

**TO: HONORABLE CITY COUNCIL**

**ATTN: POLICY AND SERVICES COMMITTEE**

**FROM: CITY MANAGER** **DEPARTMENT: PLANNING AND  
COMMUNITY ENVIRONMENT**

**DATE: APRIL 8, 2008** **CMR: 196:08**

**SUBJECT: RECOMMENDATION TO THE CITY COUNCIL TO ADOPT AN  
ORDINANCE AMENDING CHAPTER 21.50 (PARK LAND  
DEDICATION OR FEES IN-LIEU THEREOF) OF TITLE 21  
(SUBDIVISIONS AND OTHER DIVISIONS OF LAND) OF THE  
PALO ALTO MUNICIPAL CODE TO SET THE PARK LAND  
DEDICATION REQUIREMENT TO FIVE ACRES PER  
THOUSAND RESIDENTS**

**RECOMMENDATION**

Staff recommends that the Policy and Services Committee recommend that the City Council adopt an ordinance amending Chapter 21.50 (Park Land Dedication or Fees In-Lieu Thereof) of Title 21 (Subdivisions and Other Divisions of Land) of the Palo Alto Municipal Code to increase the park land dedication requirement from three acres per thousand residents to five acres per thousand residents.

**BACKGROUND**

On June 5, 2006, the City Council approved an ordinance requiring that project applicants dedicate park land when building condominiums or other types of residential subdivisions (Ordinance 4907, also see CMR 246:06). The ordinance required three acres of park land for every thousand residents, and allowed fees to be paid in-lieu for projects with fifty or fewer units, and for larger projects with City Council approval. The in-lieu fees are based on the value of the land that would otherwise be required, and are intended to help the City purchase park land off-site to serve those new residents. To make administration simpler, the City uses a strategy similar to other cities in the area, determining the fair market value of land for the purposes of in-lieu fee calculation using a general appraisal of land value throughout the city. The current land value used for in-lieu fee calculation is \$3.9 million per acre, which yields fees of \$28,620 per single-

family unit and \$19,620 per multi-family unit. The ordinance only applies to residential subdivisions and condominiums. It does not apply to commercial subdivisions or condominiums, home remodeling, construction of second units (except with a condominium map), or demolition and replacement of existing homes.

## **DISCUSSION**

The State Quimby Act permits cities to require more than three acres of park land per thousand residents only if the ratio of existing park land to residents is higher, in which case the city may require up to five acres per thousand residents. Palo Alto's ratio of neighborhood park land to residents is just under three acres per thousand, but the City also maintains a substantial amount of open space for the enjoyment of its residents. With open space included, the ratio is well above five acres per thousand, which allows Palo Alto to require dedication of up to five acres of park land per thousand residents generated by a proposed subdivision.

### **Park land Dedication Under Current and Proposed Standards**

Since the adoption of the park land dedication ordinance, no new large residential subdivision projects have been submitted, so the efficacy of the ordinance in enlarging Palo Alto's park land has not yet been tested. However, based on experience with two recent projects for which park land was voluntarily dedicated, staff believes that the three-acre-per-thousand requirement will be insufficient for the City's needs. The developers of these projects voluntarily dedicated parks to the City, one at 4249 El Camino Real (Summerhill Homes project at the Elk's Lodge site) and one at 3445 Alma Street (Alma Plaza). Each park was approximately a quarter-acre, which is what would have been required by the park land dedication ordinance for developments that size. While quarter-acre parks fill a need for the City, they are more expensive to maintain per acre, and less accommodating of changing recreation, relaxation and sport needs. In the case of these two projects, the size of the parks also made them less accessible to the general public outside the bounds of the project.

Flexibility is a critical consideration for City park land. Parks in Palo Alto can fulfill a variety of purposes, depending on size and configuration. Residents and visitors use Palo Alto parks for active recreation, passive relaxation, and play. Parks also have an aesthetic value to the city. The largest parks and open space areas are often used for active recreation, such as field sports, hiking, or other outdoor activities. There is a high demand for these active recreational spaces. Other parks, such as Heritage Park, are primarily used for passive relaxation, a place to sit outdoors. Heritage Park also has a playground, and therefore doubles as a play area. The smallest parks fulfill a single purpose, such as Kellogg Park along Embarcadero Road, which is primarily an aesthetic green space that breaks up the built environment. The larger parks and open space areas, by contrast, can serve multiple purposes, offering active recreational areas, passive recreation, scenic and aesthetic areas, and can even serve as educational resources.

The more functions a park can serve, the more valuable it is to the City and its users. The smallest parks, which typically serve only a single purpose, are difficult to adapt to the changing needs of the surrounding residents. Noise is more often a factor because there is a smaller buffer zone between the active areas of the park and the surrounding homes, and this further limits potential uses for the park. Maintenance is also more costly on a per-acre basis. When maintaining a larger park, for example, there are economies of scale in scheduling work crews, which lowers the maintenance costs per acre. While small parks can be beneficial, experience has shown that a half-acre park is the smallest that justifies the maintenance costs.

