



## Report to City Council

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**TO:** Mayor and City Council

**FROM:** Angelica Frausto-Lupo, Community Development Director

**AGENDA DATE:** April 15, 2025

**TITLE:** PROPOSED DEFERRAL OF EFFECTIVE DATES OF DEVELOPMENT IMPACT FEE AUTOMATIC CPI INCREASES (REPORT OF: COMMUNITY DEVELOPMENT)

**TITLE SUMMARY:** Consideration Of Adoption Of A Resolution To Defer Effective Dates Of Development Impact Fee Increases Of The 2024 Development Impact Fee Schedule

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### Recommendation(s)

That the City Council:

1. Conduct the Public Hearing for the proposed deferral of effective dates the City's Development Impact Fee automatic CPI increases; and
2. After the Public Hearing, adopt Resolution No. 2025-XX adjusting the City's Development Impact Fee schedule, and finding the action is exempt from CEQA.

### SUMMARY

Staff recommends that the City Council conduct a Public Hearing to consider the adoption of a Resolution that approves deferral of effective dates of implementation of the 2026 and 2028 Development Impact Fee increases of the 2024 Development Impact Fee Schedule ("2024 DIF Schedule"), for residential, commercial, and industrial development based upon the findings set forth in the 2024 DIF Nexus Study.

### BACKGROUND

#### Development Impact Fees

A Development Impact Fee (“DIF”) is a monetary exaction that is charged to an applicant in connection with the approval of a development project application(s). The purpose of Development Impact Fees is to defray all or a portion of the cost of public facilities related to various development projects. “Public facilities” include public improvements, public services and community amenities. It should be noted that Development Impact Fees are not considered “taxes” or “special assessments.” Development Impact Fees also do not include fees for processing development entitlement applications or fees collected under statutory development agreements.

In summary, Development Impact Fees are fees imposed on specific development projects to defray the cost of new or additional public facilities that are needed to serve those developments. Common types of impact fees include traffic mitigation fees, public safety facility fees, park facility fees, library facility fees, among others.

### **Required Ordinance and Resolution**

The process for establishing Development Impact Fees typically involve the adoption of a Development Impact Fee Program (via an Ordinance) that sets forth the procedures for adopting, imposing, collecting and accounting for the City’s Development Impact Fees. In addition to an Ordinance, a Resolution is usually needed to set forth the actual amounts of each Development Impact Fee (i.e., DIF Schedule). In Moreno Valley, the requisite Ordinance(s) have been adopted which have been codified in the Moreno Valley Municipal Code as Chapter 3.38 (Residential Development Impact Fees) and Chapter 3.42 (Commercial and Industrial Impact Fees). Throughout the years, the City has also adopted the requisite Resolution(s) that incorporate the City’s Development Impact Fee Schedule.

### **DIF Nexus Study Requirement**

In 2024 the City of Moreno Valley adopted a Nexus Study in compliance with Assembly Bill 602 (“AB 602”) which amended State law (“Mitigation Fee Act”) which governs Development Impact Fees. AB 602 emphasized the need to adopt a DIF Nexus Study at a Public Hearing prior to the adoption of any new or increased Development Impact Fees. The proposed delay implementation of the 2026 and 2028 Development Impact Fee increases does not modify the previous Nexus Study.

The DIF Nexus Study basically provides a quantified basis for support of each Development Impact Fee. In other words, the Nexus Study is needed to provide the legal support for the required findings that must be made to justify the amount of each Development Impact Fee, based on existing deficiencies of certain public facilities and the projected burdens on those facilities caused by prospective development in the City.

### **2024 DIF Schedule**

The purpose of the 2024 DIF Nexus Study is to justify the amounts set forth in the proposed 2024 DIF Schedule, which incorporated the 2024 Capital Improvement Plan. Each DIF listed in the proposed 2024 DIF Schedule are supported by the findings set forth below, in the Resolution and the 2024 DIF Nexus Study, that the 2024 DIF Nexus

Study adopted by the City Council identifies the purpose of each Development Impact Fee. In summary the findings include the following:

- a) That the 2024 DIF Nexus Study adopted by the City Council identifies the use to which each Development Impact Fee is to be put;
- b) That the 2024 DIF Nexus Study adopted by the City Council identifies all public facilities that will be financed by the respective Development Impact Fee with some public facilities referenced in the Capital Improvement Plan contained therein and other City documents;
- c) That the 2024 DIF Nexus Study adopted by the City Council determines how there is a reasonable relationship between each Development Impact Fee's use and the type of development project on which the respective Development Impact Fee will be imposed;
- d) That the 2024 DIF Nexus Study adopted by the City Council determines how there is a reasonable relationship between the need for each public facility and the type of development project on which the particular Development Impact Fee will be imposed.
- e) That the 2024 DIF Nexus Study adopted by the City Council includes all the requisite information to support the adoption of the 2024 DIF Nexus Study as required under subdivision (a) of Section 66001 of the California Government Code.
- f) That the 2024 DIF Nexus Study adopted by the City Council supports all increases of existing Development Impact Fees and the assumptions contained in the 2024 DIF Nexus Study supporting the original fees were properly reviewed and amount of the fees collected under the original fee were properly evaluated pursuant to subdivision (a)(4) of Section 66016.5 of the California Government Code.

With respect to residential development, the 2024 DIF Nexus Study calculates the amounts of DIFs for residential (housing) based on the square footage of the proposed number of units. As such, this is deemed to be a valid method of establishing a reasonable relationship between the DIF and the burden imposed by prospective housing development. Staff recommends that a temporary reduction for Affordable Residential Single-Family, Residential Multi-Family and Residential Senior Mobile Home categories will assist the City with complying with the policies, goals and objectives of the City's Housing Element as set forth in the City's General Plan.

