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**Title:** Public Hearing: Action on a Resolution Approving the Findings from the Tasman East Specific Plan Infrastructure Impact Fee Nexus Study and Setting the Rates for the Infrastructure Impact Fee, Action on the Introduction of an Ordinance Adding Section 17.15.350 to Chapter 15 of Title 17 of the Santa Clara City Code, and Establishment of the Tasman East Infrastructure Improvement Fund and Related Budget Actions

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Tasman East Specific Plan Infrastructure Impact Fee Nexus Study, 2. Resolution, 3. Ordinance, 4. POST MEETING MATERIAL, 5. Resolution No. 20-8911, 6. Ordinance No. 2026.pdf

Date	Ver.	Action By	Action	Result
11/17/2020	1	City Council and Authorities Concurrent	Approved	Pass
11/17/2020	1	City Council and Authorities Concurrent	Approved	Pass

**REPORT TO COUNCIL**

**SUBJECT**

Public Hearing: Action on a Resolution Approving the Findings from the Tasman East Specific Plan Infrastructure Impact Fee Nexus Study and Setting the Rates for the Infrastructure Impact Fee, Action on the Introduction of an Ordinance Adding Section 17.15.350 to Chapter 15 of Title 17 of the Santa Clara City Code, and Establishment of the Tasman East Infrastructure Improvement Fund and Related Budget Actions

**COUNCIL PILLAR**

Promote and Enhance Economic, Housing and Transportation Development

**BACKGROUND**

Impact fees are governed by State law (Assembly Bill 1600, 1989, Government Code Section 66000) and allow a City to charge one-time fees to new developments to finance capital facility and infrastructure costs needed to serve those developments. Impact fees are established based on a reasonable relationship (i.e. nexus) between the impacts caused by new development and the improvements to mitigate those impacts that will be funded by the fee. These fees cannot be used to pay for the cost of existing deficiencies and are distinct from taxes and special assessments.

On November 13, 2018, the City Council adopted the Tasman East Specific Plan (Specific Plan) to guide the transition of an underutilized 45-acre industrial neighborhood east of the Great America Transit Center into a pedestrian-friendly, transit-oriented development, providing for the addition of

4,500 new residential units near transit and jobs. The Specific Plan also incorporates approximately 100,000 square feet of neighborhood-oriented and convenience retail and 10 acres of open space including various outdoor recreational facilities and landscape features, such as a community garden, a public plaza, pocket parks and paseos.

Included with the Specific Plan and the accompanying Environmental Impact Report (EIR) are analyses of various infrastructure impacts and requirements to support the proposed development within the Specific Plan. Based on discussions with the prospective developers of the Specific Plan, the City initiated the process of creating a Tasman East Specific Plan Infrastructure Impact Fee (Fee) to facilitate development. The intent of the Fee is to create an equitable distribution of area-wide and common infrastructure costs for all residential developers within the Specific Plan. Infrastructure that provides common benefits to development within the Specific Plan was analyzed and calculated for probable construction costs.

**DISCUSSION**

The City contracted with municipal financial consultant Economic & Planning Systems, Inc. (EPS Consultants), to prepare a nexus study to justify the creation of the Fee. Cost estimates (in 2020 dollars) were prepared for Specific Plan area-wide infrastructure items including on-site roadway facilities (i.e. traffic signals, traffic safety devices, pavement rehabilitation), sanitary sewer facilities and structures, storm drainage facilities, and potable and recycled water facilities. The specific infrastructure items are included in Table 1.

**Table 1: Tasman East Specific Plan Infrastructure Improvements**

Item #	Description	Category	Total Costs
1	Sanitary Sewer Pump Station (Primavera) Improvements	Sanitary Sewer	\$2,320,000
2	Primavera Pump Station Building/ Architectural Treatments	Sanitary Sewer	\$3,190,000
3	Water Line Replacement (Calle De Sol, Calle De Luna, Calle De Mundo)	Potable Water	\$4,205,000
4	New Recycled Water Line	Non-potable Water	\$3,335,000
5	Storm Drain Mitigation	Storm Drainage	\$36,685
6	33-inch Storm Drain Relocation	Storm Drainage	\$726,450
7	Calle De Sol Pedestrian/Bicycle Paseo (includes land acquisition costs)	Roadway	\$8,810,168
8	Sidewalk Installation from Tasman to Lafayette	Roadway	\$250,850
9	Pavement Repair - Calle de Luna (Lick Mill Portion)	Roadway	\$536,500
10	Pavement Repair - Calle de Mundo, Calle de Luna, Calle de Sol	Roadway	\$1,145,500
11	Pavement Repair - Calle de Luna w/o Calle de Sol	Roadway	\$1,073,000
12	Traffic Mitigation (Signalize Lafayette & Calle De Mundo)	Roadway	\$1,305,000

