ATTACHMENT 2

RESOLUTION NO. 2026-xx

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA, CONTINUING THE CITYWIDE TRAFFIC IMPACT FEE FOR NEW DEVELOPMENT IN THE CITY OF COSTA MESA AND CONDUCTING THE RELATED ANNUAL REVIEW OF THE CITYWIDE TRAFFIC IMPACT FEE PROGRAM AND CAPITAL IMPROVEMENT PLAN FOR TRANSPORTATION IMPROVEMENTS

WHEREAS, California Government Code section 66000 *et seq.* enables cities to charge fees for transportation facilities; and

WHEREAS, section 13-274 of the Costa Mesa Municipal Code authorizes the City Council to, by resolution, establish a development impact fee program based on the capital improvement program; and

WHEREAS, in 1993, by Resolution No. 93-43, the City Council established a traffic impact fee program and the rate of the traffic impact fee based upon a Traffic Impact Fee Study; and

WHEREAS, each year since 1993, the City has continued the traffic impact fee program; and

WHEREAS, on November 15, 2022, the City Council established a traffic impact fee of Two Hundred Thirty-Five Dollars ($235.00) per Average Daily Trip (ADT) based upon a Traffic Impact Fee Study completed in 2018; and

WHEREAS, California Government Code section 66001(d) requires the City to make specified findings every five years with respect to any portion of the traffic impact fees collected that remain unexpended in its account, including (1) identifying the purpose to which the fee is to be put; (2) demonstrating a reasonable relationship between the fee and the purpose for which it is charged; (3) identifying all sources and amounts of funding anticipated to complete financing of incomplete improvements; and (4) designating approximate dates on which the anticipated funding is expected to be deposited into the appropriate account; and

WHEREAS, California Government Code section 66002(b) further requires a separate annual review and update of the City's capital improvement plan for improvements to be paid for by traffic impact fees; and

WHEREAS, California Government Code section 66006(b) requires the City to make available to the public within 180 days of the last day of the fiscal year certain information, including but not limited to, a description of the type of fee, the amount of the fee, the amount of fees collected and the interest earned thereon, identification of each public improvement on which fees were expended and the amount of the expenditures on each improvement, identification of an approximate date by which the construction of the public improvement will commence if the City determines that sufficient funds have been collected to complete financing of an incomplete public improvement, and the beginning and ending balance of the traffic impact fee account or fund for the previous fiscal year; and

WHEREAS, the 2015-2035 General Plan requires the City to maintain a traffic impact fee for improvements to the Master Plan of Streets and Highways and that the City review and update the fees on a regular basis; and

WHEREAS, pursuant to the 2015-2035 General Plan and the Costa Mesa Municipal Code, the City has elected to conduct the review of traffic impact fees required by California Government Code section 66001(d) on an annual basis in conjunction with its review of the capital improvement plan required by California Government Code section 66002(b) and the annual accounting required by California Government Code section 66006(b)(1); and

WHEREAS, the City reviewed and updated the capital improvement plan on June 2, 2026 in connection with its Measure M2 reporting; and

WHEREAS, a primary purpose of this resolution is to continue the traffic impact fee based on the 2018 Traffic Impact Fee Study and to enable the City to continue the traffic impact fee; and

WHEREAS, the traffic impact fee is necessary because new development increases the need for transportation/circulation facilities in the City of Costa Mesa not only during peak periods, but throughout the day, and the City transportation/circulation system will be burdened by the demands of carrying vehicles of a larger number of persons and cargo due to new commercial, industrial, and residential uses; and

WHEREAS, the 2015-2035 General Plan as well as Environmental Impact Report No. 1049 indicate that development of new commercial, industrial and residential uses is

expected to exceed current commercial, industrial and residential uses and, accordingly, the City transportation/circulation systems will need to be increased in capacity to carry the increase in the number of vehicles due to new commercial, industrial and residential uses; and

WHEREAS, the Public Works Department has conducted an audit of the accounts for the traffic impact fee program for the fiscal year ending June 30, 2026, which is attached hereto as Exhibit "A" and incorporated herein; and

WHEREAS, pursuant to California Government Code section 66006, the audit was available for public inspection and review at least fifteen (15) days prior to the City Council review of the audit on October 29, 2026 and notice was mailed to all interested parties on record at least fifteen (15) days prior to the public hearing held on October 29, 2026; and

WHEREAS, the City Council conducted a public hearing on October 29, 2026, received testimony and evidence from interested parties in the City of Costa Mesa, and has evaluated justification for renewal of the traffic impact fee given economic and social factors, as well as average fees charged by surrounding cities.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COSTA MESA HEREBY FINDS, DETERMINES, AND RESOLVES AS FOLLOWS:

Section 1. The City Council hereby finds that:

a. The foregoing recitals are true and correct and are incorporated herein by reference.

b. The purpose of the traffic impact fee is to fund transportation/circulation improvements including active transportation improvements within the City of Costa Mesa which are directly related to the incremental traffic/vehicle burden imposed upon the City transportation/circulation system by the development of new commercial, industrial and residential uses.

c. The fee will be used to fund transportation and circulation improvements within the City of Costa Mesa.

d. There is a reasonable relationship between the traffic impact fee's use and the development projects on which the fee is imposed because the transportation/circulation facilities funded by the fee are needed to accommodate the incremental new traffic/vehicle burdens generated by the

development of new commercial, industrial and residential uses upon which the fee is imposed.

e. There is a reasonable relationship between the need for the transportation/circulation facilities and the development of new commercial, industrial and residential projects upon which the fee is imposed because the new development projects paying the fee will receive a direct benefit from the transportation/circulation facilities funded by the fee; the transportation/circulation facilities funded by the fee will increase traffic/vehicle circulation capacity on streets and highways directly burdened by the increase in traffic/vehicles generated by new development projects upon which the fee is charged; the cost of transportation/circulation facilities attributed to existing deficiencies, existing land uses and population, excess and reserve capacity, and regional transportation needs have been excluded from the fee calculation, and such costs are not included in the fee to be paid by the development.

f. There is no portion of the fees deposited into the traffic impact fee fund that remains unexpended.

g. The capital improvement plan is adequate to provide the facilities for which the traffic impact fee is charged and does not need to be amended.

h. The audit by the Public Works Department set forth in Exhibit "A" accurately reflects the balance of the traffic impact fee account on the fees collected, the interest thereon, and other income and amount of expenditures and refunds of the traffic impact fee made by the City of Costa Mesa during the prior fiscal year.

