

# City of Desert Hot Springs

City Council  
**AGENDA ITEM REPORT**



**To:** City Council  
**Date:** December 8, 2021  
**Department:** City Manager  
**Prepared by:** Daniel Porras, Assistant City Manager  
**Subject:** **Development Impact Fees - Discount of Fees**

## RECOMMENDATION:

Adopt a Resolution of the City Council approving the following adjustments to the Development Impact Fees:

- 1) Discount the fee by 24% for Residential Detached Dwellings within the boundaries of Cholla Drive to Verbena Drive, and Two Bunch Palms Trail to Mission Lakes Blvd, from \$12,037 per Unit to \$9,104 per unit; and
- 2) Discount the fee by 35% for Commercial/Office from \$14.82 per Square Foot to \$9.59 per Square Foot.

## BACKGROUND:

In October 2008, the City adopted Development Impact Fees (DIF) based on a nexus study and master facilities needs list.

In November 2019, the City released a Request For Proposals (RFP) to hire a consulting firm to update the Development Impact Fee Study. In March 2020, shortly after the contract was awarded, Staff began working with DTA to update the Development Impact Fee Study.

On November 2, 2021, City Council adopted *Resolution No. 2021-055*, adopting the Development Impact Fee Study, and directed Staff to bring back a fee comparison with other Coachella Valley cities for the "commercial/office" and "residential" fees applicable to infill lots for the City Council to consider fee adjustments. A summary of the approved Development Impact Fee totals for the various land uses are as follows:

Land Use Type	Fee Category	Total
Residential Detached Dwelling	(\$ per Unit)	\$ 12,037
Residential Attached Dwelling	(\$ per Unit)	\$ 10,174
Residential Mobile Homes	(\$ per Unit)	\$ 7,172
Commercial Lodging	(\$ per Room)	\$ 3,891
Commercial/Office	(\$ per SF)	\$ 14.82

Industrial/Manufacturing	(\$ per SF)	\$	4.88
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## **DISCUSSION:**

As directed by City Council, Staff completed an analysis of the Development Impact Fees for the "Residential Detached Dwelling" and the "Commercial/Office" categories.

### **Residential Detached Dwelling**

The analysis for the Residential Detached Dwelling Fee consisted of the following scenarios:

- 1) Evaluating if the Development Impact Fees were a deterrent of construction of single-family homes.
- 2) Evaluating how to promote the construction of in-fill single-family homes.

The first analysis consisted of contacting three local builders and asking them a series of general questions regarding the reasons for building and not building in the City of Desert Hot Springs. The overall responses received did not reflect that Development Impact Fees were a deterrent to construction, as shown in Exhibit 1.

The second analysis consisted of identifying and mapping all vacant parcels in the City to determine where the amount of in-fill single-family home lots is the greatest. As a result, the area with the largest amount of in-fill single-family lots is within the boundaries of Cholla Drive to Verbena Drive, and Two Bunch Palms Trail to Mission Lakes Blvd, as shown in Exhibit 2.

### **Commercial/Office**

The analysis for the Commercial/Office Fee consisted of a comparison of Development Impact Fees from various surrounding cities in the Coachella Valley for the following three sample projects:

- 1) 30,000 Square Feet commercial building on 4 acres of land
- 2) 18,000 Square Feet commercial building on 0.5 Acres of land (similar to Grocery Outlet)
- 3) 15,000 Square Feet commercial building on 0.84 Acres of land (similar to Dollar General)

When comparing the Development Impact Fees with the surrounding cities, it was determined that each city utilized a different method of calculation. Therefore, comparisons are not exact but rather estimated ranges. When comparing the three sample projects, the 2008 Development Impact Fees for Commercial/Office fell within an estimated range 2%-4% higher than the highest City. The recently approved 2021 Development Impact fees amounts resulted in a much higher range of 30%-37% higher than the highest City. Therefore, Staff found the prior 2008 Commercial/Office rate of \$9.59 per square feet to be within a more reasonable range.

