

Development Impact Fee Nexus Study

City Council Meeting
October 6, 2026

CITY OF
LONG BEACH



Overview of Development Impact Fees (DIF)

What are they?

- Governed by the LBMC, California Mitigation Fee Act and AB 602
- Paid by developers to offset additional infrastructure costs caused by **new** development



The City collects impact fees for:

- Fire facilities
- Parks and Recreation facilities
- Police facilities
- Transportation improvements/public works
- Sensitive coastal resources
- Utilities sewer capacity
- LBUSD school fees (*not set by the City*)

Overview of Development Impact Fees (DIF)

How can they be used?

Development Impact Fees can help fund:

- New capital improvement projects
- Remodel and improvement projects that expand capacity
- Facilities and equipment that provide expanded public services

Development Impact Fees cannot fund:

- Staffing
- Projects that only fix a deficiency in level of service to existing residents
- Routine operations and maintenance costs

How do they affect residents and property owners?

- Most residents and homeowners are not directly affected by fees
- Only projects that are expected to add new workers or residents are subject to DIF

Overview of Development Impact Fees (DIF)

Context in Development

- Development Impact Fees are meant to supplement other existing funding
- Fees must be proportional to growth-related need
- Fees influence the cost and attractiveness of development in Long Beach



Important to balance development cost with other development goals

- Housing production
 - Investment
 - Economic development
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- Keeping fees appropriate and competitive helps preserve this balance
 - Developers also pay permit and entitlement fees which have already risen in recent years
 - Per state law most ADUs and some remodel/change-of-use projects are exempt from some or all fees

Comprehensive Nexus Study

The Nexus Study focuses on four primary fees:

- Fire Facilities
 - Fire facilities and capital projects
- Parks, Recreation and Marine Facilities
 - New parks and resources such as playgrounds, recreational equipment, and sports fields
- Police Facilities
 - Police Department facilities and capital improvements
- Transportation Improvements/Public Works
 - Facilities and capital projects needed due to increased traffic from growth

Comprehensive Nexus Study

What the Nexus Study does:

- Evaluates all four fees using more consistent and contemporary data
- Shows compliance with Government Code sections 66001(a) and 66001(b) and Assembly Bill 602 (AB 602)

Nexus Findings Required 66001(a)/(b)	AB 602 Requirements
Identify purpose of the fee	
Identify how the fee is to be used	Adoption of a Development Impact Fee Capital Improvement Plan
Determine reasonable relationship between fee use and type of project	Explanation of Level of Service
Determine reasonable relationship between need for public facility and type of project	Residential fees must be charge proportionally based on unit size (e.g. per square foot)
Demonstrate reasonable relationship between fee amount and cost of public facility need	

Comprehensive Nexus Study

What the Nexus Study shows:

- Anticipated growth will place significant demand on City infrastructure, public services and amenities through 2040

Summary of Maximum Allowable Development Impact Fees

Land Use	Parks	Police	Fire	Transportation	Total
Residential					
All Dwelling Units*	\$8.18 / sq. ft.	\$3.08 / sq. ft.	\$2.16 / sq. ft.	\$3.74 / sq. ft.	\$17.16 / sq. ft.
Non-Residential					
Commercial/Retail	\$2.13 / sq. ft.	\$1.60 / sq. ft.	\$1.12 / sq. ft.	\$16.39 / sq. ft.	\$21.25 / sq. ft.
Office	\$2.84 / sq. ft.	\$2.14 / sq. ft.	\$1.50 / sq. ft.	\$5.05 / sq. ft.	\$11.52 / sq. ft.
Industrial	\$0.85 / sq. ft.	\$0.64 / sq. ft.	\$0.45 / sq. ft.	\$2.32 / sq. ft.	\$4.26 / sq. ft.
Hotel	\$852 / room	\$641 / room	\$450 / room	\$2,156 / room	\$4,099 / room

** The fee will not be applied to Accessory Dwelling Units (ADUs) of less than 750 square feet and will be proportional to the primary unit for ADUs larger than 750 square feet*

Comprehensive Nexus Study

Maximum Allowable vs. Policy Recommendations



Development impact fees should be seen within a **larger ecosystem of economic development** carrots and sticks such as **zoning, businesses assistance and infrastructure investment**



The Nexus Study provides a legally defensible maximum. As we prepare recommendations for Council, we should also **evaluate how those fees fit into the City's broader fiscal strategy**

