



Date: September 10, 2025

To: Tom Modica, City Manager
Christopher Koontz, Community Development Director
Kevin Riper, Financial Management Director

From: Laura Doud, City Auditor

Subject: Comments on City Management's Response - Development Impact Fees Performance Audit

Attached to this cover memo is the City Auditor's Development Impact Fees Performance Audit (audit), which includes City Management's response. The audit reviewed the City's impact fee program across the Fire, Police, Public Works, and Parks Departments from Fiscal Years 2019 through 2024. It also included the Community Development and Financial Management Departments, as these departments are responsible for the collection and oversight of the impact fees.

Our audit focused on the City's primary impact fees, including Fire, Police, Transportation, and Parks, which generate approximately \$5.5 million annually. While impact fees cannot resolve the City's aging infrastructure issues, it remains essential for the City to review and present to City Council whether fees should be adjusted to directly support infrastructure and public service improvements. The key findings in the audit report are as follows:

Key Findings

- 1. The City's impact fee rates have not kept pace with rising costs for infrastructure and services.**
- 2. The City missed out on at least \$22 million in revenue by not adjusting impact fee rates to keep up with inflation.**
- 3. Outdated and lack of nexus studies have led to stagnant impact fees.**
- 4. The City needs to improve transparency and ensure compliance with State law by presenting nexus studies publicly to the City Council.**
- 5. The City needs to centralize its impact fee program by developing comprehensive policies and procedures and strengthening collaboration across departments.**

The City Auditor's Office is pleased that the City agrees with all the recommendations outlined in our audit and that progress is underway toward their implementation. However, despite upfront discussions with City Management throughout the audit process, their response dated August 7, 2025 brought up new information that was not previously communicated. Therefore, our general comments regarding City Management's response are provided below.

The City Not Adjusting Impact Fees for Inflation is Inexcusable

The audit found that the City has not updated its impact fees since their inception, except for the Parks Impact Fee, which was last updated 14 years ago in Fiscal Year 2011. The Transportation Impact Fee has not changed in 35 years, and the Fire and Police Impact Fees have not been updated in 18 years. Additionally, in 2015 the Parks Impact Fee was reduced from \$4,841 to \$4,613. However, the City was unable to explain why during the audit.

Impact Fee Type	Adopted Year	Last Fee Increase	# of Years Since Last Increase
Fire	2007	None	Never (18 years)
Police	2007	None	Never (18 years)
Transportation	1990	None	Never (35 years)
Parks	1989	2011	14 years

Between 1989 and 2024, construction costs have risen significantly. The Los Angeles Construction Cost Index increased from 5,790 in 1989 to 15,374 in September 2024, nearly three times higher. Despite this, except for the Parks Impact Fee, the City's impact fees have remained unchanged.

Because the City has not adjusted its impact fees for inflation and rising construction costs, it has lost at least \$22 million in revenue. As the City continues to face budget deficits and mounting needs, it is unreasonable and frankly indefensible that impact fees have not been adjusted for 14 to 35 years. Had the City adjusted its impact fees in line with inflation, the additional revenue could have funded new infrastructure and public services.

Nexus Studies Have Not Been Conducted for Three Out of Four Impact Fees (Fire, Police, and Transportation) Since Inception

In addition to adjusting for inflation, State law authorizes cities to conduct nexus studies to adjust impact fees, providing the legal basis and justification for charging impact fees that reflect the infrastructure and service demands of new development. However, no nexus studies have been completed for the Fire, Police, and Transportation impact fees since their inception. Meanwhile, cities such as San Diego, Fremont, Fontana, Fresno, and Oakland have completed nexus studies that justified their impact fee increases while Long Beach's fees have remained stagnant.

Parks Nexus Studies Resulted in No Action and Lost Opportunity for Fee Adjustment

The City's Municipal Code requires the City to conduct a Parks Nexus Study every five years. The City completed nexus studies for Parks, in 2018 and 2022. In the City's 2018 Parks Nexus Study, the maximum justified fee per unit (for a single-family home) was \$57,750, a difference of over 1,152% compared to the current fee of \$4,613. In the 2022 study, the maximum justified fee increased to \$63,578 for residential development, a 10% increase from the 2018 study. However, the existing fee remains a dismal \$4,613 per unit. By keeping this fee the same, the City lost the opportunity to increase the Parks impact fees as justified by the City's own nexus studies.

Parks Nexus Study Year	Current Fee per Unit	Maximum Justified Fee per Unit	Difference	% Change
2018	\$4,613	\$57,750	\$53,137	1,152%
2022	\$4,613	\$63,578	\$58,965	1,278%

Lack of Transparency in the Impact Fee Process

For Parks, the Municipal Code states, "...a Nexus Study...shall be presented to the City Council for its consideration and action every five years." The City has not presented the 2018 or 2022 Parks Nexus Studies to City Council. Public meetings allow stakeholders to verify the methodology, assumptions, and calculations in the nexus studies, ensuring confidence in the City's policy-making decisions and management of impact fees.

In contrast, other cities such as Fremont, conducted nexus studies and not only presented them to their city council, but also performed outreach including a staff presentation of proposed impact fee adjustments to the development community and emails to stakeholders. Of note, its 2015 Nexus Study recommended a decrease, showing updates do not always result in fee increases.

It is critical to present nexus studies to City Council and the public for consideration to validate the impact fees. Had Long Beach's Parks Nexus Studies been taken to City Council, the results and outcomes may have been different.

We Disagree with the City's Justification for Not Increasing Impact Fees Due to Inclusionary Housing

City Management claims it has not increased impact fees because of inclusionary housing. This justification is misleading. Impact fees and inclusionary housing policies are fundamentally different tools. While impact fees contribute to the overall cost of development, impact fees exist to offset the public costs created by new development. Inclusionary housing policies, on the other hand, aim to increase affordable housing by requiring developers to designate a percentage of units for lower-income residents. While we acknowledge that both policies impact the overall development within the City, these are two distinct and separate policies that operate under different mechanisms and legal frameworks.

As noted in the chart below, other cities comparable to Long Beach also promote inclusionary housing either through a mandatory set-aside policy requiring affordable units or through a developer-paid affordable housing impact fee. However, these same cities have continued to increase their impact fees in alignment with their nexus studies and the need to keep pace with increased infrastructure and service costs.

Comparable Cities with Inclusionary Housing and Impact Fee Rate Increases

City*	Inclusionary Housing Focus
Long Beach	10%-12% affordable units
San Diego	10%-15% affordable units
Fontana	10% affordable units for residential projects. Affordable housing impact fee is applicable for multifamily rental and non-residential projects.
Fresno	Density-bonus program to incentivize affordable units
Fremont	10%-15% affordable units
Huntington Beach	10% affordable units
Oakland	Charges an affordable housing impact fee

	Impact Fee Rate % Increases (Average for Residential Development)					
City*	2019	2020	2021	2022	2023	2024
Long Beach	—	—	—	—	—	—
San Diego	3.30%	0.07%	0.83%	0.60%	10.10%	3.96%
Fontana	—	8.05%	—	2.83%	13.44%	—
Fresno	2.79%	17.60%	3.94%	4.75%	17.78%	1.80%
Fremont	1.47%	2.78%	2.52%	4.48%	6.62%	13.65%
Huntington Beach	0.00%	—	1.25%	—	0.99%	—
Oakland	80.80%	—	—	5.30%	15.05%	11.28%

*Cities bolded have received the State's Prohousing Designation.

City Management justifies its low impact fees by portraying itself as a leader in inclusionary housing. In fact, City Management notes receiving three points for its State's Prohousing Designation in the category of "reduction of construction and development costs," partly due to its impact fees. Yet, San Diego and Oakland also received the same Prohousing designation, and furthermore received eight points and seven points respectively, despite increasing and charging higher impact fees. These cities demonstrate that prioritizing inclusionary housing and addressing affordable housing issues can be done while continuing to raise their impact fees to ensure they keep pace with costs.

Conclusion

We recommend City Management adjust impact fees for inflation, conduct regular nexus studies to adjust impact fees to cover the costs of infrastructure and services needed for new development, and increase transparency by presenting nexus studies to City Council for open and public discussion.

ATTACHMENT

***Development Impact Fees Performance Audit:
Long Beach Needs to Adjust Development Impact
Fee Rates to Keep Pace With Rising Costs and
Demands on Public Infrastructure and Services***



Independence you can rely on

September 2025

Laura L. Doud
City Auditor



Development Impact Fees Performance Audit

September 2025



Why This Audit Is Important

Development impact fees are paid by developers to offset the additional public infrastructure and service costs caused by new development. These funds play a crucial role to help prevent overburdening City resources and ensure that new developments contribute their fair share.

The City of Long Beach currently charges seven types of impact fees, and our audit focused on four: **Fire, Police, Transportation and Parks Impact Fees**. These impact fees pay for expansion of public safety services, streets, and parks.

Despite rising inflation, three of the four impact fees reviewed have not changed since inception resulting in at least a **\$22 million** loss in revenue.

What We Recommend

Evaluate the current impact fee rates and program to keep up with rising costs, this includes:



Implementing annual inflation rate adjustments



Completing an updated nexus study at least every 5 years to ensure impact fees are appropriate



Applying a consistent administrative percentage across all impact fees

Centralize aspects of the impact fee program to improve efficiency and better serve the community, this includes:



Creating a steering committee for Departments to collaborate, share resources, and plan for development impacts



Establishing Citywide policies and procedures for consistent impact fee management



Centralizing the City's impact fee information on a single public facing webpage

What Happens Next?



We provided the Departments with two main findings and 10 recommendations to improve the current impact fee program. The Departments agreed to all the recommendations.



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Development Impact Fees Performance Audit: Long Beach Needs to Adjust Development Impact Fee Rates to Keep Pace With Rising Costs and Demands on Public Infrastructure and Services

September 2025

Report Summary

Why This Audit Is Important

As the City of Long Beach (City) develops and grows, the cost of expanding public infrastructure and services continues to rise.

Development Impact Fees (impact fees) play a crucial role in ensuring that new developments contribute their fair share to the City's infrastructure and services that residents rely on, preventing the overstraining of City resources.

Projections based on the impact fee rates of benchmark California cities from Fiscal Years (FYs) 2019 to 2024 reveal that, had the City charged comparable rates, it could have collected between \$10 million and \$118 million more in impact fees. If the City had charged the average rates of benchmark cities, it could have potentially collected an additional \$64 million. These projections highlight the City's ability to increase revenue through its impact fees, further funding infrastructure and services to enhance quality of life for residents.

Audit Objective

Our audit evaluated the City's Development Impact Fee program processes across the Fire, Police, Public Works, and Parks departments.

Acknowledgement

We thank management and staff in Community Development, Public Works, Parks Recreation and Marine, Fire, Police, City Attorney, and Financial Management for their collaboration, assistance, and cooperation during this audit.

What We Found

The City's impact fee rates have not been adjusted for inflation, resulting in a minimum loss of \$22 million in impact fee revenue since the fees were adopted. The City's impact fee rates are low due to no updated nexus studies (excluding Parks Impact Fee), since the adoption of the fees. As a result, the City charges rates that are too low to cover the increasing costs of providing public services. The City also does not implement a consistent administrative fee across all impact fees to cover program costs.

Since the impact fee program involves various City departments, there is opportunity to enhance collaboration and establish a Citywide policy to ensure consistency in its administration. Moreover, centralizing impact fee information improves transparency for residents and developers while ensuring compliance with State law.

What We Recommend

We recommend the following changes to the City's impact fee program:

- complete nexus study updates every five years to support impact fee rates;
- revise the Municipal Code language to align all impact fees;
- create a process for annual fee adjustments; and
- charge a consistent administrative fee across all impact fees.

Additionally, we recommend the City establish:

- a steering committee with representatives from each City Department involved, to enhance collaboration and consistency;
- Citywide policies and procedures to clarify roles and responsibilities for the impact fee program; and
- a centralized webpage to consolidate impact fee information to improve communication and public transparency.



Image of Shoemaker Bridge obtained from the Long Beach Public Works website.



