


4/18/2023

item 7



City Council Meeting

**Item 7. #23-275 Public Hearing
Action on a Resolution Establishing
the Average Per-Acre Land Values
and Park Development Costs to be
Used in Setting the Parkland In-Lieu
Fees for New Residential
Development for FY 2023/24**

April 18, 2023

1

Agenda

- **Background of City Code 17.35**
- **Land Value**
- **Park Improvement Value**
- **Calculation of In Lieu Fees**
- **Other Policy Considerations**
- **Commission & Public Q & A, Input**
- **Next Steps & Recommendation**
- **Public Hearing**

2

Background

City Code 17.35 Park & Recreational Land

- **Established by Council Ordinance No. 1928 (July 2014)**
 - Requires new residential development to dedicate public parkland at the City's existing level of service standards
 - Parkland Standard 2.6 to 3 acres per 1,000 residents
- **Amended by Council Ordinance No. 1937 (February 2015)**
 - Removed the pre-requisite dedication of one acre of public parkland prior to eligibility for financial credit for specified private recreational amenities
- **Addresses California's statutory requirements**
 - Quimby Act (Quimby)
 - Mitigation Fee Act (MFA)

Background – continued

- **Quimby:** Cities may require “*Land Dedication* and/or payment of *Proportional Fees*” in lieu of land dedication, “fee only” for 50 units or less
- **MFA:** Cities may require *Dedication of parks and recreation facilities and/or Fees* “in lieu” of dedication (66002(c)(7)), and “fee only” for 50 units or less
- **Fee Components:**
 - a) Park Land Value: average cost per acre by appraisal
 - b) Park Improvement Value: average cost per capita for existing park system improvements
 - c) Administration: reasonable cost of administering the program (2%)
- **Municipal Fee Schedule:** adopted by Council Resolution on annual basis

Land Value

Average cost per acre by appraisal

- Appraisal Report 2022
 - Follows City Code Section 17.35.040 & Supplemental Instructions
 - Completed by Frank Schmidt & Associates
 - Valuation date of December 31 covers the full calendar year (Jan. - Dec.)
 - Posted on City website for two week review period, developers contacted
- Values for residential ZIP Code areas
 - 95050 \$5.500 million
 - 95051 \$5.840 million
 - 95054 \$5.240 million

Land Values – Comparison 2017-2022

Table 1
Average Land Value per Acre

Area	12-31-2022	12-31-2021	% Diff	12-31-2020	12-31-2019	12-31-2017
95050	\$5,500,000	\$5,715,000	-3.76%	\$4,720,000	\$4,385,000	\$3,738,000
95051	\$5,840,000	\$6,000,000	-2.67%	\$5,120,000	\$4,630,000	\$3,993,000
95054	\$5,240,000	\$5,495,000	-4.64%	\$4,830,000	\$4,495,000	\$4,035,000

Improvement Value

- The reasonable cost to construct park site improvements
 - Includes landscape, buildings, playgrounds, sport courts, picnic areas, etc.
 - Provides a fair & equitable distribution of costs to construct new park assets to serve new residents at the same standard as existing residents
- Average cost per capita for existing park system improvements
 - Value currently used in fee calculation: \$3,471 per capita
 - 2017 Parks & Recreation Facility Condition Assessment (Kitchell)
 - Was phased-in over 4-year period; \$4,583,000 uncollected value
 - Sensitive to cost escalation over time
 - Currently not indexed to account for increases/decreases in cost

Park Improvement Value - Comparison

- The \$3,471 value is no longer at 100% cost recovery
 - Construction costs increased 30.4% over the past five years
- Adjustment of 10% (from \$3,471 to \$3,818) proposed for discussion/input
- Parks & Recreation Commission reviewed on March 21, 2023

Table 2 Park Improvement / Construction Cost 2017 - 2022						
Cost Escalation	2017	2018	2019	2020	2021	2022
Percent change	N/A	+1.3%	+3.6%	+2.8%	+13.4%	9.3%
Value	\$3,471	\$3,516	\$3,643	\$3,745	\$4,246	\$4,641

*California Dept. of General Services Construction Cost Index (CCCI)

