

# City of Hesperia

## STAFF REPORT



**DATE:** December 5, 2017  
**TO:** Mayor and Council Members  
**FROM:** Nils Bentsen, City Manager  
**BY:** Michael Blay, Director of Development Services  
**SUBJECT:** Development Impact Fee Study

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### RECOMMENDED ACTION

It is recommended that the City Council receive the information provided, and provide direction to Staff on the Development Impact Fee Study and resulting proposed fees.

### BACKGROUND

In March 2005 Reiter Lowry Consultants began performing a Development Impact Fee (DIF) Nexus Study for the City. The study comprehensively evaluated the City's expansion needs to accommodate new development. On December 20, 2006 the City Council adopted Resolution 2006-115 setting DIF fees for new development. In addition, the Council approved an adjustment to the Streets DIF fees in February 2008 in order to maintain compliance with the San Bernardino County Associated Government (SANBAG) Development Mitigation Program increase.

On April 2, 2013, the City Council enacted a "Pilot Project," reducing certain City and Water District Development Impact Fee (DIF) components in order to achieve an overall 25% reduction of City DIF for permits issued within an 18-month period (between April 2, 2013 and October 2, 2014). This reduction only applied to in-fill single family residential development within existing, recorded tracts/lots.

Further, on November 19, 2013, the City Council approved a request by a developer to expand the DIF reduction program to also include unrecorded subdivisions/tracts. Consequently, the reduction currently applies to all single family residential development. Since that time, several extensions of the Pilot Program discount have been approved by the Council.

Beginning in March 2016 an Ad Hoc Committee consisting of Council Members Paul Russ and Russ Blewett as well as City Staff and consultants from David Taussig & Associates began meeting to evaluate the current DIF fees and conduct a nexus study of applicable projects. City staff examined the City's infrastructure needs to accommodate new development. The needs list included Police & Fire, Animal Control Facilities, City Hall Facilities, Records Storage Facilities, Drainage, and Transportation.

On November 7, 2017 Council requested additional time to review the DIF study and directed staff to return this item at the December 5, 2017 meeting.

## **ISSUES/ANALYSIS**

Government Code Section 66000, enacted by the State of California in 1987, enables cities to establish development impact fees for the purpose of mitigating the cost of additional municipal facilities as a result of new development. It is appropriate for municipal governments to periodically evaluate their fee structures and conduct studies to determine whether the fees collected are an adequate representation of costs incurred. The previous study was completed more than ten (10) years ago and required updating. The current nexus study, performed by David Taussig & Associates, utilized project information, demographic information, and industry accepted assumptions to prepare the attached report.

The City's infrastructure needs will always outpace its ability to collect a corresponding fee so careful consideration was given to the projects included in the nexus study. The projects identified by the Ad Hoc committee were deemed critical to the successful development of the City and were included in the study.

Staff is requesting the City Council review the DIF fees proposed by the Ad Hoc committee and provide direction to staff on whether to implement the proposed fees or some amended version thereof. Following direction from Council, a staff report will be prepared and a future public hearing held. The adopted fees will be implemented 60 days following the public hearing.

## **FISCAL IMPACT**

Development Impact Fees are an important source of revenue that allows the City to pay for the expansion of infrastructure projects triggered by new development. The revenue will fluctuate based on building activity and a component of the annual budget is an estimate of construction permits issued.

## **ALTERNATIVE(S)**

1. Provide alternate direction to staff.

## **ATTACHMENT(S)**

1. Fee Summary Memorandum prepared by David Taussig & Associates
2. Current Development Impact Fee Schedule