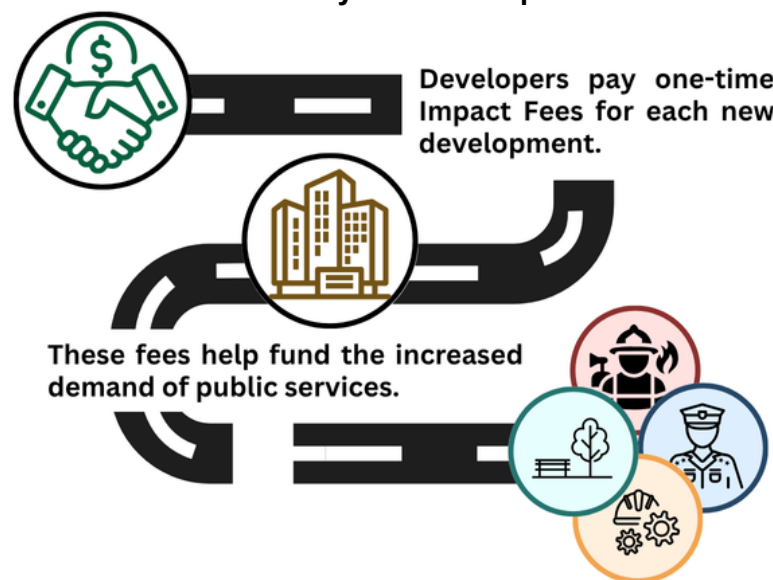
I. Background

Development Impact Fees (Impact Fees) help pay for additional demands on public infrastructure and facilities.

The City of Long Beach's (City's) population is projected to grow by 7.8% from 2023, reaching 484,500 by 2040. To accommodate this growth and the anticipated increase in development, the City must prepare to meet rising demand for public infrastructure and services.

A development impact fee (impact fee) is a one-time charge that cities collect from developers when new buildings, homes, or businesses are built. The fee helps pay for added demand that new developments place on public services. To support this growth, cities expand capacity by constructing public improvements such as roadways, parks and investing in public safety services. Without these fees, cities and their existing residents would have to cover the cost of expanding infrastructure or experience lower quality services. By charging impact fees, cities ensure that new developments contribute their fair share.

Figure 1.
Cities use impact fees to pay for new or expanded public services caused by new development.



Nexus studies are crucial to establish and update impact fees.

California's Mitigation Fee Act is a state law that sets rules for local governments that impose fees on development projects. It requires cities to show the connection between the fees they charge and the need for public infrastructure and services caused by new development. To meet this requirement, cities will complete a nexus study. These studies explain why the

city needs the fee, how the fee is calculated, and how the funds will be used. The nexus study ensures fees are fair and legally defensible. Conducting nexus studies regularly allows cities to adjust fees over time, especially as construction costs and community needs grow. Without updated nexus studies, cities may charge outdated or low fees, missing out on critical revenue needed to serve its growing population.

State law allows cities to charge impact fees providing a reliable revenue source to cover the costs of providing necessary public services. Long Beach charges seven types of impact fees, each designed to fund specific demands created by new development. Our audit focused on four primary impact fees: Fire, Police, Transportation, and Parks.

Figure 2.
Our audit focused on four fees collected within the City's impact fee program.



State law requires cities to spend impact fees only on the specific projects they were collected for. For example, the City uses Transportation Impact Fees for street and traffic improvements such as new bike lanes, pedestrian crossings, traffic signals, and street lighting to help manage increased demand from new development. Fire and Police Impact Fees support expanding public safety services, such as building new stations or purchasing vehicles and equipment. Park Impact Fees fund park-related projects, like acquiring new parkland, expanding existing parks and trails, and building sport fields, playgrounds and community centers.

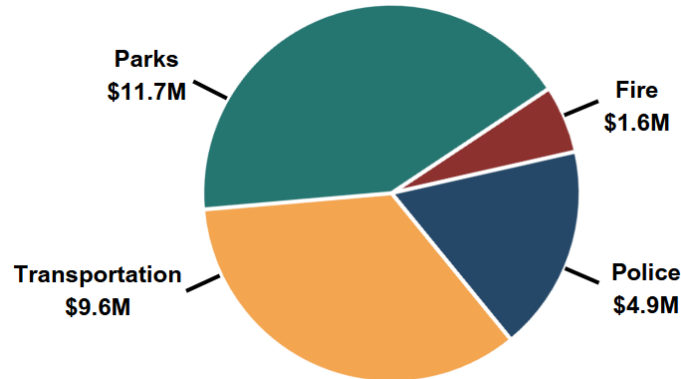
The City must keep impact fees in separate funds and spend them on specific projects.

The City cannot use these funds for routine maintenance or to fix existing infrastructure. The funds must support the projects needed because of new development. The City must also keep impact fees in separate funds to ensure they are only used for the specific purpose it was collected for. State law requires cities to spend the funds within five years or have a clear plan for how and when the money will be used, otherwise risk refunding the money.

The City's impact fee fund balance has more than doubled since Fiscal Year (FY) 2019.

The City's impact fee fund balances for the Fire, Police, Transportation and Parks impact fees have grown from \$11 million in FY 2019 to nearly \$28 million in FY 2024. This means the City has collected more in impact fees than it has spent over the past few years. While the City is building up funds for large infrastructure projects, letting the fund balances grow too much can carry risks, such as potential legal challenges and delays in addressing infrastructure needs.

Figure 3.
In Fiscal Year 2024, the impact fee fund balance was almost \$28 million.



As required by State law, the City has consistently identified its intended use for the impact fee funds in its annual impact fee report. The City's FY 2024 Annual Impact Fee Report shows its commitment to spend down the fund balance, with up to 50 projects planned. Impact fee funding will go to future projects including Studebaker Corridor Improvements, Shoemaker Bridge Replacement Project, Hamilton Loop and others. A minimum budget allocation of \$12 million is estimated from Transportation Impact Fees, while other impact fee spending will depend on how much additional funding is available from other sources.

The City spends impact fees on critical projects that expand infrastructure and services to benefit residents.

The Davenport Park Expansion received approximately \$1.2 million from Parks Impact Fees.

The City's impact fees support critical projects that expand infrastructure to meet the needs of a growing community. The Davenport Park Expansion recently completed used approximately \$1.2 million in Parks Impact Fees to help fund this \$10.1 million project that doubled the park's size from 5.5 to 11.5 acres. The project added a new sports field, fitness equipment, outdoor seating areas, a walking trail, and expanded parking. Impact fees play a vital role in funding projects that expand infrastructure, enhance mobility, and create public spaces improving quality of life for Long Beach residents.



Image of the Davenport Park expansion from November 2024.

II. Findings & Recommendations

Finding #1: The City needs to evaluate its impact fee rates to keep pace with rising costs for City infrastructure and services.

When impact fees do not keep pace with rising costs, the financial burden falls on City resources. These fees ensure that new developments contribute their fair share of the public infrastructure and services they rely on, preventing additional financial strain on the City and its existing residents.

Sub-Finding 1A: The City's outdated nexus studies have led to stagnant impact fees.

As required by State law, a nexus study provides a legal basis for charging impact fees on new developments. It outlines the methodology for calculating the fees and any increases, ensuring they are proportional, fair, and legally defensible.

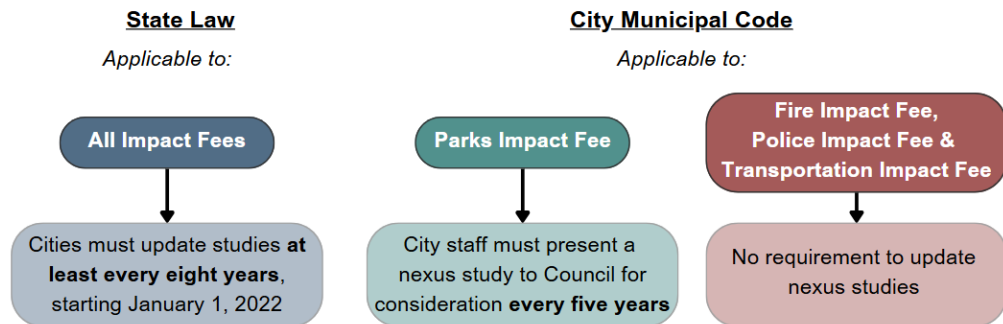
A nexus study assesses the impacts of new developments on public infrastructure and services. For example, if a city determines it needs \$50 million in new infrastructure to support 5,000 new housing units, it will charge each new housing unit \$10,000 in impact fees to help cover these costs. Without regular updates to the nexus studies, impact fees may fall behind actual costs, shifting the financial burden from developers to the City.

The Parks Impact Fee Municipal Code requires the City to complete a nexus study every five years and present it to the City Council to validate the fee calculation methodology and automatic adjustments. The Parks Department has generally followed Municipal Code guidelines by completing a nexus study within the required five-year timeframe. The Parks Department conducted the most recent Parks Impact Fee nexus studies in 2018 and 2022; however, it did not adopt either study. During this time, the City decided to delay fee increases to prioritize inclusionary housing.

The City has not updated one of its nexus studies in 35 years.

In contrast, the Fire, Police, and Transportation Impact Fee Municipal Codes do not have any requirement to update the nexus studies. As a result, the City has not updated Fire and Police Impact Fees (both adopted in 2007), and Transportation Impact Fees (adopted in 1990) since their adoption. As of January 1, 2022, State law requires cities to update nexus studies at least every eight years. To date, the City has not adopted a Municipal Code requirement for nexus study updates to its Fire, Police, and Transportation Impact Fees.

Figure 4.
The City has not updated its Municipal Code to reflect current State law.



Though this State law requirement is recent, we found that Cities conducted periodic updates as a best practice before it took effect. As of August 2024, the City hired a consultant to conduct a nexus study for all four impact fees.

Figure 5.
Long Beach has not made frequent updates to its nexus studies compared to benchmark cities.

	Long Beach	Fontana	Fremont	Fresno
Study Updates	2007	2006	2015	2016
		2019	2021	2019
				2022

By regularly updating nexus studies, cities can adjust their fees to keep up with rising costs. We found the City's Fire, Transportation, and Parks Impact Fee are among the lowest compared to benchmarked California cities. For example, Long Beach's single family residential rates against the highest benchmarks were as follows:

- Parks Impact Fee is \$3,120 (40%) lower
- Fire Impact Fee is \$1,805 (78%) lower
- Transportation Impact Fee is \$1,675 (60%) lower

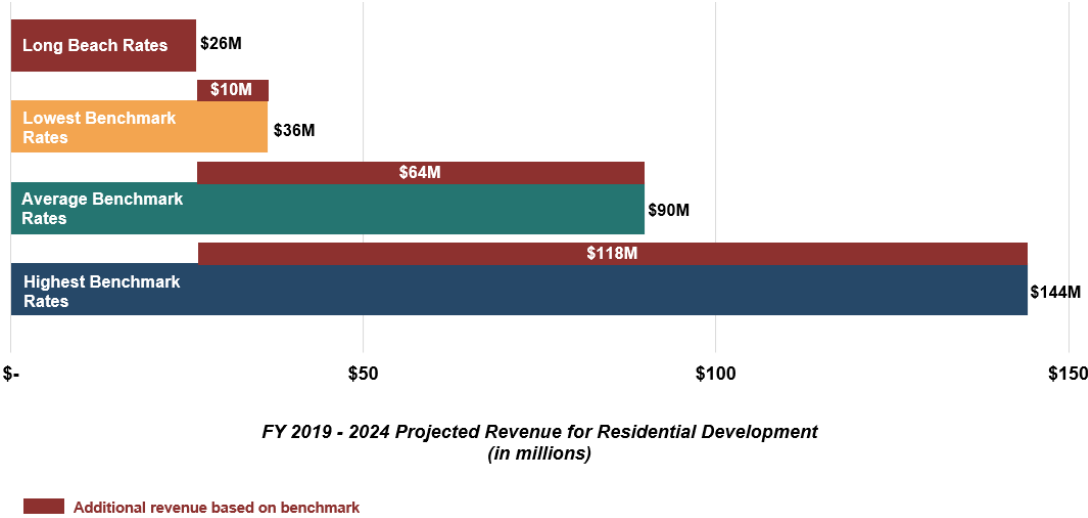
Figure 6.
Long Beach charges impact fees that are \$3,120, \$1,675, and \$1,805
lower than the highest rate among benchmark cities.



Because nexus studies are required to justify impact fee rates, the City’s lack of updated nexus studies has impacted its ability to increase the Fire, Police, and Transportation impact fee rates. A 2019 study by the Turner Center for Housing Innovation analyzed impact fees for the construction of single-family homes across California cities and found that rates range from \$5,703 to \$35,334. In comparison, Long Beach’s impact fee rate for building a single-family home is approximately \$7,075, placing it at the bottom end of the range.

To understand the impact of Long Beach not increasing its rates, we estimated how much revenue the City could have collected based on the City’s residential development activity had it charged higher impact fee rates. We determined the number of Long Beach residential developments over the past six years and calculated the potential revenue had we applied impact fee rates from benchmark cities, including San Diego, Fontana, Fresno, Fremont, Huntington Beach, and Oakland. We estimate that Long Beach could have collected an additional \$10 million (using the lowest benchmark rate) to \$118 million (using the highest benchmark rate) between FY 2019 and FY 2024. When applying the average impact fees for all benchmark cities, it is estimated that the City could have potentially collected an additional \$64 million.

