



STAFF REPORT

TO: THE HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL
MEETING DATE: FEB 2, 2026
FROM: TOM DUBOIS, CITY MANAGER and ERIN VENTURA, PLANNER
SUBJECT: CONSIDERATION OF 2026 NEXUS STUDY AND UPDATE TO DEVELOPMENT IMPACT FEES

RECOMMENDATION:

It is recommended that the City Council:

1. Receive the presentation on the 2026 Capital Facilities Fee Nexus Study;
2. Determine the appropriate level of updated impact fees
3. Direct staff to notice a public hearing and bring back a resolution to approve the Nexus Study and establish updated impact fees

This update ensures compliance with the Mitigation Fee Act (AB 1600) and recent transparency requirements under Assembly Bill 602 (AB 602).

The Nexus Study identifies the public facilities needed to serve new development through the buildout of the General Plan and calculates the maximum legally supportable fees. Key changes include the consolidation of general facilities fees, the addition of a new Drainage fee, and a transition to calculating residential fees on a per-square-foot basis as required by AB 602.

Staff recommends adopting fees less than the maximum supported level.

BACKGROUND:

The City of Sutter Creek has engaged Goodwin Consulting Group to prepare a Capital Facilities Fee (CFF) Nexus Study to update the City's development impact fee program.

Legal Requirements (AB 1600 & AB 602) per California law requires that development impact fees bear a "reasonable relationship" (or nexus) between the fee's use, the need for the public facility, and the type of development project. AB 16000 (the Mitigation Fee Act) requires agencies to identify a reasonable relationship (or nexus) between an impact fee and new development, and to make findings regarding (a) the purpose of the fee; (b) what mitigation projects the fee will be

used to fund; (c) the nexus between the needed mitigation projects and the type of development that will be charged a fee; and (d) the nexus between the amount of the fee and the cost of the needed mitigation.

Additionally, AB 602 (effective 2022) mandates that residential fees be proportionate to the square footage of the proposed unit. The City recently adopted its Capital Improvement Plan, and it remains current.

The 2026 Nexus Study calculates fees for five specific categories:

- Police Facilities: Funds stations, vehicles, and equipment.
- General City Facilities: Consolidates the former Historical, City Hall, and Corporation Yard fees into a single streamlined category.
- Parks and Recreation: Funds parkland acquisition and improvements.
- Transportation: Funds roadway capacity, intersections, and circulation improvements.
- Drainage (New): A new component to address storm drainage infrastructure needs directly related to future development, calculated based on impervious surface area.

DISCUSSION:

The Nexus Study establishes the maximum supportable fee—the legal upper limit the City can charge based on the cost of facilities attributable to new growth. This maximum is derived from numerous assumptions about future growth rates, facility costs, and service standards.

The City Council has the discretion to adopt fees *at* this level or *below* it based on policy considerations. The maximum supportable fee does not mandate the fee that *must* be adopted, but rather sets a ceiling under State law.

Reasons the Council May Consider Lower Fees:

- Legal Justification & Modeling Uncertainty: Nexus studies rely on complex economic modeling and long-term assumptions regarding construction costs, land values, and population growth. While AB 1600 does not require absolute precision, fees may not exceed the reasonable cost of facilities attributable to new development. For policy and feasibility reasons, local agencies often adopt fees below the maximum justified level identified in a nexus study. Doing so provides flexibility to account for market conditions, housing affordability considerations, and the inherent uncertainty in long-range projections, while maintaining compliance with the reasonable relationship requirements of Government Code section 66001.
- Encouraging Development: Setting fees below the maximum can incentivize residential and commercial development rather than deterring it. High upfront costs can stall projects before they break ground. Economic Development continues to be a priority of the Council.

- **Housing Affordability:** AB 602 requires that impact fee nexus studies evaluate the potential effects of proposed fee levels on housing feasibility and affordability. While AB 602 does not mandate adoption of fees below the maximum justified level, it expressly contemplates that jurisdictions may consider alternative fee scenarios, phased implementation, or reduced fee levels to avoid unnecessarily constraining housing production. Adopting a fee below the maximum justified amount may therefore reflect a policy determination informed by housing feasibility analysis, rather than a deficiency in the underlying nexus or proportionality of the fee. Lower fees help reduce the overall cost of new housing construction, which is critical in maintaining affordability for residents. The addition of the Drainage fee and the increase in Transportation fees raise the total burden on a standard single-family home by approximately \$10,000.
- **Economic Competitiveness:** The commercial transportation fee is projected to rise significantly (e.g., \$25.24 per sq. ft. for commercial uses). Keeping fees lower than the maximum helps maintain competitiveness with neighboring jurisdictions that may have lower cost structures.
- **Balancing Public Benefit:** The City may wish to allow flexibility for developers to provide direct community benefits, such as in-lieu land dedication or construction of facilities, instead of paying the full maximum cash fee.
- **Avoiding Overburdening Projects:** The Council must consider whether the full maximum fee makes project financing infeasible. Nexus studies rely on broad economic assumptions, but real-world market conditions may not support the maximum justifiable cost.

