

AB1600 REPORT ON DEVELOPMENT IMPACT FEES

For Fiscal Year ended June 30, 2016

BACKGROUND

Cities and counties often charge fees on new development to fund public improvements, public amenities and public services. For example, Traffic Mitigation Fees are used to fund streets, bike lanes, signals, trails, and sidewalks. These fees are commonly known as development impact fees (Developer Fees). In 1989, the State Legislature passed Assembly Bill 1600 (AB1600) which added Section 66000 to the California Government Code. The chapter sets forth a number of requirements that local agencies must follow if they are to collect fees from developers to defray the cost of the construction of public facilities related to development projects. Government Code Sections 66000-66003 apply to developer fees established, increased or imposed on or after January 1, 1989, and generally sets forth four requirements:

1. A local jurisdiction must follow the process set forth in the bill and make certain determinations regarding the purpose and use of the fees and to establish a "nexus" or connection between a development project or class of project and the public improvement being financed with the fee.
2. The fee revenue must be segregated from the General Fund in order to avoid commingling of public improvement fees and the General Fund.
3. If a local jurisdiction has had possession of a developer fee for five years or more and has not committed that money to a project or actually spent that money, then it must make findings describing the continuing need for that money each fiscal year after the five years have expired.
4. If a local jurisdiction cannot make the findings required under paragraph 3, then the city or county must go through a refund procedure.

The Traffic Mitigation Fee, Sanitary Sewer Outlet Fee, Sanitary Sewer Connection Fee, Sanitary Sewer Conveyance Fee, Storm Drain Fee, and Parks Mitigation Fee that the City of Santa Clara (City) collects qualify as Development Impact Fees and therefore must comply with the above referenced Government Code Sections. As required by law, these fees are segregated and accounted for as Special Revenue Funds. Government Code Section 66001 requires the City to make available to the public certain information regarding these fees for each fund within 180 days after the end of each fiscal year. Accordingly, the following report is presented to the City Council for review.

ANALYSIS

Using the accounting method known as first in, first out (FIFO), which means the first revenue received is assumed to be the first spent, staff analyzed the annual balances at the end of fiscal year 2015-16 to determine what portion, if any, of the balance was five or more years old. If a balance is more than five years old, a review of previously identified projects is undertaken to determine if any developer fees collected need to be refunded.

Traffic Mitigation Fee

The Traffic Mitigation Fee is levied to fund improvements or programs to mitigate City traffic problems that result either directly or indirectly from development projects. The following table summarizes the activity for the Traffic Mitigation Fund from 2011-12 through 2015-16.

Fund 525	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Beginning Balance	\$ 8,587,738	\$ 8,856,320	\$ 8,646,222	\$ 9,783,413	\$ 9,359,921
Developer Fees	888,355	520,499	1,557,676	231,671	1,242,270
Interest Income	162,840	92,311	57,590	51,522	50,840
Expenditures	<u>(782,613)</u>	<u>(822,908)</u>	<u>(478,075)</u>	<u>(706,685)</u>	<u>(2,800,561)</u>
Ending Balance	<u>\$ 8,856,320</u>	<u>\$ 8,646,222</u>	<u>\$ 9,783,413</u>	<u>\$ 9,359,921</u>	<u>\$ 7,852,470</u>

During 2015-16, the City collected \$1,242,270 of traffic mitigation fees and incurred \$2,800,561 of project expenditures. The grand total of the Traffic Impact Fee fund balance that is available at the end of 2015-16 is \$7,852,470 of which \$2,709,163 has been held for over five years.

Many of the identified projects are already underway, and the City has appropriated funds for these projects as noted in the City's 2015-16 CIP Budget Book. The book is available at <http://santaclaraca.gov/home/showdocument?id=15917>. These identified projects will make use of all unspent fees collected prior to FY 2010-11 as detailed in Exhibit A.

There is no impact on City resources since all qualified impact fees held by the City for over five years are either spent or committed, thus eliminating the need to refund any fees to developers according to Government Code Sections 66000-66003.

Sanitary Sewer Outlet Fee

The Sanitary Sewer Outlet Fee is collected from developers to construct public sanitary sewer facilities. The following table summarizes the activity for the Sanitary Sewer Outlet Fees from 2011-12 through 2015-16.

Fund 594	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Beginning Balance	\$ (638,341)	\$ (627,162)	\$ (1,312,174)	\$ (2,637,626)	\$ (2,568,007)
Developer Fees	53,455	102,877	287,223	69,619	20,395
Expenditures	(42,276)	(787,889)	(1,612,675)	0	0
Ending Balance	<u>\$ (627,162)</u>	<u>\$ (1,312,174)</u>	<u>\$ (2,637,626)</u>	<u>\$ (2,568,007)</u>	<u>\$ (2,547,612)</u>

The amount of developer fees collected in 2015-16 was \$20,395. The outstanding balance in the Sanitary Sewer Outlet Fee Fund at the end of 2015-16 is (\$2,547,612). Amounts have been borrowed within the Sewer Enterprise Fund to make up the negative balance for Capital Projects financed with AB1600 development fees.

