



Department: Finance
Cost Center: 2001
For Agenda of: 12/10/2024
Placement: Consent
Estimated Time: N/A

FROM: Emily Jackson, Finance Director

Prepared By: Brent Taylor, Financial Analyst – Infrastructure Finance

SUBJECT: FISCAL YEAR 2023-24 DEVELOPMENT IMPACT FEE ANNUAL REPORT (AB1600)

RECOMMENDATION

Adopt a Draft Resolution entitled, “A Resolution of the City Council of the City of San Luis Obispo, California, accepting the Fiscal Year 2023-24 Annual Report on Development Impact Fees and make findings related to Impact Fees held longer than five years.”

POLICY CONTEXT

The Mitigation Fee Act, and specifically California Government Code 66006, requires that local agencies which have adopted and established development impact fees must, by December 31st each year, make available to the public the following information for the most recent fiscal year:

- 1) A brief description of the type of fee in the account or fund.
- 2) The amount of the fee.
- 3) The beginning and ending balance of the account or fund.
- 4) The amount of the fees collected, and the interest earned.
- 5) An 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.
- 6) (a) An 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, and the public improvement remains incomplete.

(b) An identification of each public improvement identified in a previous report and whether construction began on the approximate date noted in the previous report.

(c) For a project identified pursuant to 6(b) for which construction did not commence by the approximate date provided in the previous report, the reason for delay and a revised approximate date that the local agency will commence construction.

Item 5d

- 7) 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.
- 8) The amount of refunds made pursuant to subdivision (e) of Section 66001, the number of persons or entities identified to receive those refunds, and any allocations pursuant to subdivision (f) of Section 66001.

In addition, The Mitigation Fee Act, California Government Code 66001, requires, that for the fifth fiscal year following the first deposit into the account or fund, and every five years thereafter, the local agency shall make all the following findings with respect to that portion of the account or fund remaining unexpended, whether committed or uncommitted:

- 1) Identify the purpose to which the fee is to be put.
- 2) Demonstrate a reasonable relationship between the fee and the purpose for which it is charged.
- 3) Identify all sources and amounts of funding anticipated to complete financing.
- 4) Designate the approximate dates on which the funding referred to is expected to be deposited into the appropriate account or fund.

When findings are required, they shall be made in connection with the Annual Report, otherwise, if the local agency is unable to make valid findings, then the local agency shall refund to the then current owner(s) the unexpended portion of the fee and any interest thereon.

REPORT-IN-BRIEF

The purpose of the Fiscal Year 2023-24 Annual Report on Development Impact Fees is to maintain compliance with The Mitigation Fee Act (“Act”), as described in the Policy Context Section above by disclosing certain information to the public. Local agencies are required under the Act to annually report on specific details of fees such as revenue amounts, expenditure amounts, available fund balances, and information about projects that fees were expended on. In addition, the Act requires local agencies to provide specific findings should there be any fee revenue held unexpended for more than five years. The Annual Report contains key information required under the Act that must be made available to the Public each year.

DISCUSSION

Background

The City of San Luis Obispo has a Capital Facilities Fee Program as detailed in Municipal Code chapter 4.56 and chapter 4.20.140 and governed under California Government Code 66000-66025. Development impact fees are imposed as a condition of approval upon new development and collected through the building permit process. Development impact fees are established for use on public facilities such as fire facilities, police

Item 5d

facilities, transportation facilities, park facilities, water facilities and wastewater facilities. The City of San Luis Obispo City Council has declared via Ordinance 1646 that development impact fees are required due to existing local, state and federal resources which are insufficient to meet the capital improvement infrastructure and facility needs for new development. The City has a critical need to ensure that the impacts from new development are addressed. Development impact fees are a commonly used mechanism to address this type of need.

