



CITY COUNCIL STAFF REPORT



December 20, 2022

ITEM TITLE

Annual Report: Fiscal Year 2021/22 Development Impact Fees, the Parkland Acquisition and Development Fee, Trunk Sewer Capital Reserve Funds, and Five-Year Findings for Unexpended Development Impact Fees

Report Number: 22-0298

Location: City-wide

Department: Development Services

Environmental Notice: The activity is not a “Project” as defined under Section 15378 of the California Environmental Quality Act (“CEQA”) State Guidelines; therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

Recommended Action

Accept the Annual Development Impact Fees Report and adopt resolutions: A) Poggi Canyon Sewer, Otay Ranch Villages 1, 2, 5 & 6 and Otay Ranch Village 11 Pedestrian Bridge Development Impact Fees collected and remaining unexpended for five or more years; B) Eastern Transportation Development Impact Fees collected and remaining unexpended for five or more years; and C) Telegraph Canyon Drainage Development Impact Fees collected and remaining unexpended for five or more years.

SUMMARY

California Government Code Section 66000 requires local agencies assessing Development Impact Fees (“DIFs”) and sewer capacity charges to make available specified financial data to the public each fiscal year. This report satisfies that requirement and has been available in the City Clerk’s Office for public review since November 22, 2022. An equivalent report for the Parkland Acquisition and Development (“PAD”) fees is included in this report for ease of reference and convenience to the public.

Local agencies are also required to make findings every five years for any DIF funds remaining unexpended. These findings must identify the purpose of the fee and demonstrate a reasonable relationship between the fee and the purpose for which it was charged. This year, the City has identified unexpended fees that were on deposit for five or more years and has elected to make the required findings.

ENVIRONMENTAL REVIEW

The Director of Development Services has reviewed the proposed activity for compliance with CEQA and has determined that the activity is not a “Project” as defined under Section 15378 of the State CEQA Guidelines because the activity consists of a governmental fiscal/administrative activity which does not result in a physical change in the environment; therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA. Thus, no environmental review is required.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not Applicable

DISCUSSION

The City of Chula Vista collects several types of Development Impact Fees, Parkland Acquisition and Development fees, and Trunk Sewer Capital Reserve fees, which were assessed during the fiscal year ending June 30, 2022. The major categories of facilities financed via DIFs include transportation, traffic signals, pedestrian bridges, drainage, sewer, and public facilities.

Development impact fees are updated in two manners: 1) Through a comprehensive DIF program review; or 2) a Council-enacted automatic annual adjustment, based upon an appropriate index.

There were no comprehensive DIF updates completed in fiscal year 2022.

In October of 2022, the following automatic index-based annual adjustments went into effect:

Fee Description	Previous Amount	Updated Amount (Oct 2022)	Difference	Per Unit
Transportation DIF (TDIF)	\$15,803	\$16,479	\$676	Single-family dwelling unit
Western Transportation DIF (WTDIF)	\$4,928	\$4,969	\$41	Single-family dwelling unit
Bayfront DIF (BFDIF)	\$11,913	\$12,012	\$99	Single-family dwelling unit
Traffic Signal Fee	\$43.95	\$47.29	\$3.34	Average daily vehicle trip
Salt Creek Sewer Basin DIF	\$1,612	\$1,681	\$69	Single-family dwelling unit
Otay Ranch Village 1, 2, 5, & 6 Pedestrian Bridge DIF	\$1,000	\$1,043	\$43	Single-family dwelling unit
Otay Ranch Village 11 Pedestrian Bridge DIF	\$2,839	\$2,960	\$121	Single-family dwelling unit
Public Facilities Development Impact Fee (PFDIF)	\$12,430	\$13,394	\$964	Single-family dwelling unit
Parkland Acquisition & Development Fee (West of I-805)	\$13,797	\$14,345	\$548	Single-family dwelling unit
Parkland Acquisition & Development Fee (East of I-805)	\$21,479	\$22,027	\$548	Single-family dwelling unit
Trunk Sewer Capital Reserve Fee	\$4,182	\$4,361	\$179	Single-family dwelling unit

Other fees addressed in this report remain at the same rate as the previous fiscal year.