In an effort to promote bringing new commercial businesses to the City of Desert Hot Springs, and promote builders to build residential development on infill lots Staff recommends the following adjustment of fees:

1) Discount the fee for Residential Detached Dwellings by 24% within the boundaries of Cholla Drive to Verbena Drive, and Two Bunch Palms Trail to Mission Lakes Blvd, from \$12,037 per Unit, to the previous amount of \$9,104 per unit.

2) Discount the fee for Commercial/Office by 35% from \$14.82 per Square Foot, to the previous amount of \$9.59 per Square Foot.

**FISCAL IMPACT:**

The Development Impact Fees will be discounted from the previously approved fees for Residential Detached Dwelling (in the specified area) and Commercial/Office categories as follows:

*Previously Approved Fees - Summary*

Land Use Type	Fee Category	Total
<b>Residential Detached Dwelling</b>	<b>(\$ per Unit)</b>	<b>\$ 12,037</b>
Residential Attached Dwelling	(\$ per Unit)	\$ 10,174
Residential Mobile Homes	(\$ per Unit)	\$ 7,172
Commercial Lodging	(\$ per Room)	\$ 3,891
<b>Commercial/Office</b>	<b>(\$ per SF)</b>	<b>\$ 14.82</b>
Industrial/Manufacturing	(\$ per SF)	\$ 4.88

*New Proposed Fees - Summary*

Land Use Type	Fee Category	Total
<b>Residential Detached Dwelling</b>	<b>(\$ per Unit)</b>	<b>\$ 9,104</b>
Residential Attached Dwelling	(\$ per Unit)	\$ 10,174
Residential Mobile Homes	(\$ per Unit)	\$ 7,172
Commercial Lodging	(\$ per Room)	\$ 3,891
<b>Commercial/Office</b>	<b>(\$ per SF)</b>	<b>\$ 9.59</b>
Industrial/Manufacturing	(\$ per SF)	\$ 4.88

A detailed breakdown of new proposed fees is shown in Exhibit 3.

**ATTACHMENTS:**

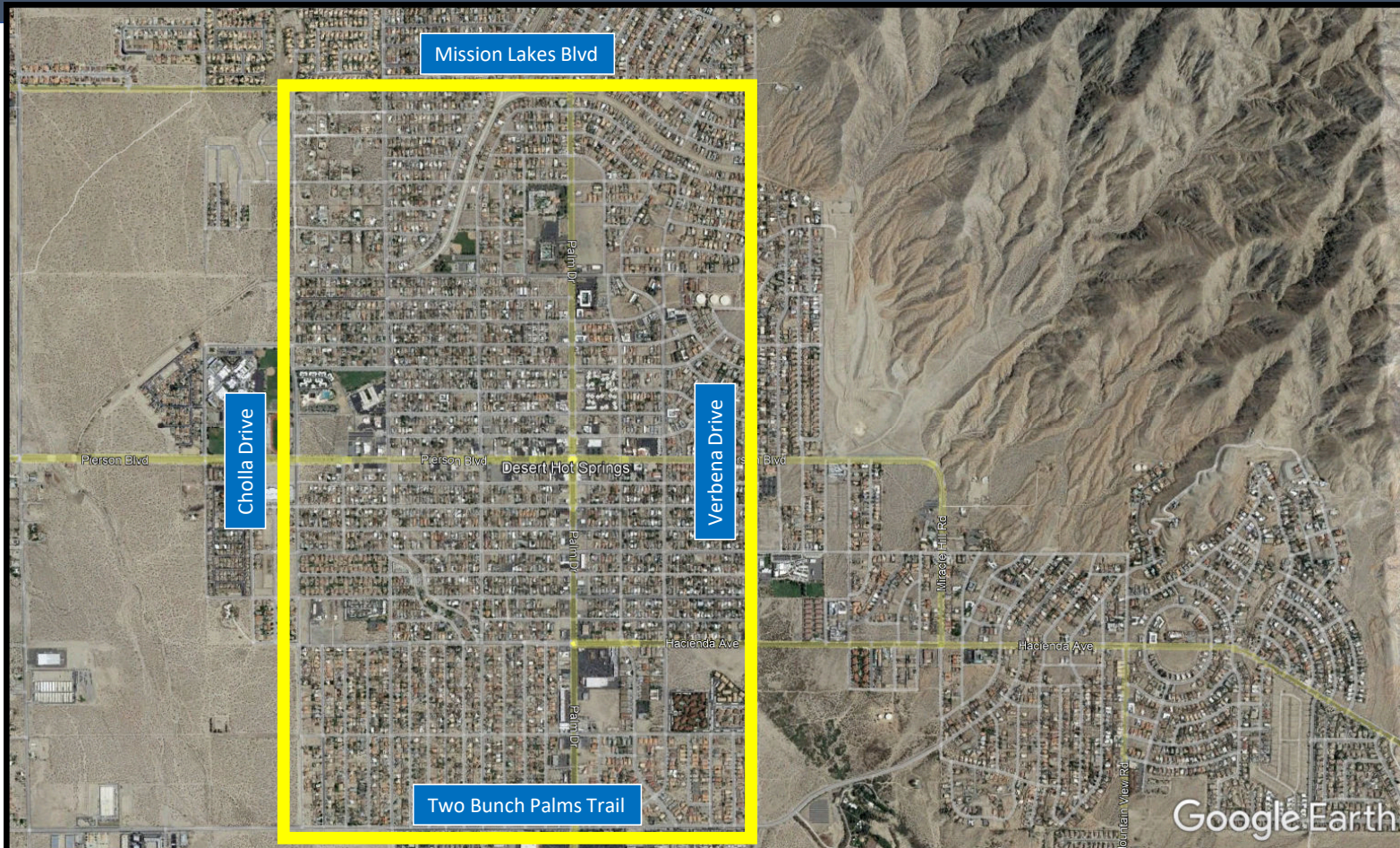
- [Exhibit 1 - Feedback from Builders Q&A](#)
- [Exhibit 2 - Boundaries for Residential Infill Lots](#)
- [Exhibit 3 - New Proposed DIF Fees](#)
- [Exhibit 4 - Resolution for DIF Adjustment of Fees DRAFT](#)
- [Exhibit 4A - Resolution Exhibit A](#)