Below is a summary of the Fees the City has established, and their intended purpose, and are included in the Annual Report for compliance with the Mitigation Fee Act:

Fund	Fee Name	Intended Purpose/ Use
510	Citywide Park Development Impact Fee	Acquisition of Parkland (not located in a specific plan area)
519	Citywide Park Improvement Impact Fee	Park facility improvements for existing and newly acquired parkland, (not located in a specific plan area)
511	OASP Park Improvement Impact Fee*	Funding for 100% of the cost to construct and improve the Orcutt Area Park System (Charged to OASP Developers only)
512	MASP Park Improvement Impact Fee*	DISCONTINUED - Margarita Area Specific Plan Park Improvements
507	Citywide Transportation Impact Fee*	Citywide Transportation Improvements, (not located in a specific plan area), such as interchanges, intersections, street widening, street extensions, pedestrian/ bike improvements, transit improvements and/ or reimbursements to developers
503	Airport Area Transportation Impact Fee*	DISCONTINUED - Tank Farm Road Median Improvements, Unocal Local Road, Santa Fe Extension, Buckley Extension, and Bike Paths in the Airport Area and/ or to reimburse developers
504	LOVR Area Transportation Impact Fee*	Reimburse Costco for Los Osos Valley Road transportation improvements constructed
514	San Luis Ranch Area Transportation Impact Fee*	Citywide Transportation Improvements as specified for Fund 507, EXCEPT for the HWY 101/ Prado Road Interchange (Charged to San Luis Ranch Developer only)
515	OASP Area Transportation Impact Fee*	Transportation improvements within the Orcutt Area Specific Plan Boundaries
506	Wastewater Impact Fee*	The expansion and improvement of facilities used for sewer collection and sewer treatment
509	Water Impact Fee*	The expansion and improvement of facilities used for water supply, water treatment, and water distribution
516	Fire Impact Fee*	Renovations to Fire Station #1-4, to construct Fire Station #5 and to replace fire vehicles
517	Police Impact Fee*	Construct new police headquarters and purchase police vehicles
501	Parkland In-Lieu Fee (Quimby)	Develop (acquire and improve) new parkland or to rehabilitate existing neighborhood park, community park or recreational facilities to serve the subdivision in which the fees were collected
502	Open Space Protection In-Lieu Fee	DISCONTINUED - Acquire new open space land, specifically in the Airport Area Specific Plan boundaries
505	Affordable Housing In-Lieu Fee	Funding for the provision of affordable housing and for reasonable costs associated with the development of affordable housing
611	Parking In-Lieu Fee	Develop (acquire and improve) or maintenance of parking facilities within the established in-lieu fee area
207	Public Art In-Lieu Fee	Public Art in both private developments and public spaces

* The fee was calculated using a plan based methodology where specific projects and costs were identified in the nexus study and the fee revenue must be used on the specified projects up to the cost used to calculate the fee.

Impact Fee Summary – Revenue and Expenses

For FY 2023-24, the City of San Luis Obispo collected through its Capital Facilities Fee program a total revenue of \$11,982,947.99 and expended \$5,126,025.77 on eligible projects throughout the city. The impact fee revenue helped advance construction on thirty projects in the city which included two Parks Projects, fourteen Transportation Projects, and fourteen Utility Projects. Refer to Exhibit A & Exhibit B in the attached report for details on projects funded by impact fees.

Fund	Name	Revenue/ Interest	Expenditures	# of Projects
510	Citywide Park Development	\$ 392,401.13	\$ -	0
519	Citywide Park Improvement	\$ 806,578.39	\$ 51,716.13	1
511	OASP Park Improvement	\$ 233,350.01	\$ 441,191.89	1
512	MASP Park Improvement	\$ 99,249.14	\$ -	0
507	Citywide Transportation	\$ 1,215,695.41	\$ 711,136.53	9
503	Airport Area Transportation	\$ 27,958.46	\$ 308,600.08	3
504	LOVR Area Transportation	\$ 222,953.65	\$ 22,885.69	1
514	San Luis Ranch Area Transportation	\$ 872,118.33	\$ 3,703.80	1
515	OASP Area Transportation	\$ 64,567.78	\$ -	0
506	Wastewater	\$ 2,930,661.27	\$ 943,559.30	6
509	Water	\$ 4,722,047.03	\$ 2,643,232.35	8
516	Fire	\$ 183,956.94	\$ -	0
517	Police	\$ 211,410.45	\$ -	0
		\$ 11,982,947.99	\$ 5,126,025.77	30

