



CITY OF SALINAS

FINANCE COMMITTEE STAFF REPORT

DATE: APRIL 9, 2024

DEPARTMENT: PUBLIC WORKS DEPARTMENT

FROM: ADRIANA ROBLES, CITY ENGINEER

TITLE: DEVELOPMENT IMPACT FEES ANNUAL ADJUSTMENT FOR FY 2024-2025

RECOMMENDED MOTION:

A motion to recommend to the City Council approval of a Resolution increasing City Development Impact Fees by 2.6% effective July 1, 2024, for FY 2024-2025.

EXECUTIVE SUMMARY:

Requesting the Finance Committee to recommend to the City Council to approve a resolution adjusting the City Development Impact Fees by 2.6% which will become effective July 1, 2024. The increase is based on the Engineering News Record (ENR) construction cost index (CCI) increase over the last year, which is consistent with the fee ordinance.

BACKGROUND:

The City imposes fees on development to fund improvements to capital infrastructure and facilities required to accommodate and service ongoing development (Development Impact Fees).

Appropriately adjusted Development Impact Fees are a benefit to the community and to Developers alike. The public benefits by being able to improve or expand facilities as necessary to accommodate growth. Developers benefit by being able to mitigate certain impacts caused by their project on a fair share basis. No developer is required to solely mitigate a large impact caused by cumulative development. In other words, there is no single developer to construct a major interchange project, build a new fire station, or upgrade a major sewer trunk main. Developers are also able to mitigate many impacts of their project identified through CEQA, without lengthy and expensive studies. A fee program that is not appropriately adjusted, does not allow for the proper mitigation of impact due to growth.

Article V, Section 9-40 through 9-50 of the Salinas Municipal Code, defines the scope of these fees. Section 9-42(b) of the Code allows Development Impact Fees to be adjusted annually to account for the fluctuation in construction costs. The industry standard for determining the fluctuations in construction costs is the Engineering News Record (ENR). The “construction cost index” (CCI) as published by the ENR is based on a combination of labor rates and material costs, which are most reflective of construction costs averaged among 20 major metropolitan areas around the United States. Code Section 9-42(b) specifically states “The development impact fee

levels may be changed in accordance with the percentage change in the ENR index from January 1 to January 1 of each preceding year, but in no case shall the indexing increase or decrease in development impact fees allowed by this section fee exceed that shown in the ENR index.” Attached to this report is a copy of the ENR Construction Economics summary for January, which provides background of how the index increased 2.6% between January 1, 2023, to January 1, 2024 (Attachment 1).

Exhibit A lists the current and proposed development fee schedules for impacts to City infrastructure, including parks, street trees, storm sewers, and traffic. Exhibit B lists the current and proposed development fee schedules for impacts to public facilities, such as fire, police, library, and recreation, and impacts to park facilities. Exhibit C provides a draft summary of revenues and expenditures of development impact fees.

Outreach

Chamber of Commerce. City staff provided the Development Impact Fee Schedule Annual Adjustment to the Salinas Valley Chamber of Commerce via email on March 12, 2024. The email provided the proposed adjustment along with the dates of the anticipated public meetings. No comments have been received from the members of the Chamber of Commerce to date.

Salinas United Business Association. City staff provided the Development Impact Fee Schedule Annual Adjustment to the Salinas United Business Association (SUBA) via email on March 12, 2024. The email provided the proposed adjustment along with the dates of the anticipated public meetings. No comments have been received from the members of the SUBA to date.

Development Community. City staff provided the Development Impact Fee Schedule Annual Adjustment to members of the development community including Future Growth Area developers and the Central Coast Builders Association via email on March 12, 2024. The email provided the proposed adjustment along with the dates of the anticipated public meetings. No comments have been received from the development community to date.

Public Notice

Sixty (60) day public hearing notices for the City Development Impact Fee Annual Adjustment will be published in a local newspaper on April 4, 2024 and April 11, 2024.

CEQA CONSIDERATION:

Not a Project. City of Salinas has determined that the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) pursuant to Sections 15378 and 15061(b)(3).

STRATEGIC PLAN INITIATIVE:

Updating Development Impact Fees to match the fluctuating cost of construction is consistent with the Council values of Fiscal Responsibility, Service and Responsiveness and Council Goals and Strategies of Economic Development, Housing, Infrastructure, and Public Safety by investing in existing facilities and infrastructure, reducing City expenditures to address impacts due to growth, and by providing adequate funding to additional need for policing and emergency medical services due to growth.

DEPARTMENTAL COORDINATION:

Public Works staff has consulted with other City Departments to develop the recommendation herein, including Administration, Finance, and Legal. Should the City Council approve the recommendation, Public Works will continue to collaborate with these departments, along with Community Development.

FISCAL AND SUSTAINABILITY IMPACT:

Increasing fees proportionate with the ENR construction cost index allows revenues to keep pace with construction cost inflation to minimize or eliminate the impact on the General Fund. As a consideration of the possible impacts COVID-19 had on our community, Council did not increase Development Impact Fees for the FY 2020-2021.

The table below identifies the fee increases that occurred in the last five years.

<u>FY Year</u>	<u>Fee Increase (%)</u>
2019-2020	3%
2020-2021	0%
2021-2022	2.1%
2022-2023	8.0%
2023-2024	4.9%

ATTACHMENTS:

Attachment 1 - ENR Construction Economics Summary

Exhibit A – Public Infrastructure Fee Schedule

Exhibit B1 – Public Facilities Fee Schedule

Exhibit B2 – Public Facilities Fee Schedule for Residential Development

Exhibit C – Statement of Revenue and Expenditures for Development Impact Fees (draft)