TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER
DEPARTMENT: ADMINISTRATIVE SERVICES/PLANNING
DATE: SEPTEMBER 12, 2005
CMR: 372:05
SUBJECT: FINANCE COMMITTEE REVIEW OF COMPARATIVE DATA ON CUMULATIVE IMPACT OF DEVELOPMENT FEES

RECOMMENDATION:
No action was taken on the comparative data provided in the staff report (CMR 323:05).

DISCUSSION
On July 19, 2005 the Finance Committee reviewed comparative data on development impact fees in Palo Alto and other cities prior to its discussion of a new fee for the Charleston/Arastradero Streetscape Plan (CMR 325:05).

During the discussion Councilmember Morton asked whether Gilroy or Morgan Hill charged development impact fees for rebuilt homes. Following the July 19 meeting, staff contacted Gilroy, Morgan Hill, San Jose, Redwood City and Mountain View. None of these cities charge development impact fees for remodeled, rebuilt, or expanded homes. In each case, impact fees apply only to new dwelling units, not existing units. If a remodel results in more dwelling units, for example adding a cottage to a single-family home, then impact fees would apply to the new cottage. Remodel or rebuild projects that increase square footage of an existing home, but which do not add a new dwelling unit, are not subject to impact fees.

Councilmember Morton also asked for staff’s opinion regarding legal options related to adjusting existing impact fees. Councilmember Mossar expressed concern regarding impact fee costs and the effect on small, local retail businesses considering coming to the community. Councilmember Kishimoto urged staff, when considering fee restructuring, to look at the mix of fees in the context of value added to the businesses or residents. Subsequent to the July 19 meeting, staff confirmed with the City Attorney that Council has the authority to restructure fees based on legitimate and articulated government purposes. A review of impact fee structures relative to each fee’s original nexus study and findings must be undertaken to ensure that the proposed adjustments are consistent with the studies and that the required AB 1600 findings can be made. Staff will work with the City Attorney’s office to develop recommendations regarding adjusting existing fee levels relative to nexus study findings and articulated Council policies.
PREPARED BY: Libby Dame, Senior Financial Analyst, Administrative Services
              Heather Shupe, Administrator, Planning & Community Environment

DEPARTMENT HEAD: STEVE Emslie
                  Director, Planning & Community Environment

DEPARTMENT HEAD: CARL YEATS
                  Director, Administrative Services

CITY MANAGER APPROVAL: EMILY HARRISON
                         Assistant City Manager

ATTACHMENTS
Attachment 1: CMR 323:05