



## CITY COUNCIL STAFF REPORT

**MEETING DATE:** November 25, 2024

**ITEM TITLE:** Adopt a Resolution Accepting the Annual Report for the Year Ended June 30, 2024 on Development Impact Fees, Reaffirming Necessity for Development Impact Fees, and Making Findings Related to Impact Fee Balances and In-Lieu Fees.

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### RECOMMENDATION:

Staff recommends that the City Council adopt a Resolution accepting the annual report for the year ended June 30, 2024 on development impact fees, reaffirming the necessity for the development impact fees, and making findings related to impact fee balances and in-lieu fees.

### FISCAL IMPLICATIONS:

There are no fiscal implications associated with accepting this report.

### BACKGROUND:

This administrative report serves as the City's annual report on development impact fees, as required by Government Code section 66006 and in accordance with the Mitigation Fee Act, specifically Government Code section 66001(d). It includes details of the City's park in-lieu fees, which are governed by Government Code section 66477, and addresses the City's other in-lieu and linkage fees for informational purposes.

### ANALYSIS:

The City has a number of Development Impact Fees (DIFs) including the traffic impact fee, park facility development fee, affordable housing impact fee, commercial linkage fee, sewer capacity charge, childcare development fee, and the sewer connection pass-through fee. Detailed descriptions of these fees are available to the public on the City's website and in their respective sections of the Municipal Code.

In California, state legislation sets certain legal and procedural parameters for charging of DIFs. This legislation was passed as Assembly Bill (AB) 1600 by the California Legislature. Government Code section 66006(b) states the following requirements with respect to DIFs:

For each separate account or fund established, the local agency shall, within 180 days after the last day of each fiscal year, accept the report and make available to the public the following information for the fiscal year:

- A. A brief description of the type of fee in the account or fund.
- B. The amount of the fee.
- C. The beginning and ending balance of the account or fund.
- D. The amount of the fees collected and interest earned.
- E. An identification of each public improvement on which fees were expended and the amount of expenditures on each improvement, including the total percentage of the cost of the public improvement that was funded with the fees.
- F. An identification of an approximate date by which the construction of the public improvement will commence if the local agency determines that sufficient funds have been collected to complete financing on an incomplete public improvement and the public improvement remains incomplete.
- G. A description of each interfund transfer or loan made from the account or fund, including the public improvement on which the transferred or loaned fees will be expended, and, in the case of an interfund loan, the date on which the loan will be repaid, and the rate of interest that the account or fund will receive on the loan.
- H. The amount of refunds made (pursuant to Government Code section 66001(e)) due to sufficient funds being collected to complete financing on incomplete public improvements, and the amount of reallocation of funds made (pursuant to Government Code section 66001(f)) due to administrative costs of refunding unexpended revenues exceeding the amount to be refunded.

In addition, the Mitigation Fee Act requires local agencies to adopt “five-year findings” in accounting for development impact fee proceeds.

The following findings are made as required by the Government Code Section 66001:

- 1. The purpose to which each Development Impact Fee is collected for has been identified.
- 2. There is a continued need for the improvements and there is a reasonable relationship between the fee and the purpose for which it is charged.
- 3. The sources and amounts of funding anticipated to complete the financing of capital projects have been identified and will be deposited into the appropriate account upon receipt or during the normal capital improvement program budget cycle. For the fiscal year 2023-24 ended June 30, 2024, none of the impact fees collected by the City have been held for a period greater than five years.
- 4. A copy of the Resolution will be posted on the website and forwarded to the Administrative Services Director for use in overseeing these monies.
- 5. These findings are based, in part, on information provided in the City’s Capital Improvement Program.

The attached report contains details to satisfy the requirements of Government Code section 66006 and 66001. Once accepted by the City Council, it will be made available to the public on the Financial Reports and Policies page of the City’s website. It also describes the City’s park land dedication in-lieu fee, which is governed by Government Code section 66477, and the City’s affordable housing in-lieu fee and parking in-lieu fee. The report shows these fees grouped by fund.

Many projects have been either partially or fully funded over the past five fiscal years through the City's DIFs and in-lieu fees. These include the San Carlos Ave Pedestrian Safety Improvements Phase III project (\$2.4 million) through the traffic impact fee; the Park Bathroom Replacement project (\$1.2 million) and Installation of New Sports Field Lighting at Flanagan and Stadium Fields project (\$1.5 million) through the park land dedication in-lieu fee and park facility development fee; the Cherry Street Below Market Rate Housing project (\$3.1 million) and the Affordable Housing Site Acquisition/Construction project at 1800 El Camino Real and 1131-1133 Eaton Avenue (\$12.4 million) through the commercial linkage fee and affordable housing in-lieu fee; and sewer system improvements (\$4.5 million) through collection of the sewer capacity charge.

ALTERNATIVES:

The alternatives available to the City Council include:

1. Adopt a Resolution accepting the Annual Report for the year ended June 30, 2024 on development impact fees and making findings related to impact fee balances and in-lieu fees; or
2. Do not adopt the Resolution; or
3. Provide staff with alternative direction.

Respectfully submitted by:

Rebecca Mendenhall, Administrative Services Director

Approved for submission by:



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Jeff Maltbie, City Manager

ATTACHMENT(S):

1. Resolution
2. Development Impact Annual Report FY 2023-24