Agenda Item No: 2.f

PLACENTIA CITY COUNCIL AGENDA REPORT

Meeting Date: April 21, 2026

Submitted by: Joe Lambert

From: Development Services

Subject:

UPDATE REGARDING CITYWIDE DEVELOPMENT IMPACT FEES, TRANSIT ORIENTED DEVELOPMENT PACKINGHOUSE DISTRICT DEVELOPMENT IMPACT FEES, AND AFFORDABLE HOUSING IMPACT FEES, INCLUDING ADOPTION OF NEW GENERAL GOVERNMENT FACILITIES FEES FOR COST RECOVERY

Financial Impact:

Fiscal Impact:

The adoption of revised development impact fees and residential affordable housing impact fees will not have an immediate impact on revenues to the City as they are effective 60 days subsequent to adoption. These Development Impact Fees are established for cost recovery or statutory purposes only.

Summary:

The City's Development Impact Fees program ("DIF") was first established in the early 1970's when much of the City was undeveloped. The City's costs for infrastructure have significantly increased over that period of time; however, the City's DIFs were not updated regularly to adequately cover said infrastructure costs, thus requiring the General Fund to subsidize infrastructure improvements or, in some cases, the improvements that are not conducted by a developer.

In 2017, to address the aforementioned lack of infrastructure funding citywide, within the newly adopted Transit-Oriented Development (TOD) District, and lack of funds related to implementing the required Housing Element citywide, the City prepared new development impact fee nexus studies ("Studies") for the purpose of updating DIFs. The result was an update to the existing citywide DIF program, creating a TOD DIF program, and creating a Housing Impact Fee program (collectively, "DIFs").

Since 2017, updates to the DIF program have occurred, generally resulting in annual adjustments to the 2017 DIFs, increasing each fees by Construction Cost Index ("CCI") as recommended by the 2017 studies, although there have been years in which annual updates did not occur. In addition to the routine adjustments pursuant to CCI, two specific fees were updated commensurate with actual costs in 2023, the Fire, Police and Animal Shelter fees and the TOD Sewer Impact Fee. One of the City Council directions from the April 16, 2024 annual DIF update was to prepare a new Development Impact Fee Nexus Study Report to update

Citywide Development Impact Fees, TOD Impact Fees and Affordable Housing Impact Fees. DTA, formerly David Taussig & Associates was selected by the City to complete a Nexus Study for this effort. The Nexus Studies were utilized to prepare the recommended revised Development Impact Fee schedule for all Citywide, TOD and Affordable Housing Impact fees. The Nexus Studies also created a new General Government Facilities fee for City Council consideration.

Recommendation:

Recommended Action: It is recommended that the City Council:

1. Open the Public Hearing concerning the Citywide Development Impact Fee Schedule including adoption of new General Government Facilities fees, the Transit-Oriented Development (TOD) Packing House Development Impact Fee Schedule, and the Affordable Housing Impact Fee Schedule; and
2. Receive the Staff report, consider all public testimony, ask questions of Staff; and
3. Close the public hearing; and
4. Find that the recommended actions are exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15061(b)(3), 15273, and 15378(b)(4) of the CEQA Guidelines, Section 21065 of the Public Resources Code, and the City of Placentia Local Guidelines for implementing CEQA; and
5. Adopt Resolution No. R-2026-22, a Resolution of the City Council of the City of Placentia, California, approving updated Development Impact Fees pursuant to Construction Cost Index to financially mitigate impacts to parks and recreational facilities, sewer facilities, transportation infrastructure, storm drain facilities, Quimby in-lieu fees, Public Safety (Fire, Police, Animal Shelter), Streetscape (Transit Oriented Development), and adopting General Government Facilities fees citywide pursuant to the April 2026 Development Impact fee Nexus; adopt a Capital Improvement Plan for the impact fees; and determine that the adoption of the Development Impact Fees and Capital Improvement Plan is exempt from the California Environmental Quality Act; and
6. Adopt Resolution No. R-2026-23, a Resolution of the City Council of the City of Placentia, California, approving updated Affordable Housing Impact fees pursuant to Construction Cost Index for residential and non-residential developments citywide; and determine that the adoption of the Affordable Housing Impact fees is exempt from the California Environmental Quality Act; and
7. Consider first reading of Ordinance No. O-2026-05, an Ordinance of the City Council of the City of Placentia, California, amending Title 5 of the Placentia Municipal Code (schedule of fees) to add Section 5.02.105 “General Government Facilities Fees” establishing a City Facilities Impact Fees as part of the City’s Development Impact Fee Program, and adopting necessary findings for the Establishment of the City Facilities Impact Fees; and
8. Consider first reading of Ordinance No. O-2026-08, an Ordinance of the City Council of the City of Placentia, California, amending Title 5 of the Placentia Municipal Code (Schedule Of Fees) by amending Chapters 5.01 (Fees Set by Resolution), 5.03 (Transit Oriented Development (TOD) Development Impact Fees), 5.12 (Fire Department) and 5.24 (Public Works Department) as part of the City’s Development Impact Fee Program.

