



Staff Report

TO: City Council
FROM: Jennifer Ustation, Finance Director
DATE: June 18, 2024
SUBJECT: Adoption of Development Impact Fee Nexus Study and Development Impact Fee Schedule

Description Continued public hearings for the proposed adoption of the 2024 Development Impact Fee Schedule.

Background and Analysis:

A development impact fee (DIF), also known as a public facilities fee, is imposed to mitigate the impact of development on the community. Development impact fees must have an “essential nexus” to the government’s land-use interest and “rough proportionality” to the development’s impact on the land-use interest.

A City imposes public facilities fees under authority granted by the Mitigation Fee Act (the Act), contained in California Government Code Sections 66000 et seq. When imposing such a fee, a local agency must make certain specific findings as outlined by the Act. As a basis for such findings, local agencies typically prepare a fee study.

On January 1, 2022, new requirements went into effect for California jurisdictions implementing impact fees. Among other changes, AB 602 added Section 66016.5 to the Government Code, which set additional guidelines for impact fee nexus studies. Four key requirements from that section which concern the nexus study are reproduced here:

66016.5. (a) (2) When applicable, the nexus study shall identify the existing level of service for each public facility, identify the proposed new level of service, and include an explanation of why the new level of service is appropriate.

66016.5. (a) (4) If a nexus study supports the increase of an existing fee, the local agency shall review the assumptions of the nexus study supporting the original fee and evaluate the amount of fees collected under the original fee.

66016.5. (a) (5) A nexus study adopted after July 1, 2022, shall calculate a fee imposed on a housing development project proportionately to the square footage of proposed

units of the development. A local agency that imposes a fee proportionately to the square footage of proposed units of the development shall be deemed to have used a valid method to establish a reasonable relationship between the fee charged and the burden posed by the development.

66016.5. (a) (6) Large jurisdictions shall adopt a capital improvement plan as a part of the nexus study. Large jurisdictions are defined as cities with populations of over 250,000 residents.

Finally, AB 602 requires that the DIF Nexus Studies be updated every eight years.

Development Impact Fee Nexus Study Update

On November 21, 2017, the City Council adopted the 2017 DIF Nexus Study. Since the 2017 DIF Nexus Study, the City has seen significant increases in construction costs and significant City growth, and since that time, has adopted the 2040 General Plan update, and the City Council’s 2023 Strategic Plan. Consequently, the Capital Improvement Plan (CIP) has expanded in cost and projects to maintain, and in some cases increase the City’s level of service for existing and future development.

On August 15, 2023, the City Council approved a Professional Services Agreement (PSA) with Wildan Financial Services to work with City staff to complete the 2024 DIF Nexus study. Wildan has completed the report which summarizes an analysis of development impact fees needed to support future development in the City of Beaumont through 2040. It is the City’s intent that the costs representing future development’s share of public facilities and capital improvements be imposed on that development in the form of a development impact fee.

The public facilities and improvements included in the analysis are divided into the fee categories listed below:

Parks	Recycled Water
Recreation Facilities	General Plan
Fire Protection Facilities	*Library District
Police Facilities	Emergency Preparedness Facilities
Public Facilities	*Storm Drain
Transportation Facilities	*Trails
Sewer Facilities	*Maintenance Equipment
Sewer Capacity	

*New proposed fees

Compliance with AB 602

Pursuant to State law, the 2024 DIF Nexus Study does the following: 1) identifies the purpose of each DIF; 2) identifies the use to which each DIF is to be put; 3) identifies all public facilities that will be financed by the respective DIF; 4) determines how there is a reasonable relationship between each DIF’s use and the type of development project on which the respective DIF is imposed; and 5) determines how there is a reasonable relationship between the need for the public facility and the type of development project on which the particular DIF is imposed.

Capital Improvement Plan (CIP)

AB602 requires large jurisdictions to adopt a CIP as part of the DIF Nexus study. Since Riverside County has greater than 250,000 residents, the City is considered a large jurisdiction . The 2024 DIF study includes project lists that if adopted would become the Nexus study CIP. If adopted, the projects funded by the 2024 DIF Nexus Study were identified in the prior-year, active CIPs and the draft FY 2025-2029 CIP in addition to relevant master planning documents. The FY 2025-2029 CIP is provided for reference as **Attachment E**.

