



MEMORANDUM

TO: City Council

FROM: Nicole Valentine, Administrative Services Director

BY: Lynda Horejsi, Accounting Manager

SUBJECT: Consideration of a Resolution Approving the Annual Adjustment of Development Impact Fees

DATE: January 24, 2023

SUMMARY OF ACTION:

Adoption of a Resolution approving the annual adjustment of Development Impact Fees to increase fees by 7.2%, consistent with the Engineering News Record (ENR) Construction Cost Index (CCI).

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

Adoption of the Resolution will increase the Development Impact Fees charged for new development projects, effective March 27, 2023. The revenue generated from this increase is dependent on the amount of new development in the community during the coming year.

RECOMMENDATION:

Adopt a Resolution approving the annual adjustment to the City's Development Impact Fees based on changes in the Engineering News Record Construction Cost Index.

BACKGROUND:

Section 3.36.040 of the Arroyo Grande Municipal Code states that Development Impact Fees shall be adopted by resolution and shall be adjusted each year in accordance with the percentage increase based on changes in the annual average Engineering News Record (ENR) Construction Cost Index (CCI).

The following is a list of the Development Impact Fees that are included in the annual adjustment:

- Traffic Signalization Fee: This fee is restricted for funding the construction of traffic signal systems, signing, and other traffic control devices.

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- Transportation Facility Fee: This fee is paid to protect the public health, safety, and welfare by maintaining the existing level of public services for existing and future residents within the City.
- Water Neutralization Fee: This fee is collected from developers to neutralize projected water demand of development projects above historical usage amounts.
- Fire Protection Fee: This fee is to be used for facilities to house fire fighting personnel and equipment serving future development.
- Police Facilities Fee: This fee provides funding for the expansion of police facilities.
- Park Improvement Fee: This fee is to be used to improve parklands in order to maintain 4.0 acres of neighborhood and community parks per thousand residents.
- Community Center Fee: The fee was enacted to ensure community center facilities are maintained at 542 square feet per thousand residents.

The previous rate increase of 5.92% was approved by Council on January 25, 2022, and became effective on March 28, 2022. Any rate increase becomes effective no sooner than 60 days after the City Council has approved the adjustment pursuant to State law.

ANALYSIS OF ISSUES:

The calculation shown below provides documentation that the ENR CCI warrants a 7.2% increase in the City's Development Impact Fees.

The calculation adjusts the fees as follows:

$$1 + \frac{\text{Current Index} - \text{Base Index for Date of Adoption}}{\text{Base Index for Date of Adoption}} = \text{Factor}$$

For the current year, the calculation is as follows:

$$1 + \frac{13,007 - 12,133}{12,133} = 1.072 = 7.2\%$$

The existing and proposed fees implementing a 7.2% ENR CCI increase are set forth in Exhibit A to the attached Resolution. If approved, the effective date of the new fees will be March 27, 2023.

ALTERNATIVES:

The following alternatives are provided for City Council consideration:

1. Adopt the Resolution approving the annual adjustment to the City's Development Impact Fees based on changes in the Engineering News Record Construction Cost Index;
2. Do not adopt the Resolution and request further information; or
3. Provide other direction to staff.

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ADVANTAGES:

By approving the recommended fees, the City will be able to recover the estimated cost of providing infrastructure and services to new development.

DISADVANTAGES:

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

ENVIRONMENTAL REVIEW:

No environmental review is required for this item.

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 Resolution
2. Exhibit A – Development Impact Fees Effective 3/27/2023