Figure 7.
Using benchmark California cities’ impact fee rates, revenue projections show the City could have collected an additional \$10 million to \$118 million.



These projections highlight the City’s opportunity to increase revenue through its impact fees, which could provide essential funding for infrastructure and services. However, without the necessary nexus studies, the City cannot increase its rates, and the financial burden will continue to shift onto the City.

Recommendations

Fire, Police, and Public Works Departments:

Recommendation 1.1 Align and update Fire, Police, and Transportation Impact Fee City Municipal Codes with the Parks Impact Fee City Municipal Code requiring a nexus study every 5 years.

Management Response: All Departments Agree (See Management Response for details)

Target Implementation Date: November 2025 - January 2026

Fire, Police, Public Works, and PRM Departments:

Recommendation 1.2 Conduct and present a nexus study to City Council at least every 5 years.

Management Response: All Departments Agree (See Management Response for details)

Target Implementation Date: November 2030 - January 2031

Sub-Finding 1B: The City has missed out on at least \$22 million in impact fee revenue by not adjusting rates to keep up with inflation.

Inflation increases the cost of goods and services over time including materials, labor, and equipment used in construction. As construction costs go up, so do the cost of building and expanding public infrastructure such as roads, parks, and public safety facilities. Without periodic updates or built-in inflation adjustments, impact fee revenues fall short of covering the cost of necessary improvements.

The City's Fire, Police, and Transportation Impact Fee Municipal Code language does not require annual fee adjustments for inflation. These Municipal Codes only mandate that impact fees are reviewed and evaluated within 180 days following the fiscal year end. In contrast, the Parks Impact Fees Municipal Code requires annual adjustments for inflation based on the Construction Cost Index (CCI) for the Los Angeles Metropolitan area. Although the Parks Municipal Code includes explicit language for annual adjustments, the City's process lacks clear guidance on how City staff should implement these adjustments. Additionally, there is no uniform process across the Fire, Police, Public Works, Parks, Recreation and Marine (Parks) Departments (Departments) to ensure they have guidelines for implementing fee increases.

In comparison, benchmark cities apply annual inflation adjustments to their impact fees. Cities such as San Diego, Fresno, Oakland, and Fremont have municipal codes that explicitly require yearly adjustments. As a result, these cities have increased their fees between 0.1% to 13.1% annually.

Figure 8.
The Long Beach Municipal Code does not require annual inflation adjustments for Fire, Police, and Transportation impact fees unlike benchmark cities.

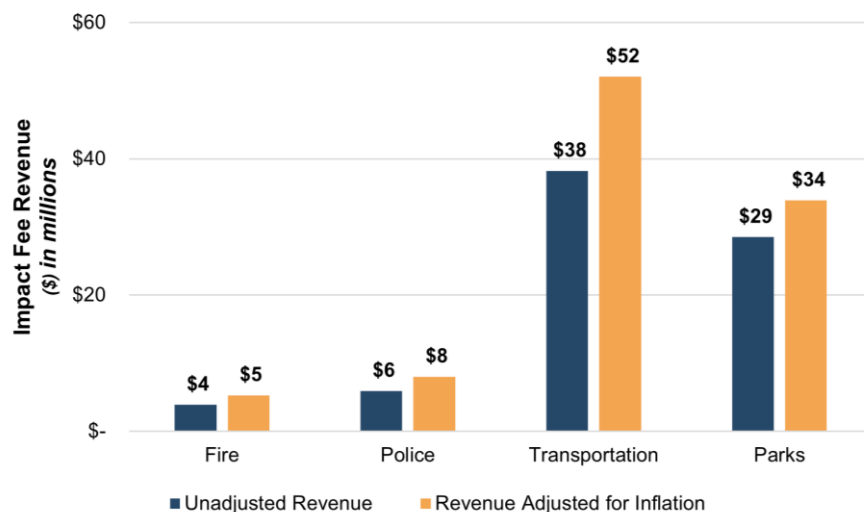
	Long Beach	San Diego	Fresno	Oakland	Fremont
Fire	✗	✓	✓	N/A	✓
Police	✗	N/A	✓	N/A	N/A
Transportation	✗	✓	✓	✓	✓
Parks	✓	✓	✓	N/A	✓

The City has not adjusted most impact fee rates despite rising inflation.

The Fire, Police, and Public Works Departments have not reviewed or proposed any adjustments to their impact fees since their adoption. Fire and Police Impact Fees have remained unchanged since 2007, and Transportation Impact Fees have not changed since 1990. The Parks Department has made sporadic increases to Parks Impact Fees; however, it has not applied annual inflation adjustments since 2011. Except for a decrease in 2015, the fees have remained unchanged, and the Parks Department did not know why the fee decreased.

We estimate that since the adoption of the fees, the City has missed out on at least \$22 million in revenue by not adjusting the fees for inflation, mainly in Transportation and Parks Impact fees. This estimate calculates the City's actual impact fee revenue collected as the baseline and applies inflation based on rising construction costs. It is strictly based on the City's unchanged rates. Had the City adjusted its rates over time, the rates would be higher and would have generated more revenue to cover increased construction costs. Implementing annual inflation adjustments would help generate the revenue needed to keep up with rising costs and support critical infrastructure investments.

Figure 9.
The City missed out on at least \$22 million in impact fee revenue by not adjusting rates for inflation.



Recommendations

Fire, Police, Public Works, and PRM Departments:

Recommendation 1.3 Update and align the Long Beach Municipal Code impact fee sections to include clarifying language on annual fee adjustments and to require a review of impact fee rates at least annually.

Management Response: All Departments Agree (See Management Response for details)

Target Implementation Date: October 1, 2026

Recommendation 1.4 Create a process to review impact fee adjustments for inflation at least annually and guidelines on how to implement any fee increases.

Management Response: All Departments Agree (See Management Response for details)

Target Implementation Date: October 1, 2026

Sub-Finding 1C: The City does not charge a consistent administrative fee rate, causing an annual loss of \$43,000.

Each impact fee rate includes an administrative fee component to support personnel and clerical tasks, such as fee collection, program updates, accounting overhead, and other administrative support. Community Development, which oversees the City's impact fee collection, receives the administrative fee to cover its costs.

State law requires fees to be supported by evidence that they are reasonable and do not exceed the cost of providing the service, which also applies to administrative fees. The City has not reviewed or adjusted administrative fees for Fire, Police, and Transportation Impact Fees since initial adoption. In 2018 and 2022, the Parks nexus studies recommended a 2% administrative fee charge, however the studies were not adopted.

The Fire and Police Impact Fees have a 2% administrative fee rate, while the Transportation and Parks Impact Fees are 1%. The administrative fee percentages vary across fee types due to differences in implementation dates. Benchmark cities such as San Diego, Fresno, and Oakland charge administrative fees ranging from 2% to 5%, applied consistently across impact fee types.

The City could have collected an additional \$43,000 annually by applying a consistent 2% administrative fee.

The City collects approximately \$67,000 annually on administrative fees. If the City had implemented a consistent 2% or 5% administrative fee, it could have collected an additional \$43,000 or \$205,000 per year. Furthermore, increasing impact fee rates would result in higher administrative fees, helping cover the costs to administer the program.

Recommendations

Fire, Police, Public Works, PRM, and Community Development Departments:

Recommendation 1.5 Evaluate and update administrative fees as part of the nexus study, applying a consistent administrative fee percentage across all City impact fees.

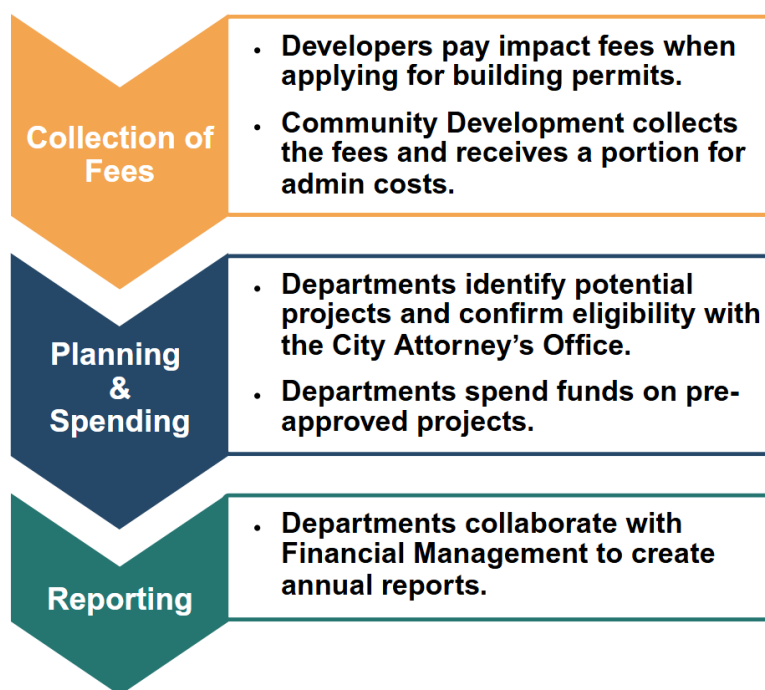
Management Response: All Departments Agree (See Management Response for details)

Target Implementation Date: October 1, 2026

Finding #2: The City needs to centralize its impact fee program to improve efficiency and better serve the community.

The City's impact fee program is a multi-department effort in which individual departments including Fire, Police, Public Works, and Parks manage their own impact fees and set their own rates. Developers pay impact fees when applying for building permits, and the Community Development Department (Community Development) collects all fees and receives a portion to cover administrative costs. Each department identifies and evaluates potential projects using impact fee funding, ensuring they align with the City's infrastructure goals and confirming project eligibility with the City Attorney's Office. The Financial Management Department (Financial Management) compiles the impact fee activity from each Department and submits the Annual and Five-Year Impact Fee Reports to the City Council annually for review.

Figure 10.
The City's impact fee program involves multiple departments.



Sub-Finding 2A: City Departments can strengthen their collaboration on impact fees.

The U.S Government Accountability Office's (GAO) report on Government Performance Management highlights the importance of clarifying roles and responsibilities, leveraging resources and information, and developing and updating written guidance to strengthen collaborations and improve outcomes. In Sacramento, where impact fees are managed across multiple departments, city officials from various departments collaborated on a comprehensive review of their impact fee program. This effort resulted in a uniform process for all fees, improving efficiency and consistency.

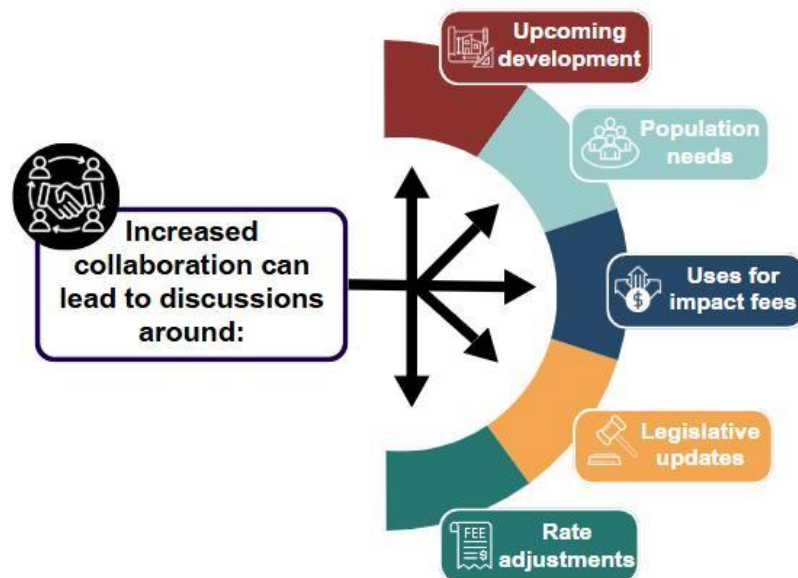
Currently, Departments collaborate on an as-needed basis, with impact fee priorities varying by Department. Coordination is more frequent between Fire and Police and between Public Works and PRM. Fire and Police align on public safety priorities and share similar challenges in spending the funds, while Public Works and PRM focus on public service delivery and frequently collaborate on park projects.

Lack of collaboration between City Departments limits the knowledge and resources available.

Recently, Departments engaged in a Citywide nexus study led by Community Development, creating an opportunity to collaborate. Yet, the City has no forum for Departments to share impact fee resources and institutional knowledge to leverage resources and information. Through interviews with City staff, we noted that certain Departments have extensive knowledge related to impact fee regulations and have conducted research on how other cities are using their fees. However, without a standard framework for collaboration, Departments continue to work independently, limiting their ability to share valuable expertise and maximize available resources, which may hinder their informed decision-making.