# Feedback from Builders – Q&A

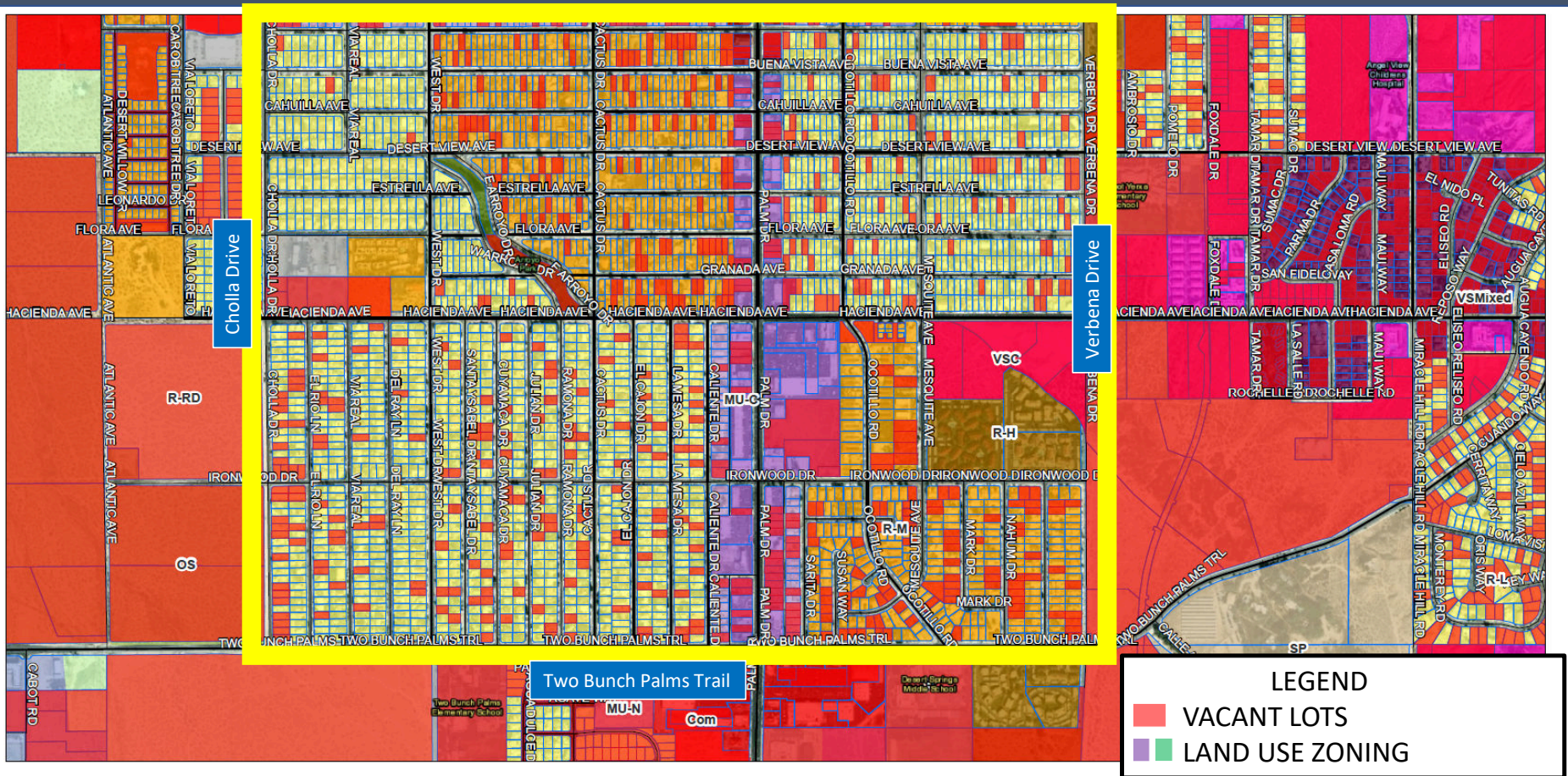
1. How long have you built in Desert Hot Springs?
  - a. 27/28 years
  - b. 16 years with a break for 2008-2019
  - c. 43 years
2. Do you have preference between building tracts of homes or individual single-family homes?
  - a. I do both, I prefer in-fill. In-fill does not require investors/liability
  - b. We prefer to build whole communities (tracts)
  - c. I don't do tracts, I don't like houses that are all the same
3. What would incentivize you to build more homes in DHS?
  - a. Ability to acquire to land at a reasonable or lower cost, I used to buy 3-4 lots per month, now I'm struggling to even find one.
  - b. Being able to purchase the land
  - c. Cheaper permit fees
4. Do the City's development impact fees affect your decisions to build in Desert Hot Springs?
  - a. The higher it goes, the less I'll build...everyone is raising their prices, fees are currently reasonable compared to other Cities.
  - b. Sometimes, yes.. the DVD/Trash fees are the biggest deterrent.
  - c. Absolutely, everything is all about money, what people can sell for and what they can afford to pay.
5. If so, how do DHS DIF compare to those of other Coachella Valley cities?
  - a. Fees are reasonable compared to other cities
  - b. I enjoy working with everyone in the City, it helps, it's a give and take, overall it's all good.
  - c. They're reasonably comparable to other cities. I build in Palm Springs quiet a bit, and I think they're a little less, but the key to that is that once built they're worth a lot more than in Desert Hot Springs.



