

City of Santa Clara

Council Meeting

Item 2. Study Session Parkland Dedication Ordinance and Fee Calculations.

January 26, 2016



Background

- **June 25, 2014**
 - Nexus Study (*Park and Recreation Facilities Development Impact Fee Study*)
 - Willdan Financial Services, Inc.
 - Documents the five (5) statutory findings required by California Government Code (CGC) Section 66000 (Mitigation Fee Act)
 - Provides the rational basis for application of CGC Section 66475 (Quimby Act)
 - 97-115 acres of Parkland needed; \$386M - \$452M (at \$3.9 million/acre)
- **July 15, 2014**
 - Chapter 17.35 “Park & Recreational Land” added to City Code (Ord.#1928)
 - Based on Nexus Study (Willdan) and community & stakeholder input
 - Mitigation Fee Act (MFA) Projects—Dedicate 2.53 acres per 1000 residents
 - Quimby Act (Quimby) Projects—Dedicate 3 acres per 1000 residents
 - Amended October 14, 2014 to eliminate 1 acre dedication pre-requisite

Background (continued)

- Fees due in-lieu of land dedication
 - equivalent to the value of required acres of parkland dedication
 - 50% credit for eligible, on-site active private recreational amenities
- Calculation of Fee
 - the average per acre land value for property, based on survey of land values and sales records in City,
 - *OR*, by appraisal per Project
 - Set for three City Zip Code areas: 95050, 95051, 95054
- October 14, 2014
 - Fee Resolution adopted at 100% cost recovery (Reso.#14-8174)
 - Used January -December 2013 sales data

95050	95051	95054
\$3,299,000	\$3.394,000	\$3,658,000*

Background

- “In Lieu” Fee Calculation Components
 - Average Value (\$) per acre of land (*A*)
 - Valuation Report (Schmidt Prescott)
 - LOS Standard park acres/1000 (*B*)
 - Quimby = 3.00
 - Mitigation Fee Act (MFA)= 2.53
 - Cost per capita (*D*)
 - Density of units (*E*)
 - Single Family = 2.90
 - Multi Family = 2.24
 - Park Improvement Cost = \$807 per capita (*F*)
 - Program Admin Cost = 2% (*G*)
- Land valuation component reviewed annually; set by Resolution

Fair Market Value Study

- **Fair Market Value Appraisal**

- **Opinion Date: August 20, 2015 (Schmidt Prescott)**
- **Assumption of General Plan and Highest & Best Use**
 - **California Code of Civil Procedure, Section 1263,320**
 - **Weighted average residential high & medium density, commercial, industrial**
 - **Low density residential not included (see pages 31-34 overview of conditions; 1.25% to 2.7% per month increases over the past 24 months)**
- **Data: 12 months prior, Aug 2014- Aug 2015, qualitative & quantitative, verified**
- **Research: current market conditions, comparable data, economic factors**
- **Compliance: Uniform Standards of Professional Appraisal Practice (USPAP)**
- **Code of Professional Ethics and Standards of Appraisal Practice of the Appraisal In.**

95050	95051	95054
\$4,900,000	\$5,150,000	\$4,930,000

2015		95050		95051		95054	
Components	Calculation	Quimby	MFA	Quimby	MFA	Quimby	MFA
Average \$/Acre	<i>A</i>	\$4,900,000		\$5,150,000		\$4,930,000	
LOS Standard	<i>B</i>	3.00	2.53	3.00	2.53	3.00	2.53
Cost per 1,000	$A \times B = C$	\$14,700,000	\$12,397,000	\$15,450,000	\$13,029,500	\$14,790,000	\$12,472,900
Cost per capita	$C/1000 = D$	\$14,700	\$12,397	\$15,450	\$13,030	\$14,790	\$12,473
Density SF	$2.9 \times D = E$	\$42,630	\$35,951	\$44,805	\$37,786	\$42,891	\$36,171
Improvements	$2.9 \times \$807 = F$	\$2,340	\$2,340	\$2,340	\$2,340	\$2,340	\$2,340
Admin Charge	$E + F \times 0.02 =$	\$899	\$766	\$943	\$803	\$905	\$770
SF Fee		\$45,869	\$39,057	\$48,088	\$40,928	\$46,136	\$39,282
Density MF	$2.24 \times D = E$	\$32,928	\$27,769	\$34,608	\$29,186	\$33,130	\$27,939
Improvements	$2.24 \times \$807 = F$	\$1,808	\$1,808	\$1,808	\$1,808	\$1,808	\$1,808
Admin Charge	$E + F \times 0.02 =$	\$695	\$592	\$728	\$620	\$699	\$595
MF Fee		\$35,431	\$30,169	\$37,144	\$31,614	\$35,636	\$30,342

