



AGENCY: City Council
MEETING DATE: October 23, 2023
DEPARTMENT: Public Works
PRESENTED BY: C. O'Neal & A. Lechowicz
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AGENDA ITEM SUMMARY

TITLE: Conduct Public Hearing, Receive Report, Receive Finance & Administration Committee Recommendation Regarding Impact Nexus Fee Study, and Consider Adoption of City Council Resolution Approving Updates to the City's Impact Fee Schedule

ISSUE/BACKGROUND:

In accordance with AB 602, which requires all new impact fees to have a nexus study before adoption, staff released a Request for Proposals (RFP) and hired a consultant in the fall of 2022 to perform this study. Council authorized the contract with Lechowicz & Tseng (L&T) on November 14, 2022. The Consultant L&T presented the Impact Fee Report to the City's Finance and Administration Committee on June 14, 2023 and again on August 24, 2023.

The Finance and Administration Committee unanimously agreed on the revised Water, Sewer, and Storm Drain fees. Committee had extension discussion regarding the addition of Police, Fire, and CV Starr fees as added new fees to the schedule, since the new total cost to a developer for a single family home would still equate to a lower fee than what is paid now given the reductions to the existing fees. Committee also agreed not to consider the addition of fees for Parks, Traffic, or Civic Facilities at this time. Committee did not provide clear consensus on the addition of Police, Fire, and CV Starr fees, these fees are shown in a sample fee schedule (Attachment 4). Since the adoption of new fees require a full 30-day noticing period, should the full Council come to a majority consensus on their inclusion, staff will prepare a new Public Hearing Notice and Resolution to be heard at the Council meeting of December 11, 2023.

ANALYSIS:

IMPACT NEXUS STUDY

The primary goal of the study is to update existing Development Impact Fees for sewer, water and drainage to reflect the true incremental cost of new development on City infrastructure to ensure that new development pays for itself. In addition, the City asked the Consultant to analyze and recommend other fees for parks (as per the Quimby Act), citywide roadways, bicycle paths, bridges and signalization improvements, and public facilities such as fire and police stations.

Development impact fees allow cities to collect funds from new development projects for impacts on City infrastructure and facilities. In order to impose development impact fees, a reasonable connection or "nexus" must exist between the new development and the improvement of a facility for which the fees are to be assessed. The projected improvements financed by the impact fees must benefit those required to pay fees, and the fee must be proportionate to the amount of benefit received.

The types of fees reflected in this study are the same ones that were evaluated in previous iterations of Nexus studies over the years. The last study for impact fees was accepted by Council in 2011. Several of the fees discussed here (e.g. parks, public facilities, transportation, etc.) were not selected for inclusion in previous approved fee schedules and again during this iteration, the inclusion of additional fees (police, fire, and CV Starr) created a split vote between Committee Members. There were reductions in the cost of water and sewer and so ultimately, the proposed fees (when fire, police, and Starr are included) are still almost identical the existing fees being collected under the current fee schedule.

This report is intended to provide the information necessary to ensure that Council understands all their options and the nexus between today's development and future obligations to care for the systems that are built. It is important for Council to be aware of the kinds of costs inherent in development in order to plan and consider ways to obtain revenue that will be necessary to fund capital improvements for maintenance and repair in the future.

Attached to this item is a draft of the Impact Fee Study prepared by the consultant as a required deliverable prepared by the Consultant in accord with the RFP (Attachment 5). This study will be finalized and brought back for Council's acceptance at the December 11, 2023 meeting.

LEGAL REQUIREMENTS

State law contains a number of provisions that affect a City's establishing and updating City fees. They can be summarized generally as follows:

- (i) A City may set fees to recover the full cost of providing services, but fees cannot be levied in excess of the cost of service or for general revenue purposes.
- (ii) A Cost of Service Study may be used as the basis to calculate and set fees to recover the full cost of providing services and to make findings that the fees reflect a reasonable estimate of the cost of providing the applicable services.
- (iii) In order to impose development impact fees on new development, a city must distinguish between existing levels of service and the impact of new development on the resources required to maintain that level of service. (Government Code §§ 66000(b), 66001(a)).
- (iv) As for the process of adopting fees, State law requires that changes to the City's fees be presented to the City Council at a Public Hearing in accordance with Government Code Section 66016, which requires that there be two publications of the meeting notice in the local newspaper, advance notice is provided to any party that requests to be notified of any proposed fee adjustments, and that the full package of the proposal is made available to the Public no less than fourteen days prior to the Hearing.
- (v) In addition, approved changes may take effect no less than 60 days after approval.

Staff published a public hearing notice (Attachment 6) on October 5, 2023 and October 12, 2023 in compliance with Government Code Section 66016. If approved, Staff recommends that any changes approved pursuant to this item become effective on

January 1, 2024, which is 60+ days from the conclusion of the Public Hearing and approval.

RECOMMENDED ACTION:

Receive Finance & Administration Committee Recommendation Regarding Impact Nexus Fee Study, determine if the Police, Fire, and CV Starr fees should be included at this time, and Adopt City Council Resolution Approving Updates to the City's Fee Schedule.

ALTERNATIVE ACTION(S):

1. Modify the resolution to remove the added Police, Fire, and/or CV Starr fees and maintain only those current impact fee categories of water, sewer, and storm drainage.
2. Include additional fees for Parks, Traffic, and/or Facilities to the fee schedule.
3. Provide alternative direction to staff.

FISCAL IMPACT:

Although the exact fiscal impact of the proposed fee changes cannot be accurately estimated, changes in the fees charged for impact development fees as well as miscellaneous city services, reflect changes in the cost of providing those services.

GREENHOUSE GAS EMISSIONS IMPACT:

The review of this report has little impact on greenhouse gas emissions.

CONSISTENCY:

These fee updates are consistent with established City Council policy requiring full cost-recovery for services provided. All legal requirements discussed above have been adhered to. The Impact Fee Analysis prepared by L&T reflects the true incremental cost of new development on City infrastructure in accordance with AB 602.

IMPLEMENTATION/TIMEFRAMES:

If approved, the water, sewer, and storm drain impact fees will become effective on January 1, 2024. The Consolidated Fee Schedule will be updated and distributed to City staff and will be posted on the City's website. Additionally if Council recommends the addition of new fees for Police, Fire, CV Starr these items will be brought back at to the December meeting as described above.

ATTACHMENTS:

1. Consultant Presentation on Impact Fee Study
2. Resolution Adopting New Fee Schedule
3. Fee Schedule Exhibit A
4. Police, Fire, and CV Starr Sample Fee Schedule
5. Draft Impact Fee Study
6. Public Hearing Notice

NOTIFICATION:

1. "Notify Me" subscriber list: Finance and Budgeting; Public Hearings

2. Lechowicz & Tseng