There is no impact on City resources since all qualified impact fees collected by the City have been spent, thus eliminating the need to refund any fees to developers according to Government Code Sections 66000-66003.

Sanitary Sewer Connection Fee

The Sanitary Sewer Connection Fee was adopted to improve and expand the sewer collection system. The following table summarizes activity for the Sanitary Sewer Connection Fee from 2011-12 through 2015-16.

Fund 594	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Beginning Balance	\$ (12,034,418)	\$ (13,301,705)	\$ (13,460,990)	\$ (21,481,800)	\$ (26,936,382)
Developer Fees	1,433,863	847,928	631,156	2,072,361	1,338,418
Expenditures	(2,701,150)	(1,007,213)	(8,651,966)	(7,526,943)	(12,928,597)
Ending Balance	<u>\$ (13,301,705)</u>	<u>\$ (13,460,990)</u>	<u>\$ (21,481,800)</u>	<u>\$ (26,936,382)</u>	<u>\$ (38,526,561)</u>

During 2015-16, the City collected \$1,338,418 from developer fees and spent \$12,928,597. The current year deficit along with prior cumulative deficits brought the impact fee balance to (\$38,526,561) as of 2015-16. Amounts have been borrowed within the Sewer Enterprise Fund to make up the negative balance for Capital Projects financed with AB1600 development fees.

There is no impact on City resources since all qualified impact fees held by the City have been spent, thus eliminating the need to refund any fees to developers according to Government Code Sections 66000-66003.

Sanitary Sewer Conveyance Fee

The Sanitary Sewer Conveyance Fee was adopted in 2006-07 to address Sewer Mains capacity deficiencies resulting from increased development. The following table summarizes the activity for the Sanitary Sewer Conveyance Fees from 2011-12 through 2015-16.

Fund 594	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Beginning Balance	\$ 2,446,611	\$ 4,828,993	\$ 7,251,254	\$ 4,975,657	\$ 11,504,407
Developer Fees	2,454,794	2,380,036	1,574,963	8,407,364	2,851,396
Interest Income	82,591	65,897	9,853	69,163	103,444
Expenditures	<u>(155,003)</u>	<u>(23,672)</u>	<u>(3,860,413)</u>	<u>(1,947,777)</u>	<u>(722,022)</u>
Ending Balance	<u>\$ 4,828,993</u>	<u>\$ 7,251,254</u>	<u>\$ 4,975,657</u>	<u>\$ 11,504,407</u>	<u>\$ 13,737,225</u>

The current year's developer fees and interest income of \$2,851,396 and \$103,444, respectively, were partially offset by expenditures of \$722,022. The net change resulted in a current balance of \$13,737,225 for the Sanitary Sewer Conveyance Fee. There are no fees that have been held over five years.

There is no impact on City resources since all qualified impact fees held by the City for over five years are either spent or committed, thus eliminating the need to refund any fees to developers according to Government Code Sections 66000-66003.

Storm Drain Fee

The Storm Drain Fee is levied to mitigate City storm drainage that results either directly or indirectly from development projects. The following table summarizes the activity for the Storm Drain Fees from 2011-12 through 2015-16.

Fund 535	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Beginning Balance	\$ 610,616	\$ 812,161	\$ 862,697	\$ 741,095	\$ 467,328
Developer Fees	281,010	49,682	2,105	11,120	239,376
Interest Income	17,877	7,816	4,825	2,810	4,163
Expenditures	<u>(97,342)</u>	<u>(6,962)</u>	<u>(128,532)</u>	<u>(287,697)</u>	<u>(157,979)</u>
Ending Balance	<u>\$ 812,161</u>	<u>\$ 862,697</u>	<u>\$ 741,095</u>	<u>\$ 467,328</u>	<u>\$ 552,888</u>

During 2015-16, the City collected \$239,376 from developer fees, earned \$4,163 from interest, and incurred \$157,979 of project expenditures. The grand total of the Storm Drain Fees that is available at the end of 2015-16 is \$552,888. There are no fees that have been held over five years.

There is no impact on City resources since all qualified impact fees held by the City for over five years are either spent or committed, thus eliminating the need to refund any fees to developers according to Government Code Sections 66000-66003.

Parks Mitigation Fee

The Parks Mitigation Fee was adopted in fiscal year 2014-15. New housing projects are reviewed and monitored by the Parks and Recreation Department for compliance with its provisions, including dedication of new public parkland, credit for eligible private recreation amenities and/or fee payments in lieu of land dedication.

Fund 532	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Beginning Balance	N/A	N/A	N/A	-	-
Developer Fees	N/A	N/A	N/A	-	-
Interest Income	N/A	N/A	N/A	-	-
Expenditures	N/A	N/A	N/A	-	-
Ending Balance	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>-</u>	<u>-</u>

There were no developer fees collected or any project expenses incurred during 2015-16.

