

10/29/19

#5-19-1022



BUILDING INDUSTRY ASSOCIATION

Contra Costa Centre Transit Village
1350 Treat Blvd., Suite 140
Walnut Creek, CA 94597

October 28, 2019

Mayor Lisa Gillmor
Santa Clara City Council
City of Santa Clara
1500 Warburton Avenue
Santa Clara, CA 95050
TRANSMITTED BY EMAIL

Re: **October 29, 2019 Agenda Item #5, 19-1022, Parkland In Lieu Fee Schedule & Park Improvements**

Dear Mayor Gillmor and City Council Members,

On behalf of BIA Bay Area, I thank you for the significant deliberations that have accompanied the proposed adoption of significantly higher parkland dedication and park improvements in lieu fees. BIA also thanks Staff, Mr. Teixeira and Mr. Pineda, for their considerable efforts to outreach to stakeholders and to craft the policy alternatives.

BIA makes the following recommendations to the City Council:

- Adopt Fee Scenario Policy Alternative B – Five year 20% per year phase in implementation of Park Land Acquisition and Park Improvement In Lieu Fee increase. Under this scenario, the City would still adjust fees through annual land acquisition updates.
- Establish 3 Categories of Occupancy – Amend the resolution to establish 3 categories of occupancy - Single Family average density of 2.98 persons per households; MF1 would apply to 1-3 bedroom MF units with an average density of 2.40 pph; MF2, with an average density of 1.8 pph would apply to Studio Units, Shared Housing, and Accessory Dwelling Units.
- Increase the Exemption for Affordable Units to 100% – To incentivize the inclusion of affordable units in market rate housing projects, BIA encourages the City Council to direct Staff to return with policy considerations to increase the affordable housing exemption to 100% from Parks and Recreation Facilities Development Impact Fee for each unit constructed under the City's Inclusionary Housing Ordinance.
- Update Land Appraisal Instructions - Instruct the Appraiser that all land sale comparisons must be adjusted for new and increased development impact fees; land sales comparisons should also be adjusted for inclusionary housing requirements and fees.

BIA Bay Area agrees with the principle stated in the Nexus Study that development should pay its own way. However, it is also true that development should not be compelled to pay what it does not owe. It remains BIA's primary concern that if adopted, the proposed fee schedule will result in overcharging residential development for park and recreation impacts.

POST MEETING MATERIAL

- **BIA Recommends Collecting Fees Later in the Development Process at Certificate of Occupancy**

The sooner a Developer knows their fee costs, the sooner they can estimate a project's overall costs and feasibility, so fees should be imposed as soon as possible. However, Developers prefer to *pay* fees later in the development timeline, seeking to shorten the window between collection and project completion in order to lower the cost of interest on loans. Fees should be collected at Certificate of Occupancy/Final Inspection. If the City has concerns that a project could stall out and fees may become outdated, set reasonably strict timelines for achieving the Certificate of Occupancy.

- **BIA Strongly Recommends Maintaining the 50% Private Recreation and Open Space Credit**

The policy that governs the inclusion of recreational space in private developments has been a boon to the City. First, projects that include significant open space provide a better quality of life for residents by providing private open space and quality recreation opportunities right at their doorstep. Second, private open space eases the wear and tear on public parkland because residents will be more inclined to casually use this open space than to travel to a public park. Third, privately maintained open space will help conserve City maintenance and operations funding.

Impact fees, restrictive land use regulations, infrastructure costs, and rising labor costs create serious impediments to addressing the housing affordability crisis the region is facing. It is critical that the City of Santa Clara continue to produce housing for all incomes. The City's jobs/housing imbalance is a testament to the under production of housing to meet the demands of its robust economy.

BIA is committed to working with the City of Santa Clara to find fair and reasonable solutions to the park and recreation development impact fee dilemma. Please feel free to contact me with any questions or comments.