The smallest development that would generate a half-acre park under the current three-acre-per-thousand park land standard is 100 units. A 51-unit development, the smallest development for which land dedication is required under the current ordinance, would only generate a quarter-acre park. Under a five-acre-per-thousand-resident standard, the smallest park required would be .42 acres, and a 60-unit development would generate a half-acre park. The attached ordinance amendment, therefore, will ensure that developers propose only sizable parks that are cost-effective to maintain and flexible enough for changing resident needs.

#### In-Lieu Fees

Raising the park land dedication requirement would also increase the in-lieu fees for projects that are not required to dedicate park land, projects of 50 or fewer units. The City currently uses a land value of \$3.9 million per acre, based on a survey of comparables within Palo Alto generated by an appraiser for the Department of Planning and Community Environment. Based on that land value, the park land dedication in-lieu fees for multi-family projects will be \$32,600 per unit, while the fees for single-family subdivisions will be \$47,600 per unit. Combined with other development fees, the total fees per unit for multi-family projects will be \$35,000 to \$37,000, while single-family subdivisions would incur \$51,000 to \$54,000 per unit in fees. For comparison, the park land dedication requirements and in-lieu fees of several other surrounding cities are shown in Table 1, below. Most are lower than Palo Alto, either because they use a lower fair market value, have a lower park land standard, or allow credits for private open space.

#### Alternatives

When determining in-lieu fees, the City sets the fair market value that will be used to calculate the fee (subject to challenge by the developer). If the City wished to raise the land dedication requirements while maintaining the same fees, it could accept a lower fair market value. A fair market value of \$2.35 million would keep fees at the current level, \$19,600 per multi-family unit, and \$28,600 per single-family unit.

	<b>Park land Dedication Requirement</b>	<b>Typical Credit for Private Open Space</b>	<b>In-Lieu Fees Per Unit (after credit)</b>	<b>Land Value Used to Calculate Fees (per acre)</b>
<b>Palo Alto (existing)</b>	3 acres / 1,000 residents	-	\$19,600 - \$28,600	\$3.9 million
<b>Palo Alto (proposed)</b>	5 acres / 1,000 residents	-	\$32,600 - \$47,600	\$3.9 million
<b>Redwood City</b>	3 acres / 1,000 residents	25%*	\$8,100 - \$12,300	\$1.9 million
<b>Menlo Park</b>	5 acres / 1,000 residents	-	\$45,000 - \$50,000	Different for each project, typically \$3.5 to 4 million
<b>Mountain View</b>	3 acres / 1,000 residents	-	\$20,000 - \$25,000	Different for each project, typically \$3 to 4 million
<b>San Mateo</b>	2 acres / 1,000 residents	60%	\$6,900 - 8,600	Different for each project, typically \$4 to 5 million
<b>Sunnyvale</b>	1.25 acres / 1,000 residents	-	\$9,400 - \$14,100	\$4.2 million / acre

*\*Redwood City's ordinance was adopted December 2007. The estimate of typical credit granted is based on very few projects.*

### **POLICY IMPLICATIONS**

This ordinance is consistent with Comprehensive Plan policy C-28, which prescribes use of the National Recreation and Park Association Standards as guidelines for locating and developing new parks. These guidelines state that neighborhood parks should be at least two acres in size, supplemented when necessary by parks as small as one-half acre. It also fulfills program C-23, “Study and recommend methods of private and public financing for improved park maintenance, rehabilitation, and construction.”

### **RESOURCE IMPACT**

With a three-acre-per-thousand-resident park standard, projected fees over the next twelve years are \$15-25 million, or an average of \$1.5-2 million per year. Increasing the standard would mean \$25-40 million collected over the next fifteen years, or an average of \$2-3 million per year. If the alternative proposal were adopted setting a lower fair market value for calculation of the in-lieu fees, there would be no increase in fees collected even if the parks standard were increased. In either case, revenues would be highly variable from year to year, depending on whether new subdivisions were proposed for development in Palo Alto.

The ordinance could also generate an indeterminate amount of park land, depending on fluctuating land values, the availability of suitable property for acquisition, whether large parcels in the City are redeveloped, and whether those parcels are in an acceptable location for park land. The cost of maintenance must be considered when purchasing or accepting park land for dedication; current costs are \$15,000 per acre annually, per the 2006-07 Service Efforts and Accomplishments Report.

Per the attached ordinance, the fair market value would be increased annually by the Engineering News Record Construction Cost Index.

**ENVIRONMENTAL REVIEW**

Adoption of an ordinance setting a requirement for land dedication is not a project under the California Environmental Quality Act (CEQA).

**ATTACHMENTS**

- A. Ordinance amending Section 21.50 of the PAMC

PREPARED BY:

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**COURTESY COPIES**

Home Builder's Association  
Silicon Valley Association of Realtors  
Palo Alto Chamber of Commerce