

Agenda Report



MEETING DATE: Tuesday, January 14, 2025

TO: City Council

FROM: ADMINISTRATIVE SERVICES DIRECTOR DURAN
ASSISTANT FINANCE MANAGER RODRIGUEZ

SUBJECT: Report - ANNUAL DEVELOPMENT IMPACT FEE REPORT.CAO
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RECOMMENDED ACTION:

It is recommended that the City Council accept by resolution the annual Development Impact Fee Report for the City of Watsonville for FY ended June 30, 2024.

BACKGROUND:

State law requires the Cities to prepare an annual Development Impact Fee (DIF) Report, in accordance with AB 1600, the Mitigation Fee Act (Government Code §§ 66000-66025). AB 1600 imposes certain accounting and reporting requirements with respect to the fees. Fees must be separated into different funds and used only for the purposes for which the fees are collected. Government Code section 66006(b) requires the comprehensive report to include the following information for each fund:

- Brief description of the type of fee;
- Amount of the fee;
- Beginning and ending balances;
- Amount of the fees collected and interest earned;
- Identification of each public improvement on which fees were expended and the amount of the expenditures on each improvement, including the total percentage of the cost of the public improvement that was funded with fees;
- Identification of an approximate date by which the construction of the public improvement will commence if the local agency determines that sufficient funds have been collected to complete financing on an incomplete public improvement, as identified in paragraph (2) of subdivision (a) of Section 66001, and the public improvement remains incomplete;
- An identification of each public improvement identified in a previous report pursuant to clause (i) and whether construction began on the approximate date noted in the previous report;
- (iii) For a project identified pursuant to clause (ii) for which construction did not commence by the approximate date provided in the previous report, the reason for

the delay and a revised approximate date that the local agency will commence construction;

- A description of each interfund transfer or loan made from the account or fund, including the public improvement on which the transferred or loaned fees will be expended, and, in the case of an interfund loan, the date on which the loan will be repaid, and the rate of interest that the account or fund will receive on the loan; and
- The amount of refunds made pursuant to subdivision (e) of Section 66001 and any allocations pursuant to subdivision (f) of Section 66001.

Government Code section 66001(d) provides that, for the fifth fiscal year following the first deposit into the fund and every five years thereafter, the local agency shall make findings with respect to any portion of the fee remaining unexpended, whether committed or uncommitted. The five-year findings must:

- Identify the purpose of the fee;
- Demonstrate a nexus between the fee and the purpose for which it was originally charged;
- Identify all sources and amounts of funding anticipated to complete financing of incomplete improvements along with the approximate dates on which the anticipated funding is expected to be deposited into the fund; and
- Designate the approximate dates on which the funding is expected to be deposited into the appropriate account or fund.

Government Code section 66013(d) requires the comprehensive report to include the following information for each Capacity Fee fund:

- A description of the charges deposited in the fund;
- The beginning and ending balance of the fund and the interest earned from investment of moneys in the fund;
- The amount of charges collected in that fiscal year;
- Each public improvement on which charges were expended and the amount of the expenditure for each improvement, including the percentage of the total cost of the public improvement that was funded with those charges if more than one source of funding was used;
- Each public improvement on which charges were expended that was completed during that fiscal year;
- Each public improvement that is anticipated to be undertaken in the following fiscal year; and
- A description of each interfund transfer or loan made from the capital facilities fund. The information provided, in the case of an interfund transfer, shall identify the public improvements on which the transferred moneys are, or will be, expended. The information, in the case of an interfund loan, shall include the date on which the loan will be repaid, and the rate of interest that the fund will receive on the loan.

DISCUSSION:

Receiving a report on the City's Development Impact Fees is exempt from the California Environmental Quality Act (CEQA) because it is not a project, pursuant to California Code of Regulations Title 14 Section 15378(b).

With the City's Finance Department finalizing the 2023/24 financial statements, staff were able to produce the 2023/24 Development Impact Fee Report (Attachment 1) for the Fiscal Year (FY) that ended June 30, 2024. The City imposes DIFs and Capacity Fees on new developments as a mechanism to mitigate impacts on public facilities and infrastructures created by development. Due to the City imposing DIFs and Capacity Fees, the City must produce annual reports as required by AB 1600. To satisfy the reporting requirement, the City drafted the 2023/24 Development Impact Fee Report (Attachment 1) for the Fiscal Year that ended June 30, 2024.

The City anticipates using fund balances on various projects, including but not limited to:

Park and Recreation:

Ramsay Park Renovations (ongoing), Park Assessments, Recreation Center Building Assessments (ongoing), City Plaza Restroom Facility Improvement (ongoing), Ramsay Park Master Plan BMX Plan (ongoing), Senior Center Repairs (ongoing),

Fire:

Tiller Arial Quint, Fire Vehicle

Street and Traffic:

Bike Share Program, Pedestrian Improvement Downtown, Road Reconstructions (ongoing), Main Street at Riverside (ongoing), Highway 1 and Harkins Slough Road Pedestrian Improvement (ongoing), General Underground Utilities Work, Underground Utilities Lake Ave (ongoing), Road and Traffic Upgrades

Sewer Connection:

Blackburn/Center Street Sewer Installation, Clifford Sewer Installation, Cabrillo Shopping Center Sanitary Sewer Upgrade

Water Connection:

Freedom/Burchell Water Main Replacement (ongoing), Union/Beach/Lincoln Water Main Replacement (ongoing), Pennsylvania/Hammer Water Main Replacement (ongoing)

The City completes the City Plaza restroom facility improvements.

There were no interfund transfers or loans from these funds. As of June 30, 2024, all fees collected have been earmarked for current and future capital projects to maintain the current levels of service to serve new development.

STRATEGIC PLAN:

- 2-Infrastructure & Environment
- 3-Housing
- 4-Fiscal Health

FINANCIAL IMPACT:

There are no funds requested for this item.

ALTERNATIVE ACTION:

The City Council could choose not to receive the report. However, this would be in violation of Section 66006 of the California Government Code that requires the annual publishing of information contained in this report.

ATTACHMENTS AND/OR REFERENCES (If any):

None.