Strengthening interdepartmental collaboration can enhance the City's impact fee program. Regular coordination would lead to discussions on upcoming development, future population needs, allowable uses for impact fees, legislative updates and rate adjustments. Additionally, documenting departmental decisions would preserve institutional knowledge. Together, these practices would create a uniform process while clearly defining departmental responsibilities.

Figure 11.
Inter-departmental collaboration is key to strengthening the City's impact fee program.



Recommendations

Fire, Police, Public Works, PRM, Community Development, Financial Management and City Attorney's Office:

Recommendation 2.1 Create a steering committee with a representative from all Departments involved in the impact fee process and assign a coordinator role to one representative within the group (i.e. Community Development). The steering committee should:

- Meet at least twice per year to streamline communication and strengthen interdepartmental collaboration.
- Prepare an annual update on impact fee information and decisions to City Council through a standalone memo or as part of the annual impact fee reporting process.

Management Response: All Departments Agree (See Management Response for details)

Target Implementation Date: April 30, 2026

Recommendation 2.2 Develop written guidance describing the processes to be followed by the steering committee to ensure that current and future Department representatives are aware of expectations and responsibilities.

Management Response: All Departments Agree (See Management Response for details)

Target Implementation Date: October 1, 2026

Sub-Finding 2B: City Departments need policies and procedures to guide employees on impact fee decisions.

The California State Controller's Office (SCO) recommends that management establish communication channels that provide timely and necessary information for employees to carry out their responsibilities effectively. The SCO emphasizes that written policies and procedures help provide a basis for training personnel, serve as a reference source, and promote consistency.

Without formal impact fee policies, the City increases the risk of errors and limits accountability.

In Long Beach, impact fee responsibilities span multiple Departments, leading to uncertainty on who is responsible for developing and implementing a Citywide policy. The City currently lacks formal policies and procedures for managing impact fees. Instead, employees rely on knowledge passed down by predecessors and independent research to make decisions. Without formal policies, the City increases the risk of errors, hinders accountability, and may lose institutional knowledge.

For example, the City of Oakland implemented an Impact Fee Administration and Regulation Manual, which has been updated three times since 2017. This manual centralizes information, standardizes processes, and clearly defines employee responsibilities, ensuring efficiency, and transparent program administration.

In August 2024, the City hired a consultant to conduct an updated impact fee nexus study. The consultant will develop training manuals for staff and management covering roles and responsibilities, reporting requirements, and legislative changes. The manuals will also outline calculation methodologies, proposed fee schedules, exemption programs, and allowable uses for impact fee revenues. These training manuals can serve as a foundation for developing the City's own policies and procedures, ensuring a consistent approach to managing impact fees.

Recommendations

Fire, Police, Public Works, and PRM Departments:

Recommendation 2.3 Create Citywide policies and procedures for impact fees. These should include topics such as:

- State law requirements
- Roles and responsibilities
- Applicability of impact fees
- Fee calculations
- Administrative fee component
- Allowable uses of impact fees
- Fee collection and accounting
- Impact fee rate adjustments
- Annual reporting
- Recordkeeping

Management Response: All Departments Agree (See Management Response for details)

Target Implementation Date: October 1, 2026

Sub-Finding 2C: The City needs a centralized impact fee webpage to enhance transparency and ensure compliance with State requirements.

Recent State law requires cities to post specific impact fee information online including the current fee schedule, an archive of nexus studies completed on or after 2018, affordability requirements, current and previous five annual impact fee reports, and semi-annual updates of total fees paid by developers upon the issuance of a certificate of occupancy.

The City does not have a dedicated webpage to consolidate impact fee information.

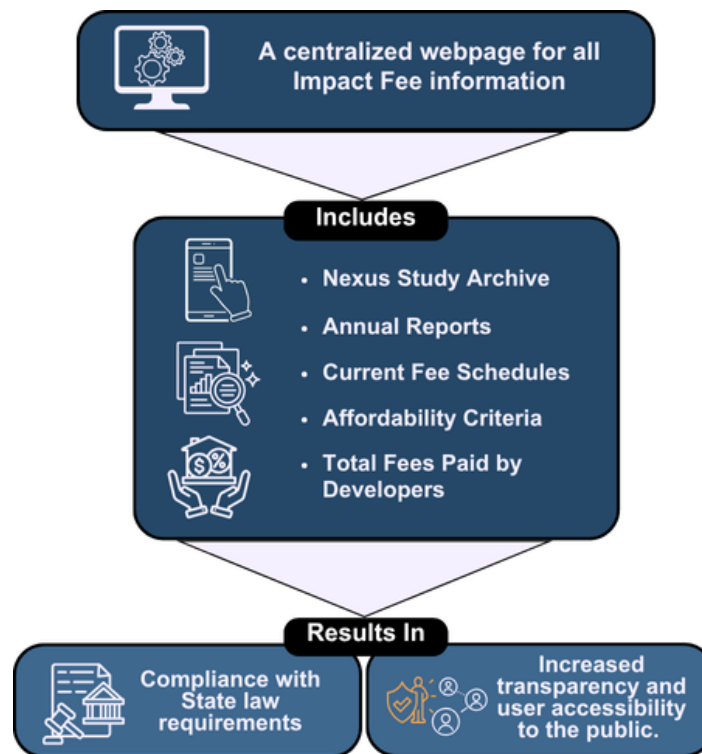
The City's impact fee program involves multiple departments, making it challenging to collaborate and create a uniform webpage. Currently, impact fee information is scattered across various sections of the City's website, which

makes it difficult for residents, developers, and the public to find comprehensive and up-to-date information.

Many benchmark cities have created dedicated webpages within their websites specifically for impact fees. For example, the City of San Diego and Fremont have impact fee specific webpages with a well-organized layout. These webpages provide details on exemptions, waivers, annual adjustments, and/or frequently asked questions, ensuring transparency and ease of access.

Figure 12.

A centralized webpage would support the City's compliance with State law and enhance user accessibility.



The City's website includes the most recent annual impact fee report, fee schedule, and affordable housing requirements. However, previous annual reports, eligibility for exemptions, and total fees paid by developers are either difficult to access or unavailable. Since 2018, the City has not completed and adopted any nexus studies. However, the City must post any future nexus studies on its' website to remain in compliance with State law. Centralizing information will enhance accessibility and improve transparency for the public.

Recommendations

Community Development Department:

Recommendation 2.4 Create a dedicated Development Impact Fee section within the Community Development's webpage that consolidates all required information on impact fees as mandated by State law.

Management Response: Agree (See Management Response for details)
Target Implementation Date: October 1, 2026

Recommendation 2.5 Include impact fee information on the webpage such as details on exemptions and/or waivers, frequently asked questions, annual adjustments, and other related information.

Management Response: Agree (See Management Response for details)
Target Implementation Date: October 1, 2026

III. Objective, Scope, and Methodology

The objective of this audit was to evaluate the City's Development Impact Fee program processes across the Fire, Police, Public Works, and Parks departments. The scope of the audit includes Fire, Police, Transportation and Parks Impact Fees for FY 2019 - 2024.

To achieve this objective, we performed the following procedures:

- Reviewed California State Law, the City's Municipal Code, program applications, policies and procedures, and financial system reports as they relate to the impact fee program.
- Reviewed best practices from government agencies and research from impact fee case studies.
- Conducted interviews with key personnel in the Community Development, Financial Management, Fire, Police, Public Works, Parks Recreation and Marine Departments, and the City Attorney's Office.
- Obtained an understanding of internal controls over the impact fee program in each Department.
- Reviewed and determined if development projects were charged correct impact fee amounts.
- Reviewed impact fee balances, revenues, and expenditures to identify proper recording of transactions.
- Reviewed permitting system data to identify errors and assessed data quality issues.
- Reviewed impact fee refunds against original amounts paid and applicable approvals to assess refund eligibility.
- Benchmarked California cities to evaluate Long Beach's performance relating to:
 - FY 2023 impact fee revenue
 - Impact fee municipal code language
 - Frequency of nexus study updates
 - Impact fee rates and administrative cost percentage
 - Website compliance with State law
- Forecasted potential impact fee revenue and administrative fee revenue.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

IV. Appendices

Appendix A.

Long Beach's impact fee rates vary based on development types ranging from \$3,490 to \$6,937 per unit.

Development Type	Impact Fee Rates				Total***
	Fire	Police	Transportation	Parks	
Single-Family	\$496 / dwelling unit	\$703 / dwelling unit	\$1,125 / dwelling unit	\$4,613.04 / dwelling unit	\$6,937.04 / dwelling unit
Multi-Family	\$378 / dwelling unit	\$537 / dwelling unit	\$1,125 / dwelling unit	\$3,562.75 / dwelling unit	\$5,602.75 / dwelling unit
Mobile Home Dwelling	\$496 / dwelling unit	\$703 / dwelling unit	\$1,125 / dwelling unit	\$2,619.63 / unit pad	\$4,943.63 / dwelling unit
Accessory Dwelling Unit (ADU)*	\$241.74 / dwelling unit	\$342.86 / dwelling unit	\$1,125 / dwelling unit	\$1,781.39 / dwelling unit	\$3,490.99 / dwelling unit
Commercial	\$0.267 / square foot	\$0.442 / square foot	**	Exempt	Based on square footage
Office	\$0.324 / square foot	\$0.538 / square foot	**	Exempt	Based on square footage
Industrial	\$0.132 / square foot	\$0.218 / square foot	**	Exempt	Based on square footage

Commercial (citywide)		Commercial (downtown)	
Industrial	\$1.1 / square foot	Office	\$2.0 / square foot
Office	\$2.0 / square foot	Retail	\$3.0 / square foot
Retail	\$3.0 / square foot	Hotel	\$750 / guest room
Hotel	\$750 / guest room	Movie	\$140 / seat
Movie	\$140 / seat		

*ADUs that are less than 750 square feet are exempt from paying impact fees.

**Transportation Impact Fee rates specific for commercial, office, and industrial development types.

***These totals do not include other impact fees and can vary by development project.

Appendix B.
List of California cities used as a benchmark against Long Beach.

City	Population (2023)	Impact Fee Types			
		<u>Fire</u>	<u>Police</u>	<u>Transportation</u>	<u>Parks</u>
Long Beach	449,468	✓	✓	✓	✓
San Diego	1,388,320	✓		✓	✓
Fresno	545,716	✓		✓	✓
Sacramento	526,384		✓	✓	✓
Oakland	436,504			✓	
Anaheim	340,512			✓	
Fremont	226,208	✓		✓	✓
Fontana	215,465	✓	✓	✓	✓
Huntington Beach	192,129	✓	✓	✓	✓
Roseville	159,135			✓	✓
Brea	48,479	✓		✓	

The cities selected for comparison with Long Beach were based on similarities such as population size, types of impact fees, relevance, and available data. However, not all cities served as benchmarks for every impact fee topic, and some may have additional impact fees not referenced above.



The chart below outlines details that are unique and specific to each city. Links to each city's impact fee information or rates are also included.

City	Impact Fee Program Structure	Websites
Long Beach	Non-residential rates for the transportation impact fee are dependent on the area of development.	Link
San Diego	Impact fees are assessed through two methodologies depending on which is applicable; Facilities Benefits Assessment (community-specific) or Development Impact Fees.	Link
Fresno	Currently implements citywide fees to replace previous fees that were region-specific. Some of Fresno's impact fees are calculated based on gross acres.	Link
Sacramento	Divided into two zones to calculate impact fee rates and charges additional region-specific impact fees that can be used for roadways, police and fire facilities, etc.	Link
Oakland	Divided into three zones to calculate rates for residential developments.	Link
Anaheim	Divided into two zones to calculate the rate for one of its transportation impact fees.	Link
Fremont	Residential rates are calculated based on the number of bedrooms.	Link
Fontana	Multi-Family Residential rates are calculated based on the number of bedrooms.	Link
Huntington Beach	Fixed residential rates based on land use and impact fee type. Commercial and industrial fees are calculated by square feet.	Link
Roseville	Two region-specific impact fees that are not applicable to all development.	Link
Brea	Charges residential impact fee rates per dwelling unit but the rates may vary depending on the number of dwelling units per acre specifically for traffic impact fees.	Link

V. Management Response

Date: August 7, 2025

To: Thomas B. Modica, City Manager 

From: Christopher Koontz, Community Development Director 
Kevin Riper, Financial Management Director 

For: Laura Doud, City Auditor

Subject: **Department Response – Development Impact Fees Performance Audit**

The Community Development, Financial Management, Fire, Parks, Recreation and Marine, Police, and Public Works Departments have thoroughly reviewed the 2025 Development Impact Fees Performance Audit and the recommendations to update development impact fees more regularly. All six departments agree with the recommendations outlined by the City Auditor, especially to automatically adjust fees for inflation. A number of the other recommendations are already well underway, including an updated Development Impact Fee Nexus study, which began with a competitive procurement process that overlapped with this audit. We appreciate the opportunity to participate in this audit and work towards improving internal processes to better serve the City of Long Beach (City) and implement the goals of the DIF Program. However, the Community Development and Financial Management Departments strongly disagree about the relevance of some of the comparison data in the audit, which were used to “backcast” significant amounts of development impact fee revenue supposedly forgone in recent years. As this information was communicated during the audit process but was not included in the audit, management provides the following information for important context. We look forward to implementing the recommendations and continue our work with the City Auditor’s office to find new revenue sources to support critical programs and projects.