Strategic Plan Statement:

This item is consistent with Strategic Goal No. 1 (Fiscal Sustainability), Goal No. 2 (Public Safety) and Goal No. 3 (Infrastructure, Facilities & Public Spaces) as this item will update Development Impact Fees to facilitate cost recovery by requiring new development to pay a fair share of costs for City facilities, including Public Safety centers, parks and recreation

centers. These funds can also be utilized for capital improvement projects including street paving and repair, sewer system and storm drain system upgrades. By doing so, the fiscal sustainability of the City will benefit in that the burden on the City's reserves will be lessened.

Discussion:

BACKGROUND:

DIFs are a commonly used method of collecting a proportional share of funds from new development for infrastructure improvements and/or other public facilities capital improvements that would be needed as a result of the new development. These fees are seen as paying for the aforementioned future required infrastructure costs as opposed to the General Fund and are therefore seen as cost recovery in nature. With rare exceptions, DIFs are one-time funds restricted to funding capital costs for new facilities or upgrades to existing facilities and are not used for annual operations and/or maintenance. Impact fees may only be imposed on new development, and the fee proceeds must be expended on improvements needed as a result of the new development.

Pursuant to the Mitigation Fee Act ("Act"), California Government Code Section 66000, et seq. (also known as AB 1600), adoption of impact fees requires documentation of the "nexus" between the fees being charged, the impacts of new development, the benefit of the facilities needed to mitigate such impacts, and the proportional cost allocation among different fee categories. Impact fee programs must be adopted by the City Council via an ordinance, however, once the program is adopted, the fees could potentially be automatically updated via City Council resolution. Impact fees are imposed either jurisdiction-wide or in a relatively large area anticipating significant amounts of new development, such as a specific plan area or community plan area. In Placentia, we have both citywide (includes affordable housing) impact fees and TOD District specific impact fees.

In 2017, the City prepared development impact fee nexus studies for the purpose of updating DIFs pursuant to California Government Code Section 66000. Three different nexus studies were completed in 2017 and were utilized respectively to adopt the current citywide DIFs, the housing impact fee, and the TOD DIFs. The DIF program that is currently in place was adopted by City Council in October 2017.

In April 2023, two specific fees were updated to commensurate with actual costs. The fees that were specifically updated beyond CCI are the Public Safety Impact Fee (now known as Fire, Police, Animal Shelter fees) and TOD Sewer Impact Fee. Those specific fees were updated beyond CCI because the City performed the "City of Placentia Development Impact Fee Nexus Study" dated April 2023. The balance of all Development Impact Fees were adjusted by CCI .23% as measured from April 2022 to April 2023. An annual DIF update pursuant to CCI also occurred on April 16, 2024.

