

RESOLUTION NO. 25-4869

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MURRIETA, CALIFORNIA, AMENDING RESOLUTION 25-4827 TO CREATE A TIERED DEVELOPMENT IMPACT FEE FOR COMMERCIAL LODGING LAND USES EXCLUDING TIME SHARES, SHORT-TERM VACATION RENTALS AND PROPERTIES UNDER FRACTIONAL OWNERSHIP

WHEREAS, California Government Code sections 66000 *et seq.* ("Mitigation Fee Act") establish the authority of the City of Murrieta to charge Development Impact Fees in accordance with the terms thereof; and

WHEREAS, on October 20, 1998, the City Council adopted Ordinance 196-98 amending Chapter 16.36 of the Murrieta Municipal Code relating to public facilities and infrastructure mitigation; and

WHEREAS, Chapter 16.36 of the Murrieta Municipal Code establishes and imposes a public facilities development impact fee; and

WHEREAS, the public facilities development impact fee includes land use categories for: Single Family Dwelling, Multi-Family Dwelling, Office Use, Commercial Use and Industrial Use; and

WHEREAS, pursuant to Resolution No. 25-4827, the current public facilities development impact fee for a Commercial Use is \$13.27 per square foot of floor area; and

WHEREAS, the City desires to encourage higher quality commercial lodging land uses, hotels and motels; not time shares, short term vacation rentals, or properties under fractional ownership (which hotels and motels are referred to herein as "Commercial Lodging"); by adopting a tiered public facilities development impact fee created as a sub-category of the existing Commercial Use category and offering a reduced development impact fee based on the category of hotel or motel. The applicable category and discount will be determined by comparing the amenities to be constructed as part of a new development with the descriptions set forth on **Attachment "A"**.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MURRIETA, CALIFORNIA DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. That the recitals above and true and correct and incorporated herein.

Section 2. That a Commercial Lodging development impact fee that may result in a reduced Commercial Use development impact fee for some commercial lodging projects utilizing a tiered approach is proper and bears a reasonable relationship to the expected benefit of each category of Commercial Lodging as the categories are described in Attachment "A".

Section 3. To encourage the development of higher quality Commercial Lodging, the Commercial Use development impact fee set forth in Resolution 25-4827 is hereby revised to add a subsection with a possible reduced development impact fee for Commercial Lodging development

that is tiered from the Commercial Use development impact fee (“DIF”) based on the category of hotel or motel according to the list of amenities to be provided as described in Attachment "A". The tiered rates for Commercial Lodging will be as follows:

Category IV (AAA Five Diamond Rating): 0% of the Commercial Use DIF/square foot

Category III (AAA Four Diamond Rating): 25% of the Commercial Use DIF/square foot

Category II (AAA Three Diamond Rating): 50% of the Commercial Use DIF/square foot

Category I (AAA Approved Rating): 75% of the Commercial Use DIF/square foot

Section 4. That the City Council authorizes and directs the Development Services Director to review all applications for hotel or motel development and determine which category is most applicable based on the attached list of amenities (Attachment "A"). The Director’s decision of the appropriate category is appealable in the same manner as provided for fee waivers as set forth in Murrieta Municipal Code 16.36.050(B).

Section 5. That the Commercial Lodging tiered public facilities development impact fee shall become effective sixty (60) days following the adoption of this resolution in accordance with the Mitigation Fee Act.

PASSED, APPROVED AND ADOPTED this 15th day of July, 2025.

Cindy Warren, Mayor

ATTEST:

Cristal McDonald, City Clerk

APPROVE TO AS FORM:

Tiffany J. Israel, City Attorney

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE)§
CITY OF MURRIETA)

I, Cristal McDonald, City Clerk of the City of Murrieta, California, do hereby certify that the foregoing Resolution No. 25-4869 was duly passed and adopted by the City Council of the City of Murrieta at the regular meeting thereof, held on the 15th day of July, 2025, and was signed by the Mayor of the said City, and that the same was passed and adopted by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Cristal McDonald, City Clerk



DEVELOPMENT IMPACT FEE REDUCTION FOR COMMERCIAL LODGING

City of Murrieta

Development Impact Fee Reduction for Commercial Lodging

The City of Murrieta’s (City) current Development Impact Fee (DIF) program was established in 1998 based on a Master Facilities Plan and Development Impact Fee Calculation Report. Since then, the City has modified its DIF based on updated Master Facilities Plans and Development Impact Fee studies prepared by financial services consultants and adopted by the City Council. Murrieta Municipal Code Chapter 16.36 (Development Code) is written to ensure that impacts associated with new development in the City are properly mitigated through the construction of public facilities and infrastructure and/or the acquisition of land to preserve habitat and open space.

