



MEMORANDUM
Community Development

DATE: April 16, 2025

TO: John R. Gillison, City Manager

FROM: Matthew R. Burris, Deputy City Manager – Community Development

BY: Jason C. Welday, Director of Engineering Services/City Engineer
Zack Neighbors, Director of Building and Safety

SUBJECT: **2025 DEVELOPMENT IMPACT FEE PROGRAM UPDATE
COMMENT LETTERS FROM BUILDING INDUSTRY OF SOUTHERN
CALIFORNIA; DESERT VALLEY BUILDERS ASSOCIATION;
DEVELOPMENT PLANNING AND FINANCE GROUP; AND LLG
ENGINEERS**

On Thursday February 27, 2025, the City released drafts of the nexus studies prepared by NBS (Non-Transportation DIFs) and Fehr & Peers (Transportation DIF), proposed fee schedules for each DIF program, and the proposed Major Projects Program (CIP) amendment for the DIF programs as part of the 2025 Development Impact Fee (DIF) Program update process. In addition to statutory noticing in the Daily Bulletin, parties that had requested notification of fee updates were notified of the availability of the released drafts.

The City has received letters from the following interested parties:

- Desert Valley Builders Association dated (Non-Transportation) March 13, 2025 (**DVBA-NT**)
- Desert Valley Builders Association (Transportation) dated March 13, 2025 (**DVBA-T**)
- Building Industry Association of Southern California dated March 17, 2025 (**BIA**)
- Development Planning & Finance Group (Non-Transportation) dated March 17, 2025 (**DFPG-NT**)
- Development Planning & Finance Group (Transportation) dated March 17, 2025 (**DPFG-T**)
- LLG Engineers dated March 17, 2025 (**LLG**)

The comment letters designated DPFG-NT, DPFT-T, and LLG were submitted on behalf of the BIA. This memorandum provides a response to the comments and questions raised in these letters. Since several topics overlap between the comment letters, staff has grouped comments into categories to aid in providing a clear and concise response.

Non-Transportation

Request for Annual Nexus Study and Public Hearing Prior to Indexed Increases (DVBA-NT)

The commentator states that “a fee study update, summary, and staff report should be provided prior to the public hearing to adopt the [annual indexed] fee increase” to show that the increased fee will not exceed the cost to provide infrastructure through the program. Staff has evaluated this request and determined that preparation and adoption of an annual nexus study is not required

by the Mitigation Fee Act (MFA), as modified by AB 602. The MFA requires the preparation and adoption of updated nexus studies at least every 8 years and permits indexed increases that are included with the program and fee approvals. Further, annual preparation and adoption of nexus studies would consume limited staff and financial resources resulting in increased program administration costs not required by State law.

Request to Eliminate Park Land Acquisition DIF Based on Existing Unimproved Park Land Inventory (BIA; DPGF-NT)

The commentor states that the City's current unimproved Park Land Inventory is sufficient to serve future park land needs based on the anticipated number of units to be developed. Staff has performed an extensive analysis of the City's existing park land inventory to determine the existing level of service based on improved park land area and to determine the current inventory of unimproved park land in inventory. Following receipt of this comment, staff further evaluated its inventory of improved and unimproved land to verify the acreage needed to serve future development. As a result of this evaluation, and to address this comment's request, the following revisions have been made:

1) Of the 23.59 acres of unimproved land at Etiwanda Creek Park, 8 acres are intended for future park improvement. The remaining 15.59 acres are needed for on-site mitigation and are not available for future park use. Therefore, 15.59 acres have been deducted from the total available acres at Etiwanda Creek. The remaining 8 acres of land available for future park use have been deducted from the amount of park acres needed to maintain the existing level of service.

2) The 9/11 Memorial Park is under construction and is expected to be completed this summer. Therefore, this 1.4-acre park will be treated as improved parkland and is deducted from the amount of park acres needed to maintain the existing level of service.

3) As noted in the comment below, 26 acres of land within the boundary of Central Park that are not intended for improved park purposes have already been removed from the inventory of total parkland acreage. The remaining 38.61 acres of unimproved land at Central Park is deducted from the amount of park acres needed to maintain the existing level of service.

Based on the foregoing revisions, a total of 46.61 acres of available parkland has been deducted from the amount of park acres needed to maintain the existing level of service. The park acquisition fee will be revised accordingly to account for the City's existing inventory of land that is planned for future park use.

