



CITY OF BANNING STAFF REPORT

TO: CITY COUNCIL

FROM: Art Vela, Interim City Manager

PREPARED BY: Nate Smith, Deputy Director of Public Works/City Engineer

MEETING DATE: February 24, 2026

SUBJECT: Consider Resolution 2026-24, Making a Finding of Exemption Under CEQA, Approving the Development Impact Fee Study (DIF) Dated January 2026, and Adopting New and Amended Development Impact Fees, and Introducing Ordinance 1616 Amending Chapter 15.68 - Development Impact Fees of the Banning Municipal Code, Including Sections 15.68.040, 15.68.010, 15.68.020, 15.68.030, 15.68.040, 15.68.050, 15.68.060, 15.68.070, and Adding Section 15.68.080 Electric Facilities Development Impact Fees

RECOMMENDATION:

- 1) Determine this action is exempt under CEQA
- 2) Adopt Resolution 2026-24
- 3) Waive further reading, and introduce as read by title only, Ordinance 1616

BACKGROUND:

City Council approved Resolution 2024-92 on June 11th, 2024 that approved a professional services agreement with Matrix Consulting Group LTD for the Comprehensive User Fee and Impact Fee Study. This study would provide an update to both the User Fees assessed by the City of Banning for services provided to the public, as well as updates to the Development Impact Fee (DIF) program. The work was split into the Comprehensive User Fees, which were adopted by City Council on November 12 with Resolution 2025-156, and the Development Impact Fee Update, which is the subject of this public hearing.

The previous development impact fees were adopted with Resolution 2019-112 on September 10, 2019 in accordance with Banning Municipal Code, which was modified with Ordinance 1551 adopted September 24, 2019. The development impact fees have been at the rates set with Resolution 2019-112 since that time.

DIFs are commonly imposed by local agencies on new developments as a precondition in the development application process. Revenues realized from DIF programs serve the primary purpose of funding the cost for public facilities necessary for mitigating the impacts of development projects and assure that new developments pay for their share of costs associated with growth. Data is used from various sources from the state, region, and City to determine growth patterns and expected development. This information is provided in greater detail in the draft DIF report. DIFs are regulated by Government Code Sections 66000 through 66025, with recent legislation of AB1600, which requires a reasonable relationship (“nexus”) between the collection of fees and the development within the City’s jurisdiction. AB602 has additional requirements that requires the adoption of a nexus study prior to

adoption of the fees, that fees be proportional, and that nexus studies must be updated every 8 years. Greater detail on the legal authority and requirements are provided in the DIF Report.

The City currently imposes DIF on Fire, General Facilities, Parks, Police, Traffic, Wastewater, and Water. A new DIF category is proposed for Electric services. The City Council adopted a Cost of Service and Rate Study for the Electric Utility in September 2025 (NewGen Strategies and Solutions, LLC) that included a capital component to the study. This report assessed the study to determine if it met the requirements set by the State to implement a DIF and determined that it does. The DIF Study identified that there is a discrepancy between the current DIF and the DIF that is necessary to implement the capital plans that are included with this study. As such, the DIF is proposed to be increased to the maximum justifiable amount for each development category. There are a couple of cases where the DIF is proposed to decrease slightly based on the new study. DIF is assessed on all new development.

The proposed DIF is located in Exhibit A of Resolution 2026-24.

This DIF study identifies the maximum justifiable fee that can be charged to the 5 development categories (Single Family Residential, Multi-Family Residential, General Commercial, Office, Industrial) for each DIF service (Electric, Fire, General Facilities, Parks, Police, Traffic, Wastewater, Water). The City Council has the authority to adopt the rates as presented, or make reductions to the rates proposed in the study. In no case, can the City Council adopt rates greater than what is presented in the DIF study.

If a reduced rate is desired, that means that the service area collecting the DIF would require some form of subsidy to fund the capital and equipment cost components to 100%. This could be through other City funds, state funds, federal funds, grants, etc., or deferment of improvements contemplated in the DIF. These are policy decisions to be made by the City Council.

The current DIF ordinance does allow for the adjustment on DIF on an annual basis based on CPI-U for the Riverside/San Bernardino/Ontario region, however, the DIF has not been adjusted since its adoption in 2019. Moving forward, City Staff will apply the appropriate adjustment in the DIF effective July 1 of each year, starting on July 1, 2027.

JUSTIFICATION:

The DIF Study prepared by Matrix Consulting contains the maximum justifiable DAF for each of the DIF categories (Electric, Fire, General Facilities, Parks, Police, Traffic, Wastewater, Water). The California Housing and Community Development Department outlines three typical methodologies for calculating impact fees: The existing inventory method, the planned facility method, and the system plan method (a hybrid of existing plan planned methods). This analysis used the mode widely accepted and recognized 'system plan method' to calculate the fees. Detail of this methodology is included in the attached DIF Study.

AB602 requires that the City's DIF be evaluated every 8 years. The last update in the City of Banning was 2019, and this action would be consistent with the statutory requirements.

A public workshop was held on January 17, 2026 to introduce the topic for City Council. This was an information item only, no official action was taken.

A second City Council discussion item occurred on February 10, 2026 to review rates and provide an analysis on the comparison to our neighbor. After this meeting, City staff conferred with Matrix Consulting to review comments received prior to the discussion item. This was an information item only, no official action was taken.

A public hearing notice was published on Friday, February 13, 2026 in the Record Gazette.

FISCAL IMPACT:

The update to the City's DIF program will provide the necessary revenue to fund the capital project

described in the DIF studies in order to mitigate the impacts of new development and keep the City's level of service for electric facilities, fire protection, general facilities, parks, police, traffic, wastewater, and water systems at a satisfactory level.

ALTERNATIVES:

1. Approve as recommended
2. Provide alternate direction to staff
3. Continue discussion to the March 10, 2026 City Council Meeting
4. Do not approve as recommended

BUDGETED?:

No

CONTRACT/AGREEMENT:

No

ATTACHMENTS:

1. [Resolution 2026-24 - DIF Update.pdf](#)
2. [Resolution 2026-24 Exhibit A - 2026 DIF Schedule.pdf](#)
3. [Resolution 2026-24 Exhibit B - DIF Study Final Report.pdf](#)
4. [ORD NO 1616.pdf](#)
5. [ORD NO 1616 Exhibit A - Chapter 15.68 DEVELOPMENT IMPACT FEES \(Redline\).pdf](#)
6. [2019 Current DIF Table.pdf](#)
7. [2026 DIF Comparison.pdf](#)
8. [2026_0210 BIA Comment Letter.pdf](#)
9. [2026_0218 BIA DIF Response Letter.pdf](#)
10. [PHN ORD 1616.pdf](#)
11. [PHN Affidavit - DIF.pdf](#)