CITY OF SANTA CRUZ
Community Development Department

CHILDCARE IMPACT FEE ANNUAL DEVELOPMENT IMPACT FEE REPORT FOR FY 2026 AND FIVE-YEAR REPORT FOR FY 2021 – FY 2026

ANNUAL DEVELOPER FEE REPORT FOR FY 2026

Government Code Sec. 66006(a) requires local agencies to produce an annual report, within 180 days of the fiscal year end. The annual report must be made available to the public at the Planning and Community Development Department at least 15 days prior to the City Council meeting.

This report summarizes the following information for each of the development fee programs:

1. Description of fee
2. Amount of fee
3. Beginning and ending fund balances
4. Amount of fees collected and interest earned
5. The amount of refunds paid
6. Identification of projects on which fees were expended and the amount for each improvement that was expended
7. The total percentage of the cost of the public improvement that was funded with fees
8. The approximate date by which construction of the improvements will commence for any incomplete improvements for which sufficient funds to complete financing for the improvements have been collected
9. Description of each interfund transfer or loan made from the fund, if any

FY 2026 DEVELOPMENT IMPACT FEE ANNUAL REPORT FOR CHILDCARE IMPACT FEE FUND FROM JULY 1, 2025, TO JUNE 30, 2026

1 – DESCRIPTION: A Childcare Impact Fee is assessed in connection with the issuance of certain development permits in the City, as designated by City Council Resolution NS-29,812. This fee was effective on June 26, 2021. While the education of children has been acknowledged as a public responsibility, the pre-school and after-school care of children traditionally has been seen as a private issue for families, especially women, and not of public concern; however, consideration for the needs of children is a critical part of community planning and is part of an integrated system that supports human development, labor force participation, and job opportunities. The benefits of early childcare development and care in the community speak to the labor market, business recruitment, and retention; improved school readiness and success; and reduced public cost for remediation, prison, and welfare. As such, the City's General Plan calls for accessible, high-quality childcare facilities and services and includes objectives and policies to encourage an adequate and diverse supply of childcare facilities and services citywide and includes a Childcare Impact Fee on new residential and nonresidential development due to its impacts on childcare needs.

2 – FEE AMOUNT: The Childcare Impact Fee in FY 2026 was defined as:

Childcare Impact Fee (Fund 218)

Residential Use		**FY 2026 Cost Per Ft²**	
	Maximum Per Bedroom	**Fee on January 1, 2025***	**Fee on January 1, 2026***
Single-Family	$373.00 614 ft² max	$0.613	$0.633
Multi-Family	-	$0.460	$0.475

Commercial Use		**FY 2026 Cost Per ft²**	
	Cost Per 1,000 ft²	**Fee on January 1, 2025***	**Fee on January 1, 2026***
Retail	-	$1.674	$1.728
Office	-	$1.947	$2.009
Industrial	-	$0.777	$0.802
Hotel	-	$0.591	$0.610

**Fees are increased annually by the Construction Cost Index on January 1, 2026.*

FY 2026 DEVELOPMENT IMPACT FEE ANNUAL REPORT FOR CHILDCARE IMPACT FEE FUND FROM JULY 1, 2025, TO JUNE 30, 2026

3 & 4 – FUND BALANCES, FEES COLLECTED, & INTEREST EARNED:

The total fees collected were $27,386.29. As shown below, additional interest was received and unrealized loss was accrued such that the annual total was $34,362.89.

Childcare Impact Fee (Fund 218) – Account Balance

Collections	Accounts	Account Balance
Impact Fees	218-50-72-1303-46347	$27,386.29
Interest	218-00-00-0000-46110	$8,348.59
Unrealized Loss/Gain	218-00-00-0000-46115	$(1,267.05)
Bank Fees	218-00-00-0000-56790	$(104.94)
Administrative Fee *(Excluded from Total due to General Fund 101 Allocation)*	101-00-00-0000-46906	$535.93 *(Excluded from Total)*
Total for FY 2026		**$34,362.89**

Childcare Impact Fee (Fund 218) – Disbursements

Disbursements	
General Fund Capital Investment Program (Childcare facility in Library Affordable Housing Project)	$92,717.21
Total Disbursements	$92,717.21
% of Cost Funded	**1.39%**

Childcare Impact Fee (Fund 218) – Ending Available Fund Balance by Fiscal Year*

Collections	FY 2021 Ending 6/30/2021	FY 2022 Ending 6/30/2022	FY 2023 Ending 6/30/2023	FY 2024 Ending 6/30/2024	FY 2025 Ending 6/30/2025	FY 2026 Ending 6/30/2026
Impact Fees	$1,459.97	$19,496.46	$51,014.42	$20,716.30	$115,781.46	$27,386.29
Interest	$0.01	$40.40	$676.25	$2,795.45	$7,429.73	$8,348.59
Unrealized Loss/Gain	$0.18	$(273.76)	$(868.99)	$170.40	$2,280.12	$(1,267.05)
Bank Fees**	$0.00	$0.00	$0.00	$0.00	$(94.56)	$(104.94)
To General CIP Fund	$0.00	$0.00	$0.00	$0.00	$0.00	$(220,718)
Subtotal By Fiscal Year	**$1,460.16**	**$19,263.10**	**$50,821.68**	**$23,682.15**	**$125,491.31**	$34,467.83
Administrative Fee *(Excluded from Total)*	$19.08	$387.58	$1,003.90	$315.01	$2,233.50	$535.93
Ending Fund Balance	**$1,460.16**	**$20,723.26**	**$71,544.94**	**$95,227.09**	**$220,623.84**	$34,268.73