Discussion

- **Comments Received**
 - **Building Industry Association (BIA) Development & Financial Advisory Report**
 - Speculates average cost of land in 2015 is \$3.6 million per acre
 - City should conduct a study to determine needs
 - Implement a methodology that uses a mid-range of future costs
 - Methodological assumption: price and density are correlated such that higher density=higher cost
 - Cites issues with Ulistac Natural Area, Reed & Grant Street, and appraisal methodology and instructions
 - Cites other jurisdictions land values as \$1.9-\$4.2 million

Discussion

- Considerations

- Project Review Statistics (2014-2015)

- 33 new developments (18 are subject to Quimby, 13 MFA, 2 exempt)
 - 12,215 housing units proposed
 - 19 (57%) were under 50 units
 - 10 (31%) were between 51 and 999 units
 - 4 (12%) were over 1000 housing units.
 - 4.4 acres of dedicated public parkland (MFA),
 - 8.9 acres of eligible private on-site parkland & recreation amenities,
 - 57 acres required to be mitigated by in-lieu fee contributions
 - \$219 million (\$139M Quimby; \$80M MFA) based on current fees
(*estimated and subject to change; intended for discussion purposes only).

Discussion

- **Considerations**

- There is NO fee increase if the Projects dedicates the required parkland and receives credits
- If a developer disagrees with the average valuation approach, the ordinance specifically allows the Project to have the fee set by appraisal of the specific project's property
 - 95050 the city's single family, low density residential core. If average lot sizes were 7,200 sq. ft. then density is 6 parcels/acre. Average price per is over \$810,000 resulting in \$4,860,000 per acre; in-line with appraisal report that excluded sf residential. Average price increased 20%; median price 23.4% year over year.
 - What is the "recommended" weighting of property types?
- High utility for City to identify and purchase lots adjacent to existing City park parcels for expansion. Cost escalation on already identified projects in CIP is about 12% per year. The recommendation for non-adjustment of fees or use mid-range estimates would cost City \$46-58 million in reduced fees in one year
- The City is not purchasing parkland in surrounding jurisdictions
- The report suggests that the new residential impact be uncoupled from the required mitigation measures

Comparable Cities' Fees

Area/ City	95050		95051		95054	
	Single Family	Multi Family	Single Family	Multi Family	Single Family	Multi Family
Sunnyvale	\$96/sq. ft.	\$96/sq. ft.				
North San Jose	\$47,100	\$42,200 33,300 5+*				
SC Quimby	\$45,869	\$35,431	\$48,088	\$37,144	\$46,136	\$39,282
SC MFA	\$39,057	\$30,169	\$40,928	\$31,614	\$35,636	\$30,342
Mountain View	\$29,063	\$29,063				
Dwntrn San Jose	\$26,800	\$24,000 \$19,000 5+				
West San Jose	\$24,200	\$21,700 \$17,100 5+				
Cupertino	\$15/sqft	\$25/sqft				
Fremont (BR4/3)	\$29,502	\$23,971				
Campbell	\$17,447	\$10,185				
Palo Alto*	\$16,695*	\$7,318*				
South San Jose	\$10,800	\$9,700 \$7,600 5+				