In-Lieu Fee Summary – Revenue and Expenses

For FY 2023-24, the City collected through its In-Lieu Fee Programs a total revenue of \$2,782,080.24 and expended \$7,327,977.73 on eligible projects throughout the city. The In-Lieu fee revenue helped to advance construction on seven projects in the city which included one Affordable Housing Project, two Park Projects, one Parking Project, and two Public Art Projects. Refer to Exhibit A & Exhibit B in the attached report for details on projects funded by In-Lieu fee funds.

Fund	Name	Revenue/ Interest	Expenditures	# of Projects
501	Parkland In-Lieu (Quimby)	\$ 271,448.61	\$ 1,234,968.18	2
502	Open Space Protection In-Lieu	\$ 600.33	\$ -	0
505	Affordable Housing In-Lieu	\$ 1,972,090.60	\$ 3,706,890.00	2
611	Parking In-Lieu	\$ -	\$ 2,104,922.15	1
207	Public Art In-Lieu	\$ 537,940.70	\$ 281,197.40	2
		\$ 2,782,080.24	\$ 7,327,977.73	7

Fund Balances

The figures below represent the current fund balances available as of June 30, 2024, whether committed or uncommitted to a Capital Improvement Plan project and serves to illustrate the amount of funding from impact fees and in-lieu fees available to budget and expend on projects through the City's adopted Capital Improvement Plan. In addition, any revenue held longer than five years is reflected to show the amount of the available

fund balance that is subject to findings. The five-year revenue analysis and any required findings for revenue held for more than five years is included in this section and within the report under the individual fund summaries.

Impact Fee – Fund Balance Summary

Fund	Name	Fund Balance	Revenue Held > 5-Years
510	Citywide Park Development	\$ 716,240.68	\$ -
519	Citywide Park Improvement	\$ 1,973,430.30	\$ -
511	OASP Park Improvement	\$ 2,116,013.54	\$ -
512	MASP Park Improvement	\$ 3,292,559.86	\$ 2,817,860.18
507	Citywide Transportation	\$ 4,534,802.44	\$ -
503	Airport Area Transportation	\$ 383,593.32	\$ 332,681.50
504	LOVR Area Transportation	\$ 616,787.73	\$ 305,429.80
514	San Luis Ranch Area Transportation	\$ 2,157,823.01	\$ -
515	OASP Area Transportation	\$ 1,473,245.02	\$ -
506	Wastewater	\$ 6,112,687.91	\$ -
509	Water	\$ 8,378,371.30	\$ -
516	Fire	\$ 283,990.20	\$ -
517	Police	\$ 356,838.60	\$ -
Total Balance		\$ 32,396,383.91	\$ 3,455,971.48

In-Lieu Fee – Fund Balance Summary

Fund	Name	Fund Balance	Revenue Held > 5-Years
501	Parkland In-Lieu (Quimby)	\$ 1,998,856.43	\$ -
502	Open Space Protection In-Lieu	\$ 13,697.72	\$ -
505	Affordable Housing In-Lieu	\$ (2,609,615.75)	\$ -
611	Parking In-Lieu	\$ 317,995.41	\$ 268,075.39
207	Public Art In-Lieu	\$ 1,526,587.79	\$ -
Total Balance*		\$ 3,857,137.35	\$ 268,075.39

*Does not include negative balances

Five-Year Revenue Findings

MASP Park Improvement (Fund 512) - As of June 30, 2024, there is \$2,817,860.18 in revenue collected which has been held more than five years. The fund balance is intended to be used for pre-construction activities (design, planning, permitting, etc.) and the overall construction costs for a twenty-one-acre community park which will be for use by residents in the Margarita Area Specific Plan neighborhoods as well as for use by the entire San Luis Obispo community.