DEVELOPMENT IMPACT FEES

Eastern Transportation Development Impact Fee (“ETDIF”)

The ETDIF fee was established on January 12, 1988 via Ordinance 2251 to finance and coordinate the construction of new transportation facilities so that new streets are built when needed to serve new development. This fee is applicable to all new development east of Interstate 805. Prior to the program, streets were built by developers in a fragmented fashion. In addition, equity issues arose, as some developers with frontages on large streets were required to improve those streets while other developers with only smaller local street frontages had less improvement requirements. Now, all developers in the eastern portion of Chula Vista pay the same fee per average daily trip (“ADT”) based on the number of vehicle trips generated for a specific land use. The City then constructs the street, or a developer performs the construction. If the developer constructs the street, they receive a ETDIF fee credit which is then applied towards payment of these fees at time of final inspection.

The ETDIF is subject to an annual index-based adjustment. On October 1, 2022, the fee increased from \$1,580.30 to \$1,647.90 per ADT. The rate per single-family dwelling unit increased from \$15,802 to \$16,457. Detailed FY 2021-22 financial information is presented in Attachment 1, Schedule A of this report.

Western Transportation Development Impact Fee (“WTDIF”)

The Western TDIF fee was adopted on March 18, 2008 via Ordinances 3106 through 3110 to finance and coordinate the construction of new transportation facilities in the western neighborhoods of the City, as well as to spread the costs associated with the construction of the facilities equitably among the developing properties within the benefit area.

The WTDIF is subject to an annual index-based adjustment. On October 1, 2022, the fee increased from \$492.87 to \$496.97 per EDU. The rate per single-family dwelling unit increased from \$4,928 to \$4,969. Detailed FY 2021-22 financial information is presented in Attachment 1, Schedule B of this report.

Bayfront Transportation Development Impact Fee (“BFDIF”)

The Bayfront Transportation Development Impact Fee was adopted on November 18, 2014 via Ordinance 3327 to finance and coordinate the construction of new transportation facilities in the Chula Vista Bayfront area, as well as to spread the costs associated with the construction of the facilities equitably among the developing properties within the benefit area. This fee is applicable to new development in the Chula Vista Bayfront area, generally described as properties west of Interstate 5 and between E Street and Naples Street.

The BFDIF is subject to an annual index-based adjustment. On October 1, 2022, the fee increased from \$1,191.37 to \$1,202.25 per ADT. The rate per single-family dwelling unit increased from \$11,913 to \$12,012. Detailed FY 2021-22 financial information is presented in Attachment 1, Schedule C of this report.

Traffic Signal Fee

The Traffic Signal fee was adopted to finance and facilitate construction of traffic signal improvements required to mitigate increases in traffic volume caused by new development. This citywide fee is assessed

per average daily trip generated. The Traffic Signal fee is subject to an annual index-based adjustment. On October 1, 2022, the fee increased from \$43.95 to \$47.29 per ADT. Detailed FY 2021-22 financial information is presented in Attachment 1, Schedule D of this report.

Telegraph Canyon Drainage Development Impact Fee

The Telegraph Canyon Drainage fee was adopted via Ordinance 2384 to finance and facilitate construction of drainage improvements serving the Telegraph Canyon Drainage Basin. The fee has remained at \$4,579 per acre since 1998. In November of 2015, the City Council did consider and approve a comprehensive update of the Telegraph Canyon Drainage DIF. The 2015 action revised the detailed capital improvement program and confirmed the existing rate of \$4,579 per acre. Since there were no properties remaining subject to the Telegraph Canyon Drainage Basin DIF, the City Council repealed the fee in July 2019 via Ordinance 3461. A fund balance remains and will be used when grant funding is available to complete improvements.

Poggi Canyon Sewer Basin Development Impact Fee

The Poggi Canyon Sewer Basin fee was adopted to finance and facilitate construction of the Poggi Canyon Trunk Sewer, serving properties within the benefit area. This fee is applicable to the Poggi Canyon Basin. The fee was established at \$400 per EDU in 1997. In June 2009, the Poggi Canyon Sewer DIF was updated and the fee was reduced to \$265 per EDU. The fee remains unchanged since the 2009 action. Detailed FY 2021-22 financial information are presented in Attachment 1, Schedule E of this report.

Salt Creek Sewer Basin Development Impact Fee

The Salt Creek Sewer Basin fee was adopted to finance and facilitate construction of the Salt Creek Trunk Sewer, serving properties within the benefit area. This fee is applicable to the Salt Creek Sewer Basin, a portion of the Upper Otay Lake Basin north of the Salt Creek Sewer Basin, Wolf Canyon Basin, and a portion of the Lower Otay Lake Basin east of the Salt Creek Sewer Basin.