Summary Policy Considerations/Options

a) Land Values

Updated values provided in land appraisal report dated 12-31-2022

- \$5.500 million in 95050, \$5.840 million in 95051, \$5.240 million in 95054
- Lower than 2021 values by 2.6% - 4.6%
- Use of 2022 values will support cost recovery at 100% for land
- Findings are reasonable and justified

b) Park Improvement Value

- Construction Cost Index increased 30.4% over past five years (2017-2022)
- Same base park improvements value of \$3,471 per capita would be \$4,641
- Need fair amount for recent escalation & negligible impact on development
- 10% increase recovers average/normal annual cost escalation at 2%/year
- Finding of \$3,818 per capita value is reasonable and justified



Summary Policy Considerations/Options

c) Future Park Improvement Value

Limit future annual increases/decreases by a "maximum percentage"

- Approach needed to support provision of both new park amenities/facilities and new housing
- Fees in lieu of parkland dedication are not the only fees paid by new residential development
- A level of certainty and reasonably predictable cost escalation is needed for new residential developers in the future
- Land and improvement values used in calculation of the In Lieu Fees are independent of each other and may go up or down
- A 10% annual limit (up/down) on changes in the park improvement value to be used in calculation of fees is reasonable



Summary Policy Considerations/Options

d) Future Park Improvement Value

Index future increases/decreases by use of the Construction Cost Index

- Stay close to 100% of cost recovery value on annual basis
- Annual adjustments to the improvement value based on increase/decrease in the State of California, Department of General Services Construction Cost Index are justifiable
- Provides reasonably predictable factor for annual cost escalation
- Land and improvement values used in calculation of the In Lieu Fees are independent of each other and may go up or down
- Use of the CCI for annual analysis of changes to the park improvement value would be reviewed and verified by actual park improvement project cost information and the periodic Parks & Recreation Facilities Development Impact Nexus Study

Summary Policy Considerations/Options

e) Future Park Improvement Value

Phase in changes of percentage or fixed amount over a specified time

- Similar to past Council action
- Increases not tied to actual costs or cost escalation index
- Amount will diverge/lag from 100% of cost recovery value and cost increases/decreases on an annual basis
- May result in lower fee revenues/cost recovery over time
- Specific language would need to be added to the proposed fee resolution to specify the value to be used and the timeframe over which values would be increased

Summary of Public/Commission Input

Review period March 7, 2023 to March 21, 2023

- No comments received on Annual Land Valuation Report

Parks & Recreation Commission March 21, 2023

- Decreased land values are reasonable
- 10% increase in improvement value is reasonable given it is less than 1/3 of total cost escalation over past five years
- Link improvement value to Construction Cost Index
- Timing and use of In Lieu Fees
- Developer support of past increases and sensitivity to increases
- Standard levels of service, park amenities and need for development of park facilities with new residential housing



Commission Recommendation

Recommended that Council approve for the FY 2023/24 In-Lieu Fees calculation:

- (a) use of the Land Valuation Appraisal Report dated December 31, 2022 setting the average per acre values at \$5.500 million in 95050, \$5.840 million in 95051, \$5.240 million in 95054, and
- (b) use of an increased park improvement value of \$3,818 per capita (2018 value of \$3,471 plus 10% for cost escalation recovery), and
- (c) index future park improvement value changes (increase/decrease) to the State of California, Department of General Services Construction Cost Index (CCCI).



Summary of assumptions/changes proposed

For the FY 2023/24 In-Lieu Fee calculations and the fee resolution:

Land Value

- Uses the current average per acre values of \$5.500 million in 95050, \$5.840 million in 95051, \$5.240 million in 95054 as found in the Land Valuation Appraisal Report dated December 31, 2022

Improvement Value

- Uses an increased park improvement base value of \$3,818 per capita (2018 value of \$3,471 plus 10%) as supported by increases in the California Construction Cost Index
- Includes a 10% limit (up/down) on annual changes in the park improvement value used in calculation of fees
- Link future annual park improvement value changes (increase/decrease) to the State of California, Department of General Services Construction Cost Index (CCCI)

