

# Capitola City Council

## Agenda Report



**Meeting:** December 14, 2023  
**From:** Community Development  
**Subject:** Annual and Five-Year Impact Fee Report

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**Recommended Action:** Adopt a resolution adopting the Fiscal Year 2022-23 AB 1600 report.

**Background:** In California, State legislation sets certain legal and procedural parameters for the charging of development impact fees. This legislation was passed as Assembly Bill (AB) 1600 by the California Legislature and is now codified as California Government Code Sections 66000 through 66023 (Mitigation Fee Act). The Mitigation Fee Act requires any local agency that imposes development impact fees to prepare an Annual and Five-Year Impact Fee Report that provides specific information about those fees. The AB 1600 Report serves as both the annual and five-year report.

The City of Capitola collects affordable housing impact fees, affordable housing in-lieu fees, and tree replacement in-lieu fees which are subject to the AB 1600 reporting requirements.

On November 29, 2023, staff published the City of Capitola's Annual and Five-Year Assembly Bill 1600 Report for FY 2022-2023 in accordance with the provisions of the California Government Code Section 66006 (b) and 66001 (d).

**Discussion:** When new development is constructed, or an existing use is changed to a use that has additional impacts on public facilities, the City experiences increased demand for the services and facilities it provides. Impact fees are one-time contributions made by project applicants to offset the impacts that result from their project. Impact fees cannot exceed the reasonable costs to address the proportionate impacts of new development. This means applicants only pay their fair share of necessary upgrades to meet the increased demand that results from their project, and their impact fees cannot be used to address deficiencies that existed before their project. The Mitigation Fee Act regulates impact fees and requires the City to demonstrate the required nexus between the impact of the project on public facilities and the fees charged to the project applicant.

The Mitigation Fee Act imposes certain accounting and reporting requirements with respect to the fees collected. The Mitigation Fee Act also requires any local agency that imposes development impact fees to prepare an annual report and a five-year report that provide specific information about those fees which summarize the fee revenue collected, expenditures made with this fee revenue, fund balances, and plans for future expenditures based upon additional fee collection. In-lieu fees are also included in the AB 1600 report. The attached AB 1600 Report serves both the annual and five-year requirements. Upon adoption, the AB 1600 Report will remain publicly available on the City's website. Staff will submit the AB 1600 Report to the City Council for adoption on an annual basis.

The City currently has an unexpended balance from housing impact fees, housing in-lieu fees, and tree replacement fees.

**Housing Impact Fee:** The year-end balance of Housing Impact Fees for FY 2022-23 was \$41,240.

**Housing In-Lieu Fee:** The year-end balance of Housing In-Lieu Fees for FY 2022-23 was \$342,666. During the FY 2023-24 budget cycle, \$201,000 of housing in-lieu funds were allocated toward the Pacific Cove Residential Relocation Program loan payoff. There is a remaining unexpended balance of \$141,666.

Housing impact fees and housing in-lieu fees are deposited into the Housing Trust Fund. This special revenue fund can be utilized for the following activities:

1. Creation of new affordable units.
2. Preservation of existing affordable housing (rehabilitation).
3. Assistance with multi-family rehabilitation programs and projects.
4. Conversion of market-rate units to affordable housing units.
5. Construction of affordable accessory dwelling units.
6. Acquisition and rehabilitation of potential limited equity housing cooperatives.
7. First-time homebuyer loans.
8. Predevelopment loans/grants to assist non-profit and for-profit developers with project feasibility studies, site acquisition and preliminary design studies for potential affordable housing projects.

Within the recently adopted Housing Element Update, Capitola has committed to the rehabilitation of 12 low-income units, the rehabilitation of 25 multifamily low-income housing units, and the issuance of five first-time home buyer loans during the next eight years. Within the AB 1600 report, \$100,000 is identified for the rehabilitation of low-income units and \$100,000 for first-time home buyer loans. Staff will seek grant funds from the state for the rehabilitation of 25 multifamily low-income units.

Tree Replacement In-Lieu Fee: The year-end balance of tree replacement in-lieu fees for FY 2022-23 was \$38,442. The funds can be utilized toward the planting and maintenance of trees.

Fiscal Impact: The acceptance of this report has no fiscal impact.

Attachments:

1. Resolution
2. AB 1600 report

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Approved By: Jamie Goldstein, City Manager