The Use of Impact Fees is Limited

As an aging City infrastructure is a primary concern for Long Beach, the infrastructure needs of the City are acute and despite substantial Local Measure A investments and planned Elevate28 spending, significant unmet need ranging from street paving to fire station replacement exists. Development impact fees are not a panacea for meeting these needs and in many circumstances cannot address these needs at all.

Under the California Mitigation Fee Act and the Fifth Amendment to the United States Constitution, impact fees can only be used for new infrastructure used to serve new development and the impacts of new residents and workers in those buildings. Impact fees cannot be used to address existing infrastructure deficiencies; however, it is these existing deficiencies that are the paramount source of Long Beach’s needs. Impact fees also cannot be used to pay for staffing, maintenance, or even replacement of infrastructure.

From a practical standpoint, the departments subject to this audit collaborate extensively to assure new roadway projects have some capacity enhancement, safety building replacements include new or expanded features and other interventions to assure impact fee funds can be used. Impact fees are used to supplement other funding sources to complete capital projects when appropriate and in other

projects they cannot be used because a sufficient nexus does not exist. Use of these funds is evident and effective in the proposed Capital Improvement Program portion of the proposed Fiscal Year 2026 budget currently pending before the City Council. As staff, we believe the impact fee program is not broken, it is working well within the context of the City and its larger budget and efforts are already underway to improve it further.

Methodological Problems

Claiming that the City could have collected an additional \$118 million from residential development impact fees during the last six years if only the City had applied the same impact fees as the “benchmark” City of San Diego (San Diego) is somewhat akin to claiming the San Diego Padres major league baseball team could have collected tens of millions of dollars more during the last six years if only the Padres had charged the same ticket prices as the Los Angeles Dodgers. Such a claim would ignore the different circumstances, particularly market size and demand, between the two baseball franchises – differences that allow the Dodgers to charge average ticket prices that are twice as high as the Padres. Similarly for Long Beach versus San Diego and other comparison cities cited in the audit, San Diego and most of the other cities cited in the audit have greenfield sites available for housing, which increases those cities’ infrastructure costs, which are a key element in ensuring a nexus between need and assessed fees. For comparison, the City of San Diego has a population of 1.4 million people, roughly three times the population of Long Beach, but with a land area of 343 square miles, more than 6.5 times that of Long Beach. As a fully built-out city, Long Beach does not have such sites available, which reduces infrastructure costs, and thus Long Beach’s development impact fees.

Population growth is another important driver of municipal costs. Cities with rapid population growth face more costs for new infrastructure than cities with slower population growth, and thus need higher development impact fees to pay for growth-induced infrastructure. Over the last decade-and-a-half, six of the seven comparison cities cited in the audit have experienced population growth 6 to 12 times greater than Long Beach. Unsurprisingly, then, the comparison cities cited in the audit have higher development impact fees than Long Beach to accommodate that much higher growth. That does not mean Long Beach could have charged impact fees at the same high levels as those cities.

A different set of comparison cities than those cited in the audit reveals a substantially different potential-revenue picture. According to a study conducted earlier this year for the City of Paramount (Economic & Planning Systems, 2025), five nearby cities charge no development impact fees, at all: Lakewood, Compton, Downey, Norwalk and Santa Fe Springs. Two more cities charge residential development impact fees less than Long Beach does (Paramount and Lynwood). Only two (Signal Hill and Bellflower) charge more – and by a substantial margin.

The analytical point the Community Development and Financial Management Departments wish to emphasize is that every city’s growth-related infrastructure needs, physical constraints, fiscal constraints, and market demand are different. These components are so different that retroactively applying residential development impact fees from one set of randomly chosen cities or another, and then asserting that the revenue difference is forgone revenue, can lead to incorrect and misleading conclusions. In the current instance, if one replaces the seven comparison cities cited in the audit with five of Long Beach’s neighboring cities (Lakewood, Compton, Downey, Norwalk and Santa Fe Springs),

then the recommendation becomes that over the last six years Long Beach should have charged zero impact fees and collected nothing!

Analytically the audit not only relies on an incorrect comparative city approach, it compares the wrong type of item completely. The basis of comparison used in the study is new single family homes, which represent less than 1.6% of actual development in Long Beach since 2019. Conversely, residential growth in Long Beach has been driven by new multifamily (apartment) buildings that rely on existing infrastructure, as well as new Accessory Dwelling Units (ADUs) which State law restricts in terms of when and what types of impact fees can be levied. Comparing new single-family homes on greenfield lots in a growing city with new apartment buildings on existing lots in Long Beach with its stagnant population levels is an unhelpful apples to oranges comparison.

This is merely the revenue picture. There are important reasons why some of the City's nexus studies have either been temporarily set aside, or not yet undertaken. As expressed multiple times during the audit process, fee increases did not occur during recent years for specific public policy purposes, not as an accident or oversight, and a comprehensive fee update is now already underway.

The Context of the Long Beach Housing Approach

In early 2023, the City began the application process to become a State designated Pro-Housing City, a designation made by the California Department of Housing and Community Development (HCD). After an extensive period of application review and refinement, the State awarded that designation to the City on July 14, 2023. In addition to recognition, this designation provides the City with access to and in some cases priority when being considered for State funding to support affordable housing development, homeless services and housing policy work. Part of the pro-housing designation and the City's larger strategy to increase housing production is to limit or remove impediments to housing production, including economically burdensome impact fees. In fact, the City received three points in the category of "reduction of construction and development costs" in part due to its impact fees. Increases to housing production is a key component of the City goal of addressing housing and homelessness. This is reiterated in both the City Council adopted goals and the City's Strategic Vision.

The dampening effect of impact fees on housing production is not conjecture by the City. While impact fees serve an important purpose, they also increase the cost of development and drive capital and investment away from the City and to more-attractive, lower cost places to invest. Housing development is sensitive to many factors such as rents, land costs, interest rates and macroeconomic conditions; however, costs and specifically impact fees are one of the few factors the City can squarely control and use to compete in attracting investment.

In 2018, the City solicited a report from ARUP in order to better understand why the City was not attracting greater investment and development, particularly in the downtown area. The report cautioned at page 40, "[i]mpact fees have a much greater impact on total development cost than permitting fees (ARUP, 2018)." The report (ibid at 45) went on to recommend development impact fee waivers or deferrals, not increases, to accomplish the City's goals.

The ARUP study builds on previous advice provided to the City, including a 2011 study showing the City's fees were in the middle of comparable cities, and that many nearby comparable cities do not

charge impact fees (Willdan Financial Services, 2011). While impact fee revenue is important, the total amount of development and the long-term benefits of adequate housing supply and growing property tax revenues being of greater importance, the City followed the expert advice it was given and kept impact fees competitive in order to achieve overall City goals and improve the lives of Long Beach residents through new high-quality housing, reduced overcrowding and efforts to address affordability.

This approach is confirmed in recent scholarly reviews. Earlier this year RAND published a report comparing the development process in California to other states, particularly Texas. It framed the issue as follows:

Lowering the cost of housing production is critical for achieving this goal because housing is the largest expenditure for virtually all households and because production costs directly influence housing costs, particularly rental prices. As production costs rise, the break-even rents required for a project to reach financial viability rise (Eriksen and Orlando, 2024). High costs also directly reduce the number of publicly subsidized affordable housing units. This is because as the gap between break-even rents and the restricted rents that tenants are required to pay in these developments increases, the operating subsidy required for each unit grows, and the same pool of public money produces fewer apartments (Christopher, 2023). Lowering housing production costs also increases affordability through a supply effect that reduces the rate of increase in rental prices. In recent years, areas with lower production costs have seen the greatest levels of new supply. Metro areas such as Austin, Texas, and Dallas, Texas, have even seen substantial price declines and the use of such renter incentives as introductory rent-free months and fee waivers (Kolomatsky, 2024). (Ward & Schlake, 2025)

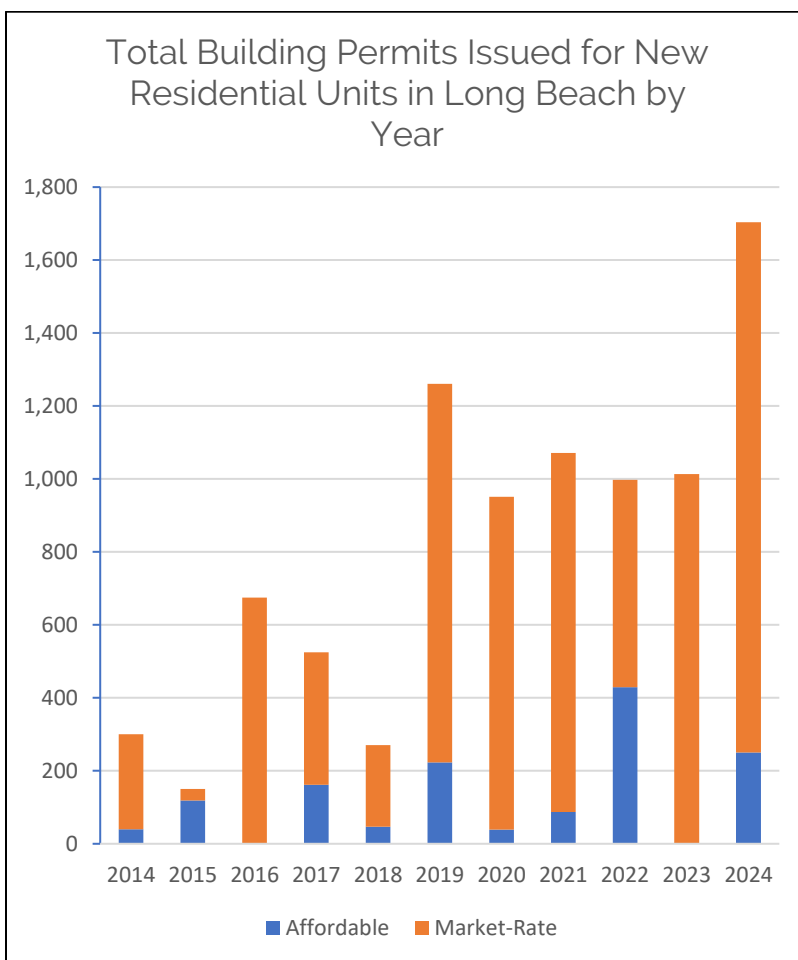
A key finding in the RAND report (at vi) is that impact fees in San Diego are shockingly and inappropriately high when compared to jurisdictions in Colorado and Texas that produce better housing production and affordability outcomes. The authors go on to recommend (at vii) “[p]olicymakers should reconsider the effects on production costs of municipal impact and development fees that are roughly ten to 40 times the level observed in Texas by weighing this fee revenue against potential gains from increased property tax revenue and other local revenue and welfare gains resulting from more new housing production.” Long Beach’s actions have been consistent with this consensus recommendation; however, with this context we disagree with the audit’s conclusion that staff failed to collect potential revenue, as such revenue likely would not have materialized if higher impact fees led to a decrease in total development.

In fact, the City’s approach to housing growth, investment and economic development, including its approach to impact fees, has been highly successful. This success culminated in calendar-year 2024 records for housing units entitled, housing starts (permits issued) and housing completions (certificates of occupancy). This improvement over the last ten years has been the result of intentional policy interventions, including keeping impact fees modest and competitive. These results accomplish the City’s goals and City Council vision of addressing housing cost and homelessness through increased housing production.

The audit also omitted, but it is critical to understand, that recent gains in housing come in contrast to decades of stagnant growth and anemic investment in Long Beach until 2012 changes in zoning and

approach (Figure 1). High growth cities with mature housing markets have more flexibility to impose higher fees, whereas cities such as Long Beach need to nourish and sustain their growth turnarounds before burdening development with additional or increased fees. This was the recommendation in the ARUP report and it was executed skillfully by the City. This also places the City in 2025 with additional options that did not exist before to adjust fees, as is already in process under the comprehensive impact fee update.

