

# **AB1600 REPORT ON DEVELOPMENT IMPACT FEES**

## **For Fiscal Year ended June 30, 2017**

### **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 transit facilities, streets, bike lanes 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. The amount of each of these development impact fees for fiscal year 2017-18 is reflected in the City's Municipal Fee Schedule, previously adopted by the City Council. The schedule is available at <http://santaclaraca.gov/home/showdocument?id=52592>. 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 2016-17 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.

Many of the identified projects are already underway, and the City has appropriated funds for these projects as noted in the City's 2016-17 CIP Budget Book. The book is available at <http://santaclaraca.gov/home/showdocument?id=47537>. The identification of each Capital Project on which fees were expended and the amount of the expenditures on each Capital Project including the total percentage of the cost of the Capital Project that was funded with fees are detailed in Exhibit A.

### 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 2012-13 through 2016-17.

<b>Fund 525</b>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Beginning Balance	\$ 8,856,320	\$ 8,646,222	\$ 9,783,413	\$ 9,359,921	\$ 7,852,470
Developer Fees	520,499	1,557,676	231,671	1,242,270	1,370,084
Interest Income	92,311	57,590	51,522	50,840	81,481
Expenditures	(822,908)	(478,075)	(706,685)	(2,800,561)	(592,607)
Ending Balance	<u>\$ 8,646,222</u>	<u>\$ 9,783,413</u>	<u>\$ 9,359,921</u>	<u>\$ 7,852,470</u>	<u>\$ 8,711,428</u>

During 2016-17, the City collected \$1,370,084 of traffic mitigation fees and incurred \$592,607 of project expenditures. The grand total of the Traffic Impact Fee fund balance that is available at the end of 2016-17 is \$8,711,428 of which \$2,404,289 has been held for over five years. These identified projects will make use of all unspent fees collected prior to FY 2011-12 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 2012-13 through 2016-17.

<b>Fund 594</b>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Beginning Balance	\$ (627,162)	\$ (1,312,174)	\$ (2,637,626)	\$ (2,568,007)	\$ (2,547,612)
Developer Fees	102,877	287,223	69,619	20,395	471,667
Expenditures	<u>(787,889)</u>	<u>(1,612,675)</u>	-	-	-
Ending Balance	<u>\$ (1,312,174)</u>	<u>\$ (2,637,626)</u>	<u>\$ (2,568,007)</u>	<u>\$ (2,547,612)</u>	<u>\$ (2,075,945)</u>

The amount of developer fees collected in 2016-17 was \$471,667. The outstanding balance in the Sanitary Sewer Outlet Fee Fund at the end of 2016-17 is (\$2,075,945). 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 2012-13 through 2016-17.

<b>Fund 594</b>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Beginning Balance	\$ (13,301,705)	\$ (13,460,990)	\$ (21,481,800)	\$ (26,936,382)	\$ (38,526,561)
Developer Fees	847,928	631,156	2,072,361	1,338,418	2,350,574
Expenditures	<u>(1,007,213)</u>	<u>(8,651,966)</u>	<u>(7,526,943)</u>	<u>(12,928,597)</u>	<u>(14,153,869)</u>
Ending Balance	<u>\$ (13,460,990)</u>	<u>\$ (21,481,800)</u>	<u>\$ (26,936,382)</u>	<u>\$ (38,526,561)</u>	<u>\$ (50,329,856)</u>

During 2016-17, the City collected \$2,350,574 from developer fees and spent \$14,153,869. The current year deficit along with prior cumulative deficits brought the impact fee balance to (\$50,329,856) as of 2016-17. 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 Main capacity deficiencies resulting from increased development. The following table summarizes the activity for the Sanitary Sewer Conveyance Fees from 2012-13 through 2016-17.