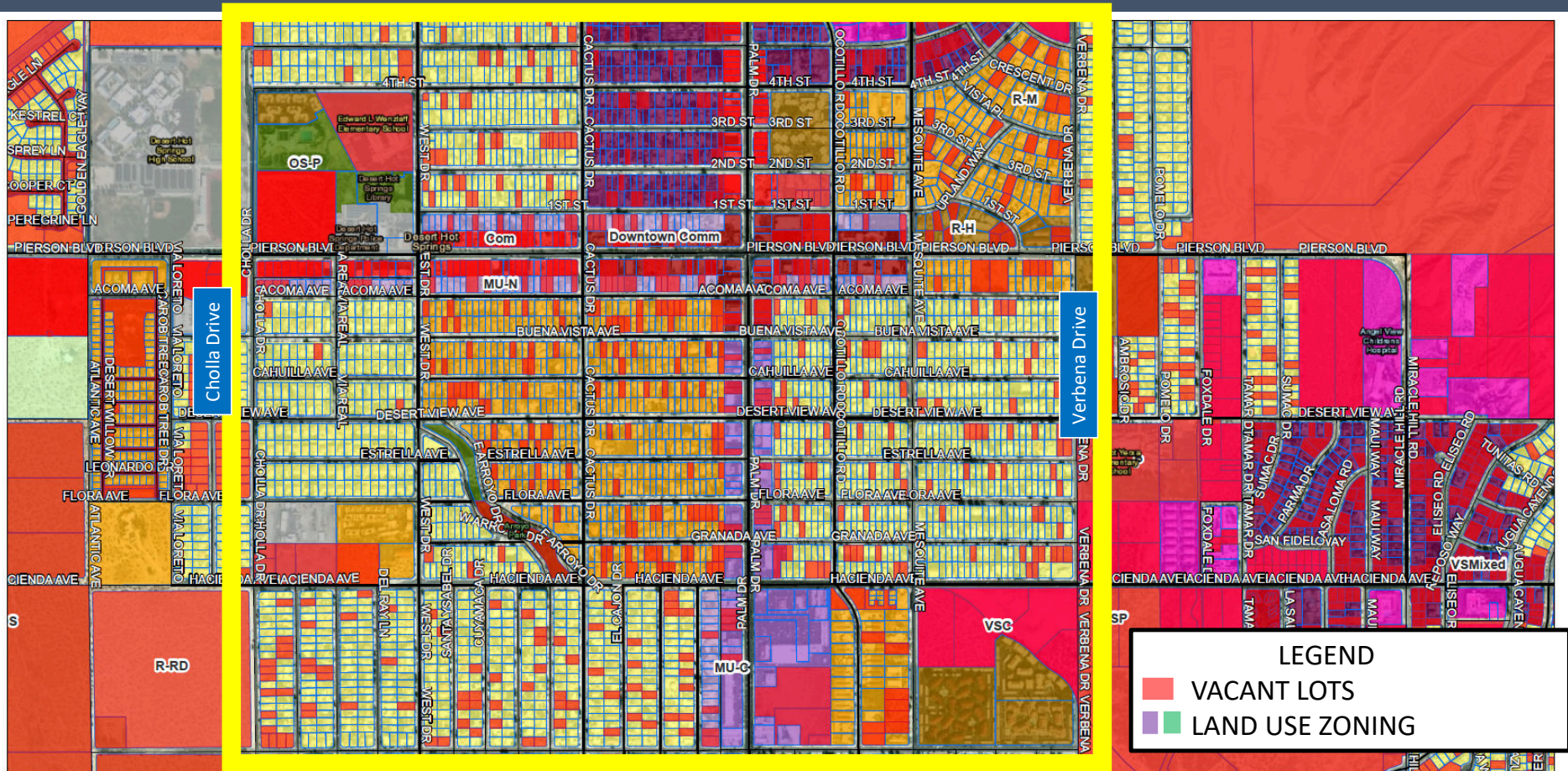
# DIF – Residential Detached Dwelling – Discount Boundaries Infill Vacant Lots