The 2024 DIF Schedule includes a 2 percent administrative fee that reflects the City's estimated costs to administer the establishment, imposition, collection, and analysis of the fees set forth in the 2024 DIF Fee Schedule.

When the 2024 DIF Schedule was adopted on April 2, 2024, automatic increases were scheduled for January 1, 2026, January 1, 2028, and January 1, 2030, to account for the escalation in construction costs, based upon the figures published in the Engineering

News Record's Building Cost Index—20 Cities Annual Average, as described in Chapter 3.38 (Residential Development Impact Fees) and Chapter 3.42 (Commercial and Industrial Impact Fees) of the Moreno Valley Municipal Code.

For purposes of softening the impacts of any adjustments to the City's current DIFs, staff recommends that the imposition of the DIF Fees set forth in the 2024 DIF Schedule be phased in over a period of time which commenced June 1, 2024, and will continue through January 1, 2030, subject the automatic adjustments on January 1, 2028, and January 1, 2030. The automatic adjustment scheduled for January 1, 2028, will be at the rates previously established for January 1, 2026. Similarly, the automatic adjustment scheduled for January 1, 2030, will be at the rates previously established for January 1, 2028.

If the City Council approves the deferred 2024 DIF Schedule, the adjusted DIFs will not go into effect until 60 days after the adoption of the respective Resolution which is June 14, 2025 – this is a State law requirement.

### **CEQA ANALYSIS**

This action has been reviewed by staff in accordance with the California Environmental Quality Act ("CEQA") and the CEQA Guidelines and determined that the adoption of the deferred 2024 DIF Schedule is exempt under the California Environmental Quality Act (CEQA) and CEQA Guidelines for the following reasons:

- 1) The adoption of the deferred 2024 DIF Schedule is not a "project" as defined by 14 California Code of Regulations Section 15378(b)(4) since the purpose of the deferred 2024 DIF Schedule is to create a funding mechanism for certain public facilities which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment;
- 2) The adoption of the deferred 2024 DIF Schedule is exempt from CEQA pursuant to 14 California Code of Regulations Section 15061(3) since it can be seen with certainty that there is no possibility that the adoption of the deferred 2024 DIF Schedule may have a significant effect on the environment, since the purpose of the deferred 2024 DIF Schedule is to create a funding mechanism for certain public facilities which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment; and
- 3) The adoption of the deferred 2024 DIF Schedule is exempt from CEQA pursuant to 14 California Code of Regulations Section 15306 since none will result in a serious or major disturbance to an environmental resource since the preparation of the 2024 DIF Nexus Study and 2024 Capital Improvement Plan consisted of basic data collection regarding the funding of public facilities by future development and research to establish whether there is a reasonable relationship between the Development Impact Fee charged and the burden imposed by future development.

### **ALTERNATIVES**

1. Approve the recommended actions as presented in this staff report. [STAFF RECOMMENDS THIS ALTERNATIVE AS IT WILL ALLOW FOR PLANNING, DESIGN, AND CONSTRUCTION OF NECESSARY INFRASTRUCTURE IMPROVEMENTS TO MITIGATE THE IMPACT OF DEVELOPMENT ON THE COMMUNITY.]
2. Do not approve the recommended actions as presented in this staff report. [STAFF DOES NOT RECOMMEND THIS ALTERNATIVE AS IT WILL DELAY OR STOP THE PLANNING, DESIGN, AND CONSTRUCTION OF NECESSARY INFRASTRUCTURE IMPROVEMENTS TO MITIGATE THE IMPACT OF DEVELOPMENT ON THE COMMUNITY.]

## **FISCAL IMPACT**

The 2024 DIF Nexus Study supports a maximum future revenue stream of nearly \$980 million through build-out of the City. Below are the maximum projected revenues for the DIF categories:

<b>TYPE OF FACILITY</b>	<b>PROJECTED REVENUE</b>
Arterial Streets	\$250,933,188
Traffic Signals	\$46,987,376
Fire Facilities	\$42,962,800
Police Facilities	\$25,682,000
Parkland/Quimby	\$226,865,100
Recreation Centers	\$28,487,000
Libraries	\$22,831,000
City Hall	\$10,790,000
Corporate Yard	\$35,841,000
Maintenance Equipment	\$4,228,000
Interchange Improvements	\$282,425,409
Animal Shelter	\$2,541,000
Workforce Development Facilities	\$7,526,000
<b>TOTAL MAXIMUM PROJECTED DIF REVENUE</b>	<b>\$980,574,073</b>

## **NOTIFICATION**

Requisite notices were published in the Press Enterprise on April 4, 2025 for the Public Hearing to defer the effective dates of the Development Impact Fees. The City sent notification at least 14 days prior to all those who currently have any active request on file for any additional notifications pursuant to the Government Code. The City also made available to the public the previously approved 2024 DIF Nexus Study at least ten days before the Public Hearing, in accordance with Government Code Section 66016.

## **PREPARATION OF STAFF REPORT**

Prepared By:  
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Department Head Approval:  
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## **CITY COUNCIL GOALS**

Public Facilities and Capital Projects: Ensure that needed public facilities, roadway improvements, and other infrastructure improvements are constructed and maintained.

## **CITY COUNCIL STRATEGIC PRIORITIES**

- 1. Economic Development**
- 2. Public Safety**
- 3. Infrastructure**

## Report Approval Details

Document Title:	STAFFREPORT_CDD_DIF REPORT.docx
Attachments:	- Resolution 2025-XX.docx
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This report and all of its attachments were approved and signed as outlined below:

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