Figure 1 Ten Years of Housing Production



The audit also omitted the context of setting impact fees in California and the factors considered specifically here in Long Beach. Not only was City staff given expert advice to keep impact fees modest, and not only do nearby cities have no impact fees, but the City is also competing nationwide for capital and investment and facing a state and legal regulatory environment that is evolving and both critical and skeptical of impact fees. Within this context, staff acted appropriately and is also continuing to do so as current market and City conditions now allow for modest increases which are today well under study.

The City's impact fees are not the only fees paid by developers. School fees are another major source of cost to development. While the City does not control these fees, they do inhibit development and

make the City less competitive than other jurisdictions in which developers can choose to do business. The most recent study from Long Beach Unified School District shows that school impact fees are currently set at the legal maximum and add more than \$5,170 to the cost constructing a prototypical 1,000 square foot new home or apartment (Woolpert, 2014). Because the total cost of development is what impacts investment, cities where school impact fees are lower have more flexibility to assess higher impact fees without adverse negative impacts on the level of investment and development. This is especially relevant in Long Beach where not only does the development pay the maximum for school fees, but the property also pays high property tax assessments for several voter-approved initiatives to support school construction and modernization.

The Role of Inclusionary Housing

The largest contextual factor omitted in the audit is the 2020 adoption of inclusionary housing requirements in Long Beach. The inclusionary housing ordinance was the culmination of more than ten years of staff work and public debate about mechanisms to increase the supply of affordable housing in the City. Inclusionary housing requires developers to include affordable units in their otherwise market-rate developments at no direct cost to the City. This was a top policy goal of the Mayor and City Council and they wanted an aggressive policy that included as many affordable inclusionary units as possible, while not affecting overall housing production costs to a point where it would drive away housing investment.

Inclusionary housing advances the City's goal to not only grow the housing supply but to do so in a way where all residents, including very-low-income residents, benefit. While the program has no cost to the City, in 2020 the benefit to the City was estimated at \$375,400 per inclusionary unit provided¹ (Keyser Marston Associates, 2019). These costs are born by developers and inclusionary housing does increase the cost of development. The cost varies based on many factors, but in 2020 dollars a 100-unit apartment project in downtown would face approximately \$41,294 in cost per unit for the market-rate units to effectively subsidize the affordable inclusionary units. Discussions among City management in 2020 specifically addressed the need to hold development impact fees steady as inclusionary was first implemented and its impacts studied, in order to meet the City Council stated priority goals and limiting other impacts fees in order to enact a meaningful inclusionary program was discussed with the City Council as part of that policy process.

In 2019 an impact fee study (Willdan Financial Services, 2018) was completed and provided a nexus for an increase in the park and recreation fees. The collective decision in 2020 however was to defer action on any increase due to the imposition of inclusionary requirements and economic uncertainty during the early months of the COVID-19 pandemic, and as it would be counter to the City Council's previous direction. Inclusionary housing was, and is, the priority because it directly addresses the priority goal of improving housing affordability in the City. While some cities have inclusionary policies, most of the comparison cities used as comparison in the audit do not. Even among cities with inclusionary policies, the Long Beach approach is more aggressive and requires more very-low-income

¹ Some discrepancies exist as to this in-lieu amount. The 2019 study uses a reference to \$383,000 for very-low-income units however the 2020 adopted fee is \$375,400 which is used in this correspondence to be conservative. When adjusted for changes in construction costs, land values and inflation, the true value would be greater. This fee is under update at this time and portions of the inclusionary program expanded and changed in early 2025.

units (Thaden & Wang, 2017), thus raising the total cost of development in Long Beach and resulting in an inaccurate comparison when just looking at specific impact fees.

State Requirements – The Housing Element

From January 2020 until April 2022, the Community Development Department (at the time Development Services) spent thousands of staff hours and more than one-million dollars in consultant costs to prepare the legally required General Plan Housing Element and obtain state certification of that document. A key requirement of Housing Elements is to disclose all existing constraints to housing development, including impact fees, and to create an implementation plan to reduce those barriers. Adjusting impact fees during this period would have been inappropriate, not only because of the reasons discussed above, but also because it would have created an uneven baseline for analysis and increasing, rather than decreasing, burdens to development, would have complicated obtaining state certification of the completed plan.

Legal Challenges to Increasing Impact Fees

At that time in 2020, as Long Beach was imposing inclusionary housing requirements, cities across California were under pressure to re-evaluate impact fees and reduce the dampening effect on housing production. In 2019 the Turner Center, a think tank often relied upon by the California legislature, published a paper entitled *Residential Impact Fees in California: Current Practices and Policy Considerations to Improve Implementation of Fees Governed by the Mitigation Fee Act* (Raetz, Garcia, & Decker, 2019). It was clear that in addition to Long Beach specific factors such as inclusionary and school fees, that the state approach to impact fees was changing and the City could not simply increase fees.

In 2021, the legislature acted on the Turner Center report and enacted Assembly Bill 602 which changed requirements for nexus studies, as well as how impact fees are calculated and collected in order to reduce the negative impact of such fees on housing production. These changes had immediate impacts on how Community Development collected fees, provided credits for prior use, and informed the comprehensive development impact fee update that began in December of 2022.

In March of 2022, the Federal Reserve began an aggressive series of interest rate increases to tackle record-breaking inflation in the United States. Real estate development, which typically is highly leveraged with acquisition, construction and permanent (operating) debt, is especially sensitive to interest rate changes. The increase in both construction material costs, labor and interest rates (borrowing costs) had the potential to derail progress on growing the housing supply, just as housing production was increasing and the City was starting to see the benefits of its inclusionary policy and other recent zoning and policy interventions. Unlike previous impact fee nexus studies, the current study scope was expansive including economic testing and forecasting in order to understand not only the maximum allowable fee but the ideal fees to reach city goals for production and affordability.

The nexus study update itself started slowly, so the City could identify the appropriate firm to complete the work using a competitive procurement process, in place at the time, and because of a continually evolving economic and legal landscape for the study itself. The Request for Proposal (RFP) to identify firms to prepare the study was first drafted between late December of 2022 and April of 2023; however,

the RFP was not released until December 5, 2023, due to factors beyond the Departments' control, including vacancies in key financial support positions and multiple complex procurements occurring at the same time. Following a robust RFP process that included representatives from multiple departments and vendor interviews, a vendor was identified in May 2024. The vendor selection, Economic & Planning Systems, Inc., was presented to the City Council on August 13, 2024, for approval, the contract was awarded on August 30 and the work is now underway.

While the procurement process was underway, on April 12, 2024, the United States Supreme Court ruled in favor of George Sheetz in remanding back to the California Courts a dispute over imposition of traffic impact fees in El Dorado County. While this litigation is still ongoing and a recent State court decision will likely be appealed again to the United States Supreme Court, the practical implication for City staff was to establish new mechanisms to consider the effect of impact fees on individual projects and provide relief mechanisms for unique challenges and situations.

The Office of City Attorney and the Community Development Department spent extensive time between early 2022 to date attempting to protect the City's interest and reduce risk through an evolving landscape for the collection of impact fees. We believe the audit should classify this work and period of time as an accomplishment where the City staff assured compliance, reduced risk to the City and created the conditions and process for fee increases that are now underway.

Conclusions

In conclusion, while we appreciate the work and role of the auditor and staff and we agree with the going-forward recommendations, we respectfully disagree with the characterization that the City forewent millions of dollars in potential funding in recent years. City staff followed its own experts and consultants, State guidance, carefully considered impacts on housing production and affordability, and it also followed the law which severely limits the ability of the City to increase impact fees. The City's successful increase in housing production, improving housing supply, quality and affordability, reducing overcrowding, all while growing recurring revenues such as property tax, should be applauded.

We look forward to continuing implementation of the recommendations found within the audit, recommendations that as noted the departments agree with and have been underway since December of 2022.

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MANAGEMENT RESPONSE AND ACTION PLAN

Community Development Development Impact Fees Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
Community Development Department							
1.5	Evaluate and update administrative fees as part of the nexus study, applying a consistent administrative fee percentage across all City impact fees.	H	13	Agree	Financial Management Department and Community Development Department	The City has engaged has consultant to complete an updated development impact fee nexus study and anticipates the study's recommendations to be presented to the City Council in late 2025/early 2026. The Community Development Department will use the data from this report to assess the cost for administering this program to recommend an appropriate, standardized fee to be included in a future Master Fee and Charges update.	October 1, 2026
2.1	Create a steering committee with a representative from all Departments involved in the impact fee process and assign a coordinator role to one representative within the group (i.e. Community Development). The steering committee should: <ul style="list-style-type: none"> • Meet at least twice per year to streamline communication an strengthen interdepartmental collaboration. • Prepare an annual update on impact fee information an decisions to City Council through a standalone memo or as part of the annual impact fee reporting process. 	M	16	Agree	Financial Management Department and Community Development Department	Under co-direction by the Financial Management Department and the Community Development Department, Financial Management will establish an Impact Fee Steering Committee as a subset of, and in conjunction with, the Citywide Financial Services Officer (FSO) Group, which has been meeting monthly for a number of years. Impact fee-related departments (City Attorney; Community Development; Financial Management; Fire; Parks, Recreation and Marine; Police; and Public Works) will be drafted to join the Impact Fee Steering Committee, which will meet at least twice yearly as part of two of the monthly meetings of the FSO Group that already take place on the last Tuesday of each month. The Community Development Department and the Financial Management Department will collaborate to incorporate the work of the Impact Fee Steering Committee into an annual impact fee update to City Council and the public.	April 30, 2026
2.2	Develop written guidance describing the processes to be followed by the steering committee to ensure that current and future Department representatives are aware of expectations and responsibilities.	M	10	Agree	Financial Management Department and Community Development Department	Once the Impact Fee Steering Committee is established, the Community Development Department and the Financial Management Department will develop written guidance for current and future Department representatives.	October 1, 2026

MANAGEMENT RESPONSE AND ACTION PLAN

Community Development Development Impact Fees Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
2.4	Create a dedicated Development Impact Fee section within the Community Development's webpage that consolidates all required information on impact fees as mandated by State law.	H	10	Agree	Financial Management Department and Community Development Department	While this information is available online in the City Council agenda and Municipal Code archives, CD will establish a standalone webpage to increase transparency and access to historical information.	October 1, 2026
2.5	Include impact fee information on the webpage such as details on exemptions and/or waivers, frequently asked questions, annual adjustments, and other related information.	M	12	Agree	Financial Management Department and Community Development Department	While this information is available online in the City Council agenda and Municipal Code archives, CD will establish a standalone webpage to increase transparency and access to historical information.	October 1, 2026

Priority

H – High Priority - The recommendation pertains to a serious or materially significant audit finding or control weakness. Due to the seriousness or significance of the matter, immediate management attention and appropriate corrective action is warranted.

M – Medium Priority - The recommendation pertains to a moderately significant or potentially serious audit finding or control weakness. Reasonably prompt corrective action should be taken by management to address the matter. Recommendation should be implemented no later than six months.

L – Low Priority - The recommendation pertains to an audit finding or control weakness of relatively minor significance or concern. The timing of any corrective action is left to management's discretion.

MANAGEMENT RESPONSE AND ACTION PLAN

Financial Management

Development Impact Fees Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
Financial Management Department							
2.1	<p>Create a steering committee with a representative from all Departments involved in the impact fee process and assign a coordinator role to one representative within the group (i.e. Community Development). The steering committee should:</p> <ul style="list-style-type: none"> • Meet at least twice per year to streamline communication and strengthen interdepartmental collaboration. • Prepare an annual update on impact fee information and decisions to City Council through a standalone memo or as part of the annual impact fee reporting process. 	M	16	Agree	Financial Management Department and Community Development Department	Under co-direction by the Financial Management Department and the Community Development Department, Financial Management will establish an Impact Fee Steering Committee as a subset of, and in conjunction with, the Citywide Financial Services Officer (FSO) Group, which has been meeting monthly for a number of years. Impact fee-related departments (City Attorney; Community Development; Financial Management; Fire; Parks, Recreation and Marine; Police; and Public Works) will be drafted to join the Impact Fee Steering Committee, which will meet at least twice yearly as part of two of the monthly meetings of the FSO Group that already take place on the last Tuesday of each month. The Community Development Department and the Financial Management Department will collaborate to incorporate the work of the Impact Fee Steering Committee into an annual impact fee update to City Council and the public.	April 30, 2026
2.2	<p>Develop written guidance describing the processes to be followed by the steering committee to ensure that current and future Department representatives are aware of expectations and responsibilities.</p>	M	16	Agree	Financial Management Department and Community Development Department	Once the Impact Fee Steering Committee is established, the Community Development Department and the Financial Management Department will develop written guidance for current and future Department representatives.	October 1, 2026

Priority

H – High Priority - The recommendation pertains to a serious or materially significant audit finding or control weakness. Due to the seriousness or significance of the matter, immediate management attention and appropriate corrective action is warranted.