The use of these funds for a park in the Margarita Area is in conformance with the Margarita Area Specific Plan and the Parks & Recreation Blueprint for the Future: 2021-2041 (General Plan Element) and allows the City to meet the need for a community park

Item 5d

that includes sport/athletic fields, sport courts, playground amenities, public art, and social gathering area(s). In 2005, the need for the park was identified in the Margarita Area Specific Plan and the financing strategy was identified in the Public Facilities Financing Plan for Margarita Area. The plan was amended in 2012 to adjust the equitable sharing of the cost of the purchase and construction of the Damon-Garcia Sports Fields, which is satisfying a portion of the park needs in the Margarita Area.

The chart below reflects the overall funding sources and amount anticipated to cover the costs of the future park project in the Margarita Area.

Project	Cost by Fund Source				Total	%
	Current Development Impact Fees	%	Other Funding Sources (1)	%		
Margarita Area Community Park	\$ 3,292,559.86	26%	\$ 9,385,823.51	74%	\$ 12,678,383.19	100%

(1) Other funding sources will include Citywide Parkland Improvement Impact Fees, Quimby In-Lieu Fees, General Fund (Local Revenue Measure G) and/or Future Grants

The total cost of the park project was originally estimated using a 2012 calculation. To establish the current total cost, the City applied a Consumer Price Index (CPI) adjustment from 2012 to the present.

At this time, the project is on hold because the identified land, zoned for park space, is privately owned, and the current owners are not interested in selling or developing the property. The City remains committed to using the funds collected for the MASP park whenever the landowners decide to sell or develop the site. Additionally, the project faces a lack of funding sources as the city will need to cover a substantial amount of the project costs with other yet-to-be-determined funding sources. Currently, no construction start date has been identified.

Airport Area Transportation Impact Fee (Fund 503) – As of June 30, 2024, there is an amount of \$332,593.32 which has been held more than five years. The fund balance is to be used for pre-construction activities (design, planning, permitting, etc.) for two transportation improvement projects programmed in the AASP TIF program: Tank Farm Road Widening (includes the Tank Farm/Santa Fe Roundabout) and Santa Fe Road Extension. Specifically, these funds will be used to reimburse the developer of the 600 Tank Farm development for eligible costs related to these transportation improvements.

As conditions of approval, the 600 Tank Farm developer is required to design and construct portions of the Tank Farm Road Widening and Santa Fe Road Extension improvements prior to this development. As documented in detail in the AASP and related EIR, the Tank Farm Widening and Santa Fe Road Extension projects represent transportation infrastructure that is needed to mitigate the impacts of new development within the city, particularly within the AASP boundaries. The initial proportionality and nexus to new development is described in further detail in the AASP (Chapter 8, Public Facilities Financing Plan).

Item 5d

Below is list of Projects in which these funds will be used and the anticipated amount of funding from all sources needed to complete the financing of these projects.

Project	Cost by Fund Source						TOTAL	%
	Direct Developer Contribution	%	Development Impact Fees	%	Other Local Funds/Grants	%		
Tank Farm Road Widening*	\$ 3,000,000.00	14%	\$ 13,300,000.00	60%	\$ 5,700,000.00	26%	\$ 22,000,000.00	100%
Santa Fe Road Extension (North)	\$ -	0%	\$ 432,000.00	40%	\$ 648,000.00	60%	\$ 1,080,000.00	100%
Santa Fe Road Extension (South)	\$ -	0%	\$ 1,000,000.00	40%	\$ 1,500,000.00	60%	\$ 2,500,000.00	100%

* Includes Tank Farm/ Santa Fe Roundabout

The Tank Farm Road Widening and Santa Fe Road Extension projects are large, complex transportation improvements that are anticipated to be constructed in phases over several years as incremental development occurs. Funding is expected to be completed for the remaining projects as identified in the following timelines:

- For the Tank Farm Road Widening Project, funding is expected to be complete for the first component of project by 2025 (including Tank Farm Road/Santa Fe Roundabout). Funding for the remaining project components anticipated within 9 years, 2033.
- For the Santa Fe Road Extension (North) Project, funding for the first component of the project, which will be constructed by 600 Tank Farm development, (approximately 40% of the planned road extension) is expected to be complete by 2025. Funding for the remaining project components anticipated within 9 years, 2033.
- For the Santa Fe Road Extension (South) funding is anticipated within 9 years, 2033.

