



City Council

Item 6. 22-302 Action on a Resolution Establishing the Average Per-Acre Land Values in order to set the Parkland In-Lieu Fees for FY2022/23 for New Residential Development

Council Pillar: Enhance Community Sports, Recreational & Arts Assets

April 19, 2022



City of
Santa Clara
The Center of What's Possible

Presentation Overview

- Background City Code 17.35 “Park & Recreational Land”
- Overview of Quimby Act and Mitigation Fee Act (MFA)
- Fee Components
- Land Valuation – Appraisal 12-31-2021
- Annual Land Valuation Comparisons
- Fee amounts based on 100% Cost Recovery
- Public Input & Response
- Policy Direction Impacts
- Summary/Recommendation



City Code 17.35 Park & Recreational Land

- Established by Council Ordinance No. 1928 (July 2014)
 - Requires new residential development to dedicate public parkland at current City standards 2.6 to 3 acres per 1,000 residents
- Amended by Council Ordinance No. 1937 (February 2015)
 - Removed pre-requisite for dedication of one acre of public parkland prior to eligibility for financial credit at 50% of Fees due in Lieu for private open space devoted to “Active Recreational Uses”
- Addresses statutory provisions in accordance with California’s
 - Quimby Act (Quimby) **and** Mitigation Fee Act (MFA)

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Background – continued

- **Quimby**—Cities may require *Land Dedication* and/or payment of *Proportional Fees* “in lieu” of land dedication, and “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))
- **Fee Components:**
 - **Land Value** (established by appraisal process for areas of City)
 - **Improvement Value** (cost of parks’ amenities at existing level of service)
 - **Administration** (2%)
- **Municipal Fee Schedule** contains the Fees due “In Lieu” of parkland dedication adopted on an annual basis
 - See Council Agenda Report 22-99 for April 19, 2022

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Land Valuation—Appraisal

- Completed by Frank Schmidt & Associates
- Follows City Code Section 17.35.040 & Supplemental Instructions
- Valuation date of December 31, 2021 (01-01-2021 to 12-31-2021)
- Public comment period from April 4, 2022 to April 14, 2022
- Parkland average per acre values for residential ZIP Code areas
 - 95050 \$5.715 million
 - 95051 \$6.000 million
 - 95054 \$5.495 million

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Land Valuation Comparisons 2016 to 2021

| Average Land Value per Acre | | | | | | |
|-----------------------------|-------------|-------------|--------|-------------|-------------|-------------|
| Area | 12-31-2021 | 12-31-2020 | % Diff | 12-31-2019 | 12-31-2017 | 12-31-2016 |
| 95050 | \$5,715,000 | \$4,720,000 | 21.0% | \$4,385,000 | \$3,738,000 | \$3,315,000 |
| 95051 | \$6,000,000 | \$5,120,000 | 17.2% | \$4,630,000 | \$3,993,000 | \$3,583,000 |
| 95054 | \$5,495,000 | \$4,830,000 | 13.8% | \$4,495,000 | \$4,035,000 | \$3,669,000 |

Note: Land valuation portion of In-lieu Fees not raised in 2018 and 2019.

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In Lieu Fees set at 100% Cost Recovery

| Proposed In-Lieu Fees | | | | | | | |
|-----------------------|-------|----------|----------|---------|----------|----------|---------|
| Housing | | Quimby | | | MFA | | |
| Area | Type | Current | Proposed | % Diff. | Current | Proposed | % Diff. |
| 95050 | SF | \$51,567 | \$62,664 | 21.5% | \$45,828 | \$55,716 | 21.6% |
| | MULTI | \$41,530 | \$50,468 | | \$36,908 | \$44,872 | |
| 95051 | SF | \$55,214 | \$65,263 | 18.2% | \$48,989 | \$57,968 | 18.3% |
| | MULTI | \$44,468 | \$52,561 | | \$39,454 | \$46,686 | |
| 95054 | SF | \$52,570 | \$60,658 | 15.4% | \$46,697 | \$53,977 | 15.6% |
| | MULTI | \$42,338 | \$48,852 | | \$37,609 | \$43,472 | |

