



Staff Report

City Council

Item No. {{section.number}}.{{item.number}}

Meeting Date: February 26, 2025

From: Kevin Biersack, Financial Services Director

Title: AB1600 Development Impact Fee Funds Commitments

RECOMMENDATION:

This presentation is for information and feedback only.

BACKGROUND:

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

City staff issued a DIF Request for Proposal (RFP). After receiving and reviewing multiple qualified responses, the City selected the Clearsource Financial/Harris & Associates team. Work on updating the AB1600 DIF schedule began in 2022.

During the June 28, 2023 Study Session, Council reviewed the first draft of the AB1600 Fee Justification Nexus Study. Harris provided a detailed overview of the Nexus Study, contrasting allowable new development impact fees with current fees and comparing proposed development impact fees with fees charged by surrounding jurisdictions. The Nexus Study was sent to the Desert Valley Builder's Association (DVBA), Building Industry Association, Southern California Edison, and Southern California Gas. The DVBA provided two comment letters and the Nexus Study was modified to address their concerns.

This study analyzed the following fees to provide these new categories:

- Parks,
- Transportation,
- General Government Facilities,
- Fire Facilities, and
- Police Facilities.

During the August 9, 2023 Study Session meeting, City Council directed staff to analyze and address stakeholder concerns and then prepare the Nexus Study for Council adoption.

In the September 27, 2023 Council meeting, City staff implemented the recommended fees on all qualified new development beginning January 1, 2024.

During the May 22, 2024 City Council meeting, City staff presented the AB 1600 restructured DIF Funds for Council review and approval.

DISCUSSION:

Updated Project Commitments

Projects are identified in the annual AB1600 report provided to the City Council for review and approval. Over the years, city projects have been committed using some (or all) AB1600 funding. These projects have various commitment dates, with the earliest being FY 1989/1990. City staff have reviewed the list and updated/aligned with the commitments identified in the updated Fee Study dated September 15, 2023. Please see the attached spreadsheet. In the upcoming Capital Improvement Project and Parks Improvement Project Plans, additional uses of the DIF funds will be identified. At the time those projects are brought forward to Council for review and approval, the projects/funds will be added to the Commitments list.

Available Fund Balance

As of June 30, 2024, the table below shows the funds and balance available:

Fund Name (Number)	Collections	Balances
Master Underground Plan (Fund 232)	\$ 33,856	\$ 2,368,901
Transportation (Fund 272)	76,723	726,911
General Government Facilities (Fund 273)	90,888	278,591
Police Facilities (Fund 275)	44,790	308,230
Fire Facilities (Fund 274)	53,704	241,109
Park Facilities (Fund 271)	374,378	1,263,878
Transit Development (Fund 229)	8,050	45,326
Art in Public Places (Fund 231)	11,196	409,626
Total	\$ 693,585	\$ 5,642,572

FISCAL IMPACT:

No Fiscal Impact.

FIVE-YEAR STRATEGIC PLAN:

The restructuring of the updated DIF studies 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 instituting prudent fiscal policies and transparent financial practices.

Action C-9 Complete and adopt the Development Impact Fee Study

ATTACHMENTS:

1. 2023.09.15 Final Cathedral City Nexus Fee Study
2. AB1600 Commitments Review