13	Traffic Mitigation (Signalize Lick Mill & Calle de Luna)	Roadway	\$1,305,000
14	Traffic Mitigation (Modify southbound approach to 1 right turn and 1 through right at Great America Parkway & WB SR 237 Ramps)	Roadway	\$101,500
15	Traffic Mitigation (Convert WB approach to 1 left and 1 right turn at Lafayette and Calle de Luna)	Roadway	\$58,000
16	New HAWK Signal on Lick Mill for midblock crossing between Calle de Luna and Calle de Mundo)	Roadway	\$652,500
17	New Rectangular Rapid Flashing Beacon at Calle de Mundo and Calle de Sol	Roadway	\$159,500
18	Traffic Fair Share Payments	Roadway	\$333,321
<b>CONSTRUCTION SUBTOTAL</b>			<b>\$29,543,974</b>

Costs include land acquisition, design, bid/award, construction, construction support, and project contingencies. The construction cost subtotal equals \$29,543,974. In addition to construction costs, the City completed two engineering studies related to the Primavera Pump station with an estimated cost of \$132,000 and the cost to prepare the nexus study (Attachment 1) was included at \$20,000. As is typical with the creation of impact fees, the City also included a 2 percent administrative fee to manage Fee program administration moving forward. This 2 percent fee equates to an average of \$23,757 over the estimated 25-year life of the Fee and totals \$593,920. After combining the construction costs, engineering study costs, nexus fee report costs, and the 2 percent administrative fee, the total common infrastructure costs equates to \$30,289,894.

As noted above, the Specific Plan includes up to 4,500 multifamily residential units as well as up to 100,000 square feet of supporting, neighborhood-serving commercial services. As the commercial development (e.g., clustered ground-floor retail) is expected to be ancillary to and supportive of Specific Plan housing, the Fee is structured to apply only to new residential development.

Table 2 provides the methodology by which the Fee will be calculated per unit. In summary, the total common infrastructure costs of \$30,289,894 are divided by the maximum new multifamily unit count of 4,500, which equates to a proposed Fee of \$6,731 per new unit.

**Table 2: Fee Methodology and Calculation**

<b>Fee Calculation</b>		<b>Amount</b>
Total Common Infrastructure Cost	<i>a</i>	\$30,289,894
Number of New Multi-family Residential Units	<i>b</i>	4,500
<b>Fee per New Multi-family Residential Units</b>	<b><i>c = a / b</i></b>	<b>\$6,731</b>

The City is required to identify a reasonable relationship (nexus) between an impact fee and new development, and to make findings regarding the following: the purpose of the fee; the mitigation projects the fee will be used to fund; the nexus between the needed mitigation projects and the type of development that will be charged a fee; and the nexus between the amount of the fee and the cost

of the needed mitigation. The Study is designed to support these findings.

As development is approved and constructed within the Specific Plan, the City will coordinate with developers to include the subject infrastructure improvements with the scope of the approved development projects as much as possible. Inclusion of these improvements with the development projects will reduce construction impacts and provide the infrastructure as development occurs. In situations where improvements are included with development projects, the cost of these improvements will be credited towards any required Fee payments. In situations where the included improvements exceed the required Fee payments, the City will enter into a reimbursement agreement with developers subject to the availability of Fee funds for reimbursement and City Council approval.

Staff also recommends that fee levels be adjusted annually, subject to Council approval, in line with the latest Construction Cost Index for San Francisco, published by Engineering News Record (ENR) or equivalent. The automatic fee adjustment will occur when the City conducts its annual update of the Municipal Fee Schedule. Indexing the fees will allow the fees collected to increase over time in order to keep up with construction costs and inflation.

Staff has closely coordinated the development of the Fee, including cost elements, calculation methodology, and escalation with the Tasman East Specific Plan developer team. Consequently, the Tasman East Specific Plan developer team supports the creation of the Fee as outlined in this report.

### **ENVIRONMENTAL REVIEW**

The action being considered is subject to a statutory exemption from the California Environmental Quality Act ("CEQA") pursuant to Public Resources Code section 21080(b)(8)(D) as the purpose of the Fee is to collect revenue to fund capital projects (i.e. infrastructure) necessary to support the proposed development within the Specific Plan. Environmental analysis for the infrastructure improvements are included within the EIR prepared for the Specific Plan or any subsequent amendments or addendums.

