



City of Laguna Hills
City Council/Planning Agency
Staff Report

DATE: December 14, 2021
TO: Mayor and Council Members
FROM: Kenneth H. Rosenfield P.E.
Interim City Manager/Director of Public Services
ISSUE: FY 2020-2021 Development Impact Fees Annual Report

RECOMMENDATION: That the City Council approve FY 2020-2021 Development Impact Fees Annual Report pursuant to California Government Code Section 66006.

SUMMARY:

Pursuant to Section 66006 of the California Government Code, local agencies are authorized to condition approval of development projects on the payment of development impact fees for the purpose of defraying all or a portion of the cost of public facilities related to the development project. Any local agency that imposes a development impact fee is required to make available to the public a summary of each mitigation fee account on an annual basis. At this time, the City imposes three types of development impact fees on development projects – Public Art Fees, Traffic Mitigation Fees, and Quimby Act Fees – and pursuant to the aforementioned regulations, it is required to make available for public review a summary of activities for each account.

BACKGROUND:

The Mitigation Fee Act, as provided for in Section 66006 of the California Government Code, regulates the means by which public agencies collect, maintain, and spend development impact fees imposed on development projects. The regulations include specific requirements pertaining to governmental accounting, spending, and annual reporting of development impact fees. Each year, within the first 180 days following the previous fiscal year, the City is required to make available to the public a summary of each mitigation fee account (“Annual Report”). Moreover, after a 15-day public review

period, the City is required to review the Annual Report in a public meeting.

Reporting Requirements

The City imposes three types of development impact fees on development projects: Public Art Fees, Traffic Mitigation Fees, and Quimby Act Fees. Accordingly, as required in the Mitigation Fee Act, the City must make available its Annual Report which includes:

- 1) A brief description of the type of fee in the account or fund;
- 2) The amount of the fee;
- 3) The beginning and ending balance of the account or fund;
- 4) The amount of the fees collected and interest earned;
- 5) Identification of each public improvement on which fees were expended and the total amount of the expenditures on each improvement, including the total percentage of the cost of the public improvement that was funded with fees.
- 6) An identification of an approximate date by which the construction of the public improvement will commence if the local agency determines that sufficient funds have been collected to complete financing on an incomplete public improvement, and the public improvement remains incomplete;
- 7) A description of each interfund transfer or loan made from the account or fund, including the public improvement on which the transferred or loaned fees will be expended, and, in the case of an interfund loan, the date on which the loan will be repaid, and the rate of interest that the account or fund will receive on the loan; and
- 8) The amount of any refunds made pursuant to Section 66001(e) and the amount of any allocations pursuant to Section 66001(f).

Furthermore, Section 66008 of the Mitigation Fee Act provides that a local agency shall expend a fee for public improvements solely and exclusively for the purpose for which it is collected. The fee may not be levied, collected, or imposed for general revenue purposes.

Summary of Mitigation Fee Activity

No mitigation fees were collected during the fiscal year ending June 30, 2021. However, the Public Art Fees Fund collected \$24.93 in interest earnings, resulting in a total ending fund balance of \$71,972.81. The Traffic Mitigation Fees Fund and the Quimby Act Fees Fund each began and ended the year with a zero balance.

Fifth Year Findings

Section 66001(d) of the Mitigation Fee Act requires the City to make additional findings every fifth fiscal year after an initial deposit for any unexpended amounts – committed or uncommitted – remaining in a mitigation fee account. The existing funds in the Public Art Fees Fund were initially deposited on October 7, 2017, and both the Traffic Mitigation Fees Fund and Quimby Act Fees Fund have zero balances. Consequently, the City is not required to make fifth year findings at this time.

The Annual Report (attached as “**Exhibit A**”) was made available for public review at the City Clerk’s Office on November 30, 2021, satisfying the 15-day public review period as required by the Mitigation Fee Act. In addition, the Building Industry Association received an advance copy of the Annual Report on the same date.

ATTACHMENTS:

- Exhibit A - FY 2020-2021 Development Impact Fees Annual Report

**FISCAL YEAR 2020-2021
DEVELOPMENT IMPACT FEES ANNUAL REPORT**

The Laguna Hills City Council has adopted three types of development impact fees that it imposes on development projects: Public Art Fees, Traffic Mitigation Fees, and Quimby Act Fees. Pursuant to the Mitigation Fee Act, as provided in Section 66006 of the California Government Code, the City is required to make available for public review a summary of its development impact fees.