In July 2015, the City Council considered and approved a comprehensive update of the Salt Creek Sewer Basin DIF. The 2015 action confirmed the existing rate of \$1,330 per EDU and authorized annual index-based updates. An index-based update was implemented on October 1, 2022, increasing the fee from \$1,612 to \$1,681 per EDU. Detailed FY 2021-22 financial information is presented in Attachment 1, Schedule E of this report.

Otay Ranch Village 1, 2, 5, & 6 Pedestrian Bridge Development Impact Fee

The Otay Ranch Village 1, 2, 5, & 6 Pedestrian Bridge fee was adopted to finance and facilitate construction of pedestrian bridge facilities that will serve the subject villages. A comprehensive update of the fee program was considered and approved by the City Council in December 2015. The 2015 action reduced the fee from \$1,114 to \$844 per single-family dwelling unit and authorized annual index-based updates. An index-based update was implemented on October 1, 2022, increasing the fee from \$1,000 to \$1,043 per EDU. Detailed FY 2021-22 financial information is presented in Attachment 1, Schedule F of this report.

Otay Ranch Village 11 Pedestrian Bridge Development Impact Fee

The Otay Ranch Village 11 Pedestrian Bridge fee was adopted to finance and facilitate construction of four pedestrian bridges in Otay Ranch Village 11. The Village 11 Pedestrian Bridge DIF is subject to an annual index-based adjustment. On October 1, 2022, the fee increased from \$2,839 to \$2,960 per single-family dwelling unit. Detailed FY 2021-22 financial information is presented in Attachment 1, Schedule F.

Eastern Urban Center (Millenia) Pedestrian Bridge Development Impact Fee

The Eastern Urban Center (Millenia) Pedestrian Bridge Development Impact Fee was adopted to finance and facilitate construction of the Eastlake Parkway Pedestrian Bridge in the Eastern Urban Center (Millenia) project area. The EUC Pedestrian Bridge DIF was established with an initial rate of \$615.13 per single-family DU via Ordinance 3273, adopted in August of 2013. Detailed FY 2021-22 financial information are presented in Attachment 1, Schedule F of this report.

Public Facilities Development Impact Fee (“PFDIF”)

The Public Facilities DIF was adopted to finance and facilitate construction of public facilities necessary to serve new development. The fee includes six components. All components are subject to an annual index-based adjustment. On October 1, 2022, the combined fee increased from \$12,430 to \$13,394 per single-family dwelling unit. Detailed FY 2021-22 financial information is presented in Attachment 1, Schedule G of this report. The components of the PFDIF, including current fees per single family dwelling are as follows:

- Administration (\$788) - Administration of the PFDIF program, oversight of expenditures and revenues, preparation of updates, calculation of costs, etc.
- Civic Center Expansion (\$3,903) - Expansion of the Civic Center per the 1989 Civic Center Master Plan to provide sufficient building space and parking needed to serve new development. The Civic Center Master Plan was updated in July 2001 to include impacts of Otay Ranch development. Project phases included the remodel and expansion of City Hall, remodel of the Public Services Building and remodel of the former Police Facility, Community Development and Legislative Buildings, including associated capital expenses.
- Police Facility (\$2,194) - Improvements per the Civic Center Master Plan to provide sufficient building space and associated facilities needed to serve new development. Improvements include construction of a new police facility, upgrading the communications center and installation of new communication consoles. This fee also includes the purchase and installation of a computer-aided dispatch system (“CAD”), Police Records Management System, Mobile Data Terminals, and police vehicles.
- Corporation Yard Relocation (\$589) - Relocation of the City’s Public Works Center from the Bayfront area to the more centrally located site on Maxwell Road. Also includes the purchase of new vehicles directly attributable to new development and the need to maintain an expanding infrastructure network.
- Libraries (\$2,244) - Improvements include construction of the South Chula Vista Library and future planned libraries and installation of an automated library system. This component is based on the facility needs identified in the Library Master Plan and is applicable to new residential development only.

- Fire Suppression System (\$1,973) - Projects include the relocation of Fire Stations 3 and 4, construction of a fire training tower and classroom, purchase of a brush rig, installation of a radio communications tower and construction of various fire stations in developing areas of the City. This fee currently reflects the nine-station network called for in the 1999 Fire Station Master Plan. This fee also includes the purchase of fire apparatus for new stations, as required to serve new development.
- Major Recreation Facilities (\$1,703) - Component added in November 2002 to build major recreation facilities required to serve new development such as community centers, gymnasiums, swimming pools, and senior/teen centers. This component is based on the facility needs identified in the Park & Recreation Master Plan and is applicable to new residential development only.

