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Title:	Report regarding a resolution approving the Annual Impact Fee and Sewer Capacity Charge Report for Fiscal Year 2021-22. (Karen Chang, Director of Finance)		
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Report regarding a resolution approving the Annual Impact Fee and Sewer Capacity Charge Report for Fiscal Year 2021-22. (Karen Chang, Director of Finance)

RECOMMENDATION

It is recommended that the City Council adopt a resolution approving the Annual Impact Fee and Sewer Capacity Charge Report for Fiscal Year 2021-22 and making findings regarding the continuing need for unexpended balances of impact fees as of June 30, 2022, and as required by the Mitigation Fee Act.

BACKGROUND/DISCUSSION

Under state law (Government Code Section 66000 et seq.), the City is authorized to collect fees from new development to fund necessary improvements to public facilities to mitigate the impacts of that new development. In Fiscal Year (FY) 2021-22, the City administered 13 distinct impact fee and in-lieu fee programs along with one (1) sewer capacity charge. These programs support new development's share of certain capital infrastructure projects. The impact fees charged are based upon a pro-rata share of estimated costs for necessary public improvements. The sewer capacity charge is a cost recovery charge based on the proportional benefit to the person or property being charged. It is associated with providing collection and treatment capacity through the existing infrastructure available and future capital projects.

Government Code Section 66000 et seq. requires the City to review the status of collected impact fees and sewer capacity charges annually. The impact fee and sewer capacity charge report for fiscal year ending June 30, 2022 ("AB 1600 Report") is provided as Exhibit A to the resolution associated with this staff report. The table below is a summary of each fund's ending balances as of June 30, 2022.

Fees and Charges	Area	Ending Balance
Bicycle and Pedestrian Impact Fee (1)	Citywide	\$185,903

Childcare Impact Fee	Citywide	\$13,901,164
Commercial Linkage Impact Fee (Affordable Housing)	Citywide	\$8,914,100
Library Impact Fee (2)	Citywide	\$674
Park Construction Fee	Citywide	\$8,914,911
Park Land Acquisition Fee	Citywide	\$3,230,072
Public Arts In-Lieu Fee (2)	Citywide	0
Public Safety Impact Fee	Citywide	\$2,551,609
Citywide Transportation Impact Fee (2)	Citywide	\$3,890,857
Oyster Point Interchange Impact Fee (3)	Oyster Point	\$29,836
Park In-Lieu Fee	Plan Area	\$2,959,482
Sewer Impact Fee	Plan Area	\$4,872,807
Traffic Impact Fee (1)(4)	East of 101	\$20,870,699
Sewer Capacity Charges	Plan Area	\$10,408,664
Total		\$80,730,778

- (1) In October 2020, the City repealed the impact fees. The remaining balances will be used to fund future projects.
- (2) In October 2020, the City adopted and established the new impact or in-lieu fees.
- (3) The ending balances do not include a loan balance of \$3,595,152 from the former Redevelopment Agency, which is now the Successor Agency, for dollars advanced by the former RDA to complete the interchange before all impact fees had been collected.
- (4) For FY 2021-22, Traffic Impact fees are only used to fund new development's share for new and expanded roadway and intersection improvements in the East of 101 plan area.

Aside from fund balances, under the requirements of AB 1600, the Report also needs to show the planned projects for the upcoming fiscal year (FY 2022-23) using the various impact and in-lieu fees or sewer capacity charges. This information can also be found in Exhibit A. The Report is also published on the City's website on December 22, 2022.

Report's URL:

<https://www.ssf.net/departments/finance/financial-reports/development-impact-fee-reports/-fsiteid-1>

UNEXPENDED FUND(S) REMAINING FOR MORE THAN FIVE YEARS

One of the provisions in the State law regulating development fees is to regularly review funds collected and held for more than five years and to make certain findings to continue to hold those funds. Given the multi-year nature of the capital projects to be financed, it is expected that funds will be accumulated and used based on the timing of construction.

The Childcare Impact Fee has funds remaining for past five years. Funds will be allocated for future projects which include:

West Orange Library Preschool Conversion Project (total cost ~\$12-15m) The City has set a lofty goal to create 100 new preschool spaces in the former main library building. Thousands of young scholars would benefit from this project over the course of the building's lifespan. Remodeling and seismic retrofitting of the existing main library facility into a licensed preschool center is estimated to cost \$15 million dollars. Conceptual design and cost estimating was complete in 2019 and escalated for cost increases in 2022. The existing library will be relocated to their new main library at the Civic Campus in mid-2023, allowing for design and renovations to

begin immediately after. Design for the West Orange Library Preschool will begin in Spring 2023, with construction scheduled for late 2024.

Westborough Preschool (currently budgeted \$3.25m, actual cost TBD, likely >\$9m) The City would like to construct a new licensed preschool facility to serve this growing need in the Westborough neighborhood. Funding, using Childcare Impact Fees, would fund the design and construction of a new facility, which the Parks and Recreation Department would operate. Staff is projecting the site would serve 40 children; however, design will confirm the size and scope of the building. This work will be prioritized after the West Orange Library Preschool Conversion Project, as funding allows.

FISCAL IMPACT

This informational report is used to satisfy the annual reporting requirements. There is no financial impact related to this report, as impact fee revenues and expenditures have already been approved as part of the City's budget. Reporting of this information satisfies the regulatory requirements for the City to continue to impose impact fees on new development.

RELATIONSHIP TO STRATEGIC PLAN

Adoption of the resolution supports the City's strategy on financial stability.

CONCLUSION

The City's impact fee program has helped fund important City infrastructure to accommodate growth from new development, which ultimately supports the City Council's efforts to build better neighborhoods that can integrate new development while preserving the City's existing character. The information contained in this report demonstrates the City's current use of impact fee funds and the continued need for impact fee funding per the requirements of Government Code Section 66000 et seq.