Policy Considerations

Fee increases may impact project feasibility

- Impact fees increase cost for developers, which may influence decisions to build in Long Beach
- Some cities charge much higher fees, but some of our neighboring cities charge low or no impact fees
 - Lakewood, Compton, Downey, Norwalk and Santa Fe Springs
- Setting rates around the mid-range between current and maximum allowable fees keeps fees comparable with surrounding cities

Policy Recommendations

Proposed Development Impact Fees should balance these factors

Proposed Development Impact Fees

Land Use	Parks	Police	Fire	Transportation	Total
Residential					
All Dwelling Units*	\$6.73 / sq. ft.	\$3.08 / sq. ft.	\$2.16 / sq. ft.	\$2.51 / sq. ft.	\$14.48 / sq. ft.
Non-Residential					
Commercial/Retail	\$1.07 / sq. ft.	\$1.60 / sq. ft.	\$1.12 / sq. ft.	\$10.45 / sq. ft.	\$14.24 / sq. ft.
Office	\$1.42 / sq. ft.	\$2.14 / sq. ft.	\$1.50 / sq. ft.	\$4.03 / sq. ft.	\$9.09 / sq. ft.
Industrial	\$0.43 / sq. ft.	\$0.64 / sq. ft.	\$0.45 / sq. ft.	\$1.71 / sq. ft.	\$3.23 / sq. ft.
Hotel	\$0 / room	\$0 / room	\$0 / room	\$750 / room	\$750 / room

- The fee will not be applied to Accessory Dwelling Units (ADUs) of less than 750 square feet and will be proportional to the primary unit for ADUs larger than 750 square feet
- Fees will not immediately be set to full amount, but will be recommended to be phased-in over 5 or 10-years, depending on development need

Policy Recommendations

Putting the proposed recommendation in context

Comparison of Development Impact Fee Rates				
Land Use	Current	Maximum Allowable	Proposed (Year 1)	Proposed (Phase-In)
Residential				
Single Family (2500 SF)	\$6,937	\$42,900	\$20,325	\$36,200
Townhomes (1750 SF)	\$5,603	\$30,030	\$14,228	\$25,340
Multi Family (875 SF)	\$5,603	\$15,015	\$7,114	\$12,670
Non-Residential (Per SF)				
Commercial/Retail	\$5.21	\$21.25	\$4.56	\$14.24
Office	\$3.86	\$11.52	\$5.04	\$9.09
Industrial	\$1.45	\$4.26	\$1.77	\$3.23
Hotels (per room)	\$750.00	\$4,099.00	\$750.00	\$750.00

- The fee will not be applied to Accessory Dwelling Units (ADUs) of less than 750 sf and will be proportional to the primary unit for ADUs larger than 750 sf
- The Proposed amount is recommended to be phased-in over 5 or 10-years, depending on development need

Policy Recommendations

Development Impact Fee Revenue Projections (in Millions)

	FY 21	FY22	FY23	FY24	FY25	Estimate FY26	FY27	FY28	Based on Proposed Fee Changes				
									FY29	FY30	FY31	FY32	FY33
Parks	\$2.39	\$1.43	\$2.73	\$3.40	\$1.53	\$1.47	\$2.22	\$2.22	\$2.46	\$2.58	\$2.85	\$3.15	\$3.48
Police	\$0.48	\$0.33	\$0.54	\$0.66	\$0.36	\$0.35	\$0.46	\$0.46	\$0.59	\$0.75	\$0.96	\$1.22	\$1.55
Fire	\$0.32	\$0.22	\$0.37	\$0.45	\$0.24	\$0.23	\$0.31	\$0.88	\$0.88	\$0.88	\$0.88	\$0.88	\$0.88
Transportation	\$0.90	\$1.05	\$1.34	\$1.64	\$0.41	\$0.77	\$1.05	\$1.05	\$1.18	\$1.32	\$1.48	\$1.67	\$1.87
TOTAL	\$4.09	\$3.03	\$4.96	\$6.14	\$2.54	\$2.82	\$4.05	\$4.62	\$5.11	\$5.54	\$6.18	\$6.92	\$7.79

- Impact Fees are set when permits are issued and paid at the end of a project
- Expect revenue increases to increase over time with phase-in
- Projected revenue is dependent on future economic conditions and building activity



Fees will be recommended at levels where the City recovers an appropriate share of infrastructure costs while preserving economically viable development

- Not all fees will rise by the same amount
- Some phase-in will be necessary
- Rate of phase-in will be based on development need
- Future increases (indexing) will be automatic based on CCCI