Although the majority of the public facility project costs are borne by new development, it is important to note that some public facility projects contain both a City and new development cost share. The City share often reflects “joint impetus” projects, which are necessitated by growth and non-growth factors and/or the City’s obligation to correct pre-existing space/equipment deficiencies. The PFDIF fees only relate to new development’s cost share for each component.

Parkland Acquisition and Development (“PAD”) Fees

The Parkland Acquisition and Development in-lieu fee was adopted by the City to acquire neighborhood and community parkland and to construct parks, including recreational amenities. The acquisition component of the fee is set at \$12,676 for areas east of I-805 and \$4,994 for areas west of I-805, per single-family dwelling unit.

The development component of the fee is applicable citywide and is subject to an annual index-based adjustment. On October 1, 2022, the development component increased from \$8,803 to \$9,351 per single-family dwelling unit. This action increased the combined fee from \$21,479 to \$22,027 and from \$13,797 to \$14,345; for areas east and west of I-805, respectively.

The PAD fee is applicable to new residential development only. In fiscal year 2013-14, the fee requirement for hotel and motel developments was eliminated via Ordinance 2014-3303. Detailed FY 2021-22 financial information is presented in Attachment 2 of this report.

Trunk Sewer Capital Reserve Fees

The Trunk Sewer Capital Reserve fee was established in 1985 by Ordinance 2107 to finance all or a portion of the cost to enlarge sewer facilities to enhance efficiency of utilization and/or adequacy of sewer capacity. The fee program was last comprehensively updated in 2014, decreasing the fee per EDU from \$3,478 to \$3,450. The 2014 action also authorized annual index-based updates. An index-based update was implemented on October 1, 2022, increasing the fee from \$4,182 to \$4,361 per EDU. Detailed FY 2021-22 financial information is presented in Attachment 3 of this report.

Interfund Loans

On February 17, 2015, the City Council approved an Interfund Loan Policy (the “Policy”), along with a series of resolutions affirming and consolidating various interfund loans between DIF, PAD, and Trunk Sewer Capital Reserve Funds. Pursuant to the Policy, all interfund loans will accrue interest charges equal to the

City's actual pooled cash investment return. As a result of this change, the interest charges to date for all existing interfund loans were recalculated. The total amount due, as reported in the attached schedules may, therefore, vary significantly from the amounts presented in prior reports. In addition, interest rates will no longer be reported for interfund loans in this report, as the applicable rate will vary based upon the City's actual investment returns.

FY 2021-22 Financial Information

Detailed FY 2021-22 financial information is presented in the Attachments as follows:

- Attachment 1, Schedules A through F, reports the required financial information for all DIFs except the Public Facilities DIF. Attachment 1, Schedule G reports the required financial information for the Public Facilities DIF and its components.
- Attachment 2 reports the required financial information for the Parkland Acquisition and Development fees.
- Attachment 3 reports the required information for the Trunk Sewer Capital Reserve fees.

The schedules contain the following:

- Beginning balance as of July 1, 2021.
- Fees received during the fiscal year ending June 30, 2022.
- Other miscellaneous revenues received during the fiscal year ending June 30, 2022.
- Interest earned from investing the cash balances available in each fund or from interfund loans during the fiscal year ending June 30, 2022.
- Expenditures from each of the funds during the fiscal year ending June 30, 2022.
- A description of each capital and non-capital project with expenditures funded entirely or in part by DIF/PAD/Trunk Sewer funds in FY 2021-22 and the percentage of the project funded by this fee through FY 2021-22. More detailed information on capital projects is available in the annual Capital Improvement Program Budget.
- Outstanding balances of interfund loans made from DIF/PAD/Trunk Sewer Capital Reserve funds, as of the end of FY 2021-22.
- Ending balances as of June 30, 2022 for each fund (unaudited).
- The amount, description, and purpose of each fee.
- Identification of an approximate date by which the construction of public improvements will commence.

Findings Required for Funds in Possession Over 5 Years

Government Code Section 66001(d) requires the local agency to make findings with respect to any portion of development impact fees remaining unexpended for the fifth year following the first deposit into the account or fund, and every five years thereafter.

Section 66001(d) of the Government Code states:

(d)(1) 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 of the following findings with respect to that portion of the account or fund remaining unexpended, whether committed or uncommitted:

(A) Identify the purpose to which the fee is to be put.

(B) Demonstrate a reasonable relationship between the fee and the purpose for which it is charged.

(C) Identify all sources and amounts of funding anticipated to complete financing in incomplete improvements identified in paragraph (2) of subdivision (a).