Very truly yours,

Dennis Martin
BIA Bay Area Government Affairs

cc: Deanna Santana, City Manager
Manuel Pineda, Deputy City Manager
James Teixeira, Director Parks and Recreation

City of Santa Clara

Parkland In Lieu Fee Implementation Options

City Council Item 5. 19-1022

October 29, 2019



Background

- August 27, 2019 Council approved Resolution 19-8749
 - Included Quimby & MFA statutory findings
 - Parkland Standards: 2.6 acres (MFA); 3.0 acres per (Quimby)
 - Average density: Multi Family Unit 2.40 persons; Single-Family 2.98
 - Land value:
 - » 95050 = \$3.738M per acre; 95051 = \$3.993M per acre; 95054 = \$4.035M per acre
 - Park improvements/construction value: \$1.335 million per acre (\$3,471 per capita)
 - Maintained existing fees for all development project applications currently on file
- Council Request for Additional Phase-In Options (minimum of 3 years)

Policy Alternatives

- A. 4-year phase in of per capita park improvement costs
 - 25% (\$666) per year; land valuation (increase/decrease) based on annual appraisal at 100% cost recovery.
- B. 5-year phase in of per capita park improvement cost
 - 20% (\$533) per year; land valuation (increase/decrease) based on annual appraisal at 100% cost recovery.
- C. In two years, adjust approved per capita in-lieu fee of \$3,471 according to the California Construction Cost Index to account for escalation/changes in the market.

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Policy Alternative A – 4 Year

Park improvement cost 25% (\$666) per year; land valuation based on annual appraisal at 100% cost recovery

Pros:

- Moderates impact of increase on housing development; four years to adjust
- Potentially incentive to expedite projects
- Advances City towards 100% cost recovery of current improvement cost

Cons:

- City to recover less than 100% of park construction/park improvement cost over implementation phase
- Fewer park amenities afforded and incorporated into future parks
- 91% amenities (-\$978k to \$1.2M less per 100 units)
- Additional cumulative effect of typical park construction cost escalation, approximately 9.2% by 2022

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Policy Alternative B – 5 Year

Park improvement cost 20% (\$533) per year; land valuation based on annual appraisal at 100% cost recovery

Pros:

- Moderates impact of increase on housing development; four years to adjust
- Advances City towards 100% cost recovery of current improvement cost

Cons:

- City to recover less than 100% of park construction/park improvement cost over implementation phase
- Fewer park amenities afforded and incorporated into future parks
- 88% amenities (-\$1.3 to \$1.6M less per 100 units)
- Additional cumulative effect of typical park construction cost escalation, approximately 11.5% by 2023

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Policy Alternative C

Revisit the use of the California Construction Cost Index (increase/decrease) to adjust the Park Improvement cost basis of \$3,471 per capita in future years

- **Average Construction Cost Escalation**

California Construction Cost Index 2008-2018

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
6.8%	-1.1%	6.3%	1.5%	1.5%	2.3%	1.3%	2.2%	4.4%	3.5%	1.3%

- **Impact on Park Improvement Value**

Potential effect of escalation

Year	1	2	3	4	5	6
Cost escalation 2.3%	\$79.83	\$81.67	\$83.55	\$85.47	\$87.44	\$89.45
Cumulative amount	\$79.83	\$161.50	\$245.05	\$330.52	\$417.96	\$507.41
\$3,471 + escalation	\$3,551	\$3,633	\$3,716	\$3,802	\$3,889	\$3,978

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Summary of Alternatives

- **Alternatives**
 - 3 years, proposed August 27, 2019 (\$61 first year, \$868 following years)
 - 4 years, proportional increase of 25% of \$2,664 per year (\$666 per capita)
 - 5 years, proportional increase of 20% of \$2,664 per year (\$533 per capita)
 - In two years, revisit cost escalation

Summary of Alternatives

Comparison of Policy Alternatives

Phase in	Per capita Increase/Year	Improvement Value used in Fee Calculation				
		2019	2020	2021	2022	2023
Five Year	\$553	\$1,340	\$1,873	\$2,405	\$2,938	\$3,471
Four Year	\$666	\$1,473	\$2,139	\$2,805	\$3,471	\$3,471
Three Year	\$61, \$868	\$868	\$1,736	\$2,604	\$3,471	\$3,471
No phase in	\$2,664	\$3,471	\$3,471	\$3,471	\$3,471	\$3,471

Fee Implementation

- **MFA**
 - 60 days after Resolution (12-28-2019)
- **Quimby**
 - Immediately (10-29-2019)
- **Next Land Valuation**
 - Valuation Date 12-31-2019
 - Appraisal Report for review March 2020
 - Fees computed for Fee Resolution May-June 2020
 - Implementation after July 1, 2020 (with phase in of park improvement cost)

Recommendation

Alternatives A and C:

Adopt Resolution Amending Resolution No. 19-8749 to establish the Parkland In Lieu Fee Schedule for New Residential Development to

- A. “phase in” per capita park improvement cost increase over four-year period at 25% (\$666) per year, and adjust land valuation (increase/decrease) based on annual appraisal at 100% cost recovery; and,
- C. In two years, revisit the use of the California Construction Cost Index (increase/decrease) to adjust the Park Improvement cost basis of \$3,471 per capita in the calculation of future fees due in lieu of parkland dedication.