Section 2. The City Council of the City of Costa Mesa hereby renews the traffic impact fee and establishes traffic impact fee regulations as follows:

a. The traffic impact fee shall be a fee of $231.00 per each new average daily vehicle trip end generated by all new commercial, industrial and residential developments. To encourage active transportation in Costa Mesa, staff shall provide a five percent (5%) reduction in ADT development trips for active transportation project benefits and may provide an additional five

percent (5%) reduction in ADT development trips for a development project which proposes to implement active transportation improvements beyond those which would ordinarily be required by the City as a condition of approval for such development project.

b. The traffic impact fee established pursuant to this resolution shall be collected and administered in accordance with all requirements of California Government Code section 66000, *et seq.*, the Costa Mesa Municipal Code and prior resolutions of the City Council.

c. There shall be no limitation on the amount of traffic impact fees which may be allocated toward active transportation projects.

d. Staff may allocate up to ten percent (10%) of traffic impact fees towards traffic signal synchronization projects.

Section 3. The City Council of the City of Costa Mesa hereby approves the updated comprehensive transportation/circulation system capital improvement plan as identified at the June 2, 2026 City Council meeting pursuant to Government Code section 66002.

PASSED AND ADOPTED this 29th day of October, 2026.

_____
John Stephens, Mayor

ATTEST:

_____
Brenda Green, City Clerk

APPROVED AS TO FORM:

_____
Kimberly Hall Barlow, City Attorney

THIS PAGE IS RESERVED FOR CITY CLERK'S OFFICE

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF COSTA MESA)

I, BRENDA GREEN, City Clerk of the City of Costa Mesa, DO HEREBY CERTIFY that the above and foregoing is the original of Resolution No. 2026-xx and was duly passed and adopted by the City Council of the City of Costa Mesa at a regular meeting held on the 29th day of October, 2026, by the following roll call vote, to wit:

AYES: COUNCILMEMBERS:

NOES: COUNCILMEMBERS:

ABSENT: COUNCILMEMBERS:

IN WITNESS WHEREOF, I have hereby set my hand and affixed the seal of the City of Costa Mesa this 29th day of October, 2026.

_____
Brenda Green, City Clerk

CITY OF COSTA MESA
CITYWIDE TRAFFIC IMPACT FEE REPORT
FISCAL YEAR 2025-2026
Unaudited Fund Balance as of June 30, 2026

Traffic Impact Fee by Average Daily Trip (ADT) = $231	
Audited Beginning Fund Balance as of July 1, 2025, combined Traffic Impact Fee Fund and Cannabis TIF Fund	$4,349,716
1. Revenues	
Traffic Impact Fees Fund	
Traffic Impact Fees Revenues	204,422
Investment Earnings	144,325
GASB 31 Fair Market Value adjustment on Investment	(15,447)
Revenue Subtotal - Traffic Impact Fees Fund	333,300
Cannabis Traffic Impact Fees Fund	
Cannabis Traffic Impact Fees Revenues	71,959
Investment Earnings	22,178
GASB 31 Fair Market Value adjustment on Investment	(2,752)
Misc / Other Reimbursement	-
Revenue Subtotal - Cannabis Traffic Impact Fees Fund	91,385
2. Expenditures	
Class II and III Bicycle Projects	93,234
Adams at Pinecreek Intersection Improvements	16,210
Bicycle/ Pedestrian Infrastructure Improvement	55,321
Fairview Road Improvement Project	876,638
Baker/ Placentia/ 19th/ Victoria TSSP	2,310
Adams Ave Bicycle Facility Project	260,164
Fairview Road Improvement Project- Fair to Adams	18,847
Total CIP Project Expenditures	1,322,724
3. Refunds	
Amount of funds expended or uncommitted after 5 years	-
4. Administrative Costs	-
5. Unaudited Fund Balance, including Cannabis TIF fund, as of June 30, 2026	$ 3,451,677
6. Appropriated Projects	$ 3,163,505
Bicycle Racks Citywide	175,052
Adams at Pinecreek Intersection Improvements	144,101
Fairview Road Improvement Project	665,571
Fairview Road Improvement Project- Fair to Adams	101,152
Mesa Del Mar Multimodal Access	100,000
Baker/ Placentia/ 19th/ Victoria TSSP	4,954
Bristol Street Traffic Signal Synchronization	150,000
Class II and III Bicycle Projects	32,149
Adams Ave Bicycle Facility Project	556,990
Bicycle/ Pedestrian Infrastructure Improvement	583,536
Mesa Drive / Santa Ana Ave Bicycle Facility Improvement	100,000
Mesa Verde Drive East/ Peterson Place Class II Bicycle Facility	100,000
Bicycle/ Pedestrian Infrastructure Improvement (Cannabis Traffic Impact Fees)	450,000
7. Unallocated Traffic Impact Fee Fund and Cannabis Traffic Impact Fee Unaudited Fund Combined Balance	**$ 288,172**