



Staff Report

TO: City Council
FROM: Jennifer Ustation, Finance Director
DATE: October 1, 2024
SUBJECT: Adoption of Development Impact Fee Nexus Study and Development Impact Fee Schedule

Description Hold two public hearings for the proposed adoption of the 2024 Development Impact Fee Nexus Study and 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 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 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.

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. The 2024 DIF Nexus Study was developed using prior-year and active CIPs with all projects related to the fees included within the Nexus Study.

Initial Report

On April 30, 2024, City staff held a webinar and invited the development community to go over the results of the Nexus Study.

On May 7, 2024, the City Council held a public hearing to review the first draft of the Nexus study. The hearing was continued to allow time for the City to host webinars with the development community to go over the Nexus Study results.

On June 5, 2024, City staff held an in-person meeting with the development community to go over the nexus study.

On June 18, 2024, the city held the continued public hearing. The public hearing was closed, and it was noted it would be brought back later after certain items had been completed.

Development Impact Fee Schedule Summary

The initial study that was presented on May 7, 2024, and June 18, 2024, had an estimate of total development at the 2040 planning horizon as an indicator of future demand to determine total facilities needed to accommodate growth and remedy existing facility deficiencies and is included in the redlined updated study as Attachment E. The table below is the Maximum Justified Development Impact Fee Schedule from the initial study.

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	2.61	26.23	11.86	1.65	
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)	\$ 16.70	\$ 32.06	\$ 19.31	\$ 7.88	
Total (Infill)	\$ 16.68	\$ 32.06	\$ 19.31	\$ 7.88	

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.

Changes from the Initial Development Impact Fee Nexus Study

The City Council gave staff the following direction regarding the study at the June 18, 2024, City Council meeting:

Look at longer time-horizon

Use a blended trip rate in the transportation calculation

Review the storm drain fee

Obtain a second opinion on the report

The revised study addresses the direction of the City Council by changing the growth forecast from the 2040 estimate to General Plan buildout which is not assigned a specific year and has been included as Attachment D.

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 from the revised report.

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

Fee Category	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	0.93	-	-	-	-
Fire Protection Facilities	0.28	0.34	0.50	0.14	
Police Facilities	0.87	0.48	0.69	0.20	
Public Facilities	0.28	0.15	0.22	0.06	
Streets and Bridges	1.70	15.59	7.04	1.85	
Railroad Crossings	0.52	4.78	2.16	0.57	
Sewer Facilities	0.92	0.45	0.33	0.68	
Sewer Capacity ³	4.72	1.80	3.33	2.29	
Recycled Water	0.29	0.14	0.10	0.21	
General Plan	0.02	0.01	0.02	0.004	
Library District	0.15	-	-	-	
Emergency Preparedness Facilities	0.01	0.004	0.006	0.002	
Storm Drain	1.10	0.97	0.75	0.97	
Trails	0.01	-	-	-	
Maintenance Equipment	0.01	0.01	0.010	0.003	
Total (Subdivisions)	\$ 13.72	\$ 24.72	\$ 15.16	\$ 6.98	
Total (Infill)	\$ 13.70	\$ 24.72	\$ 15.16	\$ 6.98	

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, 5.6, 6.7, 7.7, 8.5, 9.5, 10.4, 10.5, 11.3, 12.5, 13.6, 14.5, 15.7, 16.6 and 17.6.

Impact fee 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 identified additional funding that will be needed to complete the projects identified in the study.

Table E.2: Non-Impact Fee Funding Required

Fee Category	Net Project Cost	Development Fee Revenue	Additional Funding Required
Park Land	\$ 26,127,072	\$ 26,127,072	\$ -
Community Park Improvements	18,072,000	18,072,000	-
Neighborhood Park Improvements	19,969,000	19,969,000	-
Recreation Facilities	62,440,220	31,421,365	31,018,855
Fire Protection Facilities	12,965,326	12,965,326	-
Police Facilities	73,182,221	34,267,352	38,914,869
Public Facilities	23,345,367	10,944,524	12,400,843
Streets and Bridges	304,533,272	159,527,369	145,005,902
Railroad Crossings	92,211,598	48,881,819	43,329,778
Sewer Facilities	70,382,100	39,532,250	30,849,850
Sewer Capacity ¹	-	-	-
Recycled Water	29,432,627	12,321,396	17,111,231
General Plan	1,722,271	764,683	957,588
Library District	5,807,961	5,807,961	-
Emergency Preparedness Facilities	695,153	334,549	360,604
Storm Drain	51,250,472	51,250,472	-
Trails	312,000	312,000	-
Maintenance Equipment	573,512	573,512	-
Total	\$ 793,022,171	\$ 473,072,650	\$ 319,949,520

¹ No project costs show n. 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, 5.3, 6.6, 7.6, 8.3, 8.4, 9.4, 11.2, 12.4, 13.5, 14.4, 15.6, 16.3 and 17.3.