Public Comment

BIA comments regarding joint use facilities, housing occupancy analysis, application of fees, and general remarks about the City parkland and fees in lieu, as well as cost of housing have previously been addressed over the past two years.

Categories of Occupancy ()

- City uses U.S. Census Bureau data for Single Family and Multi-Family
- No independent studies to validate BIA persons per household; ADUs exempt

Exemption for Affordable Units

- affordable housing is currently provided an additional 15% credit
- At 100% fee credit parkland dedication would be reduced by 130.68 sf per capita

Land Appraisal Instructions

- Opinion conforms to Uniform Standards of Professional Appraisal Practice

Facilities Needed: Land & Park

	Calculation	Parkland	Improvements	Total Range ¹
Parkland (Quimby Act), Improvements (Mitigation Fee Act)²				
Facility Standard (acres/1,000 residents)	A	3.00	2.60	
Resident Growth (2018-2035)	B	28,392	28,392	
Facility Needs (acres)	$C = (B / 1,000) \times A$	85.18	73.82	
Average Unit Cost (per acre)	D	\$ 3,922,000	1,335,000	
Total Cost of Parkland To Serve New Development	$E = C \times D$	\$ 334,075,960	\$ 98,549,700	\$ 432,625,660
Parkland and Improvements - Mitigation Fee Act³				
Facility Standard (acres/1,000 residents)	F	2.60	2.60	
Resident Growth (2018-2035)	G	28,392	28,392	
Facility Needs (acres)	$H = (G / 1,000) / F$	73.82	73.82	
Average Unit Cost (per acre)	D	\$ 3,922,000	1,335,000	
Total Cost of Parkland To Serve New Development	$I = H \times D$	\$ 289,522,040	\$ 98,549,700	\$ 388,071,740

Note: Totals rounded to the thousands.
¹ Values in this column show the range of the cost of parkland acquisition and development should all development be either subject to the Quimby Act, or to the Mitigation Fee Act, respectively.
² Cost of parkland to serve new development shown if all development is subject to the Quimby Act (subdivisions). Parkland charged at 3.0 acres per 1,000 residents; improvements charged at the existing standard.
³ Cost of parkland to serve new development shown if all development is subject to the Mitigation Fee Act. Parkland and improvements are

Cost Per Capita: Land & Park

Calculation	Land ¹		AND Improvements
	Quimby Act	Mitigation Fee Act	
Zip Code 95050			
Parkland Investment (per acre)	A	\$ 3,738,000	\$ 3,738,000
Level of Service (acres per 1,000 residents)	B	3.00	2.60
Total Cost Per 1,000 capita	$C = A \times B$	\$ 11,214,000	\$ 9,718,800
Cost Per Resident	$D = C / 1,000$	\$ 11,214	\$ 9,719
Zip Code 95051			
Parkland Investment (per acre)	A	\$ 3,993,000	\$ 3,993,000
Level of Service (acres per 1,000 residents)	B	3.00	2.60
Total Cost Per 1,000 capita	$C = A \times B$	\$ 11,979,000	\$ 10,381,800
Cost Per Resident	$D = C / 1,000$	\$ 11,979	\$ 10,382
Zip Code 95054			
Parkland Investment (per acre)	A	\$ 4,035,000	\$ 4,035,000
Level of Service (acres per 1,000 residents)	B	3.00	2.60
Total Cost Per 1,000 capita	$C = A \times B$	\$ 12,105,000	\$ 10,491,000
Cost Per Resident	$D = C / 1,000$	\$ 12,105	\$ 10,491

¹ A development project pays either the Quimby Act Fee In-Lieu of land dedication, or the Mitigation Fee Act Fee for land acquisition, not both. All development projects pay the Mitigation Fee Act Fee for park improvements.