivated land – non-rice
- Cultivated land – rice
- Grassland

The annual inflation adjustment for these land cover types uses the five-year rolling average annual compounded change. Using a five-year rolling average reduces year-to-year volatility in the index while updating the development fees based on recent trends in land values. Although ASFRMA data represents fee title acquisition values, the same trends are applicable to conservation easements costs that are the primary tool that the Conservancy will use to build the reserve.

Lacking an applicable land value index from ASFRMA, the inflation index for all other land cover types including woodlands, wetlands, and alkali prairie, is based on the annual change over the prior two years for the Consumer Price Index (CPI) published by the U.S. Bureau of Labor Statistics. These land cover types represent the remaining 12 percent of the reserve not represented as cultivated land or grassland.

The land acquisition annual cost inflation methodology and applicable data sources are summarized in Table 1.

The automatic inflation adjustment for 2024 uses data from the 2023 ASFRMA *Trends* report that provides high and low values for the five-year period 2017 to 2022. The CPI adjustment is based on the annual change from 2022 to 2023.

To calculate the land acquisition cost component for the land cover fee annual adjustment, the annual change in value for each of the four land cover types based on the methodology and sources in Table 1 is weighted by the share of remaining reserve lands to be acquired. The weighted average increase for the current annual inflation adjustment is 0.8% as shown in Table 2.

For the wetland fee, only the CPI inflation adjustment is used for the land acquisition component because only the CPI is used to reflect in acquisition costs for the applicable land cover types (fresh emergent wetland, valley foothill riparian, and lacustrine and riverine).

Table 1: Components of Land Acquisition Cost Inflation Adjustment

Land Cover Type	Historical Time Period for Measuring Inflation	Value	Source
Cultivated Land – Non-Rice	Average annual percentage change over prior five years	Median of the range of values reported for: • Vegetable crops • Irrigated field cropland With each value weighted by amount of Yolo County crop acreage in production in each category (excluding rice).	California Chapter American Society of Farm Managers and Rural Appraisers, *Trends in Agricultural Land and Lease Values* (ASFMRA Report) Yolo County Department of Agriculture and Weights & Measures, *Yolo County Agricultural Crop Report*
Cultivated Land – Rice	Average annual percentage change over prior five years	Median of the range of values for rice cropland	ASFMRA Report
Grassland	Average annual percentage change over prior five years	Median of the range of values for rangeland	ASFMRA Report
Woodland, Wetlands, and Alkali Prairie	Annual average percentage change over prior two years	West region consumer price index for all urban consumers (not seasonally adjusted)	U.S. Bureau of Labor Statistics

Table 2: Land Acquisition Cost Inflation Factor

Land Cover Type	Start		End		Average Annual Change	Remaining Reserve Share	Weighted Average Annual Change
	Year	Value	Year	Value			
Cultivated Land – Non-Rice[1]	2017	$15,360	2022	$14,920	-0.6%	61.0%	-0.4%
Cultivated Land – Rice	2017	$11,000	2022	$14,250	5.3%	11.5%	0.6%
Grassland	2017	$2,125	2022	$2,125	0.0%	15.5%	0.0%
Woodlands, Wetlands, and Alkali Prairie	2022	310.51	2023	323.834	4.3%	12.0%	0.5%
Total						**100.0%**	**0.8%**

[1] Average of median value for vegetable and irrigated field crops weighted by amount of Yolo County crop acreage in production in each category (excluding rice).

Sources: See Table 1.

Inflation of All Other Plan Costs

All other (non-land acquisition) plan costs, such as maintenance, monitoring, restoration, and program administration, include a wide range of personnel, supply, and capital costs. Given the diverse types of costs included in this category, overall cost inflation in the local economy provides a reasonable estimate of inflation. This index uses the same index used for "all other" land cover types in the Table 1, annual increase over the prior two years of the Consumer Price Index (CPI) from the U.S. Bureau of Labor Statistics for the West region.

Inflation Cost Component Shares

To calculate the annual adjustment for each of the two development fees (land cover fee and wetland fee), the two inflation cost components discussed above (land acquisition and all other plan costs) are weighted by the share of costs to be funded by each fee. These cost shares will vary over the course of Plan implementation depending on cash flow estimates for the use of revenue generated by each fee. Table 8-10 in Chapter 8 of the Plan included initial estimates of these cost shares for each fee. These initial estimates have been updated based on the most recent cash flow estimates. Current cost share estimates for each fee are shown in Table 3.

Table 3: Cost Category Shares

Cost Category	Land Cover Fee	Wetland Fee
Land Acquisition	59.3%	16.8%
All Other Plan Costs	40.7%	83.2%
Total	100%	100%

Sources: Yolo HCP/NCCP Funding Model (version 2021-02-24).

Annual Inflation Adjustment

The 2024 automatic annual adjustment for each of the development fees is shown in Table 4 based on the inputs from Tables 2 and 3.

The total inflation adjustment for each fee from Table 4 is applied to the current fee schedule to calculate the revised fee schedule for 2024 as shown in **Table 5**.

Table 4: 2024 Development Fee Inflation Indices

Fee and Cost Component	Cost Component Weight	Inflation Factor	Weighted Inflation Factor
Land Cover Fee			
Reserve Assembly	59.3%	0.8%	0.5%
All Other Plan Costs	40.7%	4.3%	1.7%
Total	100%		2.2%
Wetland Fee			
Reserve Assembly	16.8%	4.3%	0.7%
All Other Plan Costs	83.2%	4.3%	3.6%
Total	100%		4.3%

Sources: Tables 2 and 3.

Table 5: 2024 Revised Development Fee Schedule

Development Fee	Unit	Current Fee	Inflation Adjustment	Revised Fee
Land Cover Fee	per acre	$16,202	2.2%	$16,559
Wetland Fees				
Fresh Emergent Marsh	per acre	$87,337	4.3%	$91,085
Valley Foothill Riparian	per acre	$91,814	4.3%	$95,754
Lacustrine and Riverine	per acre	$70,046	4.3%	$73,052