



MEMORANDUM

TO: City Council

FROM: Nicole Valentine, Administrative Services Director

SUBJECT: Consideration of Adoption of an Ordinance Amending Section 3.36.030 of the Arroyo Grande Municipal Code Regarding Development Impact Fees

DATE: February 27, 2024

SUMMARY OF ACTION:

Adopting the Ordinance will amend the Arroyo Grande Municipal Code (AGMC) regarding Development Impact Fees.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

Development Impact Fees (DIFs) reflect and mitigate impacts of new development. They do not represent profit making by the City.

RECOMMENDATION:

- 1) Adopt the Ordinance amending Section 3.36.030 regarding Development Impact Fees; and
- 2) Find that the Ordinance does not qualify as a project under the California Environmental Quality Act (CEQA) because the Ordinance has no potential to result in either a direct, or reasonably foreseeable indirect, physical change in the environment (State CEQA Guidelines, §§ 15060, subd. (c)(2)-(3)).

BACKGROUND:

In Arroyo Grande, DIFs are collected at the time a building permit is issued. Fees are used to finance the acquisition, construction and improvement of public facilities needed as a result of this new development. A separate fund is maintained to account for the receipt and expense of each category of DIF funds.

On [February 13, 2024](#), City Council heard a presentation from the City's consultant, Willdan Financial Services, regarding the DIF Nexus Study; adopted a Resolution updating Development Impact Fees; and introduced an Ordinance amending the AGMC Section 3.36.030 regarding DIFs. In compliance with State law, the updated DIF rate will become effective 60 days after adoption of the Resolution. An effective date of April 15,

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2024, would result in two and a half months of collecting the new fees during the remainder of the fiscal year.

ANALYSIS OF ISSUES:

The Ordinance amendment is now ready for adoption. The Ordinance amendment will become effective thirty (30) days after adoption.

ALTERNATIVES:

The following alternatives are provided for the Council's consideration:

1. Adopt the Ordinance, as proposed;
2. Modify the Ordinance and direct staff to return at a future public hearing to re-introduce the Ordinance; or
3. Provide other direction to staff.

ADVANTAGES:

Adopting the Ordinance will update the AGMC and the City will be able to recover the estimated cost of providing infrastructure to offset the impact caused by new development.

DISADVANTAGES:

Implementing the recommended DIF will result in an increased cost to new development.

ENVIRONMENTAL REVIEW:

The Ordinance does not qualify as a "project" under CEQA because the Ordinance will not result in a direct or reasonably foreseeable indirect physical change in the environment (State CEQA Guidelines Section 15060, subd. (c)(2)-(3)). Here, the Ordinance will not result in any construction or development, and it will not have any other effect that would physically change the environment. Approval of the proposed Ordinance therefore does not qualify as a project subject to CEQA.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

ATTACHMENTS:

1. Proposed Ordinance