It should be noted that by adopting fees below the maximum supportable level, the City will collect less revenue than is modeled to build the identified infrastructure. Any shortfall in fee revenue for growth-related projects must be funded by other sources, such as the General Fund or grants. However, the fee program is based on a long-term General Plan buildout horizon, the City retains the ability to periodically update its Nexus Study and fee program to reflect updated cost data, development patterns, and policy objectives, and to adjust fees as appropriate over time.

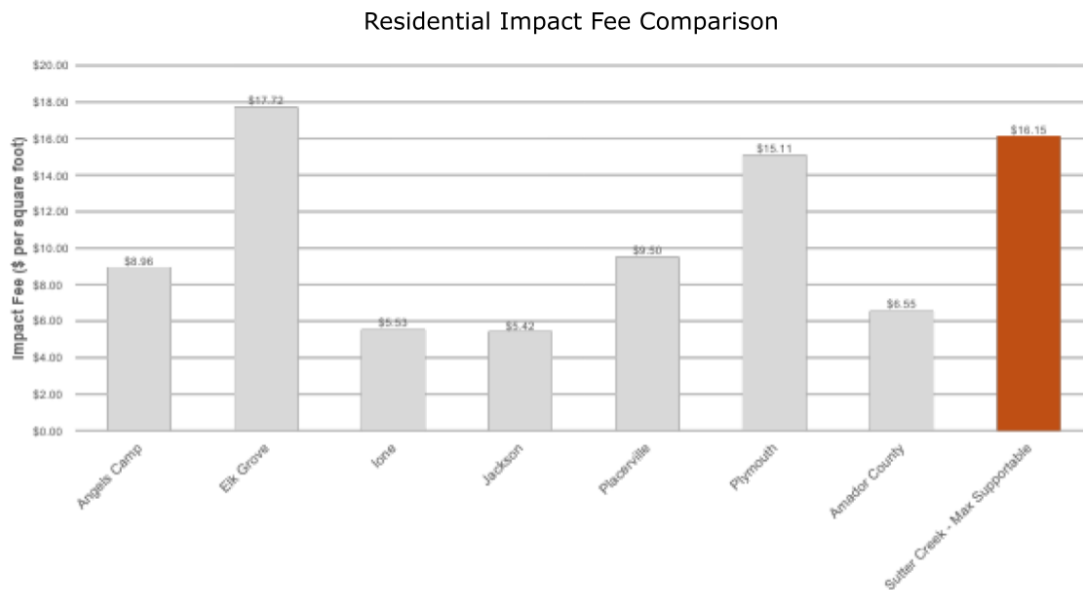
FEE COMPARISON: EXISTING VS. PROPOSED

One way to assess whether the proposed impact fees are appropriate is to compare them with those of neighboring cities. Council should keep in mind that some nearby cities may have lower fees simply because they have not recently updated their nexus studies. With a newly completed nexus study, it is reasonable to expect our fees to be on the higher end, and it is likely that other cities' fees will increase when they conduct their own updates. For comparison purposes, police and city administration fees were last updated in 2005 for the City of Ione, general facilities fees were last updated in 2016 and 2018 for the City of Plymouth and County of Amador, respectively. This is a policy call for the City Council.

Impact fees can also be used as a tool to incentivize specific types of development by adjusting the fees for certain uses, such as particular development types or commercial projects.

Residential Comparison

Looking at residential impact fee rates of nearby cities and Amador County, if we adopt the maximum rate, our combined fee would be higher than all comparable cities other than Elk Grove.

