

RESOLUTION NO. _____

A RESOLUTION OF THE CITY OF SANTA CLARA, CALIFORNIA TO SET THE PARKLAND IN LIEU FEE SCHEDULE FOR NEW RESIDENTIAL DEVELOPMENT IN ACCORDANCE WITH CHAPTER 17.35 (“PARK AND RECREATIONAL LAND”) OF TITLE 17 (“DEVELOPMENT”) OF THE CODE OF THE CITY OF SANTA CLARA 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 AND ADJUSTED BY THE CONSTRUCTION COST INDEX

BE IT RESOLVED BY THE CITY OF SANTA CLARA AS FOLLOWS:

WHEREAS, the City of Santa Clara is the Government entity responsible for providing public parks, recreation and open space facilities within the City of Santa Clara; and,

WHEREAS, the 2010-2035 General Plan includes a goal that new parks, open space and recreation be provided with new development so that existing facilities are not over-burdened; and,

WHEREAS, the report entitled “Public Facilities Impact Fee Study” dated June 25, 2014 (“Nexus Study”), was prepared by Willdan Financial Services, Inc. and approved by Council in June 2014; and,

WHEREAS, on July 15, 2014, the City Council adopted Ordinance No. 1928, which added Chapter 17.35 to the City Code, and requires new residential development to provide adequate community and neighborhood park land for active recreational uses, and/or under certain conditions to pay a fee in lieu of parkland dedication; and,

WHEREAS, on February 24, 2015, the City Council adopted Ordinance No. 1937, adding duplex dwellings to the types of developments subject to the parkland dedication requirement, and removing the one (1) acre minimum parkland dedication prior to a developer being able to receive financial credit for private recreational amenities and open space; and,

WHEREAS, on August 27, 2019, Council approved Resolution No. 19-8749 which included the statutory findings required pursuant to the California Quimby Act (Quimby) and Mitigation Fee Act (MFA), including the report entitled “Santa Clara Park and Recreation Facilities Impact Fee Update Study” dated April 9, 2019 (“Nexus Study Update”) prepared by Willdan Financial Services, Inc., and the professional land valuation appraisal report with a valuation date of December 31, 2017, and the park improvements costs with values as of 2017; and,

WHEREAS, on October 29, 2019 Council approved Resolution No. 19-8769 to establish the Parkland In Lieu Fee Schedule for New Residential Development in Accordance with Chapter 17.35 of the Code of the City of Santa Clara, and directed staff to phase in the updated 2017/18 Park Improvement Costs over four years and to use the annual Land Valuation Appraisal Report at 100% of cost recovery in the calculation of annual fees; and,

WHEREAS, in 2020, due to the global COVID19 pandemic, and through the regular adoption of the Municipal Fee Schedule process, only the Park Improvement Cost portion of the Parkland In Lieu Fees were raised using 50% of the Park Improvement Costs and the City continued to use the Land Valuation Appraisal Report with a valuation date of December 31, 2018 in the calculation of annual fees; and,

WHEREAS, on June 10, 2021, Council approved Resolution No. 21-8970 to establish the Parkland In Lieu Fee Schedule for New Residential Development in Accordance with Chapter 17.35 of the Code of the City of Santa Clara, which used 75% of the 2018 Park Improvement Costs and used 100% of the land values established in the annual Land Valuation Appraisal Report with a valuation date of December 31, 2020 in the calculation of annual fees; and,

WHEREAS, on April 19, 2022, Council approved Resolution No. 22-9080 to establish the Parkland In Lieu Fee Schedule for New Residential Development in Accordance with Chapter 17.35 of the Code of the City of Santa Clara, which used 100% the 2018 Park Improvement Costs and used the 100% of the land values established in the annual Land Valuation Appraisal Report with a valuation date of December 31, 2021, except for the for land within the Patrick Henry Drive Specific Plan Area, in which the average per acre land value was set at \$4,830,000 million per acre (\$110.88/sf) as found in the Council Resolution No. 21-8970 adopted June 10, 2021 for use in setting the fees for one fiscal year through June 30, 2023; and,

WHEREAS, the methodology for the calculation of the In-Lieu Fees is explained in the Nexus Study Update from August 27, 2019, and the calculation of the In-Lieu Fees is based on the three primary cost components for the acquisition and development of new parkland, namely (a) the average cost to purchase land for parks in Santa Clara, (b) the average cost per capita to develop the land into a usable park facility, i.e. to construct the amenities, buildings, landscaping and the equipment to service it, and (c) the cost to administer the program, including the review of residential development plans for compliance with the ordinance; and the parkland and features to serve the new residents are only provided at the same standard as existing residents; and now the Council now wishes to set and use the applicable values for calculating the fees due in lieu of parkland dedication based on findings; and,

WHEREAS, pursuant to SCCC Chapter 17.35, the City has surveyed land values and sales records, and has conducted a professional appraisal with a valuation date of December 31, 2022 to determine the fair market value of property in the City, and the City posted the Appraisal Report on the City website from March 7, 2023 to March 21, 2023 for public review and comment; and,