Request to Include 26 Acres of Land at Central Park Designated as "Non-Public" in the Existing Unimproved Park Land Inventory (BIA; DPGF-NT)

The commentor states that the exclusion of approximately 26 acres of land within the boundary of Central Park from the Existing Park Land Inventory is arbitrary as the "land was dedicated for public purposes". The commentor also suggests that since the vineyard lease of approximately 9 acres is not permanent, the leased land should be considered in the existing land inventory. Staff reviewed the history surrounding the acquisition of Central Park as well as the latest Central Park Master Plan in preparation of the inventory. It should be noted that the land for Central Park was purchased by the City using discretionary funds, and not Park Development funds, and is restricted to *both* "public park purposes or ancillary commercial purposes." Further, the sale of the property anticipated the inclusion of some uses not necessarily considered park uses. The purchase and gift agreement by which the City acquired the land indicated that the land would be

used for park and other ancillary commercial uses. The existing improvements and the Central Park Master Plan include uses such as the City's Senior and Community Center and land set aside for non-park uses such as the recent viticulture lease and public private partnerships that provide public services and benefits other than park infrastructure. In fact, since the beginning, the Central Park Master Plans have consistently included some public, but non-traditional park uses. With respect to the vineyard lease, the Central Park Master Plan has designated this area (and the boundary was subsequently determined by a survey of the existing vines) for viticulture purposes with a goal of perpetuating the City's viticulture heritage for future generations (Central Park Master Plan, 2018, p. 47). Thus, it is not anticipated to revert to park use during the life of the DIF Program. Ultimately, the land excluded from the inventory consists of various non-park uses and thus has been correctly excluded from the land available for future park development. However, it should be noted that 38.61 acres of land within Central Park remains available and planned for park uses and has been deducted from the amount of land needed to maintain the existing level of service.

Request to Deduct \$26M of Existing DIF Fund Balance from Non-Transportation DIF Program Costs (BIA)

Citing the Transportation Nexus Study prepared by F&P, the commentor states that the existing fund balance for the Non-Transportation DIFs should account for a deduction of \$26M from the program costs. Staff has reviewed this request and notes a fundamental difference between the Transportation and Non-Transportation DIF programs. There are several methods to evaluate and determine the costs of facilities for Nexus Studies. The Transportation DIF Program is based on a list of infrastructure improvements identified to address impacts of new development. Many of these projects were included in the last program nexus study and remain incomplete or in process. The fund balance credit provided in the Fehr & Peers nexus study represents prior development's share of these improvements. In contrast, the Non-Transportation DIF Program is based on maintenance of the existing level of service which by definition limits the fees collected to the share of the need for future infrastructure improvements attributable to new development and thus providing the requested credit would utilize fees collected from prior development to inappropriately subsidize future development, or in essence, receive double credit.

Request to Provide Documentation of Park Improvement Cost Estimate (BIA; DPGF-NT)

The commentor questions the validity of the cost for park improvements of \$989,000 included in the NBS nexus study for the Park Improvement DIF. This per acre estimate is based on the cost for construction of the Central Park Dog Park, the City's latest and most local park project. Bids for this project were received in mid-2022 and the park was completed in late 2023. Although the original amount to construct the Dog Park was 989,000, as reflected in the NBS Nexus Study, the City updated the estimate after further review. Underground utilities which were oversized to accommodate subsequent development were removed from the park estimate resulting in a reduced construction cost of \$750,000. A public restroom for which bids were received but never utilized due to funding limitations was included resulting in an increase to \$820,000. The cost included in the nexus study was then escalated to account for subsequent increases in construction costs since bids were received, resulting in a final cost of \$850,000.

Even after these adjustments, the City's reliance on the actual Dog Park construction cost reflects a conservative approach to estimating the cost of park improvements. Importantly, the Dog Park does not include ancillary structures typical of a park facility including playgrounds, play equipment with shade shelters, concession stands, basketball courts, additional sports lighting and storage buildings. Therefore, the actual cost for park improvements in the future,

will likely be higher than estimated in the nexus study when these structures need to be included and are accounted for in future projects. With the recent tariffs, builders are seeing further increases in lumber, steel, aluminum, copper and other materials used in park construction. Those costs are unlikely to go down in the future. Further, NBS has noted that they have observed costs approaching \$1M per acre not unusual in recent years.

Request to Reduce the Community Center DIF Program Cost by the Value of 1.75 Acres of Land and \$11M in Funding for the Joint Use Public Facility (BIA; DPFG-NT)

The commentor references a Development Agreement (DA) requirement for the developer of The Resort to dedicate 1.75 acres and up to \$11M toward construction of the Joint Use Public Facility (JUPF) in The Resort. They request that the value of this land and funding be deducted from the program cost for the Community Center DIF. Staff has reviewed the requested reduction and disagrees that the future dedication and funding must be included in the nexus study based on the contingent nature of the dedication and because the \$11M in funding is paid for with Police, Library, and Community and Recreation Center DIFs. The DA requires the developer to dedicate the land for the JUPF and pay a differential cost of construction of the facility up to \$11M (adjusted upward annually based on inflation), less amounts paid to the City as Police, Library, and Community and Recreation Center DIFs, upon the issuance of the 2,000th building permit for The Resort along with construction of a minimum amount of non-residential square footage in The Resort South Mixed Use Zone. Further, the City is required to track the amount of DIFs (Park, Community & Recreation Center, Police, Library DIFs) within two zones within and surrounding The Resort as a reduction for the final amount owed by the developer. The 2,000th building permit has not been requested or issued, the non-residential space has not been constructed, and it is unknown if this threshold will ever be reached or what amount beyond the fees collected to that point will be required to supplement the payment. Further, the terms of the DA are a negotiated agreement specific to the development within The Resort with consideration to be received by both parties and were not delineated for and should not be considered as a contribution directly to the DIF Programs. Finally, an argument could be made that if the land and an estimated contribution beyond collected fees at the time of the 2,000th building permit were to be considered in the nexus study, it would likely result in an increase in the level of service for each affected program (as it would necessarily need to be considered as an existing condition for inclusion). Thus, a two-party agreement would result in an inappropriate increase in fees to be assessed to all future development.