<b>Fund 594</b>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Beginning Balance	\$ 4,828,993	\$ 7,251,254	\$ 4,975,657	\$ 11,504,407	\$ 13,737,225
Developer Fees	2,380,036	1,574,963	8,407,364	2,851,396	8,630,774
Interest Income	65,897	9,853	69,163	103,444	211,354
Expenditures	<u>(23,672)</u>	<u>(3,860,413)</u>	<u>(1,947,777)</u>	<u>(722,022)</u>	<u>(74,503)</u>
Ending Balance	<u>\$ 7,251,254</u>	<u>\$ 4,975,657</u>	<u>\$ 11,504,407</u>	<u>\$ 13,737,225</u>	<u>\$ 22,504,850</u>

The current year's developer fees and interest income of \$8,630,774 and \$211,354, respectively, were partially offset by expenditures of \$74,503. The net change resulted in a current balance of \$22,504,850 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 2012-13 through 2016-17.

<b>Fund 535</b>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Beginning Balance	\$ 812,161	\$ 862,697	\$ 741,095	\$ 467,327	\$ 552,889
Developer Fees	49,682	2,105	11,120	239,376	10,375
Interest Income	7,816	4,825	2,809	4,163	5,213
Expenditures	<u>(6,962)</u>	<u>(128,532)</u>	<u>(287,697)</u>	<u>(157,977)</u>	<u>(13,407)</u>
Ending Balance	<u>\$ 862,697</u>	<u>\$ 741,095</u>	<u>\$ 467,327</u>	<u>\$ 552,889</u>	<u>\$ 555,070</u>

During 2016-17, the City collected \$10,375 from developer fees, earned \$5,213 from interest, and incurred \$13,407 of project expenditures. The grand total of the Storm Drain Fees that is available at the end of 2016-17 is \$555,070. 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. Fees received can be used to provide (acquire) public parkland and/or make necessary park improvements according to the restrictions of the Mitigation Fee Act and help the City to address its park, recreation and open space needs.

<b>Fund 532</b>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Beginning Balance	\$ -	\$ -	\$ -	\$ -	\$ -
Developer Fees	-	-	-	-	14,780,447
Interest Income	-	-	-	-	90,301
Expenditures	-	-	-	-	(1,325,057)
Ending Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,545,691</u>

During 2016-17, the City collected \$14,780,447 from developer fees, earned \$90,301 from interest and incurred \$1,325,057 of project expenditures. The grand total of the Parks Mitigation Fee that is available at the end of 2016-17 is \$13,545,691. There are no fees that have been held over five years.

### **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: Summary of Development Impact Fees

**Exhibit A**

**City of Santa Clara  
Summary of Local Agency Improvement Fees  
(AB 1600 Development Impact Fees)  
Report for Fiscal Year Ended June 30, 2017**

**Traffic Mitigation Fee (Fund 525)**

<b>Traffic Mitigation Fee (Fund 525)</b>	
<b>FY 2015-16 Ending Fund Balance</b>	<b>\$ 7,852,470</b>
Fees Collected	1,370,084
Interest Earned	81,481
Expenditures	(592,607)
<b>FY 2016-17 Ending Fund Balance</b>	<b>\$ 8,711,428</b>
Funds Accumulated in Current and Last 5 Years	\$ 6,307,139
Funds Held Longer than 5 Years	\$ 2,404,289
Projects Programmed for Impact Fees	\$ 6,299,289

