

AGENDA
ITEM

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CALEXICO *California*

WHERE CALIFORNIA AND MEXICO MEET



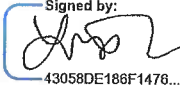
CITY COUNCIL

AGENDA STAFF REPORT

DATE: January 21, 2026

TO: Mayor and City Council

APPROVED BY: Benjamin Martinez, City Manager

PREPARED BY: Councilmember Lisa Tylenda Signed by:

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SUBJECT: Strategic Reduction of Planning & Building Permit Fees to Encourage Legal Construction, Support Economic Development, Enhance Safety, and Offset Cumulative Cost Burdens Including High School Impact Fees.

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Overview

The purpose of this staff report is to recommend that the Calexico City Council direct staff to update the City's planning and building permit fee structure with the intention of lowering barriers to legal construction and improving compliance with State and Municipal building requirements. These actions will encourage residents and developers to pull permits rather than undertake unpermitted work, enhance public safety, support housing production and small business investment, and help offset the cumulative burden of high school impact fees under the Calexico Unified School District (CUSD).

Recommended Actions

Direct staff to prepare and return with an updated Planning & Building fee schedule aligned with neighboring jurisdictions.

Council Member Request

A Council Member is requesting that the City Council support these recommendations and keep the fee update process in-house, rather than contracting out a formal fee study. This approach avoids additional City expenditures while still achieving alignment with regional practices through internal benchmarking and policy adjustments.

1. Establish a temporary 2–3 year fee reduction incentive program for small residential projects and legalization of unpermitted work.
2. Collaborate with CUSD to provide fee impact education and transparency regarding school impact fees.

3. Require annual reporting on permit activity, valuation, compliance improvements, and fiscal impacts.

Background

Prior staff reports presented to the City Council noted that Calexico historically has had among the highest planning and building permit fees in the Imperial Valley. This fee environment, combined with unpermitted work occurring within the community, prompted temporary fee reductions previously approved by the Council to stimulate local economic activity.

Since that time, construction costs, interest rates, and soft costs have increased. Additionally, the Calexico Unified School District has been authorized to collect up to \$10.76 per square foot of residential construction in school impact fees. This is among the highest school impact fees in the region, creating further cumulative burdens on legal development activity.

Regional Fee Comparison

A simple comparison of documented school impact fee schedules illustrates the cumulative fee environment:

- Calexico Unified School District (CUSD): Authorized up to \$10.76/sf residential school impact fee.
- Imperial Unified School District (IUSD): Approximately \$5.17/sf residential school impact fee.
- City of Brawley: Approx. \$1.17/sf used in Housing Element example for residential school fees.

In addition to school impact fees, Calexico utilizes flat rate building permit fees for many small projects, which can create a disproportionately high cost for minor improvements. Neighboring cities rely more heavily on valuation-based models, resulting in more predictable and affordable permitting for small projects.

Issues & Analysis

1. Compliance & Safety Impacts:

High fees discourage legal permitting and promote unpermitted work, undermining life safety, electrical standards, structural integrity, fire safety, and zoning compliance. Lowering fees increases inspection coverage and improves safety outcomes.

2. Economic Development Impacts:

Reduced fees increase construction activity, create jobs, stimulate local spending on materials and labor, and support small business tenant improvements. Housing rehabilitation and ADU production are particularly sensitive to upfront fee burdens.

3. Housing Supply & Affordability:

High development soft costs reduce feasibility of new housing and discourage reinvestment in existing housing stock. Fee adjustments support market-rate, workforce, and incremental housing solutions.

4. Competitiveness:

Developers and residents compare costs across jurisdictions. Calexico's cumulative fee environment currently places it at a competitive disadvantage relative to Imperial, Brawley, El Centro, and Imperial County.

Fiscal Impact

Short-term fee reductions may reduce per-permit revenue. However, anticipated increases in total permit volume, total valuation, and overall economic activity may partially or fully offset these reductions over time. Improved legal compliance also reduces code enforcement costs and enhances public safety.

Staff will model multiple fee reduction scenarios to ensure transparency and financial clarity.

Policy Recommendation

Adopt direction for a targeted fee reduction and alignment strategy that focuses on small residential projects, legalization of unpermitted work, life-safety improvements, and housing rehabilitation, while maintaining reasonable cost recovery for major commercial or industrial development.

Proposal: 3-Year Moratorium on Development Impact Fees for Infill in Downtown/BID

It is further proposed that the City enact a 3-year moratorium on Development Impact Fees (DIF) for qualifying infill development projects located within the Calexico Downtown and Business Improvement District, as defined by the City-adopted ordinance and BID boundary map. The intent of this moratorium is to stimulate reinvestment, adaptive reuse, and small business activity in the historic core while reducing soft-cost barriers to development. Qualifying projects should include residential, mixed-use, commercial tenant improvements, and adaptive reuse projects that meet the ordinance-defined geographic boundaries and infill criteria.

Conclusion

Calexico's current cumulative fee environment—combining City planning and building permit fees with high school impact fees—creates barriers to legal construction, economic investment, and safe housing conditions. Strategically lowering Planning & Building permit fees will support public safety, economic development, housing production, competitive positioning, and community reinvestment.

Staff recommends City Council adopt the above actions and direct preparation of revised fee schedules and policy language to implement the program.

Coordinated With:

None

Attachment(s):

1. None