WHEREAS, the City has reviewed the costs to construct the park improvements (landscape, furnishings, buildings, etc.), based on the average cost per capita for the City's existing park system improvements to assure a fair and equitable distribution of costs to be recovered for development of park assets and features to serve the new residents at the same standard as existing residents, and the system wide average cost per capita is reviewed and updated periodically given actual costs of recent park improvement projects and on the basis of increases/decreases in the State of California, Department of General Services Construction Cost Index reported by the Real Estate Services Division for the Bay Area; and,

WHEREAS, on March 21, 2023, the Land Valuation Report and the Park Improvement Cost information was presented to the Parks & Recreation Commission for consideration and public comment (File ID No. 23-343), and the Commission recommended that Council approve the land valuation values as found in the Land valuation Appraisal Report dated December 31, 2022, and a reasonable 10% increase in the park improvement value; and now the Council now wishes to set and use the applicable land values and park improvement values for calculating the fees due in lieu of parkland dedication and to adopt the updated fee schedule for parkland in lieu fees.

NOW THEREFORE, BE IT FURTHER RESOLVED BY THE CITY OF SANTA CLARA AS FOLLOWS:

1. Findings and Purpose. That the City Council hereby finds and declares that the land valuation component will be subject to the updated annual land value appraisal report and supplemental instructions as adopted by Council June 7, 2016 with valuation dates of December 31 of each calendar year, and that the park improvement valuation component will be subject to the average cost per capita for found in the Parks & Recreation Facilities Development Impact Fee Study (Nexus Study) and periodically updated based on reasonable application of changes in the State of California, Department of General Services Construction Cost Index (CCCI) reported by the Real Estate Services Division for use in calculating the following (next) fiscal year's fee update.

2. Land Valuation Appraisal. An independent real estate appraisal firm, Frank Schmidt & Associates, was retained to provide a “Fair Market Value” opinion (valuation date of December 31, 2021) conforming to Uniform Standards of Professional Appraisal Practice and using the City’s Supplemental Instructions for an average acre of land (hypothetical, rectangular, useable site) for property in each of the three existing City of Santa Clara Zip Codes 95050, 95051, 95054. The data set included all property types: Single Family (low and very low density), High Density Residential, Medium Density Residential, Commercial/Retail, Industrial, Lots and Land. Excluded were transactions considered not “arms-length”, having encumbered or clouded title, environmentally impaired sites, or more than three (3) years old. An inflation factor was computed and applied to comparable sales over one year old based on reasonable and rational considerations such as sales and rental trends or other appropriate methods. The weighted average of each property type was based on the percentage of land area in the sales transactions.

3. Land Valuation Appraisal Findings. Based on the findings of the Appraisal Report, the City Council hereby sets the average per acre land value for each ZIP Code area as of December 31, 2022, as: \$5.500 million per acre (\$126.26/sf) in 95050; \$5.840 million per acre (\$137.07/sf) in 95051; and, \$5.240 million per acre (\$120.29/sf) in 95054. If a developer objects to this determination of fair market value, the developer may elect to have the value established by appraisal, in conformance with City Code Section 17.35.040(b)(2).

4. Park Improvement Valuation Cost Analysis. The cost to construct the park improvements (landscape, furnishings, buildings, etc.), is based on an average cost per capita for the City’s existing park system improvements and recovers no more than 100% of the actual cost to develop new park assets and features to serve new residents at the same standard as existing residents. A cost analysis was conducted, including a review of recent/actual City park improvement project costs and a review of increases/decreases in the State of California, Department of General Services Construction Cost Index reported by the Real Estate Services Division for the Bay Area.

5. Park Improvement Valuation Cost Analysis Findings. The 2018 Santa Clara average park improvement value per capita is \$3,471. From 2018 to 2022, construction costs have increased 30.4% according to the State of California, Department of General Services Construction Cost Index reported by the Real Estate Services Division for the Bay Area, such that the park improvement value of \$3,471 per capita would be \$4,641 per capita as of January 1, 2023. Actual park improvement costs based on recent projects competitively bid and awarded by the City of Santa Clara have experienced similar percentages of cost escalation. The Council hereby finds that an increase of 10% in the park improvement base value is reasonable. The City Council hereby sets for use in the In Lieu Fee fee calculation a park improvement value of \$3,818 per capita (2018 base value of \$3,471 plus 10% for cost escalation recovery) for use in the FY2023/24 fees.

6. Use of the Construction Cost Index in Future Park Improvement Valuation. Based on the findings of the park Improvement valuation cost analysis and the periodic nexus study, Council hereby finds that annual changes in the park improvement value used in the calculation of In Lieu Fees shall be indexed to changes (increases/decreases) in the State of California, Department of General Services Construction Cost Index for the previous calendar year as reported by the Real Estate Services Division for the Bay Area. However, such annual increases and decreases shall be limited to no more than a change of 10% of the base value, and in no case shall the increased or decreased base value be more than 100% cost recovery.