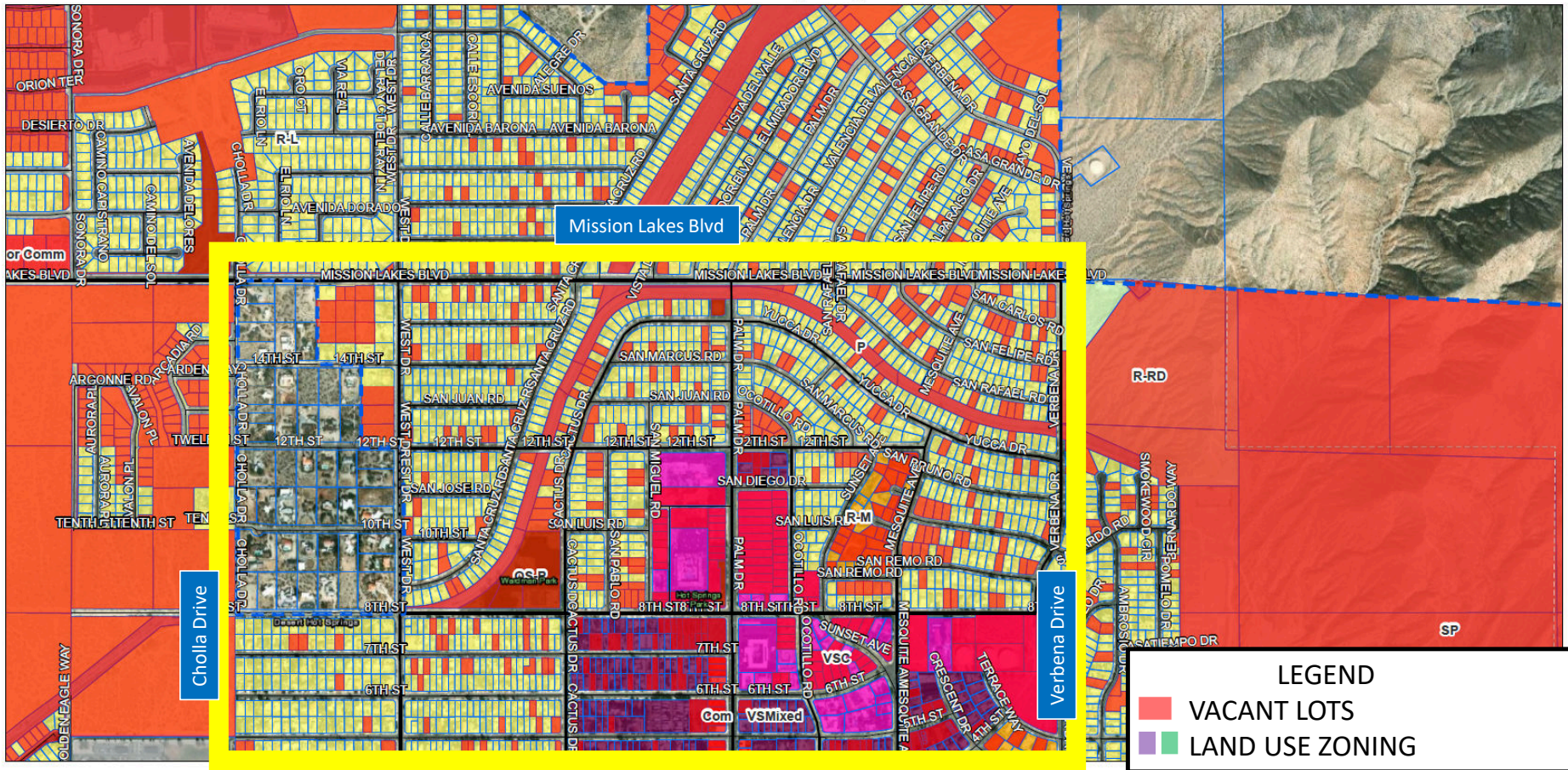
# DIF – Residential Detached Dwelling – Discount Boundaries Infill Vacant Lots



# DIF – Residential Detached Dwelling – Discount Boundaries Infill Vacant Lots



# DIF – Residential Detached Dwelling – Discount Boundaries Infill Vacant Lots





**Detailed breakdown of new proposed Development Impact Fees with Discounts**

**New Proposed Fees**

Fee Category	Residential Land Use			Non-Residential Land Use		
	Detached Dwelling (\$ per Unit)	Attached Dwelling (\$ per Unit)	Mobile Homes (\$ per Unit)	Commercial Lodging (\$ per Room)	Commercial/Office (\$ per SF)	Industrial/Manufacturing (\$ per SF)
Law Enforcement	\$427	\$439	\$281	\$65	\$0.11	\$0.09
Fire	\$441	\$453	\$290	\$67	\$0.12	\$0.09
Circulation	\$3,377	\$4,336	\$3,398	\$2,813	\$7.49	\$2.78
Storm Drainage	\$1,734	\$1,733	\$1,147	\$866	\$1.73	\$1.80
General Facilities	\$529	\$543	\$348	\$80	\$0.14	\$0.11
Community Centers	\$777	\$799	\$511	-	-	-
Aquatic Center	\$144	\$149	\$95	-	-	-
Parks and Recreation	\$164	\$1,722	\$1,102	-	-	-
Total	\$9,104	\$10,174	\$7,172	\$3,891	\$9.59	\$4.88