Policy Considerations

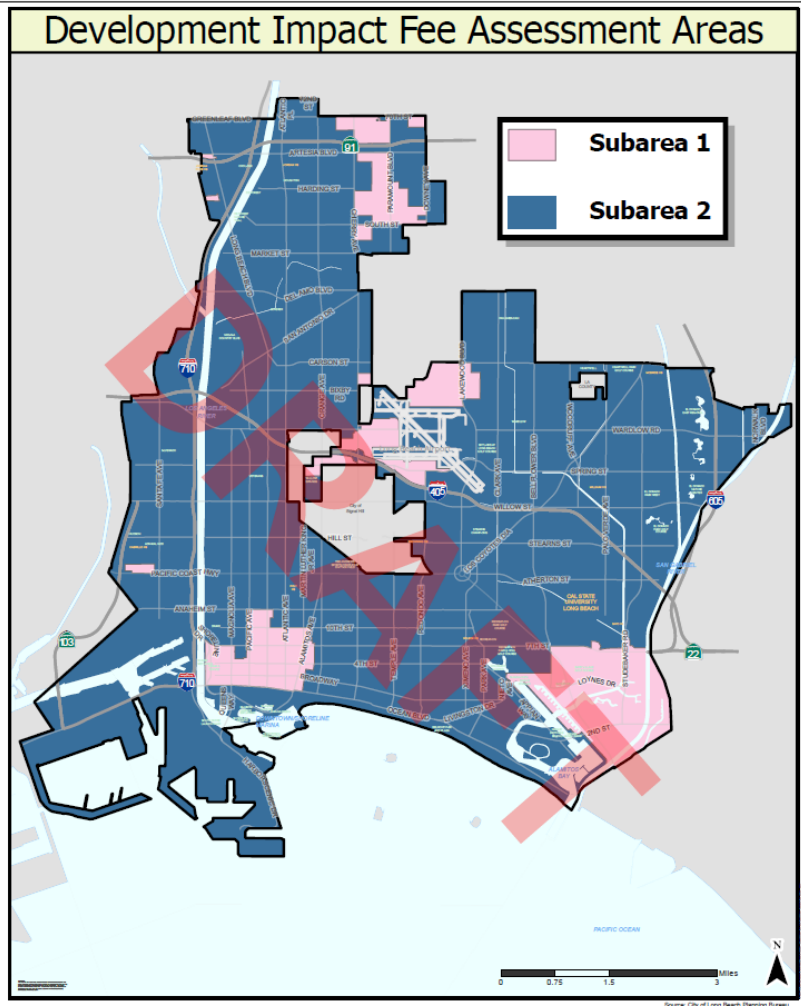
Each Fee is Different

The City has considerable need for Fire facilities and few other potential funding sources.

Fire fees will rise more than other impact fees

For Parks, as well as Transportation, the City competes for grant funds, and impact fees are a relatively small portion of the overall funding mix for projects

Policy Considerations



Subarea 1	Areas of high concentration of new industrial square footage and existing areas of concentrated residential development 5- year phase-in recommended
Subarea 2	Remaining areas 10-year phase-in recommended

Policy Considerations

One-time versus Recurring Revenue



When fees are set appropriately and other economic development tools are in place, development occurs and creates recurring revenue for decades

- One-time revenues, such as impact fees, are important to the City's overall financial wellbeing, however **recurring revenue sources** from property, utility, sales and other taxes from new development are **generally more important because they continue indefinitely**
- A recent study (Kosmont, 2025) showed a 48-unit apartment building would pay \$300,000 in one-time fees but also generate \$166,600 each year in tax revenue

Policy Considerations

Legal Limits Matter

- Impact fees cannot pay for salaries or maintenance
- **Impact fees do not buy new police officers, firefighters, lifeguards or park staff**, and these costs are where the biggest City cost and need exists
- Each new facility, road, park or other improvement leads to City maintenance costs
- Impact fees pay for eligible growth-related capital infrastructure

Unpredictable Revenue Source

- The City should set impact fees appropriately and use them for allowed expenditures; however,
- Impact fees are highly dependent on the real estate development market. Factors such as land costs, construction costs, interest rates, etc. are entirely out of City control
- The City should continue to budget conservatively and rely on impact fee revenue only after it has been collected

Process and Next Steps



Draft Nexus Study and Policy Recommendations will be posted online and publicly noticed 30-days prior to the public hearing



Public Hearing scheduled for November 10, 2026



First fee increases effective January 10, 2027

Thank You!