Development Impact Fee Schedule Summary

The table below summarizes the development impact fees that meet the City’s identified needs and comply with the requirements of the Mitigation Fee Act as noted in the study dated May 31, 2024.

E.1: Maximum Justified Development Impact Fee Schedule - per Square Foot

Land Use	Residential		Commercial	Industrial/ Business Park	Industrial/ High-Cube Warehouse
	Dwelling Unit				
Park Land In Lieu (Subdivisions) ¹	\$ 0.79	\$ -	\$ -	\$ -	\$ -
Park Land Acquisition (Non Subdivisions) ²	0.77	-	-	-	-
Community Park Improvements	0.53	-	-	-	-
Neighborhood Park Improvements	0.59	-	-	-	-
Recreation Facilities	1.12	-	-	-	-
Fire Protection Facilities	0.38	0.47	0.68	0.19	
Police Facilities	1.33	0.73	1.06	0.30	
Public Facilities	0.60	0.33	0.48	0.14	
Transportation Facilities	2.33	23.47	10.61	6.17	
Sewer Facilities	2.57	1.34	0.99	2.06	
Sewer Capacity ³	4.72	1.80	3.33	2.29	
Recycled Water	0.32	0.17	0.12	0.26	
General Plan	0.02	0.01	0.02	0.01	
Library District	0.15	-	-	-	
Emergency Preparedness Facilities	0.01	0.004	0.006	0.002	
Storm Drain	0.92	0.97	0.75	0.97	
Trails	0.02	-	-	-	
Maintenance Equipment	0.02	0.010	0.010	0.004	
Total (Subdivisions)	\$ 16.42	\$ 29.30	\$ 18.06	\$ 12.40	
Total (Infill)	\$ 16.40	\$ 29.30	\$ 18.06	\$ 12.40	

¹ Fee in lieu of parkland dedication charged under the Quimby Act.

² Fee for parkland acquisition charged under the Mitigation Fee Act.

³ "Commercial medium strength" fee shown for commercial. "Industrial high strength" fee shown for industrial/business park.

"Industrial low strength" fee shown for industrial/high cube warehouse. Refer to Table 10.5 for full sewer capacity nonresidential fee

Sources: Tables 3.8, 4.7, 5.7, 6.7, 7.7, 8.5, 9.5, 10.4, 10.5, 11.3, 12.5, 13.6, 14.5, 15.6, 16.7 and 17.7.

Impact fees may only fund the share of public facilities related to new development in Beaumont. They may not be used to fund the share of facility needs generated by existing development or by development outside of the City. The table below provides for the amount of identified additional funding that will be needed to complete the projects identified in the study. The City must fund these facilities by the planning horizon, or new development would have been charged too high a fee.

Table E.2: Non-Impact Fee Funding Required

Fee Category	Net Project Cost	Development Fee Revenue	Additional Funding Required
Park Land	\$ 15,223,304	\$ 15,223,304	\$ -
Community Park Improvements	10,529,000	10,529,000	-
Neighborhood Park Improvements	11,636,000	11,636,000	-
Recreation Facilities	62,440,220	22,230,970	40,209,250
Fire Protection Facilities	12,965,326	11,179,035	1,786,291
Police Facilities	73,182,221	32,006,177	41,176,044
Public Facilities	23,345,367	14,386,762	8,958,605
Transportation Facilities	411,690,869	189,032,967	222,657,902
Sewer Facilities	99,764,464	68,858,364	30,906,100
Sewer Capacity ¹	-	-	-
Recycled Water	29,432,627	8,660,205	20,772,422
General Plan	1,722,271	582,460	1,139,811
Library District	3,383,765	3,383,765	-
Emergency Preparedness Facilities	695,153	232,984	462,169
Storm Drain	28,333,417	28,333,417	-
Trails	312,000	312,000	-
Maintenance Equipment	407,722	407,722	-
Total	\$ 785,063,725	\$ 416,995,132	\$ 368,068,593

¹ No project costs shown. Capacity fee revenue is used to pay back City for excess capacity used to serve new development at WWTP.