The portions of these projects to be implemented by the 600 Tank Farm development are anticipated to start construction in 2025. The direct developer contribution and local funds related to these improvements are fully funded. The portion of these project costs from development impact fees are partially funded, with \$608,016 to be applied from existing AASP TIF fund balance, and the remainder to be reimbursed to the developer from future transportation impact fee revenues—both from the 600 Tank Farm development itself and from revenues received from other developments benefitting from these improvements.

LOVR Transportation Impact Fee (Fund 504) - As of June 30, 2024, there is an amount of \$305,429.80 revenue collected which have been held more than five years. The funds held are planned to be used to satisfy a portion of the remaining obligation under the Reimbursement Agreement for Realignment of Calle Joaquin South between Costco and the City of San Luis Obispo. The \$305,429.80 amount held more than five years along with additional unexpended fund balance not held more than five years will be used to make a \$516,787.73 lump-sum payment towards the outstanding reimbursement agreement obligation. This is expected to occur prior to December 31, 2024. The reimbursement to Costco for the realignment of Calle Joaquin South has been ongoing since 2006, with the payment amount varying from year to year based on actual LOVR TIF fees collected from new development. A balance of \$1,472,278.83 will remain on this reimbursement obligation following the lump-sum payment. Timing for payment of the remaining balance under the agreement will depend on the amount of new LOVR TIF fees collected each year.

Item 5d

Below is a summary reflecting the project these funds will be used on and the anticipated amount of funding from all sources needed to complete the reimbursement.

Project	Cost by Fund Source						TOTAL	%
	Direct Developer Contribution	%	Development Impact Fees	%	Other Local Funds/Grants	%		
Costco Reimbursement*	\$ -	0%	\$ 1,989,066.56	100%	\$ -	0%	\$ 1,989,066.56	100%

*Total cost includes annual CPI adjustments to remaining reimbursement obligation, as documented in 2019 LOVR TIF Nexus Study.

Note: Costco has first priority to fees collected under the terms of the reimbursement agreement.

Parking In-Lieu Fee Fund (Fund 611) –As of June 30, 2024, there is an amount of \$268,075.39 revenue collected which has been held more than five years. Parking In-Lieu Fee revenues will partially fund the construction of a new public parking structure referred to as the Cultural Arts District Parking Structure. The City’s Municipal Code requires Parking In-Lieu Fees collected to be used only for the development or maintenance of parking to offset the demand requirement of new development projects within the Parking In-Lieu Fee area. The new public parking structure is within the Parking In-Lieu Fee area and will offset parking demand requirements for new developments that do not fully satisfy their parking requirements on-site.

The Cultural Arts District Parking Structure project is funded by a combination of Parking In-Lieu Fee revenue and bond proceeds as summarized in the table below. Parking In-Lieu Fee revenue is received during the permitting process and deposited into the Parking Enterprise Fund. There was a delay in overall project readiness which affected the timing of bond issuance needed to fully fund the project. Proceeds from bond sales were secured in August 2023 and have since been deposited into City accounts. The remaining Parking In-Lieu Fee revenue still held by the City will be expended in FY 2024-25.