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MANAGEMENT RESPONSE AND ACTION PLAN

Fire Department

Development Impact Fees Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
Fire Department							
1.1	Align and update Fire, Police, and Transportation Impact Fee City Municipal Codes with the Parks Impact Fee City Municipal Code requiring a nexus study every 5 years.	H	10	Agree	Fire Department in coordination with Community Development and Financial Management Departments and City Attorney	The Fire Department will coordinate with the Community Development and Financial Management Departments to propose amendments to the City Municipal Code requiring completion of a new nexus study every 5 years. The Community Development Department, in conjunction with the Fire Department, is currently conducting a comprehensive nexus fee study to update the existing fee structure. This study is anticipated to be completed by late 2025/early 2026.	November 2025-January 2026
1.2	Conduct and present a nexus study to City Council at least every 5 years.	H	10	Agree	Fire Department in coordination with Community Development and Financial Management Departments	A study is currently underway with a consultant for the comprehensive, multi-departmental development impact fee nexus study. The Fire Department will collaborate with the Community Development and Financial Management Departments to ensure that the relevant sections of the Long Beach Municipal Code are updated to include clear language requiring an annual review of impact fee rates. These updates will also reflect the City's established practice of preparing an annual staff report to the City Council detailing revenues, expenditures, and proposed uses for all impact fees.	November 2030-January 2031
1.3	Update and align the Long Beach Municipal Code impact fee sections to include clarifying language on annual fee adjustments and to require a review of impact fee rates at least annually.	H	12	Agree	Fire Department in coordination with Community Development and Financial Management Departments and City Attorney	The Fire Department will will collaborate with the City Attorney, Community Development and Financial Management Departments to ensure that the Long Beach Municipal Code is appropriately amended to include clear language requiring an annual review of impact fee rates and possible adjustments.	October 1, 2026
1.4	Create a process to review impact fee adjustments for inflation at least annually and guidelines on how to implement any fee increases.	H	12	Agree	Fire Department in coordination with Community Development and Financial Management Departments	The Fire Department will collaborate with the Financial Management and Community Development Departments to develop a standardized process for the annual review of impact fee adjustments for inflation, including clear guidelines for implementing future fee increases.	October 1, 2026

MANAGEMENT RESPONSE AND ACTION PLAN

Fire Department

Development Impact Fees Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
1.5	Evaluate and update administrative fees as part of the nexus study, applying a consistent administrative fee percentage across all City impact fees.	H	13	Agree	Fire Department in coordination with Community Development and Financial Management Departments	The City has engaged has consultant to complete an updated development impact fee nexus study and anticipates the study's recommendations to be presented to the City Council in late 2025/early 2026. The Community Development Department will use the data from this report to assess the cost for administering this program to recommend an appropriate, standardized fee to be included in a future Master Fee and Charges update.	October 1, 2026
2.1	Create a steering committee with a representative from all Departments involved in the impact fee process and assign a coordinator role to one representative within the group (i.e. Community Development). The steering committee should: <ul style="list-style-type: none"> • Meet at least twice per year to streamline communication and strengthen interdepartmental collaboration. • Prepare an annual update on impact fee information and decisions to City Council through a standalone memo or as part of the annual impact fee reporting process. 	M	16	Agree	Fire Department in coordination with Financial Management Department and Community Development Department	Under co-direction by the Financial Management Department and the Community Development Department, Financial Management will establish an Impact Fee Steering Committee as a subset of, and in conjunction with, the Citywide Financial Services Officer (FSO) Group, which has been meeting monthly for a number of years. Impact fee-related departments (City Attorney; Community Development; Financial Management; Fire; Parks, Recreation and Marine; Police; and Public Works) will be drafted to join the Impact Fee Steering Committee, which will meet at least twice yearly as part of two of the monthly meetings of the FSO Group that already take place on the last Tuesday of each month. The Community Development Department and the Financial Management Department will collaborate to incorporate the work of the Impact Fee Steering Committee into an annual impact fee update to City Council and the public.	April 30, 2026
2.2	Develop written guidance describing the processes to be followed by the steering committee to ensure that current and future Department representatives are aware of expectations and responsibilities.	M	16	Agree	Fire Department in coordination with Financial Management Department and Community Development Department	Once the Impact Fee Steering Committee is established, the Steering Committee, with leadership from the Community Development and the Financial Management Departments will develop written guidance for current and future Department representatives.	October 1, 2026

MANAGEMENT RESPONSE AND ACTION PLAN

Fire Department

Development Impact Fees Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
2.3	Create Citywide policies and procedures for impact fees. These should include topics such as: <ul style="list-style-type: none"> •State law requirements •Roles and responsibilities •Applicability of impact fees •Fee calculations •Administrative fee component •Allowable uses of impact fees •Fee collection and accounting •Impact fee rate adjustments •Annual reporting •Recordkeeping 	M	17	Agree	Fire Department in coordination with Financial Management Department and Community Development Department	Establishing clear, uniform guidelines will help ensure compliance with all applicable laws and promote the consistent application of best practices across all City departments responsible for the collection, planning, and expenditure of impact fees. The Steering Committee established under Recommendation 2.1 will be leveraged to develop these policies and procedures. The resulting framework will address topics such as state law requirements, roles and responsibilities, fee applicability and calculation, administrative fee components, allowable uses, collection and accounting processes, rate adjustments, annual reporting, and recordkeeping.	October 1, 2026

Priority

H – High Priority - The recommendation pertains to a serious or materially significant audit finding or control weakness. Due to the seriousness or significance of the matter, immediate management attention and appropriate corrective action is warranted.

M – Medium Priority - The recommendation pertains to a moderately significant or potentially serious audit finding or control weakness. Reasonably prompt corrective action should be taken by management to address the matter. Recommendation should be implemented no later than six months.

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MANAGEMENT RESPONSE AND ACTION PLAN

Police Department Development Impact Fees Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
Police Department							
1.1	Align and update Fire, Police, and Transportation Impact Fee City Municipal Codes with the Parks Impact Fee City Municipal Code requiring a nexus study every 5 years.	H	10	Agree	Police Department in coordination with Community Development and Financial Management Departments and City Attorney	The Police Department will coordinate with the Community Development and Financial Management Departments to propose amendments to the City Municipal Code requiring completion of a new nexus study every 5 years. The Community Development Department, in conjunction with the Police Department, is currently conducting a comprehensive nexus fee study to update the existing fee structure. This study is anticipated to be completed by late 2025/early 2026.	November 2025-January 2026
1.2	Conduct and present a nexus study to City Council at least every 5 years.	H	10	Agree	Police Department in coordination with Community Development and Financial Management Departments	A study is currently underway with a consultant for the comprehensive, multi-departmental development impact fee nexus study. The Police Department will collaborate with the Community Development and Financial Management Departments to ensure that the relevant sections of the Long Beach Municipal Code are updated to include clear language requiring an annual review of impact fee rates. These updates will also reflect the City's established practice of preparing an annual staff report to the City Council detailing revenues, expenditures, and proposed uses for all impact fees.	November 2030-January 2031
1.3	Update and align the Long Beach Municipal Code impact fee sections to include clarifying language on annual fee adjustments and to require a review of impact fee rates at least annually.	H	12	Agree	Police Department in coordination with Community Development and Financial Management Departments and City Attorney	The Police Department will will collaborate with the City Attorney, Community Development and Financial Management Departments to ensure that the Long Beach Municipal Code is appropriately amended to include clear language requiring an annual review of impact fee rates and possible adjustments.	October 1, 2026
1.4	Create a process to review impact fee adjustments for inflation at least annually and guidelines on how to implement any fee increases.	H	12	Agree	Police Department in coordination with Community Development and Financial Management Departments	The Police Department will collaborate with the Financial Management and Community Development Departments to develop a standardized process for the annual review of impact fee adjustments for inflation, including clear guidelines for implementing future fee increases.	October 1, 2026

MANAGEMENT RESPONSE AND ACTION PLAN

Police Department Development Impact Fees Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
1.5	Evaluate and update administrative fees as part of the nexus study, applying a consistent administrative fee percentage across all City impact fees.	H	13	Agree	Police Department in coordination with Community Development and Financial Management Departments	The City has engaged has consultant to complete an updated development impact fee nexus study and anticipates the study's recommendations to be presented to the City Council in late 2025/early 2026. The Community Development Department will use the data from this report to assess the cost for administering this program to recommend an appropriate, standardized fee to be included in a future Master Fee and Charges update.	October 1, 2026
2.1	<p>Create a steering committee with a representative from all Departments involved in the impact fee process and assign a coordinator role to one representative within the group (i.e. Community Development). The steering committee should:</p> <ul style="list-style-type: none"> • Meet at least twice per year to streamline communication and strengthen interdepartmental collaboration. • Prepare an annual update on impact fee information and decisions to City Council through a standalone memo or as part of the annual impact fee reporting process. 	M	16	Agree	Police Department in coordination with Financial Management Department and Community Development Department	Under co-direction by the Financial Management Department and the Community Development Department, Financial Management will establish an Impact Fee Steering Committee as a subset of, and in conjunction with, the Citywide Financial Services Officer (FSO) Group, which has been meeting monthly for a number of years. Impact fee-related departments (City Attorney; Community Development; Financial Management; Police; Parks, Recreation and Marine; Police; and Public Works) will be drafted to join the Impact Fee Steering Committee, which will meet at least twice yearly as part of two of the monthly meetings of the FSO Group that already take place on the last Tuesday of each month. The Community Development Department and the Financial Management Department will collaborate to incorporate the work of the Impact Fee Steering Committee into an annual impact fee update to City Council and the public.	April 30, 2026
2.2	Develop written guidance describing the processes to be followed by the steering committee to ensure that current and future Department representatives are aware of expectations and responsibilities.	M	16	Agree	Police Department in coordination with Financial Management Department and Community Development Department	Once the Impact Fee Steering Committee is established, the Steering Committee, with leadership from the Community Development and the Financial Management Departments will develop written guidance for current and future Department representatives.	October 1, 2026

MANAGEMENT RESPONSE AND ACTION PLAN

Police Department Development Impact Fees Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
2.3	Create Citywide policies and procedures for impact fees. These should include topics such as: <ul style="list-style-type: none"> •State law requirements •Roles and responsibilities •Applicability of impact fees •Fee calculations •Administrative fee component •Allowable uses of impact fees •Fee collection and accounting •Impact fee rate adjustments •Annual reporting •Recordkeeping 	M	17	Agree	Police Department in coordination with Financial Management Department and Community Development Department	Establishing clear, uniform guidelines will help ensure compliance with all applicable laws and promote the consistent application of best practices across all City departments responsible for the collection, planning, and expenditure of impact fees. The Steering Committee established under Recommendation 2.1 will be leveraged to develop these policies and procedures. The resulting framework will address topics such as state law requirements, roles and responsibilities, fee applicability and calculation, administrative fee components, allowable uses, collection and accounting processes, rate adjustments, annual reporting, and recordkeeping.	October 1, 2026

Priority

H – High Priority - The recommendation pertains to a serious or materially significant audit finding or control weakness. Due to the seriousness or significance of the matter, immediate management attention and appropriate corrective action is warranted.

