



**STAFF REPORT
HOLLISTER CITY COUNCIL
MEETING DATE: August 4, 2025
REPORT # Public Works-2025-40**

AGENDA ITEM: A RESOLUTION APPROVING AN UPDATE TO DEVELOPMENT IMPACT FEES TO REFLECT CUMULATIVE COST ADJUSTMENTS FROM 2022 THROUGH 2025 AND ACKNOWLEDGING THE CITY'S INTENT TO CONDUCT A COMPREHENSIVE FEE STUDY IN ACCORDANCE WITH AB 602

DEPARTMENT: Public Works

DEPARTMENT HEAD: William Via, Public Works Director

STAFF CONTACT: Cristian Builes, Associate Engineer

RECOMMENDED ACTION: Adopt a resolution authorizing the adjustment of Development Impact Fees to reflect cost changes not applied since 2022 and acknowledge the City's intent to conduct a comprehensive fee study in accordance with recent State legislation (AB 602).

BACKGROUND: The City Council adopted Resolutions No. 88-80, 89-46, 89-47, 89-134, 94-70, 95-59, 2011-71, 2011-82, 2017-234, 2017-296, and 2019-113, establishing and updating Development Impact Fees (DIF's) based on comprehensive nexus studies. The study established the legal and financial justification for levying fees on new development to mitigate the impacts of growth on public infrastructure and services. As part of the resolution, the Council authorized future annual adjustments to the fee schedule using an industry-standard cost index, such as the Engineering News-Record Construction Cost Index (ENR CCI) or similar index reflecting changes in construction costs.

These annual adjustments were not applied from 2022 through 2025. As a result, the fees currently collected from new development do not accurately reflect the City's actual costs to provide public infrastructure and services.

Additionally, in 2022, new State legislation (AB602) established new statutory requirements for local governments to periodically review and update their DIF programs. Among other provisions, AB 602 requires cities and counties to conduct comprehensive fee studies at least once every eight years. These studies must evaluate the relationship between new development and the need for public infrastructure, ensure the reasonableness of the fees being charged, and incorporate changes to local Capital Improvement Programs (CIPs).

DISCUSSION: To address the missed annual adjustments and maintain legal compliance, staff recommends updating the current DIF schedule to include cumulative cost adjustments from 2022 through 2025 based on Engineering News-Record Construction Cost Index (ENR CCI), the Engineering News-Record Building Cost Index (ENR BCI), and the Consumer Price Index (CPI) data; which cost adjustment index is used depends on which impact fee is being adjusted (see EXHIBIT A notes). This adjustment is consistent with the authority provided under previous City Council resolutions and ensures the City continues to meet legal and policy obligations under the Mitigation Fee Act (Government Code § 66000 et seq.).

Increasing DIFs by the ENR CCI, ENR BCI and CPI will ensure that City DIFs continue to bear a reasonable relationship with the cost to the public facilities identified in the DIF nexus fee study and the type of development project on which the fees are imposed. The ENR CCI, ENR BCI and the CPI are appropriate indexes to increase DIF's because it measures the change in cost of those materials generally used to build public facilities.

Below is a summary of ENR CCI, ENR BCI and CPI increases from 2022 through 2025:

CCI/BCI/CPI INCREASES

Index	Basis Month/Year	Basis Index Value	Current Month/Year	Current Index Value	Total Index Increase of Period
CCI	April 2023	13229.57	April 2025	13798.28	1.04299 (4.30%)
CCI	June 2023	13345.00	June 2025	13871.21	1.03943 (3.94%)
BCI	April 2023	8000.86	April 2025	8463.02	1.05776 (5.78%)
CPI	December 2022	331.222	December 2024	348.001	1.05066 (5.07%)
CPI	April 2023	338.496	April 2025	355.707	1.05085 (5.09%)

In addition to this fee update and to comply with the new State requirement, the City will begin the process of conducting a new comprehensive Development Impact Fee study in the near future. This forthcoming study will evaluate existing infrastructure needs, update cost estimates, and assess appropriate fee levels consistent with current development and legal standards in accordance with AB 602.

FISCAL IMPACT: Adjusting the Development Impact Fees will help restore cost recovery for infrastructure improvements.

PREVIOUS COUNCIL OR COMMISSION ACTION: Resolutions No. 88-80, 89-46, 89-47, 89-134, 94-70, 95-59, 2011-71, 2011-82, 2017-234, 2017-296, and 2019-113.

CEQA: Approval of this resolution does not constitute approval of a project under the California Environmental Quality Act (CEQA)

ATTACHMENTS:

1. Resolution
2. Exhibit A (Development Impact Fee Update)