



Staff Report

City Council

Item No. 5.A

Meeting Date: April 9, 2025

From: Kevin Biersack, Financial Services Director

Title: AB 1600 Development Impact Fee (DIF) Annual Update

RECOMMENDATION:

To adopt a resolution updating the Assembly Bill(AB) 1600 Development Impact Fees for authorized inflationary adjustments.

BACKGROUND:

Development Impact Fees (DIF Fees) are established by the City Council. They are one-time fees charged to new development. DIF fees are intended to pay for backbone infrastructure and capital facilities required to serve the new developments and new residents. Municipalities are prohibited from using DIF fees to fund ongoing operations, maintenance, or to make up for existing service deficiencies. DIF fees must be accounted for, set aside, and saved until the municipality has the required funding to build the needed facilities.

This report presents the AB 1600 Development Impact Fees intended for use in Fiscal Year 2025/2026.

On September 27, 2023, the City Council Adopted an updated Development Impact Fee Schedule to reflect the adopted recommendations based on the results of a comprehensive cost of service study. During interim years, i.e., between comprehensive studies, the City Council has authorized inflationary adjustments to fees. The September 2023 Fee Study update was implemented on January 1, 2024.

This year represents the first update since the comprehensive fee study from January 1, 2024 through June 30, 2025. This update will apply the authorized inflationary adjustments to the previously adopted AB 1600 Development Impact Fee Schedule. Once approved by the City Council, this update will be used to implement the adjusted fees on July 1, 2025.

DISCUSSION:

The current AB 1600 Development Impact Fee schedule was adopted in September 2023

and implemented on January 1, 2024. Construction costs have continued to increase since 2023. Built into the schedule is an automatic Fee Adjustment using the Construction Cost index (CCI) for the 20-City Average as reported by Engineering News Record (ENR) for a twelve-month period/year or a similar published index if the CCI is no longer available. Given increased costs, there could be a shortfall between current development impact fees and what it will cost to build the municipal facilities required to serve future residents. This automatic fee adjustment helps to mitigate that shortfall.

- The Fee Schedule for Development Impact Fees are as follows:
 - Parks
 - Transportation
 - General Government Facilities
 - Fire Facilities
 - Police Facilities.

- This increase in AB 1600 Development Impact Fees is for an 18-month inflationary adjustment comprised of 2.97% based on calendar year 2025 over 2024 (1.6%/year) and six months of calendar year 2024 over 2023 (1.35%) ENR CCI (Construction Cost Index). The detailed computation is outlined in Appendix A.

FISCAL IMPACT:

With the 2.97% ENR compounded CCI increase along with equivalent development activity in the upcoming fiscal year, DIF revenues could provide additional DIF funds' revenue up to \$60,000 for fiscal year (FY) 2025/2026.

FIVE-YEAR STRATEGIC PLAN:

The implementation of updated Development Impact Fees supports the following strategic plan goals:

GOAL B: COMMUNITY INVESTMENT Objective: Cathedral City roads, gateways, public spaces, and other city infrastructure are well planned, designed, constructed, and maintained.

GOAL C: FISCAL STABILITY AND SUSTAINABILITY Objective: Cathedral City has economically prospered by facilitating the investment of private dollars in high-quality development which benefits the community. We remain financially solvent by implementing prudent fiscal policies and transparent financial practices.

ATTACHMENTS:

1. Exhibit A – Illustration of Current Fees and Proposed Fees