(D) Designate the approximate dates on which the funding referred to in subparagraph (C) is expected to be deposited into the appropriate account or fund.

The City last made these findings in 2017. This year, the City has identified development impact fee funds remaining unexpended for five or more years for the following DIF programs:

- Poggi Canyon Sewer Development Impact Fee,
- Otay Ranch Villages 1, 2, 5, & 6 Pedestrian Bridge Development Impact Fee
- Otay Ranch Village 11 Pedestrian Bridge Development Impact Fee
- Eastern Transportation Development Impact Fee
- Telegraph Canyon Drainage Development Impact Fee

In an effort to make information readily available to interested parties, copies of this report were sent to the San Diego Building Industry Association, Baldwin & Sons, Brookfield Homes, Lennar Homes, Chelsea Investment Corporation, HomeFed Corporation, KB Home Coastal, Meridian Development, Pacifica Companies, Shea Homes, Sudberry Properties, Trammel Crow Residential, Ryan Companies, and RIDA Development Corporation.

DECISION-MAKER CONFLICT

Resolution A - Poggi Canyon Sewer Development Impact Fee, Otay Ranch Villages 1, 2, 5, & 6 Pedestrian Bridge Development Impact Fee, and Otay Ranch Village 11 Pedestrian Bridge Development Impact Fee

Staff has reviewed the property holdings of the City Council and has found no property holdings within 1,000 feet of the boundaries of the property which is the subject of this action. Consequently, this item does not present a disqualifying real property-related financial conflict of interest under California Code of Regulations Title 2, section 18702.2(a)(7) or (8), for purposes of the Political Reform Act (Cal. Gov't Code §87100, et seq.).

Staff is not independently aware and has not been informed by any City Council member, of any other fact that may constitute a decision-maker conflict of interest in this matter.

Resolution B – Eastern Transportation Development Impact Fee (TDIF)

Staff has reviewed the property holdings of the City Council members and has found that Mayor McCann and Councilmember Preciado have real property holdings within 1,000 feet of the boundaries of the property which is the subject of this action. However, to the extent that any decision would have a reasonably foreseeable financial effect on the member's real property, the effect would be nominal, inconsequential, or insignificant. Consequently, pursuant to California Code of Regulations Title 2, sections 18700 and 18702(b),

this item does not present a real property-related conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

Resolution C – Telegraph Canyon Drainage Development Impact Fee

Staff has reviewed the property holdings of the City Council members and has found that Mayor McCann has real property holdings within 1,000 feet of the boundaries of the property which is the subject of this action. However, to the extent that any decision would have a reasonably foreseeable financial effect on the member’s real property, the effect would be nominal, inconsequential, or insignificant. Consequently, pursuant to California Code of Regulations Title 2, sections 18700 and 18702(b), this item does not present a real property-related conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision-maker conflict of interest in this matter.

CURRENT YEAR FISCAL IMPACT

With findings that identify the continued need for the unexpended and/or uncommitted fees, the City retains these fees for future projects. Without a determination of findings that the unexpended funds are still needed for the projects, the City would be obligated to refund \$25.1 million in DIF funds that have been held for five or more years as summarized in the table below, plus interest accrued, pursuant to the State Government Code Section 66001. The loss of the funds would jeopardize future development in the City.

Fee Program	Funds in City Possession 5+ Years
Eastern Transportation Development Impact Fee (TDIF)	\$ 14,342,837
Telegraph Canyon Drainage Development Impact Fee	\$ 4,035,187
Poggi Canyon Sewer Basin Development Impact Fee	\$ 2,416,551
Otay Ranch Villages 1, 2, 5 & 6 Pedestrian Bridge Development Impact Fee	\$ 1,202,800
Otay Ranch Village 11 Pedestrian Bridge Development Impact Fee	\$ 3,131,419
Total	\$ 25,128,795

ONGOING FISCAL IMPACT

With findings that identify the continued need for the unexpended and/or uncommitted fees, the City retains the fees for future projects. Without a determination of findings that the unexpended funds are still needed for the projects, the City would be obligated to refund \$25.1 million in DIF funds that have been held for five or more years as summarized in the above table, plus interest accrued, pursuant to the State Government

Code Section 66001. The loss of the funds would jeopardize the City's ability to address the impacts of new development.

ATTACHMENTS

1. Schedules A through G: FY 2021-22 Financial Information for all DIFs, including the Public Facilities DIF
2. FY 2021-22 Financial Information for PAD Fees
3. FY 2021-22 Financial Information for Trunk Sewer Capital Reserve Fees

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