Fee Implementation/Timing

- Quimby and MFA park In Lieu Fees would apply to new residential housing projects with applications deemed complete on or after July 1, 2023



Fee Calculation – Current (FY2022/23)

Applicable Fee Type	Calculation	MFA	Quimby
\$/Acre (valuation 12-31-2021)	<i>A</i>	\$5,715,000	\$5,715,000
Park Acres/1000 Pop. LOS Standard	<i>B</i>	2.6	3
Total Cost per 1,000	$C = A \times B$	\$14,859,000	\$17,145,000
Cost per capita	$D = C/1000$	\$14,859	\$17,145
Density Single Family (Census)	$D \times 2.98$	\$44,280	\$51,092
Improvements (100%)	$\$3471 \times 2.98$	\$10,344	\$10,344
Admin Charge	0.02	\$1,092	\$1,229
Total Single Family (SF) Dwelling Fee		\$55,716	\$62,664
Density Multi Family (Census)	$D \times 2.4$	\$35,662	\$41,148
Improvements (100%)	$\$3471 \times 2.4$	\$8,330	\$8,330
Admin Charge	0.02	\$880	\$990
Total Multi Family (MF) Dwelling Fee		\$44,872	\$50,468

Cost Components

Land Value (2021)

Improvement Value (2018)

Administration (2%)



Fee Calculation – Proposed (FY2023/24)

Cost Components

Land Value (2022)

Improvement Value (2018 + 10%)

Administration (2%)

Applicable Fee Type	Calculation	MFA	Quimby
\$/Acre (valuation date 12-31-2022)	A	\$5,500,000	\$5,500,000
Park Acres/1000 Pop. LOS Standard	B	2.6	3
Total Cost per 1,000	$C = A \times B$	\$14,300,000	\$16,500,000
Cost per capita	$D = C/1000$	\$14,300	\$16,500
Density Single Family (Census)	$D \times 2.98$	\$42,614	\$49,170
Improvement value (2018: \$3,471 +10%)	$\$3818 \times 2.98$	\$11,378	\$11,378
Admin Charge	0.02	\$1,080	\$1,211
Total Single Family (SF) Dwelling Fee		\$55,072	\$61,759
Density Multi Family (Census)	$D \times 2.4$	\$34,320	\$39,600
Improvement value (2018: \$3,471 +10%)	$\$3818 \times 2.4$	\$9,163	\$9,163
Admin Charge	0.02	\$870	\$975
Total Multi Family (MF) Dwelling Fee		\$44,353	\$49,738



Table 3 Proposed In-Lieu Fees FY2023/24

Housing		Quimby			MFA		
Area	Type	Current	Proposed	% Diff.	Current	Proposed	% Diff.
95050	SF	\$62,664	61,759	(1.45%)	\$55,716	55,072	(1.16%)
	MULTI	\$50,468	49,738				
95051	SF	\$65,263	64,859	(0.62%)	\$57,968	57,758	(0.36%)
	MULTI	\$52,561	52,235				
95054	SF	\$60,658	59,388	(2.09%)	\$53,977	53,017	(1.78%)
	MULTI	\$48,852	47,829				





Next Steps

- Public Hearing
- Council discussion of policy direction in the proposed Fee Resolution:
 - use of the Land Valuation Appraisal Report dated December 31, 2022
 - use of an increased park improvement value of \$3,818 per capita
 - link future changes in the park improvement value to the Construction Cost Index
 - Include a cap/limit on improvement value changes to 10%

19

19

Recommendation

- Adopt a Resolution including required findings to set the Parkland In-Lieu Fee Schedule For New Residential Development in accordance with Title 17 (“Development”) Chapter 35 (“Park and Recreational Land”) of the City Code establishing the average per acre land values as contained in the Annual Land Valuation Appraisal Report and the Park Development cost per capita value as contained in the Parks & Recreation Facilities Development Impact Fee Study (Nexus Study Update) and adjusted by the Construction Cost Index,
- including the use of an increased park improvement value of \$3,818 per capita, and
- linking future annual changes in the park improvement value to the annual change in the Construction Cost Index, and
- limiting future annual park improvement value changes to no more than 10%.



20

20