Second Opinion Report

City staff obtained a second opinion regarding the initial study from Urban Futures, Inc., whose overall conclusion and validation of the initial report states, “The Nexus Study satisfies the key elements and requirements of the Mitigation Fee Act, using appropriate and defensible methods, to establish the maximum amount of fifteen development impact fees that can be imposed and collected by the city on new development as applicable. The approach and methodologies used in the Nexus Study provide a strong foundation for supporting the five required “nexus” findings as established by the Mitigation Fee Act and other applicable laws.”

This report has been included as Attachment G.

Follow-up with the Development Community

On August 20, 2024, city staff had a follow-up meeting with representatives for the National Association for Industrial and Office Parks (NAIOP) Inland Empire Chapter and the Riverside County Building Industry Association (BIA), at their request, to review the changes within the revised report.

Notification

On September 1, 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 which is included as Attachment K.

On September 13, 2024, city staff electronically sent the revised report and related documents to NAIOP Inland Empire Chapter and the Riverside County BIA.

On September 16, 2024, the revised report and schedules were added onto the city website and a link to the site was sent out to all stakeholders on the distribution list.

On September 20, 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 which is included as Attachment L.

City Council Options

Transportation Projects Adjustments and Alternatives

The initial study presented at the May 7, 2024, Council meeting used the lowest trip rate for calculating the Industrial/High-cube Warehouse land use transportation fee and the study presented on June 18, 2024, used the highest trip rate. This report uses a blended trip rate for calculating the Industrial/High-cube Warehouse land use transportation fee which averages the probability of each use rather than the minimum and maximum extremes. Adjusting the Industrial/High-cube Warehouse land use trip rate impacts the allocation of the fee across all land uses. It was also requested for staff to bring back a schedule of prioritized projects and alternatives to the fully justifiable schedule. Staff provided transportation project alternative calculations for the transportation impact fee for near-term projects only and for mid-term and near-term projects. At the June 18, 2024, Council meeting it was requested that staff bring back an alternative schedule based on priority. That has been 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. *However, it should be noted that City staff does not recommend this approach.*

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. The estimated revenue loss from phasing the fees has been calculated and is included as Attachment I. *This approach is also not recommended by City staff.*

Reduced Fee in a Category

City staff recommends adopting the Storm Drain Fee at 50% of the maximum justified amount until the completion of a Storm Drain Master Plan. At that time the fee can be re-evaluated. This reduced fee has been included in the 2024 DIF Schedule which has been included as Attachment C.

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, State law requires a 60-day period after the adoption of the respective Resolution before the fee increases can go into effect. City staff recommends the fees to become effective beginning on January 1, 2025.

Fiscal Impact:

The initial cost for the fee study is \$79,080 with \$76,212.50 spent by the end of FY2024. The remaining amount of the purchase order was approved by the City Council to roll into the FY2025 budget, and an amendment was approved in the amount of \$18,600 for a total of \$97,680. The cost of the second opinion is \$10,000 and staff time is estimated at \$15,070 for a total study cost of \$122,750.

The updated DIF Nexus Study dated September 6, 2024, supports a maximum future revenue stream of \$473,072,650 with an additional funding requirement of \$319,949,520 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.

The estimated cost to prepare this report is \$1,850.

Recommended Action:

Staff recommends adopting at the maximum justified fees except for the Storm Drain Fee which is recommended to be adopted at 50% of the maximum justified fee.

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 September 6, 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 Set Forth in the City of Beaumont Development Impact Fee Study Update Dated September 6, 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 9/6/2024
- E. Redline 2024 Development Impact Fee Study Update 9/6/2024
- F. Impact Fee Scenario Comparison
- G. Urban Futures, Inc Review of Development Impact Fee Nexus Study (dated May 31, 2024)
- H. Alternative Transportation Impact Fee Schedule
- I. Four-Year Phase-In Schedule
- J. Potential Lost Revenue from Phase-In
- K. Legal Advertisement Notice Dated September 1, 2024
- L. Legal Advertisement Notice Dated September 20, 2024
- M. Notice of Public Hearing for Fee Increase – So Cal Gas
- N. Notice of Public Hearing for Fee Increase – DVBA
- O. Notice of Public Hearing for Fee Increase – Riverside BIA