		<b>Traffic Mitigation Fee</b>					<b>FY2016-17 Impact Fee Expenditure</b>
		<b>Since Inception Date Through June 30,2017</b>					
<b>Project #</b>	<b>Description</b>	<b>Total Project Appropriation All Funding Sources</b>	<b>% Impact Fee Funded</b>	<b>Total Impact Fee Appropriation</b>	<b>Total Impact Fee Expenditures</b>	<b>Impact Fee Appropriation Remaining</b>	
2616	Great America Parkway -Bus Turn Out	\$ 225,000	40%	\$ 90,000	\$ 3,438	\$ 86,562	\$ -
2621	Improvement - Great America Parkway	2,601,000	40%	1,040,400	430,973	609,427	130,436
2624	Coleman Avenue Widening	190,000	39%	74,332	79	74,253	-
2628	Traffic Signal Modification & Hwy 101 Off-Ramp Widening @ 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%	75,832	30,208	45,624	-
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	-	-
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%	220,000	151,701	68,299	-
2658	Intersection Improvements - ECR at San Tomas - Phase "B"	2,843,588	59%	1,683,590	1,683,590	-	-
2660	Intersection Improvement -ECR at Lafayette Street - Phase "B"	1,250,000	100%	1,250,000	3,590	1,246,410	-
2665	Central Control Traffic Signal Upgrade	1,876,800	83%	1,563,113	966,497	596,616	240
2666	Traffic Signal - Monroe Street and Chromite Drive	400,000	100%	400,000	-	400,000	-
2667	Install Sidewalks on San Tomas Expressway	183,000	100%	183,000	122,882	60,118	-
2668	Traffic Pre-Emptors	845,259	90%	760,734	517,512	243,222	983
2669	Traffic Signal Enhancements	800,000	100%	800,000	474,717	325,283	88,061
2670	Pedestrian and Bicycle Enhancement Facilities	1,300,000	100%	1,300,000	1,037,431	262,569	81,388
2671	Creeks Trails Expansion Master Plan	291,500	100%	291,500	291,500	-	291,500
2672	Traffic Monitoring at Various Locations- Phase "C"	287,000	100%	287,000	105,938	181,062	-
<b>Totals</b>		<b>\$ 20,327,282</b>		<b>\$ 13,229,501</b>	<b>\$ 6,930,212</b>	<b>\$ 6,299,289</b>	<b>\$ 592,608</b>

### Sanitary Sewer Outlet Fee (Fund 594)

Sanitary Sewer Outlet Fee (Fund 594)	
<b>FY 2015-16 Ending Fund Balance</b>	<b>\$ (2,547,612)</b>
Fees Collected	471,667
Interest Earned	-
Expenditures	-
<b>FY 2016-17 Ending Fund Balance</b>	<b>\$ (2,075,945)</b>
Funds Accumulated in Current and Last 5 Years	\$ 1,005,236
Funds Held Longer than 5 Years	\$ -
Projects Programmed for Impact Fees	\$ -

		Sanitary Sewer Outlet Fee Since Inception Date Through June 30, 2017					
Project #	Description	Total Project Appropriation All Funding Sources	% Impact Fee Funded	Total Impact Fee Appropriation	Total Impact Fee Expenditures	Impact Fee Appropriation Remaining <sup>(1)</sup>	FY 2016-17 Impact Fee Expenditures
1907	Development Extensions	\$ 220,445	100%	220,445	2,296,390	\$ (2,075,945)	\$ -

Note (1) Amounts have been borrowed within the Sewer Enterprise Fund to make up the negative balance for Capital Projects financed with AB1600 Development Fees

### Sanitary Sewer Connection Fee (Fund 594)

Sanitary Sewer Connection Fee (Fund 594)	
<b>FY 2015-16 Ending Fund Balance</b>	<b>\$ (38,526,561)</b>
Fees Collected	2,350,574
Interest Earned	-
Expenditures	(14,153,869)
<b>FY 2016-17 Ending Fund Balance</b>	<b>\$ (50,329,856)</b>
Funds Accumulated in Current and Last 5 Years	\$ 8,674,300
Funds Held Longer than 5 Years	\$ -
Projects Programmed for Impact Fees	\$ -

		Sanitary Sewer Connection Fee Since Inception Date Through June 30, 2017					
Project #	Description	Total Project Appropriation All Funding Sources	% Impact Fee Funded	Total Impact Fee Appropriation	Total Impact Fee Expenditures	Impact Fee Appropriation Remaining <sup>(1)</sup>	FY 2016-17 Impact Fee Expenditures
1908	S.J.- S.C. Regional Wastewater Facility	\$ 65,668,012	8%	5,455,000	55,784,856	\$ (50,329,856)	\$ 14,153,869

Note (1) Amounts have been borrowed within the Sewer Enterprise Fund to make up the negative balance for Capital Projects financed with AB1600 Development Fees

### Sanitary Sewer Conveyance Fee (Fund 594)

Sanitary Sewer Conveyance Fee (Fund 594)	
<b>FY 2015-16 Ending Fund Balance</b>	<b>\$ 13,737,225</b>
Fees Collected	8,630,774
Interest Earned	211,354
Expenditures	(74,503)
<b>FY 2016-17 Ending Fund Balance</b>	<b>\$ 22,504,850</b>
Funds Accumulated in Current and Last 5 Years	\$ 26,841,629
Funds Held Longer than 5 Years	\$ -
Projects Programmed for Impact Fees	\$ 7,333,819

