

May 11, 2026

The Honorable Bruce Ehlers  
Mayor  
City of Encinitas  
505 S. Vulcan Avenue  
Encinitas, CA 92024



## **RE: Proposed Development Impact Fee Increases**

Dear Mayor Ehlers and Members of the City Council,

On behalf of the Building Industry Association of San Diego, we appreciate the opportunity to provide comments on the City's proposed updates to its development impact fees.

We recognize that the City of Encinitas has not comprehensively updated its fees since 2015 and understand the need to ensure that infrastructure and public services are adequately funded. We also acknowledge the importance of maintaining legally defensible and up-to-date nexus studies. At the same time, the magnitude of several proposed increases—particularly those in the range of 300–500 percent—comes at a time when the residential development industry is already facing significant cost escalation across land, labor, materials, insurance, and financing. In this environment, abrupt and substantial fee increases risk further constraining housing production and exacerbating the region's affordability challenges.

With this in mind, we offer the following recommendations:

### **1. Reevaluate the Proposed 5% Program Administration Fee**

We understand the City's rationale for introducing a five percent (5%) administration fee to support expanded requirements related to fee reporting, nexus study updates, and program oversight. However, this represents a new cost layered on top of already substantial fee increases proposed and further compounds overall project costs and feasibility.

We request that the City consider options to mitigate the cumulative impact of this additional charge. These could include:

- Applying a reduced percentage of three percent (3%)
- Establishing a fee cap or evaluating whether certain core administrative functions are more appropriately funded through existing City resources

### **2. Implement a Phased Fee Schedule**

If you do move to increase fees, we strongly encourage the City to adopt the proposed fee increases through a phased implementation over multiple years. A gradual step-up approach will help level out the already strained financial impact on projects, allowing developers to adjust

underwriting assumptions and maintain project feasibility. Phasing is a widely used best practice that balances the City's revenue needs with the realities of housing production.

### **3. Grandfather Existing Applications**

We request that all projects with complete applications already submitted be allowed to proceed under the current fee structure. Cost certainty is critical to housing development, and many of these projects were planned, designed, and financed based on the City's existing fees. Allowing them to move forward without disruption will help ensure that much-needed housing can be delivered without delay or risk of cancellation.

### **4. Clarify Fee Applicability to Habitable Residential Areas Only**

To ensure consistency, transparency, and predictability in fee calculation, we request that the ordinance include clear language explicitly limiting the application of fees to the habitable area within the perimeter of residential structures.

Specifically, we recommend that the ordinance clarify that fees exclude non-habitable and accessory areas, including but not limited to carports, garages, corridors, communal areas, detached accessory structures, parking areas, parking structures, and similar features.

Providing this clarity will help avoid inconsistent interpretations, ensure fair application across projects, and allow developers to more accurately underwrite projects at the outset.

In addition, we would like to highlight an important legal consideration related to SB 330. Projects submitted prior to the effective date of the new fees that qualify under SB 330 have already obtained vested rights upon submission of a preliminary application. As such, those projects will not be subject to the proposed fee increases. Recognizing this distinction further underscores the importance of providing clear and consistent treatment for other projects currently in the pipeline.

In closing, our recommendations are intended to support a balanced approach—one that allows the City to meet its infrastructure goals while also ensuring that housing projects remain feasible and can move forward in a timely manner.

Thank you for your consideration. We look forward to continuing to work collaboratively with the City on policies that support both community investment and housing production.

Sincerely,



Aimee Faucett  
President & CEO  
Building Industry Association of San Diego County