

Staff Report

Agenda Item

November 13, 2025 | 9:30 a.m.

- San Joaquin Hills Transportation Corridor Agency
- Foothill/Eastern Transportation Corridor Agency

San Joaquin Hills Development Impact Fees: Agency Audits and Mitigation Fee Act Information

Recommendation

San Joaquin Hills Transportation Corridor Agency Recommendation:

1. Receive and file the San Joaquin Hills Transportation Corridor Agency audits for the County of Orange and the cities of Irvine, Mission Viejo, San Clemente, San Juan Capistrano, and Santa Ana for the period of January 1, 2024 through December 31, 2024.
2. Direct staff to include the County of Orange and the cities of Aliso Viejo, Costa Mesa, Irvine, Laguna Hills, Laguna Woods, Newport Beach, and Santa Ana in the next audit cycle covering the period of January 1, 2025 through December 31, 2025.
3. Receive and file the Mitigation Fee Act information regarding development impact fees during Fiscal Year 2025 (July 1, 2024 – June 30, 2025).

Summary

Six current and former member agencies of the San Joaquin Hills Transportation Agency were selected for audit for the period of January 1, 2024 through December 31, 2024. Three exceptions were noted in the permits reviewed resulting in underpayments totaling \$2,174. These audits are conducted by the SJHTCA's Internal Audit Department to ensure that development impact fees (DIFs) are properly collected and sent to the Agency. In addition, the Agency is required by the Mitigation Fee Act, California Government Code section 66006(b), to annually review certain information regarding DIF activity, including beginning and ending balance of fees on deposit, the amount of fees collected, interest earned and expenditures during the fiscal year. That information is included in this report.

Committee Discussion

On October 22, 2025, staff updated the Joint Finance and Investment Committee on the results of this year's development fee audits, presented recommendations for next year's audits, and briefly discussed the reporting required by the Mitigation Fee Act, California Government Code, Section 66006(b).

The Committee requested an overview of how the program works with respect to TCA and the current and former member agencies that collect fees on TCA's behalf. Staff described the property categories for which fees are charged, the fee zones, the timing of fee collection, and the interaction between TCA staff and staff at the current and former member agencies.

The Committee asked if all discrepancies had been resolved. Staff responded that all but one underpayment had been collected. Discussion also occurred regarding developer impressions of the program, the appeal process, and affordable housing considerations.

The Committee unanimously recommended approval of the item at a future Joint Boards of Directors meeting.

Staff Report

Agenda Item

November 13, 2025 | 9:30 a.m.



Transportation Corridor Agencies

TheTollRoads.com

Budget

N/A

Background

Section 66484.3 of the California Government Code authorizes San Joaquin Hills Transportation Corridor Agency (SJHTCA), through its existing and former member agencies, to require by ordinance, the payment of a DIF as a condition of issuing a building permit, for the purpose of defraying the cost of constructing the San Joaquin Hills Transportation Corridor (State Route (SR) 73).

The SJHTCA Major Thoroughfare and Bridge Fee Program (Development Impact Fee Program) was established by the County of Orange in 1985 and adopted by the existing and former member agencies through the Joint Exercise of Powers Agreement. SJHTCA was able to construct the SR 73 Toll Road by issuing toll revenue bonds that are being repaid with tolls and DIFs. The DIFs are used to repay the toll revenue bonds for the road already built, as well as to pay the cost of future anticipated improvements and ongoing planning and environmental requirements.

The program collects one-time fees on new residential dwellings, or new non-residential square footage in areas identified as the area of benefit surrounding the corridor. Fees are collected by existing or former member agencies when a building permit is issued within the area of benefit. Fees are assessed on a per unit basis for single family and multi-family dwellings, and on a per square foot basis for non-residential buildings.

Pursuant to the Second Amended and Restated Joint Exercise of Powers Agreement creating the SJHTCA, the Board of Directors may authorize an audit of an existing or former member agency to determine whether it has accurately collected and remitted DIFs to SJHTCA. For agencies selected for audit, typically all building permits are reviewed for the period audited. Agencies are selected for audit based on volume of fees, rotation of the audit cycle and results of the previous year's audits. Due to the volume of building permits processed, the County of Orange and the City of Irvine are audited each year, with the other agencies audited on a rotational cycle. The audits are performed by or at the direction of the SJHTCA's Internal Audit department.

Six agencies, including the County of Orange and the cities of Irvine, Mission Viejo, San Clemente, San Juan Capistrano, and Santa Ana were selected for audit for the period of January 1, 2024 through December 31, 2024.

Discussion

I. Agency Audits

As approved by the Board of Directors for calendar year 2024, the following information reflects the audits conducted for the applicable agencies, and recommendations as to inclusion in the next audit period.