		Sanitary Sewer Conveyance Fee Since Inception Date Through June 30, 2017					
Project #	Description	Total Project Appropriation All Funding Sources	% Impact Fee Funded	Total Impact Fee Appropriation	Total Impact Fee Expenditures	Impact Fee Appropriation Remaining	FY 2016-17 Impact Fee Expenditures
1909	Sanitary Sewer Capacity Improvements	\$ 16,326,124	100%	16,326,124	8,992,305	\$ 7,333,819	\$ 74,503

### Storm Drain Fee (Fund 535)

Storm Drain Fee (Fund 535)	
<b>FY 2015-16 Ending Fund Balance</b>	<b>\$ 552,889</b>
Fees Collected	10,375
Interest Earned	5,213
Expenditures	(13,407)
<b>FY 2016-17 Ending Fund Balance</b>	<b>\$ 555,070</b>
Funds Accumulated in Current and Last 5 Years	\$ 636,372
Funds Held Longer than 5 Years	\$ -
Projects Programmed for Impact Fees	\$ 162,262

		Storm Drain Fee Since Inception Date Through June 30, 2017					
Project #	Description	Total Project Appropriation All Funding Sources	% Impact Fee Funded	Total Impact Fee Appropriation	Total Impact Fee Expenditures	Impact Fee Appropriation Remaining	FY2016-17 Impact Fee Expenditure
1831	Miscellaneous Storm Drain Improvements	\$ 871,028	34%	\$ 292,950	292,950	\$ -	\$ -
1834	Storm Drain System Improvement	560,374	99%	554,127	391,865	162,262	13,407
1835	Storm Drain Outfall Reconstruction Program	973,000	26%	250,000	250,000	-	-
<b>Totals</b>		<b>\$ 2,404,402</b>		<b>\$ 1,097,077</b>	<b>\$ 934,815</b>	<b>\$ 162,262</b>	<b>\$ 13,407</b>



**Parks Mitigation Fee (Fund 532)**

<b>Parks Mitigation Fee (Fund 532)</b>	
<b>FY 2015-16 Ending Fund Balance</b>	<b>\$ -</b>
Fees Collected	14,780,447
Interest Earned	90,301
Expenditures	(1,325,057)
<b>FY 2016-17 Ending Fund Balance</b>	<b>\$ 13,545,691</b>
Funds Accumulated in Current and Last 5 Years	\$ 14,780,447
Funds Held Longer than 5 Years	\$ -
Projects Programmed for Impact Fees	\$ 6,402,451

		<b>Parks Mitigation Fee</b>					
		<b>Since Inception Date Through June 30,2017</b>					
<b>Project #</b>	<b>Description</b>	<b>Total Project Appropriation All Funding Sources</b>	<b>% Impact Fee Funded</b>	<b>Total Impact Fee Appropriation</b>	<b>Total Impact Fee Expenditures</b>	<b>Impact Fee Appropriation Remaining</b>	<b>FY2016-17 Impact Fee Expenditure</b>
3005	Senior Center Refurbishment International Swim Center, Community Recreation Center,	\$ 45,000	100%	\$ 45,000	44,846	\$ 154	\$ 44,846
3172	ISHOF	2,310,563	7%	160,463	-	160,463	-
3177	Youth Soccer Fields & Athletic Facilities	28,302,474	20%	5,612,474	1,026,340	4,586,134	1,026,340
3178	Playground Construction	1,280,441	42%	535,121	-	535,121	-
3181	Park Impact Fees Monitoring Project	496,622	45%	224,450	72,538	151,912	72,538
3182	New Neighborhood Park & Community Garden (San Tomas & Monroe)	2,745,203	42%	1,150,000	181,333	968,667	181,333
<b>Totals</b>		<b>\$ 35,180,303</b>		<b>\$ 7,727,508</b>	<b>\$ 1,325,057</b>	<b>\$ 6,402,451</b>	<b>\$ 1,325,057</b>