### **FISCAL IMPACT**

The nexus study identifies a list of infrastructure items that would cost approximately \$30 million to complete with the full cost of these improvements to be funded by the proposed Fee of \$6,731 per residential unit. Additionally, staff recommends that Fee levels be adjusted annually, subject to Council approval, to keep up with construction costs and inflation. Typical improvements such as roadway, sanitary, storm, and water facilities will be operated and maintained by the City. Non-standard improvements such as the Calle de Sol Extension and the Primavera Pump Station Building/Architectural Treatments will be maintained privately through a proposed Property Owner's Association.

The recommended actions include the establishment of the Tasman East Infrastructure Improvement Fund (Fund 541) to account for the impact fee revenues and project expenditures. It is anticipated that impact fee collections may reach approximately \$6 million to \$8 million in FY 2020/21. Budget actions are included in this memorandum to recognize fee revenue of \$175,757 and to appropriate those funds to support Fee Administration (\$23,757), Sanitary Sewer Engineering Studies (\$132,000), and the Nexus Study (\$20,000). Additional budget actions will be brought forward as necessary during FY 2020/21 to recognize additional fee revenue and to appropriate the funding to support various projects.

## **COORDINATION**

This report has been coordinated with the Community Development Department, Water & Sewer Utilities Department, Finance Department and City Attorney's Office.

## **PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email [clerk@santaclaraca.gov](mailto:clerk@santaclaraca.gov) <<mailto:clerk@santaclaraca.gov>>.

Public Notices for this agenda item were advertised twice in the Santa Clara Weekly two weeks prior to this meeting. In addition, staff notified members of the City's development community by electronic mail on September 15, 2020, September 28, 2020, and November 5, 2020. The City did not receive any responses to these emails. On September 15, 2020, staff posted the draft nexus study on the City's web page and notified the development community that it was available.

## **ALTERNATIVES**

1. Approve the Tasman East Specific Plan Infrastructure Impact Fee; and adjust fees annually in line with the latest Construction Cost Index for San Francisco, as published by Engineering News Record or equivalent, in order to keep up with construction costs and inflation.
2. Adopt a Resolution Approving the Findings from the Tasman East Specific Plan Infrastructure Impact Fee Nexus Study and Setting the Rates for the Infrastructure Impact Fee.
3. Approve the Introduction of an Ordinance adding subsection 17.15.350 to the Santa Clara City Code.
4. Approve the establishment of the Tasman East Infrastructure Improvement Fund (Fund 541) to account for the impact fee revenues and project expenditures and related budget amendments.
5. Do not approve the Tasman East Specific Plan Infrastructure Impact Fee, do not adopt a Resolution Approving the Findings from the Tasman East Specific Plan Infrastructure Impact Fee Nexus Study and Setting the Rates for the Infrastructure Impact Fee, do not approve the Introduction of an Ordinance adding subsection 17.15.350 to the Santa Clara City Code, do not establish the Tasman East Infrastructure Improvement Fund and related budget amendments, and provide direction to staff for next steps.

## **RECOMMENDATION**

Alternatives 1, 2, 3, and 4:

1. Approve the Tasman East Specific Plan Infrastructure Impact Fee; and adjust fees annually in line with the latest Construction Cost Index for San Francisco, as published by Engineering News Record or equivalent, in order to keep up with construction costs and inflation;
2. Adopt a Resolution Approving the Findings from the Tasman East Specific Plan Infrastructure Impact Fee Nexus Study and Setting the Rates for the Infrastructure Impact Fee;
3. Approve the Introduction of an Ordinance adding subsection 17.15.350 to the Santa Clara City Code; and
4. Approve the establishment of the Tasman East Infrastructure Improvement Fund (Fund 541) to account for the impact fee revenues and project expenditures; and establish a FY 2020/21 impact fee revenue estimate in the amount of \$175,757 and appropriate those funds to support Fee Administration (\$23,757), Sanitary Sewer Engineering Studies (\$132,000), and the Nexus Study (\$20,000).

Reviewed by: Craig Mobeck, Director of Public Works  
Approved by: Deanna J. Santana, City Manager

**ATTACHMENTS**

1. Tasman East Specific Plan Infrastructure Impact Fee Nexus Study
2. Resolution
3. Ordinance