77 Fair Drive
Costa Mesa, CA 92626

CITY OF COSTA MESA

Agenda Report

File #: 25-582 **Meeting Date:** 12/2/2025

TITLE:

PUBLIC HEARING REGARDING THE DEVELOPMENT IMPACT FEES ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2025, AND THE TRAFFIC IMPACT FEE ANALYSIS

DEPARTMENT: **FINANCE AND PUBLIC WORKS DEPARTMENT**

PRESENTED BY: **CAROL MOLINA, FINANCE DIRECTOR / RAJA SETHURAMAN, PUBLIC WORKS DIRECTOR**

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RECOMMENDATION:

Staff recommends the City Council:

1. Receive and file the Development Impact Fees Annual Report (Attachment 1) for the Fiscal Year ended June 30, 2025.

2. Adopt resolution (Attachment 2) continuing the citywide traffic impact fee for new development that incorporates recommendations from the Traffic Impact Fee Ad Hoc Committee and staff, which include:

   - Adopt a traffic impact fee of $231 per Average Daily Trip (ADT) based on the Capital Improvement Projects in Attachment 4 and Active Transportation projects in the adopted Active Transportation Plan (ATP).
   - Approve allocation of up to ten percent (10%) of traffic impact fees towards traffic signal synchronization projects.
   - Approve a five percent (5%) reduction in automobile trips as a result of ATP implementation and an additional five percent (5%) reduction in automobile trips for developments proposing to implement active transportation improvements beyond typical development requirements.

BACKGROUND:

Pursuant to the Mitigation Fee Act (California Government Code Sections 66001 through 66009), the City Council established certain Development Impact Fees (DIFs) that must be paid by developers of property to help offset some (or all) of the cost of public facilities related to the development project. The DIFs are for Park Development Impact Fees, Drainage Impact Fees, Traffic Impact Fees, and

Fire Systems Development Fees. The Mitigation Fee Act requires that City Council approve an annual report that provides information about the DIFs. These fees are required to be deposited into their own separate accounts or funds. The law also requires that certain findings be made in association with accumulated DIFs after the deposit into their respective account or fund.

ANALYSIS:

Reporting requirements under California Government Code 66006 specify that the City must prepare annual reports of Development Impact Fees within 180 days of the close of the fiscal year.

The reports must describe the fee, the amount of the fees collected, interest earned, and identification of any expenditures from those funds. The code also specifies that reports must be reviewed by the City Council at a regularly scheduled meeting not less than 15 days following release to the public. The FY2025-25 Development Impact Fee Annual Report was released for public review on November 17, 2025.

The FY 2024-25 Development Impact Fee Annual Report is attached for City Council's review and approval (Attachment 1). A summary of the fees collected, and expenditures incurred in FY 2024-25 are included in the Financial Summary Report section.

Staff recommends that the City Council receive and file this Annual Report. Staff also requests the adoption of the attached resolution (Attachment 2), continuing the citywide traffic impact fee for new development in the City. The resolution incorporates the recommendations from the Traffic Impact Fee Ad Hoc Committee and staff.

Traffic Impact Fee Ad Hoc Committee - Annual Review

The Traffic Impact Fee Ad Hoc Committee and staff met twice on October 9, 2025, and October 30, 2025, to review the traffic impact fee program and calculation. Recently completed projects, consideration of active transportation projects, and the available traffic impact fee fund balance were accounted for in this review.

Attachment 4 provides the calculation of the traffic impact fee of $231 per Average Daily Trip (ADT) based on a revised list of capital improvement projects and the inclusion of Active Transportation projects. The Committee deliberated on the option to continue the current traffic impact fee of $228 per ADT or to modify the traffic impact fee to $231 per ADT. The discussion focused on the current balance of traffic impact fee fund, which is adequate to fund projects over the next two to three years, and the upcoming study to review traffic impact fees, taking into account future housing development as part of rezoning to meet state goals.

In response to public comment received, the Committee also discussed the eligibility of the traffic impact fee program for Active Transportation projects, reporting procedures, 1993 Ordinance requirements and consistency with recent government codes. Staff provided clarification on these items and provided information on ways the City is meeting the intent of Ordinance and government code requirements.

Following a review of the fee analysis and staff input, the Ad Hoc Committee recommended to adopt the calculated traffic impact fee of $231 per ADT with the inclusion of Active Transportation projects in the Traffic Impact Fee program. In addition, the Ad Hoc Committee recommended to continue the allocation of up to ten percent (10%) of traffic impact fees towards traffic signal synchronization projects.

The Ad Hoc Committee also recommended to continue to provide a five percent (5%) reduction in automobile trips for development projects due to the implementation of the Active Transportation Plan (ATP) and an additional five percent (5%) reduction in ADT if a development proposes to implement active transportation improvements beyond typical code requirements. The improvements have to be substantial, such as addition of a multipurpose trail, conversion of lower-class active bicycle facility to a higher-class bicycle facility, or enhanced pedestrian improvements in the vicinity of the project.

The Fiscal Year 2024-25 Traffic Impact Report (Attachment 2) depicts the opening balance, the ending balance on June 30, 2025, interest earned, revenues, expenditures, and unexpended funds from the Citywide Traffic Impact Fee Account. This attachment also shows there is $308,479 of unallocated traffic impact fee that can be allocated to eligible projects in the next five (5) or more years. The accounting was presented to the Committee at their meetings on October 9, 2025, and October 30, 2025, and was approved.

As required by the Government Code, the updated Capital Improvement Plan (CIP) is contained in the Fiscal Year 2025-26 adopted budget and remains valid for the current traffic impact fee review. The traffic impact fee account information, including the interest earned, shown in Attachment 2, is available for public review.

ALTERNATIVES:

The City Council may choose to reject all, or part of the Annual Report as presented. California Government Code Section 66006 requires that the report be reviewed at a public meeting. The City Council may choose to modify the Committee recommendation on traffic impact fees to continue the current $228 per ADT. If this alternative is selected, the resolution will be modified to reflect City Council action.

FISCAL REVIEW:

The change to the traffic impact fee from $228 to $231 represents an increase of $3 per ADT, or approximately 1% increase, from the current fee. If approved, the increased fee is estimated to have positive fiscal impact of $3,900 in revenue in the Traffic Impact Fees Fund (Fund 214). This report is legally required annually for the development impact fee activity and traffic impact fee analysis for the fiscal year that ended June 30, 2025.

LEGAL REVIEW:

The City Attorney’s Office has reviewed this report and approves as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This item is administrative in nature.

CONCLUSION:

Staff recommends the City Council:

1. Receive and file the Development Impact Fees Annual Report (Attachment 1) for the Fiscal Year ended June 30, 2025.
2. Adopt the attached resolution (Attachment 2) continuing the citywide traffic impact fee for new development that incorporates recommendations from the Traffic Impact Fee Ad Hoc Committee and staff, which include:

    - Adopt a traffic impact fee of $231 per Average Daily Trip (ADT) based on the Capital Improvement Projects in Attachment 4 and Active Transportation projects in the adopted Active Transportation Plan (ATP).

    - Approve allocation of up to ten percent (10%) of traffic impact fees towards traffic signal synchronization projects.

    - Approve a five percent (5%) reduction in automobile trips as a result of ATP implementation and an additional five percent (5%) reduction in automobile trips for developments proposing to implement active transportation improvements beyond typical development requirements.