



## CITY OF BANNING STAFF REPORT

**TO:** CITY COUNCIL

**FROM:** Arturo Vela, Interim City Manager

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

**MEETING DATE:** January 13, 2026

**SUBJECT:** Review of the Proposed Updates to the City of Banning Development Impact Fees

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### **RECOMMENDATION:**

Provide direction to staff and the City's consultant

### **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 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 workshop.

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.

Development impact fees are regulated in the state by 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 draft DIF Report.

DIF is assessed on new development for the projected impact that new development will place on the jurisdiction. 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. 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 report 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. There are some Development Agreements in effect that limit what DIF is charged and when DIF can be updated. Two of the significant projects are as follows:

- Atwell
  - Exclusion of some DIF categories
  - Limitations on when DIF can be adjusted
- Rancho San Geronio
  - Exclusion of some DIF categories
  - Limitation on when DIF can be adjusted
  - Limitation on the maximum adjustment of DIF

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 was not adjusted since its adoption in 2019. As the Atwell development is the primary generator of DIF, and the DA for that project does not permit annual increases. In order to keep a single table of fees applicable to the entire city, the DIF was not updated annually. This practice can take place moving forward with Council direction, but does create separate DIF rates for other developments in the City.

The calculated CPI-U adjustment between July 2019 and July 2025 is 30.14%. If those fees would have been implemented, the percentage increase considered tonight would be lessened. In considering sample projects, all projects saw an increase in DIF ranging from 39% to 95% (based on the CPI-U adjusted DIF values). The major changes are in the Water and Wastewater DIF, where projects in the CIP have seen cost increases that outpace the CPI-U indexes reflected in the updated DIF. The other component is the switch of the Wastewater and Traffic DIF from a fixed cost per EDU and Landuse to a per Square Foot cost as required to comply with AB602. In some instances, the DIF was increased, and others decreased in these categories.

For single family residential, the previous DIF had an inverse relationship between purchase price and amount of DIF paid, meaning the larger the home, the smaller the percentage of DIF of the purchase price. AB602 requires proportionality in DIF assessments, and the updated methodology charges nearly equal DIF as a percentage of the purchase price of the home, meeting the intent on AB602.

This DIF report 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 (Police, Fire, Parks, General Facilities, Wastewater, Water, Traffic, Electric). 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.

Matrix Consulting and City staff are looking for direction and/or concurrence on the draft findings presented in the report. Those comments will be incorporated in the final document. Staff anticipates bringing the DIF Report to the January 27th Regular Meeting of the City Council as a Public Hearing item, but that date is subject to change based on City Council's input and direction from Council.

**JUSTIFICATION:**

The current DIF was established in 2019 and have not been adjusted since that time. It is necessary from time to time to update the DIF to maintain compliance with State Law and reflect changes in the capital projects and costs included with the DIF.

**FISCAL IMPACT:**

None at this time. Fiscal impact will depend on direction received from City Council and more detail will

be provided at the Public Hearing on January 27th.

**ALTERNATIVES:**

n/a

**BUDGETED?:**

No

**CONTRACT/AGREEMENT:**

No

**ATTACHMENTS:**

1. [DRAFT DIF Study Final Report.pdf](#)
2. [CC Resolution No. 2019-112.pdf](#)
3. [Ordinance No. 1551.pdf](#)