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MANAGEMENT RESPONSE AND ACTION PLAN

Public Works

Development Impact Fees Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
Public Works Department							
1.1	Align and update Fire, Police, and Transportation Impact Fee City Municipal Codes with the Parks Impact Fee City Municipal Code requiring a nexus study every 5 years.	H	10	Agree	Public Works - Business Operations Bureau in coordination with Community Development and Financial Management and City Attorney	<p>The Department of Public Works agrees with this recommendation. Updating the Transportation Impact Fee nexus study on a five-year cycle will help ensure the City appropriately recovers costs necessary to support transportation infrastructure expansion and development. The Community Development Department, in partnership with the Department of Public Works, is currently conducting a Transportation Impact Fee Nexus Study to update the existing fee structure. This study is anticipated to be completed by late 2025/early 2026.</p> <p>The Department of Public Works, through its Business Operations Bureau, will coordinate with the Community Development and Financial Management Departments to propose amendments to the City Municipal Code requiring completion of a Transportation Impact Fee nexus study every five years.</p>	November 2025-January 2026
1.2	Conduct and present a nexus study to City Council at least every 5 years.	H	10	Agree	Public Works - Business Operations Bureau in coordination with Community Development and Financial Management	<p>The Department of Public Works agrees with this recommendation and supports the practice of conducting an annual review of impact fee rates and uses, which is consistent with current procedures. The Department of Public Works, through its Business Operations Bureau, will collaborate with the Community Development and Financial Management Departments to ensure that the relevant sections of the Long Beach Municipal Code are updated to include clear language requiring an annual review of impact fee rates. These updates will also reflect the City's established practice of preparing an annual staff report to the City Council detailing revenues, expenditures, and proposed uses for all impact fees.</p>	November 2030-January 2031
1.3	Update and align the Long Beach Municipal Code impact fee sections to include clarifying language on annual fee adjustments and to require a review of impact fee rates at least annually.	H	12	Agree	Public Works - Business Operations Bureau in coordination with Community Development and Financial Management and City Attorney	<p>The Department of Public Works agrees with this recommendation and affirms its commitment to the annual review of impact fee rates. The Department of Public Works, through its Business Operations Bureau, will collaborate with the Community Development and Financial Management Departments to ensure that the Long Beach Municipal Code is appropriately amended to include clear language requiring an annual review of impact fee rates and possible adjustments.</p>	October 1, 2026
1.4	Create a process to review impact fee adjustments for inflation at least annually and guidelines on how to implement any fee increases.	H	12	Agree	Public Works - Business Operations Bureau in coordination with Community Development and Financial Management	<p>The Department of Public Works agrees with this recommendation and fully supports the establishment of a formal process to review and adjust impact fees annually to account for inflation. The Department has experienced significant increases in the cost of goods and services over the past five years, and annual inflationary adjustments will better enable the City to meet its transportation infrastructure commitments. The Department of Public Works, through its Business Operations Bureau, will collaborate with the Community Development and Financial Management Departments to develop a standardized process for the annual review of impact fee adjustments for inflation, including clear guidelines for implementing future fee increases.</p>	October 1, 2026

MANAGEMENT RESPONSE AND ACTION PLAN

Public Works

Development Impact Fees Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
1.5	Evaluate and update administrative fees as part of the nexus study, applying a consistent administrative fee percentage across all City impact fees.	H	13	Agree	Public Works - Business Operations Bureau in coordination with Community Development and Financial Management	The Department of Public Works agrees with this recommendation and supports the standardization of administrative fees across all City impact fees. Applying a consistent administrative fee percentage will promote transparency and ensure that all departments recover administrative overhead in a uniform manner. The Department of Public Works, through its Business Operations Bureau, will collaborate with the Community Development and Financial Management Departments to evaluate, establish, and implement a consistent administrative fee percentage for all impact fees supporting infrastructure improvements, as part of the nexus study process if possible.	October 1, 2026
2.1	Create a steering committee with a representative from all Departments involved in the impact fee process and assign a coordinator role to one representative within the group (i.e. Community Development). The steering committee should: <ul style="list-style-type: none"> • Meet at least twice per year to streamline communication and strengthen interdepartmental collaboration. • Prepare an annual update on impact fee information and decisions to City Council through a standalone memo or as part of the annual impact fee reporting process. 	M	16	Agree	Public Works - Business Operations Bureau in coordination with Community Development and Financial Management	Under co-direction by the Financial Management Department and the Community Development Department, Financial Management will establish an Impact Fee Steering Committee as a subset of, and in conjunction with, the Citywide Financial Services Officer (FSO) Group, which has been meeting monthly for a number of years. Impact fee-related departments (City Attorney; Community Development; Financial Management; Fire; Parks, Recreation and Marine; Police; and Public Works) will be drafted to join the Impact Fee Steering Committee, which will meet at least twice yearly as part of two of the monthly meetings of the FSO Group that already take place on the last Tuesday of each month. The Community Development Department and the Financial Management Department will collaborate to incorporate the work of the Impact Fee Steering Committee into an annual impact fee update to City Council and the public.	April 30, 2026
2.2	Develop written guidance describing the processes to be followed by the steering committee to ensure that current and future Department representatives are aware of expectations and responsibilities.	M	16	Agree	Public Works - Business Operations Bureau in coordination with Community Development and Financial Management	Once the Impact Fee Steering Committee is established, the Steering Committee, with leadership from the Community Development and the Financial Management Departments will develop written guidance for current and future Department representatives.	October 1, 2026
2.3	Create Citywide policies and procedures for impact fees. These should include topics such as: <ul style="list-style-type: none"> •State law requirements •Roles and responsibilities •Applicability of impact fees •Fee calculations •Administrative fee component •Allowable uses of impact fees •Fee collection and accounting •Impact fee rate adjustments •Annual reporting •Recordkeeping 	M	17	Agree	Public Works - Business Operations Bureau in coordination with Community Development and Financial Management	Establishing clear, uniform guidelines will help ensure compliance with all applicable laws and promote the consistent application of best practices across all City departments responsible for the collection, planning, and expenditure of impact fees. The Steering Committee established under Recommendation 2.1 will be leveraged to develop these policies and procedures. The resulting framework will address topics such as state law requirements, roles and responsibilities, fee applicability and calculation, administrative fee components, allowable uses, collection and accounting processes, rate adjustments, annual reporting, and recordkeeping.	October 1, 2026

Priority

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M – Medium Priority - The recommendation pertains to a moderately significant or potentially serious audit finding or control weakness. Reasonably prompt corrective action should be taken by management to

L – Low Priority - The recommendation pertains to an audit finding or control weakness of relatively minor significance or concern. The timing of any corrective action is left to management's discretion.

MANAGEMENT RESPONSE AND ACTION PLAN

Parks, Recreation, and Marine Department Development Impact Fees Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
Parks, Recreation, and Marine Department							
1.2	Conduct and present a nexus study to City Council at least every 5 years.	H	10	Agree	PRM Department in coordination with Community Development and Financial Management Departments	A study is currently underway with a consultant for the comprehensive, multi-departmental development impact fee nexus study. This study is anticipated to be completed by late 2025/early 2026. The Parks, Recreation and Marine Department (PRM) will collaborate with the Community Development and Financial Management Departments to ensure that the relevant sections of the Long Beach Municipal Code are updated to include clear language requiring an annual review of impact fee rates. These updates will also reflect the City's established practice of preparing an annual staff report to the City Council detailing revenues, expenditures, and proposed uses for all impact fees.	November 2030-January 2031
1.3	Update and align the Long Beach Municipal Code impact fee sections to include clarifying language on annual fee adjustments and to require a review of impact fee rates at least annually.	H	12	Agree	PRM Department in coordination with Community Development and Financial Management Departments and City Attorney	PRM will will collaborate with the City Attorney, Community Development and Financial Management Departments to ensure that the Long Beach Municipal Code is appropriately amended to include clear language requiring an annual review of impact fee rates and possible adjustments.	October 1, 2026

MANAGEMENT RESPONSE AND ACTION PLAN

Parks, Recreation, and Marine Department Development Impact Fees Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
1.4	Create a process to review impact fee adjustments for inflation at least annually and guidelines on how to implement any fee increases.	H	12	Agree	PRM in coordination with Community Development and Financial Management Departments	PRM will collaborate with the Financial Management and Community Development Departments to develop a standardized process for the annual review of impact fee adjustments for inflation, including clear guidelines for implementing future fee increases.	October 1, 2026
1.5	Evaluate and update administrative fees as part of the nexus study, applying a consistent administrative fee percentage across all City impact fees.	H	13	Agree	PRM in coordination with Community Development and Financial Management Departments	PRM agrees that all fees should include an administrative fee percentage and will participate in the Citywide process that becomes established to do so. The City has engaged has consultant to complete an updated development impact fee nexus study and anticipates the study's recommendations to be presented to the City Council in late 2025/early 2026. The Community Development Department will use the data from this report to assess the cost for administering this program to recommend an appropriate, standardized fee to be included in a future Master Fee and Charges update.	October 1, 2026

MANAGEMENT RESPONSE AND ACTION PLAN

Parks, Recreation, and Marine Department Development Impact Fees Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
2.1	<p>Create a steering committee with a representative from all Departments involved in the impact fee process and assign a coordinator role to one representative within the group (i.e. Community Development). The steering committee should:</p> <ul style="list-style-type: none"> • Meet at least twice per year to streamline communication and strengthen interdepartmental collaboration. • Prepare an annual update on impact fee information and decisions to City Council through a standalone memo or as part of the annual impact fee reporting process. 	M	16	Agree	PRM in coordination with Financial Management Department and Community Development Department	Under co-direction by the Financial Management Department and the Community Development Department, Financial Management will establish an Impact Fee Steering Committee as a subset of, and in conjunction with, the Citywide Financial Services Officer (FSO) Group, which has been meeting monthly for a number of years. Impact fee-related departments (City Attorney; Community Development; Financial Management; Fire; Parks, Recreation and Marine; Police; and Public Works) will be drafted to join the Impact Fee Steering Committee, which will meet at least twice yearly as part of two of the monthly meetings of the FSO Group that already take place on the last Tuesday of each month. The Community Development Department and the Financial Management Department will collaborate to incorporate the work of the Impact Fee Steering Committee into an annual impact fee update to City Council and the public.	April 30, 2026
2.2	<p>Develop written guidance describing the processes to be followed by the steering committee to ensure that current and future Department representatives are aware of expectations and responsibilities.</p>	M	16	Agree	PRM in coordination with Financial Management Department and Community Development Department	Once the Impact Fee Steering Committee is established, the Steering Committee, with leadership from the Community Development and the Financial Management Departments will develop written guidance for current and future Department representatives.	October 1, 2026

MANAGEMENT RESPONSE AND ACTION PLAN

Parks, Recreation, and Marine Department Development Impact Fees Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
2.3	Create Citywide policies and procedures for impact fees. These should include topics such as: <ul style="list-style-type: none"> •State law requirements •Roles and responsibilities •Applicability of impact fees •Fee calculations •Administrative fee component •Allowable uses of impact fees •Fee collection and accounting •Impact fee rate adjustments •Annual reporting •Recordkeeping 	M	17	Agree	PRM in coordination with Financial Management Department and Community Development Department	Establishing clear, uniform guidelines will help ensure compliance with all applicable laws and promote the consistent application of best practices across all City departments responsible for the collection, planning, and expenditure of impact fees. The Steering Committee established under Recommendation 2.1 will be leveraged to develop these policies and procedures. The resulting framework will address topics such as state law requirements, roles and responsibilities, fee applicability and calculation, administrative fee components, allowable uses, collection and accounting processes, rate adjustments, annual reporting, and recordkeeping.	October 1, 2026

Priority

H – High Priority - The recommendation pertains to a serious or materially significant audit finding or control weakness. Due to the seriousness or significance of the matter, immediate management attention and appropriate corrective action is warranted.

M – Medium Priority - The recommendation pertains to a moderately significant or potentially serious audit finding or control weakness. Reasonably prompt corrective action should be taken by management to address the matter. Recommendation should be implemented no later than six months.

L – Low Priority - The recommendation pertains to an audit finding or control weakness of relatively minor significance or concern. The timing of any corrective action is left to management's discretion.

MANAGEMENT RESPONSE AND ACTION PLAN

City Attorney

Development Impact Fees Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
City Attorney's Office							
2.1	<p>Create a steering committee with a representative from all Departments involved in the impact fee process and assign a coordinator role to one representative within the group (i.e. Community Development). The steering committee should:</p> <ul style="list-style-type: none"> • Meet at least twice per year to streamline communication and strengthen interdepartmental collaboration. • Prepare an annual update on impact fee information and decisions to City Council through a standalone memo or as part of the annual impact fee reporting process. 	M	16	Agree	Financial Management Department and Community Development Department	Under co-direction by the Financial Management Department and the Community Development Department, Financial Management will establish an Impact Fee Steering Committee as a subset of, and in conjunction with, the Citywide Financial Services Officer (FSO) Group, which has been meeting monthly for a number of years. Impact fee-related departments (City Attorney; Community Development; Financial Management; Fire; Parks, Recreation and Marine; Police; and Public Works) will be drafted to join the Impact Fee Steering Committee, which will meet at least twice yearly as part of two of the monthly meetings of the FSO Group that already take place on the last Tuesday of each month. The Community Development Department and the Financial Management Department will collaborate to incorporate the work of the Impact Fee Steering Committee into an annual impact fee update to City Council and the public.	April 30, 2026
2.2	Develop written guidance describing the processes to be followed by the steering committee to ensure that current and future Department representatives are aware of expectations and responsibilities.	M	16	Agree	Financial Management Department and Community Development Department	Once the Impact Fee Steering Committee is established, the Steering Committee, with leadership from the Community Development and the Financial Management Departments will develop written guidance for current and future Department representatives.	October 1, 2026

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