4. Effective date. This resolution shall become effective immediately.

I HEREBY CERTIFY THE FOREGOING TO BE A TRUE COPY OF A RESOLUTION PASSED AND ADOPTED BY THE CITY OF SANTA CLARA, CALIFORNIA, AT A REGULAR MEETING THEREOF HELD ON THE ___ DAY OF _____, 2023, BY THE FOLLOWING VOTE:

AYES: COUNCILORS:

NOES: COUNCILORS:

ABSENT: COUNCILORS:

ABSTAINED: COUNCILORS:

ATTEST: _____
NORA PIMENTEL, MMC
ASSISTANT CITY CLERK
CITY OF SANTA CLARA

Attachments incorporated by reference:

1. Santa Clara Land Valuation Appraisal Report 12-31-2022
2. Fee Calculation Tables A, B, C

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Attachment 1

Santa Clara Land Valuation Appraisal Report 12-31-22

Attachment 2

Table A			
Parkland Dedication In Lieu Fee Schedule - FY2023-24			
95050			
Applicable Fee Type	Calculation	MFA	Quimby
\$/Acre (valuation date 12-31-2022)	<i>A</i>	\$5,500,000	\$5,500,000
Park Acres/1000 Pop. LOS Standard	<i>B</i>	2.6	3
Total Cost per 1,000	<i>C = A x B</i>	\$14,300,000	\$16,500,000
Cost per capita	<i>D = C/1000</i>	\$14,300	\$16,500
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Density Single Family (Census)	<i>D x 2.98</i>	\$42,614	\$49,170
Improvement value (2018: \$3,471 + 10%)	<i>\$3,818 x 2.98</i>	\$11,378	\$11,378
Admin Charge	<i>0.02</i>	\$1,080	\$1,211
Total Single Family (SF) Dwelling Fee		\$55,072	\$61,759
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Density Multi Family (Census)	<i>D x 2.4</i>	\$34,320	\$39,600
Improvement value (2018: \$3,471 + 10%)	<i>\$3,818 x 2.4</i>	\$9,163	\$9,163
Admin Charge	<i>0.02</i>	\$870	\$975
Total Multi Family (MF) Dwelling Fee		\$44,353	\$49,738

Table B			
Parkland Dedication In Lieu Fee Schedule - FY2023-24			
95051			
Applicable Fee Type	Calculation	MFA	Quimby
\$/Acre (valuation date 12-31-2022)	<i>A</i>	\$5,840,000	\$5,840,000
Park Acres/1000 Pop. LOS Standard	<i>B</i>	2.6	3
Total Cost per 1,000	<i>C = A x B</i>	\$15,184,000	\$17,520,000
Cost per capita	<i>D = C/1000</i>	\$15,184	\$17,520
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Density Single Family (Census)	<i>D x 2.98</i>	\$45,248	\$52,210
Improvement value (2018: \$3,471 + 10%)	<i>\$3,818 x 2.98</i>	\$11,378	\$11,378
Admin Charge	<i>0.02</i>	\$1,133	\$1,272
Total Single Family (SF) Dwelling Fee		\$57,758	\$64,859
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Density Multi Family (Census)	<i>D x 2.4</i>	\$36,442	\$42,048
Improvement value (2018: \$3,471 + 10%)	<i>\$3,818 x 2.4</i>	\$9,163	\$9,163
Admin Charge	<i>0.02</i>	\$912	\$1,024
Total Multi Family (MF) Dwelling Fee		\$46,517	\$52,235

Table C			
Parkland Dedication In Lieu Fee Schedule - FY2023-24			
95054			
Applicable Fee Type	Calculation	MFA	Quimby
\$/Acre (valuation date 12-31-2022)	<i>A</i>	\$5,240,000	\$5,240,000
Park Acres/1000 Pop. LOS Standard	<i>B</i>	2.6	3
Total Cost per 1,000	<i>C = A x B</i>	\$13,624,000	\$15,720,000
Cost per capita	<i>D = C/1000</i>	\$13,624	\$15,720
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Density Single Family (Census)	<i>D x 2.98</i>	\$40,600	\$46,846
Improvement value (2018: \$3,471 + 10%)	<i>\$3,818 x 2.98</i>	\$11,378	\$11,378
Admin Charge	<i>0.02</i>	\$1,040	\$1,164
Total Single Family (SF) Dwelling Fee		\$53,017	\$59,388
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Density Multi Family (Census)	<i>D x 2.4</i>	\$32,698	\$37,728
Improvement value (2018: \$3,471 + 10%)	<i>\$3,818 x 2.4</i>	\$9,163	\$9,163
Admin Charge	<i>0.02</i>	\$837	\$938
Total Multi Family (MF) Dwelling Fee		\$42,698	\$47,829