One of the City Council directions from the April 16, 2024 annual DIF update was to prepare a new Development Impact Fee Nexus Study Report to update both Citywide Development Impact Fees and TOD Impact Fees. DTA completed the Nexus Studies for this effort (Attachments 5, 6 and 7). The Studies were utilized to prepare the recommended revised Development Impact Fee schedule for all citywide and TOD Impact fees.

DISCUSSION:

The existing DIFs include the following fees to be updated:

- Citywide Public Safety Fees: Fire, Police and Animal Shelter

- Citywide Park Fee
- Citywide Quimby Fee
- Citywide Sewer Impact Fee
- Citywide Traffic Impact Fee Program (recommended to be renamed Transportation)
- Storm Drainage Impact Fee Program
- TOD Traffic Impact Fee (recommended to be omitted)
- TOD Sewer Impact Fee
- TOD Streetscape Infrastructure Impact Fee
- Affordable Housing Impact Fee

Proposed new DIF:

- General Government Facilities Fee

As part of the April 16, 2024 annual DIF update, City Council directed Staff to prepare a new Development Impact Fee Nexus Study Report(s) to update Citywide Development Impact Fees, TOD Impact Fees and Affordable Housing Impact Fees. DTA, formerly David Taussig & Associates was selected by the City to complete a Nexus Study for this effort. The Nexus Studies were utilized to prepare the recommended revised Development Impact Fee schedule for all Citywide, TOD and Affordable Housing Impact fees. The Development Impact Fee Justification Study (Nexus Study) also contemplates a new General Government Facilities fee for City Council consideration. This fee would be in place concurrent with the effective dates of Ordinance No. O-2026-05 and Resolution R-2026-22.

In addition, Staff recommends adoption of Ordinance No. O-2026-08. This Ordinance would clean up Title 5 (Schedule of Fees) of the City of Placentia Municipal Code to delete selections that no longer apply, revise the Fire Department to remove references to Orange County Fire, and provide clarification as to fees applicable to Transit Oriented Development.

If new fees are adopted, they will be effective 60 days after adoption. Pursuant to the Placentia Municipal Code, subsequent annual updates will adjust the fees commensurate with the Construction Cost Index (CCI) for Los Angeles as published by the Engineering News-Record from April to April on an annual basis.

Capital Improvement Plan related to DIFs

California Government Code Section 66002 authorizes local agencies to adopt a Capital Improvement Plan (CIP) to finance public facilities or improvements using DIFs. The CIP outlines the location, size, timing, and cost estimates for improvements. It is adopted and updated via a noticed public hearing by City Council. Pursuant to Government Code Section 66002, the CIP as it relates to the DIF provides a structured plan for spending development impact fees on infrastructure projects. The CIP must be adopted by resolution of the governing body (e.g., City Council). The CIP is attached to Resolution R-2026-22 and Staff recommends adopting it concurrent with the revised/updated DIFs.

The CIP as it relates to the DIF program applies to local agencies levying fees for improvements such as public buildings, water systems, sewer facilities, storm drains, transportation, and parks. It is often used in conjunction with the Mitigation Fee Act (AB 1600) which in general, authorizes the City's DIF (Development Impact Fee) program.

Finding that the Capital Improvement Plan related to a Nexus Study for the potential adjustment of various city development impact fees and affordable housing fees is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines 15061(b)

(3), 15273, and 15378(b)(4), and finding that the Capital Improvement Plan related to a Nexus Study for the potential adjustment of various city development impact fees and affordable housing fees conforms to the adopted General Plan and recommending the City Council approve the Capital Improvement Plan (Attachment 1.a.).

Attachments

1.R-2026-22 Citywide DIFs.docx
1.a.R-2026-22 Ex.A CIP DIF.docx
1.b.2026 Citywide DIFs Ex. B.docx
2.R-2026-23 Affordable Housing DIFs.docx
3.O-2026-05 General Government Facilities Fee.docx
4.O-2026-08 Title 5 Amendments.docx
5.Citywide DIF Nexus Study.pdf
6.Affordable Housing DIF Nexus Study (Res).pdf
7.Affordable Housing DIF Nexus Study (Non-Res).pdf