Staff Report

Agenda Item

November 13, 2025 | 9:30 a.m.

County of Orange

1. All permits issued for the audit period were tested. A total of 8 permits generating \$32,225 in fees collected and remitted to the Agency, or paid in fee credits, were reviewed. No discrepancies were noted.
2. All tested permits were traced to remittances to SJHTCA with no exceptions noted.
3. It is recommended that the County of Orange be included in the next cycle of audits due to the anticipated volume.

City of Irvine

1. All permits issued for the audit period were tested. A total of 16 permits generating \$1,556,088 in fees collected and remitted to the Agency were reviewed. The audit revealed one underpayment of \$16 which was due to using an incorrect rate in calculating fees.
2. All tested permits were traced to remittances to SJHTCA with one exception noted above.
3. It is recommended that the City of Irvine be included in the next cycle of audits due to the anticipated volume.

City of Mission Viejo

1. No relevant permits for fee collection were found during the review, so no discrepancies were noted.
2. It is recommended that the City of Mission Viejo be excluded from the next cycle of audits.

City of San Clemente

1. All permits issued for the audit period were tested. A total of 43 permits which generated \$33,030 in fees remitted to the Agency were reviewed. The audit revealed two underpayments totaling \$2,158 which was due to not collecting fees for an accessory dwelling unit (ADU).
2. All tested permits were traced to remittances to SJHTCA with two exceptions noted above.
3. It is recommended that the City of San Clemente be excluded from the next cycle of audits.

City of San Juan Capistrano

1. All permits issued for the audit period were tested. A total of 15 permits generating \$48,376 in fees collected and remitted to the Agency were reviewed. No discrepancies were noted.
2. All tested permits were traced to remittances to SJHTCA with no exceptions noted.
3. It is recommended that the City of San Juan Capistrano be excluded from the next cycle of audits.

Staff Report

Agenda Item

November 13, 2025 | 9:30 a.m.

City of Santa Ana

1. No relevant permits for fee collection were found during the review, so no discrepancies were noted.
2. It is recommended that the City of Santa Ana be included in the next cycle of audits.

II. Mitigation Fee Act Information

Pursuant to the Mitigation Fee Act, California Government Code section 66006(b), the Agency is required to review the following information annually regarding DIFs: a brief description of the type and amount of the fee imposed; the beginning and ending balance of fees on deposit with the Agency; the amount of fees collected and interest earned during the fiscal year; an identification of the public improvement(s) on which fees were expended, the amount of fees expended on such improvement(s), and the total percentage of the cost of the improvement(s) funded with such fees. As required by section 66006(b), that information, which is contained in this staff report, was made available to the public 15 days in advance of the November 13, 2025 Board of Directors meeting. The information was posted on the Agency's website and physically in front of the Agency premises.

Information Regarding Development Impact Fees for the Fiscal Year Ended June 30, 2025

DIFs are collected for the purpose of planning, designing, financing, and constructing the SR 73 Toll Road and its improvements, including repayment of debt issued to finance construction of the road, as authorized by section 66484.3 of the Government Code and the provisions of the Major Thoroughfare and Bridge Fee Program for San Joaquin Hills Transportation Corridor and Foothill/Eastern Transportation Corridors (the "Fee Program").

DIF rates during Fiscal Year 2025 were as follows:

San Joaquin Hills Transportation Corridor Agency

Zone A:

Single Family	\$6,547/unit
Multi-Family	\$3,813/unit
Non-Residential	\$8.78/sq. ft.

Zone B:

Single Family	\$5,074/unit
Multi-Family	\$2,960/unit
Non-Residential	\$6.48/sq. ft.

The following is an accounting of DIFs during Fiscal Year 2025:

Balance of fees on deposit as of 7/1/24: \$71,412,976

Fees collected 7/1/24 – 6/30/25: \$3,329,485

Staff Report

Agenda Item

November 13, 2025 | 9:30 a.m.



Interest earned on fees 7/1/24 – 6/30/25: \$3,817,799

Amount of fees expended on San Joaquin Hills Corridor 7/1/24 – 6/30/25: \$1,177,197

Percentage of 7/1/24 – 6/30/25 total corridor capital expenditures, including debt service, paid with fees: 1.1%

Balance of fees on deposit as of 6/30/25: \$77,383,063

Consistent with the language in the statute, as of the end of Fiscal Year 2025 sufficient funds had not been collected to complete financing of the San Joaquin Hills Transportation Corridor (SR 73).

During Fiscal Year 2025, there were no loans or transfers made from the account in which DIFs were deposited for any project other than the San Joaquin Hills Transportation Corridor, and no refunds made pursuant to Government Code section 66001(e).

Report Written By

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Reviewed By

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Approved By

Ryan Chamberlain, Chief Executive Officer

Attachment: None