Sources: Tables 3.5, 3.6, 4.6, 5.6, 6.6, 7.6, 8.3, 8.4, 9.3, 9.4, 11.2, 12.4, 13.5, 14.4, 15.6, 16.3 and 17.5.

The 2024 DIF Schedule includes a 1 percent administrative fee that reflects the City's estimated costs to administer the establishment, imposition, collection, and analysis of the fees set forth in the 2024 DIF Fee Schedule.

Moreover, as per chapter 3.22.050 of the City of Beaumont Municipal Code, the total fee amounts set forth in the proposed 2024 DIF Schedule shall automatically increase at the beginning of each fiscal year by an amount equal to the cumulative percentage increases in the Construction Cost Index of Engineering News Record index published for the month nearest the effective date of the adjustment as compared with the amount of the same in effect at the time of the nearest prior adoption of Ordinance No. 1092 or the previous adjustment, appropriate. The fee as revised annually, shall be calculated by the City Manager or his or her designee and shall be included in a report to the City Council.

Proposed Resolutions

There are two separate Resolutions staff is recommending that the City Council adopt:

- 1) A Resolution adopting the 2024 DIF Nexus Study; and
- 2) A Resolution adopting the 2024 DIF Schedule

If the City Council approves the 2024 DIF Schedule, the adjusted DIF's will not go into effect until 60 days after the adoption of the respective Resolution - this is a state law requirement.

Notification

On April 4, 2024, in accordance with Government Code Section 66016.5, a 30-day notice was published in the local newspaper of this public hearing with intent to adopt an Impact Fee Nexus Study.

On April 26, 2024, in accordance with Government Code Section 66018, a 10-day notice was published in the local newspaper of this public hearing with intent to adopt a Development Impact Fee Schedule.

First Public Hearing

On May 7, 2024, a public hearing was held to review the study and fee schedule for possible adoption. The City Council continued the public hearing to allow stakeholders more time to review the materials and for City staff to hold another stakeholder meeting.

Transportation Projects Adjustments and Alternatives

After the May 7th meeting, it was determined that an adjustment was needed in the trip rate for high-cube warehouses affecting only the transportation fee. These adjustments have been included in the revised Impact Fee Nexus Study Report Attachment F. At this meeting, it was also requested for staff to bring back a schedule of prioritized projects and alternatives to the fully justifiable schedule. Staff has provided transportation project alternative calculations for the transportation impact fee for near-term projects only, and for mid-term and near-term projects included as Attachment G. As a policy decision the City Council could choose to implement fees at lower levels than the maximum justified fees included in the study.

Phased Fee Schedule Approach

As a policy decision, the City Council can also choose to phase in fees. Staff has included a phasing fee schedule which would incorporate the fees evenly over a four-year period. This schedule has been included as Attachment H.

Fiscal Impact:

The estimated cost to prepare this report is \$2,040.

The cost for the fee study was included in the FY2024 budget. The updated DIF Nexus Study dated May 31, 2024, supports a maximum future revenue stream of \$416,995,132 through 2040 with an additional funding requirement of \$368,068,593 for projects identified in the study. The amount that will be collected is dependent on development within the City and will vary by fiscal year.

Recommended Action:

Staff recommends adopting at the maximum justified fees.

Hold a Public Hearing;

Waive the full reading and adopt by title only, "A Resolution of the City Council of the City of Beaumont Adopting the City of Beaumont Development Impact Fee Study Update Dated May 31, 2024";

Hold a second Public Hearing;

Waive the full reading and adopt by title only, "A Resolution of the City Council of the City of Beaumont Adopting the City of Beaumont 2024 Development Impact Fee Schedule Based on the Findings Set Forth in the City of Beaumont Development Impact Fee Study Update Dated May 31, 2024".

Attachments:

- A. Resolution No. DIF Nexus Study
- B. Resolution No. DIF Schedule
- C. Exhibit A to Resolution No. 2024 Development Impact Fee Schedule
- D. 2024 Development Impact Fee Study Update 4/19/2024
- E. FY 2025-2029 Capital Improvement Plan
- F. Revised 2024 Development Impact Fee Study Update 5/31/2024
- G. Transportation Project Alternatives Transportation Fee Schedule
- H. Phased Fee Schedule