**Previously Approved Fees**

Fee Category	Residential Land Use			Non-Residential Land Use		
	Detached Dwelling (\$ per Unit)	Attached Dwelling (\$ per Unit)	Mobile Homes (\$ per Unit)	Commercial Lodging (\$ per Room)	Commercial/Office (\$ per SF)	Industrial/Manufacturing (\$ per SF)
Law Enforcement	\$565	\$439	\$281	\$65	\$0.17	\$0.09
Fire	\$583	\$453	\$290	\$67	\$0.18	\$0.09
Circulation	\$4,466	\$4,336	\$3,398	\$2,813	\$11.58	\$2.78
Storm Drainage	\$2,293	\$1,733	\$1,147	\$866	\$2.67	\$1.80
General Facilities	\$699	\$543	\$348	\$80	\$0.22	\$0.11
Community Centers	\$1,027	\$799	\$511	-	-	-
Aquatic Center	\$191	\$149	\$95	-	-	-
Parks and Recreation	\$2,214	\$1,722	\$1,102	-	-	-
Total	\$12,037	\$10,174	\$7,172	\$3,891	\$14.82	\$4.88

**RESOLUTION NO. \_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DESERT HOT SPRINGS, CALIFORNIA DISCOUNTING THE AMOUNT OF THE DEVELOPMENT FEE COLLECTED FOR 1) PROJECTS WITHIN THE LAND USE DESIGNATION OF COMMERCIAL/OFFICE AND 2) RESIDENTIAL DETACHED DWELLING UNITS WITHIN THE GEOGRAPHIC AREA BETWEEN CHOLLA DRIVE AND VERBENA DRIVE, AND TWO BUNCH PALMS TRAIL AND MISSION LAKES BLVD**

**WHEREAS**, the City of Desert Hot Springs (“City”) is a charter city organized pursuant to Article XI of the California Constitution; and

**WHEREAS**, on November 2, 2021, pursuant to all applicable law and the City of Desert Hot Springs Municipal Code (“DHSMC”) Chapter 17.144, the City adopted a Resolution of the City Council of the City of Desert Hot Springs, California 1) Finding That Updating the Amount of the Development Impact Fees Pursuant to a Development Impact Fee Justification Study and Adopting the Study Is Exempt Under the California Environmental Quality Act, 2) Adopting the Updated Development Impact Fees Pursuant to the Development Impact Fee Justification Study (“Underlying Resolution”); and

**WHEREAS**, the Underlying Resolution established the maximum allowed Development Impact Fees for both 1) projects within the land use designation of Commercial/Office (“Subject Commercial”) and 2) Residential detached dwelling units within the geographic area between Cholla Drive and Verbena Drive, and Two Bunch Palms Trail and Mission Lakes Blvd (“Subject Residential”); and

**WHEREAS**, the Subject Residential map is attached hereto and incorporated as **Exhibit “A”**; and

**WHEREAS**, the City's goals are to encourage development and incentivize construction in both Subject Commercial and Subject Residential; and

**WHEREAS**, the City Council finds that this Resolution would promote the public interest, health, safety, convenience, or welfare of the City.

**NOW, THEREFORE, BE IT RESOLVED** by the City Council of the City of Desert Hot Springs as follows:

**Section 1.            RECITALS**

That the foregoing recitals are true and correct and are herein adopted by this reference.

**Section 2.            CEQA FINDINGS**

The City Council finds as follows:

The Project is exempt from the California Environment Quality Act ("CEQA"), 14 Cal. Code Regs Section 15061(b)(3) because it can be seen with certainty that there is no possibility that the Project may have a significant effect on the environment as set forth in Section 21080.17 of the Public Resources Code. The Project is further exempt pursuant CEQA Guidelines 14 Cal. Code Regs Section 15273(a), as CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, and other charges by public agencies.

