

Capitola City Council

Agenda Report



Meeting: January 8, 2026

From: Administrative Services Department

Subject: Annual and Five-Year Impact Fee Report

Recommended Action: Adopt a resolution adopting the Fiscal Year 2024-25 Development Impact Fee Annual 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 annual findings and five-year findings providing specific information about those fees. The Development Impact Fee Annual Report serves as both the annual and five-year report.

The City of Capitola collects affordable housing impact fees, affordable housing in-lieu fees, tree replacement in-lieu fees, bike in-lieu fees, and public art fees, all of which are subject to the Mitigation Fee Act reporting requirements.

On December 12, 2025, staff published the City of Capitola's Annual and Five-Year Assembly Bill 1600 Report for FY 2024-2025, in accordance with the provisions of 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 provides specific information about those fees, summarizing the fee revenue collected, expenditures made with this fee revenue, fund balances, and plans for future expenditures based upon additional fee collection.

The attached Development Impact Fee Annual Report serves both the annual and five-year findings. Upon adoption, the Development Impact Fee Annual Report will remain publicly available on the City's website. Staff will submit the Development Impact Fee Annual 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, tree replacement fees, bike parking in-lieu fees, and public art fees.

Housing Impact Fee: The year-end balance of Housing Impact Fees for FY 2024-25 was \$144,598. In FY 2025-26, \$121,250 has been programmed for first-time home buyer down payment assistance and housing rehabilitation.

Housing In-Lieu Fee: The year-end balance of Housing Impact Fees for FY 2024-25 was \$204,882. The Pacific Cove Resident Relocation Program loan was retired in the previous fiscal year. The remaining funds will be utilized for the City's housing rehabilitation loan and grant program in Fiscal Year 2025-2026.

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 Development Impact Fee Annual report, \$20,000 is identified for first-time homebuyer assistance and \$225,000 for the housing rehabilitation program.

Tree Replacement In-Lieu Fee: The year-end balance of tree replacement in-lieu fees for FY 2024-25 was \$127. The funds were utilized toward the planting and maintenance of trees during the fiscal year.

Bike Parking In-Lieu Fee: This fee is associated with the Village outdoor dining program. The year-end balance of bike in-lieu fees for FY 2024-25 was \$1,200. The funds can be utilized toward the installation of bike racks.

Public Art Fee: The year-end balance of public art fees for FY 2024-25 was \$100,200. The funds can be utilized toward various public art projects.

Within the Development Impact Fee Annual report, \$65,505 is identified for future public art projects.

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

Attachments:

1. Resolution
2. Development Impact Fee Annual Report

Report Prepared By: Luis Ruiz, Accountant II

Reviewed By: Jim Malberg, Administrative Services Director, Julia Gautho, City Clerk, Marc Tran, City Attorney

Approved By: Jamie Goldstein, City Manager