Pursuant to Section 16.36.030 of the Murrieta Municipal Code, a public facilities DIF must be paid for each new building constructed in a non-residential development or new square footage added to a building in a non-residential development, in an amount established by resolution of the City Council, prior to issuance of a building permit for that building. Non-residential developments include commercial, office, and industrial land uses.

The current DIF rate for General Commercial land use is \$13.27/square foot of new building area. This amount applies to all types of commercial zoning including Regional Commercial, Community Commercial, Neighborhood Commercial, Recreational Commercial, and Professional Commercial. Commercial uses include the general category of retail services and thus include outlets ranging from restaurants to auto repair shops to shopping centers. As such, commercial lodging land use, such as hotels and motels, fall within this category and are required to pay the DIF for General Commercial land use at a rate of \$13.27/square foot per the Fiscal Year 2025/26 Development Impact Fee.

PROPOSAL

Hotels bring visitors to the City who pay Transient Occupancy Tax (TOT) and spend money in local restaurants and businesses, generating Sales Tax, which is one of the City’s primary General Fund revenue sources to provide essential services. To encourage and attract higher quality hotels to develop in the City of Murrieta, staff recommend once again creating a tiered DIF structure for hotels based on the proposed amenities provided by the hotel being developed. The proposed categories are general quality indicators based on the hotel’s amenities, including, but not limited to, business services, food services, hotel features, and room amenities based on the AAA Diamond Rating System. Although the proposed categories are general quality indicators, this rating system is a commonly accepted industry method of quantifying the quality of a hotel or motel in the travel and tourism industry.

Staff recommends the following DIF structure for commercial lodging land uses:

Category IV (AAA Five Diamond Rating):	0% of the Commercial Land Use DIF/sq ft
Category III (AAA Four Diamond Rating):	25% of the Commercial Land Use DIF/sq ft
Category II (AAA Three Diamond Rating):	50% of the Commercial Land Use DIF/sq ft
Category I (AAA Approved Rating):	75% of the Commercial Land Use DIF/sq ft

Staff recommends that the City Council adopt the attached resolution to include this proposed tiered DIF structure for commercial lodging land uses into the annual DIF update as adopted by Resolution No. 24-4827, as amended from time to time, to establish an update to the Public Facilities Development Impact Fee Schedule on an annual basis based on the California Construction Cost Index (CCCI). The fee structure is based on a base DIF rate of \$13.27 per square foot, with a discount applied for each diamond level the hotel achieves.

Staff evaluated the benefits to the overall community as a result of developing higher-quality hotels. It is anticipated that such hotels will generate an increased amount of: (a) transient occupancy tax, as higher-quality hotels charge higher rates; (b) sales tax, due to the increased sales of goods and services procured by the guests and staff of the hotel; and c) property tax, resulting from increased property values. Additionally, higher-quality hotels will attract other prime developments, further increasing profitable engagement from tourists and business travelers. Encouraging first-rate hotels and developments is consistent with the City Council’s goal of promoting economic development within the community.

The City has determined, based on the 2024 Development Impact Fee Study and Master Facilities Plan conducted by Willdan Financial Services, that the tiered public facilities development fee is proper and bears a reasonable relationship to the expected benefit each category of hotel will provide to the city based on the higher-quality development to be constructed.

Staff will determine the category (I, II, III, IV) to be used in calculating the DIF amount for hotel developments. This decision will be based on the amenities being offered at the proposed hotel, according to the attached AAA Lodging Approval Requirements & Diamond Rating System. A hotel must meet the requirements for each specific category. A developer may apply for reconsideration of the category rating according to the procedures outlined in the City of Murrieta Municipal Code section 16.36.050. Properties excluded from the DIF Reduction Program proposed here include Time-Shares, Short-Term Vacation Rentals, and properties under Fractional Ownership. The final determination of the hotel diamond rating category and the Development Impact Fee will be at the discretion of the Director of Development Services and is appealable only to the City Manager.