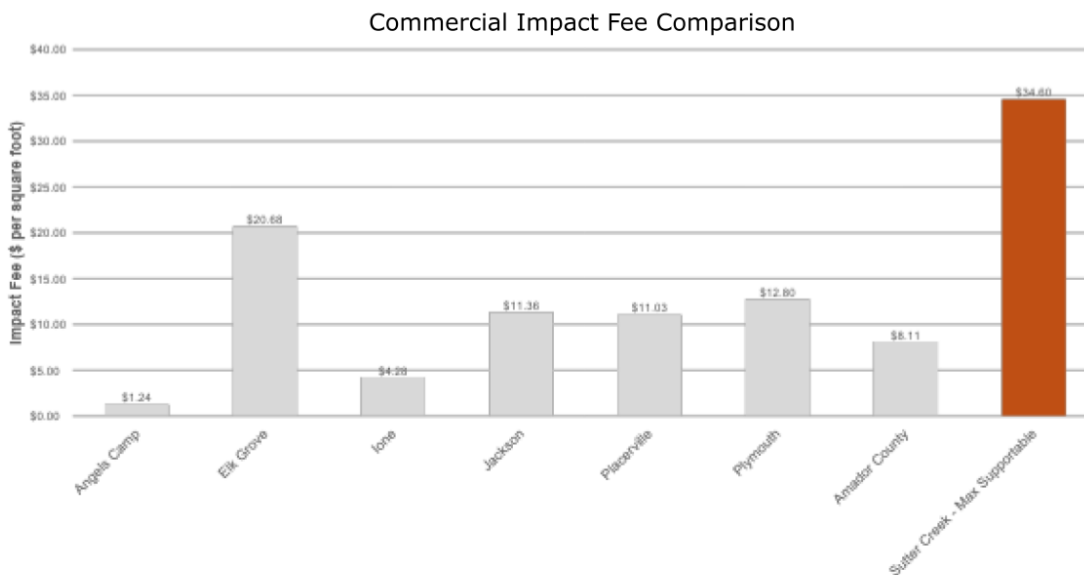


Note: Excludes impact fees for fire, water, wastewater, and school facilities as well as applicable ACRA regional park fees.

Source: Local agency fee schedules; Sutter Creek Capital Facilities Fee Nexus Study

Commercial Comparison

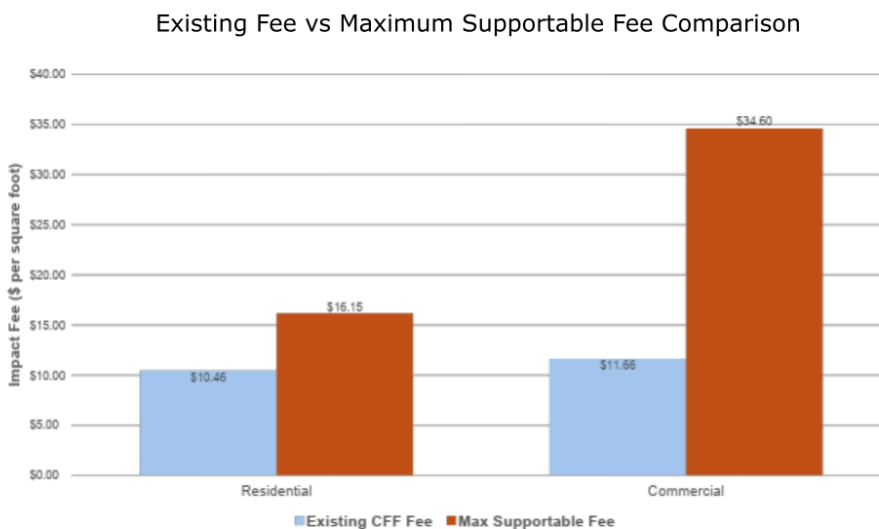
Commercial projects face increases primarily driven by the Transportation fee component, which is calculated based on vehicle trips generated. The new Drainage fee also applies to commercial projects based on impervious surface area. At the max allowable rate we would significantly higher than any other nearby city.



Note: Excludes impact fees for fire, water, wastewater, and school facilities as well as applicable ACRA regional park fees.
 Source: Local agency fee schedules; Sutter Creek Capital Facilities Fee Nexus Study

Overall Comparison

The chart below summarizes the existing fee versus the calculated maximum supportable fee. It highlights the gap between what is currently collected and what the Nexus Study justifies as the actual cost of growth.



Note: Excludes impact fees for fire, water, wastewater, and school facilities as well as applicable ACRA regional park fees.
 Source: City of Sutter Creek CFF Schedule; Sutter Creek Capital Facilities Fee Nexus Study

If the Council sets an overall target level, staff can adjust the individual impact fees accordingly.

Staff recommends setting the target slightly above current impact fee totals and avoiding a significant increase to commercial fees. Staff Suggests:

Residential Impact Fee = \$12 per sq ft

Commercial, Office Impact Fee = \$13 per sq ft

Industrial Impact Fee = \$9 per sq ft

Next Steps

If the City Council chooses to move forward to accept the Nexus Study and to establish updated Impact Fees, staff will prepare a public notice for a future meeting at least 30-days out. At the publicly noticed meeting, the City Council can consider adopting the fees. Once adopted, by resolution, the new fees will go into effect 60 days later. The new fee schedule and Nexus Study will be posted to the City's website within 30 days to comply with AB 602 transparency requirements.

BUDGET IMPACT:

Adoption of the Nexus Study updates the City's fee schedule to reflect current construction costs and infrastructure needs.

- Total Capital Improvement Program (CIP) costs for existing development: \$38.5 million
- Costs Allocated to Future Development: \$256.5 million.

The majority of total buildout costs—approximately \$256.5 million—are attributable to future development and are expected to be funded through development impact fees. At full buildout, the Drainage Impact Fee alone is projected to generate approximately \$57 million in revenue, representing a significant funding source for planned infrastructure improvements. The preparation of the attached Nexus Study was paid for by LEAP Grant funding.

ATTACHMENT:

1. Capital Facilities Fee (CFF) Program Nexus Study by Goodwin Consulting Group