**Section 3.            FINDINGS**

The City Council hereby finds that:

The discounted development impact fees for the Subject Commercial/ and Subject Residential , as those terms are defined herein, will promote the public health safety and welfare in several ways including but not limited to: incentivizing growth, eliminating the blight of vacant and unimproved lots, reducing illegal dumping in vacant unimproved lots, encourage completing infrastructure on vacant undeveloped lots that will improve and reduce storm flooding through the installation of new curb and gutters, and improving pedestrian safety by creating walkable streets

through the installation of new sidewalks.

**Section 4. DEVELOPMENT IMPACT FEES FOR SUBJECT COMMERCIAL ZONES AND SUBJECT RESIDENTIAL ZONE**

That the Development Impact Fees for Subject Commercial and Subject Residential shall be collected pursuant to the below chart:

Fee Category	Residential Land Use			Non-Residential Land Use		
	Detached Dwelling	Attached Dwelling	Mobile Homes	Commercial Lodging	Commercial / Office	Industrial / Manufacturing
	(\$ per Unit)	(\$ per Unit)	(\$ per Unit)	(\$ per Room)	(\$ per SF)	(\$ per SF)
Law Enforcement	<b>\$427</b>	\$439	\$281	\$65	<b>\$0.11</b>	\$0.09
Fire	<b>\$441</b>	\$453	\$290	\$67	<b>\$0.12</b>	\$0.09
Circulation	<b>\$3,377</b>	\$4,336	\$3,398	\$2,813	<b>\$7.49</b>	\$2.78
Storm Drainage	<b>\$1,734</b>	\$1,733	\$1,147	\$866	<b>\$1.73</b>	\$1.80
General Facilities	<b>\$529</b>	\$543	\$348	\$80	<b>\$0.14</b>	\$0.11
Community Centers	<b>\$777</b>	\$799	\$511	-	-	-
Aquatic Center	<b>\$144</b>	\$149	\$95	-	-	-
Parks and Recreation	<b>\$1675</b>	\$1,722	\$1,102	-	-	-
Total	<b>\$9,104</b>	\$10,174	\$7,172	\$3,891	<b>\$9.59</b>	\$4.88

**Section 5. EFFECTIVE DATE OF UPDATED DEVELOPMENT IMPACT FEES**

The development impact fees specified herein shall become effective at the same time the Underlying Resolution becomes effective, which is sixty (60) days following the adoption of the Underlying Resolution by City Council, which was on November 2, 2021.

**Section 6. SEVERABILITY**

That should any provision, section, paragraph, sentence, or word of this Resolution be rendered or declared invalid by any final court action in a court of competent jurisdiction or by reason of any preemptive legislation, the remaining provisions, sections, paragraphs, sentences, or words of this Resolution as hereby adopted shall remain in full force and effect.

**Section 7. REPEAL OF CONFLICTING PROVISIONS**

That all the provisions of the Municipal Code as heretofore adopted by the City of Desert Hot Springs that are in conflict with the provisions of this Resolution are hereby repealed.

**Section 8. CERTIFICATION**

That the City Clerk shall certify to the passage of this Resolution and shall cause the same to be published according to law.

**PASSED AND ADOPTED** by the City Council of the City of Desert Hot Springs at a regular meeting held on the 8<sup>th</sup> day of December, 2021 by the following vote:

Ayes:

Noes:

Abstain:

Absent:

\_\_\_\_\_  
Scott Matas, Mayor

**ATTEST:**

\_\_\_\_\_

Jerryl Soriano, City Clerk

**APPROVED AS TO FORM:**

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Jennifer A. Mizrahi, City Attorney

DRAFT

**RESOLUTION - EXHIBIT A**  
**GEOGRAPHICAL AREA BETWEEN CHOLLA DRIVE AND VERBENA DRIVE, AND TWO BUNCH PALMS TRAIL AND MISSION LAKES BLVD**