Request for Clarity on the Process for Determining Credits for Facilities Provided by Development (DPFG-NT)

The commentor has requested clarity on the process by which the City would provide credits against Non-Transportation DIFs assessed on development where facilities are included as part of the associated project since these programs do not include a list of projects. The nexus study prepared by NBS recognizes the potential for this scenario and provides the following:

Further, the City has long recognized that for some development projects there is mutual benefit for the developer to construct public improvements or dedicate land that are part of the impact fee program's list of capital projects. In accordance with the applicable provisions of the Rancho Cucamonga Municipal Code and other laws, the developer may be eligible for a credit against the amount of the relevant impact fee for the cost of the improvement or value of the land dedicated when the development impact fee is calculated. In order to ensure the sustainability and equity of the program, such credits are equal to the estimated value of the

improvements and/or dedicated land as outlined in the nexus study, as adjusted and in effect as of the date the fees are calculated. (NBS, 2025, p. 1-10)

The Rancho Cucamonga Municipal Code provides that in the event that a development project is found to have no impact on facilities for which impact fees are charged, such project must be exempted from the fees. Further, for the Park Impact Fees, the proposed ordinance provides that in the event that a development project is found to have no impact on facilities for which impact fees are charged or in the event that a development project provides park land and/or improvements that would otherwise be procured by Park Impact Fees, such project must be exempted in whole or in part from the fees. Thus, if a project provides facilities that offset the impact of the project, the City will provide a credit against/ exemption from DIF fees owed relative to the extent of facilities provided or contributed.

As part of the typical development entitlement process, conditions of approval are developed. Conditions of approval that require a developer to provide public infrastructure improvements or land dedication that furthers the goals of the various Non-Transportation DIF Programs as determined by the City Engineer, the condition will include a right for credit or reimbursement (as appropriate) at the ratio of the estimated program cost for the infrastructure or land acquisition as listed in the most recent nexus study (including indexed increases) in place at the time the fees are paid or infrastructure permits are issued. Should the developer disagree with a determination of the City Engineer, the developer may request review by the City Manager prior to the end of the appeal period for the affected entitlements for consideration to modify the condition as appropriate under the authority granted to the City Planner in Rancho Cucamonga Municipal Code Section 17.14.100.

Request for Clarity on a Potential Overlap Between the Park Improvement and Community & Recreation Center DIFs (DPFG-NT)

The comments suggests that an overlap may be present when considering the estimated \$989,000 per acre park improvement cost. Staff has confirmed that no overlap is present. As mentioned above, the per acre estimated cost for improvement of park land is based on the recent development of the Central Park Dog Park Project which did not include the cost of the land purchase that took place in the 1980s. Further, the cost estimate did not include ancillary structures typical of a park facility including restrooms, concession stands, and storage buildings. Therefore, in addition to the determination of no overlap, the actual cost for park improvements will likely be higher than estimated in the nexus study when these structures need to be included and are accounted for in future projects.

Request to Reduce the Fire Impact DIF Program Cost Using Funding from the EIFD (DPFG-NT)

The commentor is requesting that the program cost for the Fire Impact DIF be reduced based on funding generated through the City's Enhanced Infrastructure Financing District (EIFD). The EIFD was formed in 2022 to provide enhanced infrastructure needed to serve future residents and businesses in the central area of the City. Potential priority projects for funding including parking infrastructure and related improvements between Haven Avenue and Day Creek Boulevard along the Foothill Corridor along with Transportation Connectivity Improvements linking Cucamonga Station and Haven / Arrow focus area. Based on the funding plan adopted for the EIFD, infrastructure included under the proposed DIFs would be ineligible to be funded from the district's proceeds as the funding is set aside solely for specific transit and parking related infrastructure.

Further, an evaluation funding capacity for the EIFD indicates that expansion of the planned list of eligible projects is infeasible to cover the requested offset of DIF Program costs.

ATTACHMENTS

Desert Valley Builders Association (Non-Transportation) dated March 13, 2025
Desert Valley Builders Association (Transportation) dated March 25, 2025
Building Industry Association of Southern California dated March 17, 2025
Development Planning & Finance Group (Non-Transportation) dated March 17, 2025
Development Planning & Finance Group (Transportation) dated March 17, 2025
LLG Engineers dated March 17, 2025.