See Municipal Fee Schedule, RTC 22-99. Current calculation uses 2020 land values & 75% of 2017 park improvement value. Proposed calculation uses 2021 land value & 100% of 2017 park improvement value. 7



Policy Impacts

- Cost recovery set at 100%
 - Maintains parkland standard of 2.6 to 3.0 acres per 1000 residents
 - Provides funds for acquisition and development of new parks
 - May provide for rehabilitation/expansion of existing parks
- Cost recovery set at less than 100%
 - Prior policy of using 2017 land valuation and a 4-year phase in of improvement value resulted in \$4,583,000 uncollected value, based on actual development projects
 - Erosion of parkland standards and program service capacity
- Construction cost escalation impacts both Developers and City
 - 2018-2021 saw price escalation of 21.1% (22.3% compounded)
 - City is equally affected by labor, supplies and construction cost increases for parks



Public Input

- **Comment:**

- Developers in Patrick Henry Drive Specific Plan Area (95054)
 - Concerned about the impact of a Park In Lieu Fee increase on PHD
 - Delays in the PHD Specific Plan adoption, extra-ordinary parkland, infrastructure fees, and long-term maintenance costs impact development
 - Request to keep PHD In Lieu Fee same as 2021/22 for one year or longer

- **Response:**

- The Patrick Henry Drive Specific Plan has clearly defined “area” boundaries.
- Council may set land values for other “areas” of the City in addition to 95050, 95051, 95054 (see City Code 17.35.040)

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Public Input

- **Response (continued):**

- Past City Councils have provided In Lieu Fee Policy exceptions:
 - delayed implementation of a fee increase;
 - maintained land valuation at less than 100% cost recovery;
 - kept park improvement costs artificially low; and/or,
 - provided a “phased in” timeline for percentage of increases.
- Council could set a specific land value for PHD SP, such as
 - “For new residential development projects in the PHD SP Area, use the average land valuation for 95054 as of 12-31-2020 (\$4,830,00 per acre) in MFA fee calculations from July 1, 2022 to June 30, 2023.”
- Alternatively, developers could request an appraisal of their specific development property, but it may be higher than the average appraisal value for the area. (see City Code 17.35.040 b)

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Public Input

- **Response (continued):**

- In PHD SP, Council had identified more parkland as a need that significantly adds to the quality of life in a high-density neighborhood.
- If an in-lieu Fee policy exception is made to set at less than 100% cost recovery, then
 - less fee revenue is collected to allocate toward acquisition and development of new parkland to serve the new residents;
 - less funding is available for development of needed park facilities and amenities, including the proposed multi-use facility serving the community including seniors, youth, indoor recreation (community center/gym/library/parking).
 - Hypothetically, 4,000 units x \$7,111/unit (difference of 2021 land value increase on in lieu fee) = \$28M

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Summary

- The 2021 annual land valuation study is complete following the established Council approved processes.
- Values are used in Fee Calculations proposed in Municipal Fee Schedule (22-99)
Land values in the areas are:
 - 95050 \$5,715,000
 - 95051 \$6,000,000
 - 95054 \$5,495,000
- Patrick Henry Drive Specific Plan Area developers requested an exception
- Council may set a land value for specific areas in addition to the 3 Zip Code areas
- Use of older/lower land values results in City cost recovery of less than 100% and creates a significant challenge for the acquisition and development of new public parkland and recreational amenities.

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Recommendation

- Adopt a Resolution to establish the Average Per-Acre Land Values in order to set the Parkland In-Lieu Fees for FY2022/23 for New Residential Development in accordance with Title 17 (“Development”) Chapter 35 (“Park and Recreational Land”) of the City Code using the December 31, 2021 land valuation report.
- Or, other Council direction incorporated into the above resolution.