**Ending Available Fund Balance is unaudited and is before consideration of remaining interest accrual.*
*** Bank fees were not assessed until FY 2025 and have been corrected for this Annual Report.*

5 – REFUND: The refund amount was $0.00.

6 – IDENTIFICATION OF PROJECT ON WHICH FEES WERE EXPENDED & AMOUNT FOR EACH IMPROVEMENT EXPENDED: Funds were expended towards the Downtown Library & Affordable Housing Project ("Library Project") for the childcare center that is part of the mixed-use project. It is anticipated that the remaining portion of the $220,718 (or $128,005.79) that was transferred and allocated for the Library Project childcare center will be used by 2028.

PROJECT NAME	AMOUNT OF FEES EXPENDED	% FUNDED WITH FEES
Downtown Library & Affordable Housing Project (c512002)	$92,712.21	1.39%
Total	$92,712.21	

7 – TOTAL PERCENTAGE OF THE COSTS OF THE PUBLIC IMPROVEMENT FUNDED WITH FEES: Approximately 1.4% ($92,712.21 of approximately $6,700,000 eligible actual expenditures) expended, with $128,005.79 remaining. Approximately 1.4% of eligible actual expenditures will continue to be charged towards the childcare impact fees allocated to the childcare portion of the Downtown Library & Affordable Housing Project, with the full $220,718 expected to be utilized as the project progresses over the next two fiscal years.

8 – APPROXIMATE DATE BY WHICH CONSTRUCTION OF IMPROVEMENTS WILL COMMENCE: The Library Project, of which the childcare center is part of, commenced construction in February 2025.

9 – INTERFUND TRANSFER OR LOAN MADE FROM FUND: Interfund transfer of $220,718 from Childcare Impact Fee to General Fund for Library Project.

CITY OF SANTA CRUZ
Community Development Department
FY 2021 - 2026 Development Impact Fee Annual Report for Childcare Impact Fee Fund

Pursuant to Government Code Section 66001(d)(1), for the fifth fiscal year following the first deposit of fees into the Fund 217 (fees effective June 26, 2021) and every five years thereafter, the City makes the following findings with respect to the portion of the account remaining unexpended as of June 30, 2026.

This report summarizes the following information for each of the development fee programs:

1. Purpose of the fee
2. Reasonable Relationship
3. Sources and Funding Amounts
4. Funding Deposit Dates

As required by Government Code section 66001(d), this portion of the report makes the required five (5)-year findings with respect to developer fees in Fund 25 that remain unexpended, whether committed or uncommitted:

Purpose of the Unexpended Fee
All fees collected for Fiscal Years 2021, 2022, and 2023 have been spent for the childcare center that is part of the Library Project. Through June 30, 2026, $92,712.21 has been spent of the $220,718 that has been allocated for the Library Project. The Library Project is underway with an anticipated completion date of mid-2028. Consistent with the purpose established by City Council Resolution and Santa Cruz Municipal Code, all unexpended funds will support the planned and incremental expansion of childcare to service a growing city. After completion of the childcare center at the Library Project, Council has previously directed that funding would then be directed to prepare a childcare facility assessment.

Reasonable Relationship Between the Fee and Its Purpose
A reasonable relationship continues to exist between the Childcare Impact Fee and the purpose for which it is charged. New development increases the City's service population (residents, employees, and visitors), thereby generating additional demand for childcare. The fee is calculated and imposed only on new developments that create an incremental demand for additional childcare capacity. The nexus between new development and the need for expanded childcare capacity was established through the City's Childcare Impact Fee analysis, and it continues to remain valid.

Sources and Amounts of Funding Anticipated to Complete Financing of Incomplete Public Improvements
As of June 30, 2026, Library Mixed Use Project, which includes the childcare center for which $220,718 in CIF funds have been designated, is fully funded. [For more information on the funding sources for the Library Project, look here: https://www.santacruzca.gov/Business-Development/Active-Project-List/Development-Projects/Downtown-Library-Affordable-Housing-Project/Downtown-Library-Affordable-Housing-Project-Updates] Accordingly, there are no incomplete public improvements for which the City has determined that sufficient funds have been collected to complete financing, and for which additional funding sources must be identified to finish the project. The unexpended balance will be applied to future eligible expenditures as those needs are identified and programmed in response to growth-related service demands.

Approximate Dates on Which Anticipated Funding Is Expected to Be Deposited
The City will continue to monitor the fund balance and will identify specific project funding and timelines in subsequent annual reports as needs are programmed.