IMPACT ON CITY RESOURCES

In summary, there is no impact on City resources since all qualified impact fees held by the City for over five years are either spent or committed, thus eliminating the need to refund any fees to developers according to Government Code Sections 66000-66003.

PUBLIC NOTICE: Public notification was achieved by posting the availability of the report 15 days prior to the meeting, as required by Government Code Section 66006(b)(2).

Attachments:

Exhibit A: Projects Programmed for Traffic Mitigation Impact Fee (Fund 525)

Exhibit A

**City of Santa Clara
Summary of Local Agency Improvement Fees
(AB 1600 Development Impact Fees)
Report for Fiscal Year Ended June 30, 2016**

Traffic Mitigation Fee (Fund 525)

Traffic Mitigation Fee (Fund 525)	
FY 2014-15 Ending Fund Balance	\$ 9,359,921
Fees Collected	1,242,270
Interest Earned	50,840
Expenditures	(2,800,561)
FY 2015-16 Ending Fund Balance	\$ 7,852,470
Funds Accumulated in Last 5 Years	\$ 5,143,307
Funds Held Longer than 5 Years	\$ 2,709,163
Projects Programmed for Impact Fees	\$ 6,007,242

		Traffic Mitigation Fee Since Inception through June 30, 2016					
Project#	Description	Total Project Appropriation All Funding Sources	% Impact Fee Funded	Total Impact Fee Appropriation	Total Impact Fee Expenditures	Impact Fee Appropriation Remaining	FY2016 Impact Fee Expenditures
2616	Great America Parkway -Bus Turn Out	\$ 225,000	40%	\$ 89,999	\$ 3,438	\$ 86,561	\$ -
2621	Improvement - Great America Parkway	2,601,000	40%	1,040,400	300,537	739,863	26,436
2624	Coleman Avenue Widening	190,000	39%	74,100	79	74,021	-
2628	Traffic Signal Modification and Off-Ramp Widening at GAP	390,000	40%	156,000	1,436	154,564	-
2630	Mission College Blvd and GAP intersection Improvements	5,256,086	42%	2,200,000	593,292	1,606,708	-
2631	Industrial Sidewalk Program	189,579	40%	75,833	30,208	45,625	92
2637	San Tomas at Saratoga - Intersection Improvement Phase "B"	677,985	100%	677,985	528,227	149,758	-
2638	Lawrence at Monroe - Intersection Improvement Phase "B"	300,000	100%	300,000	12,500	287,500	-
2639	Traffic Signal Modification - San Tomas at Homestead Phase "B"	548,470	90%	494,000	494,000	-	445,910
2640	Traffic Signal - Lafayette Street at Yerba Buena Way	150,000	40%	60,000	8,928	51,072	-
2649	Traffic Studies and Signal Needs Assessment/Upgrade	400,000	55%	220,001	151,701	68,300	255
2650	Traffic Signal - Lakeside Drive at Augustine Drive	150,000	40%	60,000	60,000	-	-
2652	Traffic Signal - Scott Blvd at Garrett Drive	150,000	40%	60,000	60,000	-	-
2653	Travel Demand Model Development and Maintenance - Phase "B"	150,000	100%	150,000	22,225	127,775	-
2658	Intersection Improvements - ECR at San Tomas - Phase "B"	2,843,588	59%	1,683,590	1,683,590	-	1,500,000
2659	Intersection Improvement -Homestead at Kiely	14,921	100%	14,921	14,921	-	-
2660	Intersection Improvement -ECR at Lafayette Street - Phase "B"	1,250,000	100%	1,250,000	3,590	1,246,410	-
2661	Traffic Signal Enhancement FY05-06 to FY09-10	632,731	55%	348,002	348,002	-	-
2662	Pedestrian and Bicycle Enhancement Facilities FY006 to FY10	1,273,745	51%	686,393	669,391	17,002	-
2665	Central Control Traffic Signal Upgrade	1,676,800	69%	1,377,365	966,258	411,107	-
2666	Traffic Signal - Monroe Street and Chromite Drive	50,000	100%	50,000	-	50,000	-
2667	Install Sidewalks on San Tomas Expressway	183,000	100%	183,000	122,882	60,118	-
2668	Traffic Pre-Emptors	845,259	90%	760,733	516,529	244,204	-
2669	Traffic Signal Enhancements	600,000	100%	599,999	386,656	213,343	50,310
2670	Pedestrian and Bicycle Enhancement Facilities	1,100,000	100%	1,100,000	956,043	143,957	509,481
2671	Master Plan For Expanding Creek Trails	110,000	100%	110,000	-	110,000	-
2672	Traffic Monitoring at Various Locations- Phase "C"	187,500	100%	187,500	105,938	81,562	6,921
2673	Traffic Management Center Construction - Phace "C"	300,000	100%	300,000	262,208	37,792	261,156
Totals		\$ 22,445,664		14,309,821	8,302,579	\$ 6,007,242	\$ 2,800,561