Type of Mitigation Fee

The City imposes three types of development impact fees:

- *Public Art Fees*: This fee provides funding for Public Art throughout the Urban Village, thereby enhancing the cultural and aesthetic environment of the City and to encourage creativity, education, and the appreciation of the arts.
- *Traffic Mitigation Fees*: This fee provides funding for additional or improved traffic signal, operation, and infrastructure improvements for which the need is generated by new development within the Urban Village.
- *Quimby Act Fees*: This fee provides funding for additional or improved park and/or recreation facilities improvements for which the need is generated by new development within the City.

Amount of Fee

The amounts of the development impact fees are described below:

- *Public Art Fees*: The minimum amount for the public art component or in-lieu fees shall be required of all new developments with a total construction cost of \$250,000 or more pursuant to the following formula:
 - $TCC \times 0.005 = \text{Value of Public Art of In – Lieu Fee}$
 - $TCC = \text{Total construction costs of the project (permit valuation)}$
 - $0.005 = \text{Minimum value shall be 0.5\% of total construction costs}$
- *Traffic Mitigation Fees*: The fee shall be three thousand nine hundred fourteen dollars (\$3,914.00) per each new PM peak hour trip as determined by the City Engineer based upon a traffic study.
- *Quimby Act Fees*: The amount of land or in-lieu fees to be dedicated shall be determined pursuant to the following formula:
 - $A = \frac{5(DU \times PPD)}{1000}$
 - $\text{In – Lieu Fee} = A \times FMV$

- *A = acres required to be dedicated as parkland*
- *5.0 = Park acreage standard for the City*
- *DU = Number of proposed dwelling units*
- *FMV = Fair Market Value*
- *PPD = # of persons per dwelling unit as applicable for the subdivision and type of dwelling units constructed*

Summary of Mitigation Fee Activity

A summary of each type of mitigation fee for fiscal year ending June 30, 2021, is described below in *Table 1*:

Table 1: Summary of Mitigation Fee Activity for Fiscal Year Ending June 30, 2021

		Public Art Fees	Traffic Mitigation Fees	Quimby Act Fees
REVENUES				
	Fees	\$ -	\$ -	\$ -
	Interest	\$ 24.93	\$ -	\$ -
	Misc. Revenue	\$ -	\$ -	\$ -
	Total Revenue	\$ 24.93	\$ -	\$ -
EXPENDITURES		\$ -	\$ -	\$ -
TRANSFERS IN/OUT		\$ -	\$ -	\$ -
CHANGE IN FUND BALANCE		\$ 24.93		
BEGINNING FUND BALANCE		\$ 71,947.88	\$ -	\$ -
ENDING FUND BALANCE		\$ 71,972.81	\$ -	\$ -

Beginning and Ending Balances of Funds

The beginning and ending balances of each of the fee accounts are shown in the table below. The ending balance was arrived at by adding the fees collected and interest earned to each account, and then subtracting the expenditures.

Table 2 – Beginning and Ending Fund Balance for FY 2020-21

Balances	Public Art Fees	Traffic Mitigation Fees	Quimby Fees
Beginning Balance	\$71,947.88	\$0	\$0
Ending Balance	\$71,972.81	\$0	\$0

The Public Art Fees fund collected \$24.93 in interest earnings and no expenditures for a total ending balance of \$71,972.81. The Traffic Mitigation Fees Fund and the Quimby Act Fees fund had no activity during the fiscal year ending June 30, 2021, and both funds have zero beginning and ending balances.

Fees Collected and Interest Earned

The table below shows the amount of fees collected and interest earned.

Table 3 – Fees Collected and Interest Earned for FY 2020-2021

Balances	Public Art Fees	Traffic Mitigation Fees	Quimby Fees
Fees Collected	\$0	\$0	\$0
Interest Earned	\$24.93	\$0	\$0

Expenditures

For this section, State law requires an identification of each public improvement on which fees were expended and the amount of expenditures on each improvement, including the total percentage of the costs of the public improvement that was funded with fees.

There were no expenditures in FY 2020-2021.

Construction Commencement Date for Incomplete Improvements

Not applicable at this time.

Interfund Transfers and Loans

No interfund transfers were made and no collected fees were loaned to another account in FY 2020-2021.

Amount of Refunds

No refunds of any of these funds were made or required in FY 2020-2021.