Project	Cost by Fund Source						TOTAL	%
	Bond Proceeds	%	Parking In-Lieu Fees	%	Other Local Funds/Grants	%		
Cultural Arts District Parking Structure	\$ 39,677,521.30	90%	\$ 4,461,573.68	10%	\$ -	0%	\$ 44,139,094.98	100%

Previous Council or Advisory Body Action

The annual report and necessary findings have been filed in compliance with the Mitigation Fee Act since the adoption and implementation of the Development Impact Fee program at the City of San Luis Obispo. Below are the 3 most recent fiscal year’s Annual Reports approved by City Council.

[RESOLUTION NO. 11469 \(2024 SERIES\)](#)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN LUIS OBISPO, CALIFORNIA, ACCEPTING THE 2022-23 ANNUAL REPORT ON DEVELOPMENT IMPACT FEES AND MAKING FINDINGS RELATED TO IMPACT FEES HELD LONGER THAN FIVE YEARS

[RESOLUTION NO. 11386 \(2023 SERIES\)](#)

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN LUIS OBISPO, CALIFORNIA, ACCEPTING THE 2021-22 ANNUAL REPORT ON DEVELOPMENT

IMPACT FEES REAFFIRMING THE NECESSITY FOR DEVELOPMENT IMPACT FEES AND MAKE FINDINGS RELATED TO IMPACT FEE BALANCES AND IN-LIEU FEES

[RESOLUTION NO. 11301 \(2022 SERIES\)](#)

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN LUIS OBISPO, CALIFORNIA, ACCEPTING THE 2020-21 ANNUAL REPORT ON DEVELOPMENT IMPACT FEES REAFFIRMING THE NECESSITY FOR DEVELOPMENT IMPACT FEES AND MAKE FINDINGS RELATED TO IMPACT FEE BALANCES AND IN-LIEU FEES

Public Engagement

The Mitigation Fee Act requires that the city post notice of availability of the Draft Annual Report fifteen days prior to the Public Hearing. On November 21, 2024, the Legal Ad was published in the New Times, a notice was posted on the Finance door/ kiosk, a news item was published to City’s website and an e-notification was sent to subscribers of Public Notices.

CONCURRENCE

The City Attorney’s Office, Finance, Public Works, Community Development, Parks and Recreation, and Utilities Departments concur with the information contained within this report.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act does not apply to the recommended action in this report, because the action does not constitute a “Project” under CEQA Guidelines Sec. 15378.

FISCAL IMPACT

Budgeted: No
Funding Identified: No

Budget Year: N/A

Fiscal Analysis:

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost
General Fund	\$0	\$0	\$0	\$0
State				
Federal				
Fees				
Other:				
Total	\$0	\$0	\$0	\$0

The action before City Council does not have any direct fiscal impact. The Annual Report of Development Impact Fees discloses to the public fee revenue, fee expenditures, fund balance, revenue held longer than five-years, and the status of projects for which the fee will be used. The administrative cost(s) to prepare this report and to manage the impact fee program is included in the salaries of staff and in the respective department budgets. The City recovers these costs by charging a 1.75% administrative fee through the permit process which is based on the total impact fee amount (excluding water & wastewater amounts).

ALTERNATIVES

1. ***Direct staff to refund fee revenue held more than five years.*** This alternative should only be considered if the findings presented by staff are found to be insufficient to meet the requirements of The Mitigation Fee Act. This alternative is not recommended as staff has reviewed the findings with Department Directors and the City Attorney and have been found to be sufficient to meet the requirements of the Mitigation Fee Act. In addition, refunding of impact fees held more than five years would create a monetary shortfall for the projects which are to be constructed and would ultimately need to be funded by other sources, such as the General Fund.
2. ***Do not approve the Fiscal Year 2023-24 Development Impact Fee Annual Report (AB1600).*** This alternative is not recommended as it would lead to non-compliance under The Mitigation Fee Act and require refunding of certain impact fees collected and held more than five years creating a monetary shortfall for the projects which are to be constructed.

ATTACHMENTS

- A - Draft Resolution adopting the Fiscal Year 2023-24 Development Impact Fee Annual Report (AB 1600)
- B - Fiscal Year 2023-24 Development Impact Fee Annual Report (AB 1600)