



City Council AGENDA REPORT

DATE: 10/26/2023

AGENDA OF: 11/14/2023

DEPARTMENT: Planning & Community Development

SUBJECT: FY 2023 Development Impact Fee Annual Report for Childcare and Public Safety Impact (Police and Fire) Fees (PL)

RECOMMENDATION: Motion to:

- 1) Accept and approve the attached FY 2023 Impact Fee Report for the Childcare and Public Safety Impact Fees; and
- 2) Provide feedback to staff on the potential applicability of the Public Safety Impact Fee to 100 percent affordable housing projects.

BACKGROUND: In April 2021, the City Council adopted the Childcare and Public Safety Impact fees. The fees were effective as of June 26, 2021. California Government Code Section 66006 requires annual reporting requirements for development impact fees to occur within 180 days after the close of the fiscal year and includes specific reporting requirements as more fully described in the Attachment FY 2023 Development Impact Fee Annual Reports.

The statute requires that the City produce a report on the developer impact fees and make it available to the public at least 15 days prior to the regularly scheduled City Council meeting. In addition, for anyone who provided a written request to be notified, the City shall mail them notice of the time and place of the meeting at least 15 days prior to the meeting. Staff has made available the report at the Planning and Community Development Department public counter as of October 27, 2023. The report will remain at the public counter throughout the end of January 2023 for members of the public to view.

DISCUSSION: From July 1, 2022 to June 30, 2023, the Impact Fees collected were:

- **Public Safety Impact Fee – Police Fund (Fund 215):** \$90,627.20
- **Public Safety Impact Fee – Fire Fund (Fund 217):** \$88,557.66
- **Childcare Impact Fee (Fund 218):** \$51,690.67

Childcare Impact Fee Funds Reallocation

Staff received previous City Council direction at the December 13, 2022 City Council Meeting to utilize the funds collected from the Childcare Impact Fee to help fund the pre-development and development costs associated with the childcare facility in the Library and Affordable Housing Project being contemplated for Lot 4 at the northeast corner of Cedar and Cathcart Streets. The Library and Affordable Housing Project is expected to commence at the end of 2024, and funds would be expended in FY 2025.

The Childcare Impact Fee funds collected for FY 2023 totaled \$51,690.67. While this report focuses on FY 2023, the Childcare Impact Fee fund balance also includes revenues from FY 2021 to 2023. As of October 20, 2023, the total Childcare Impact Fee balance is approximately \$78,183. As this report occurs on an annual basis, staff will report back to Council as to the disbursements of the Childcare Impact Fee towards the childcare facility within the Library Affordable Housing Project on at least an annual basis, and Council could direct staff to re-purpose any unencumbered funds as part of those annual reports. After the total amount of fund disbursement to the childcare component of the Library Affordable Housing Project is specified through a future report to and action by the Council, funding would then go towards the previously-identified approach of preparing a childcare facility assessment.

Public Safety Impact Fees Allocation

The Departments of Fire and Police will allocate the Public Safety Impact Fees funds for new fire and police facilities, apparatuses, vehicles, and equipment to adequately serve the residents and employees in new development. Funds will be expended within five years of their receipt.

Exploration of Exemption for Affordable Housing Projects

When the City Council adopted the Childcare and Public Safety Impact fees in April 2021, housing projects that are 100 percent affordable were exempted, as defined in Santa Cruz Municipal Code (SCMC) 18.49.050 and 18.48.050. Affordable housing projects are projects where 100 percent of the units, excluding managers units, within the development are dedicated to lower income households. The affordable units within the development are subject to a recorded affordability restriction for a minimum of fifty-five years or per local inclusionary requirements, whichever is greater.

While those projects are exempt from the public safety impact fees, those projects increase the public safety demands for the Departments of Police and Fire. While the exemption of 100% affordable housing projects has facilitated affordable housing projects through reduction of fees, the developments have not paid impact fees to address the increases in public safety services demanded from the new occupants. The same is true for childcare services, where new affordable housing creates demand for childcare services but does not contribute impact fees towards supplementing childcare services in the community.

As such, City staff would be interested in better understanding whether the City Council has any interest in modifying the exemptions in SCMC 18.49.050 and 18.48.050 such that the Public Safety Impact Fee and/or the Childcare Impact Fee, in whole or in part, would be charged to 100 percent affordable housing projects. The preliminary discussion will inform whether City staff presents Council with potential modifications to the SCMC related to the current Public Safety Impact Fee and Childcare Impact Fee exemptions for 100% affordable housing projects.

HEALTH IN ALL POLICIES (HiAP): The proposed fees are consistent with the Health in All Policies pillars of equity, public health, and sustainability in that they will assist the City in dedicating funding towards public safety, childcare, and, through achievement of greater fiscal sustainability, broader equity, public health, and sustainability efforts.

FISCAL IMPACT: The preparation of this report has no fiscal impact to the General Fund. The Public Safety Impact Fees directly offset what would otherwise be General Fund expenditures. The Childcare Impact Fee could reduce costs that the City would need to seek through grants or could provide matching funds towards grants that the City would seek in providing funding for the larger Library Affordable Housing Project, though funds from the Childcare Impact Fee would only go towards the childcare facility component of the project. Future Childcare Impact Fee funding is expected to first go to a needs assessment study, and based on the results of that study, Council would provide direction on use of the funds.

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ATTACHMENT:

- 1) FY 2023 Development Impact Fee Annual Reports for Childcare Impact Fee and Citywide Public Safety Impact Fee (Police & Fire) Ending June 30, 2023

(Also posted on <https://www.cityofsantacruz.com/government/city-departments/staff-reports-memos> in compliance with Government Code Sec. 66006(a).)