TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DEPARTMENT: PLANNING AND COMMUNITY ENVIRONMENT

DATE: MAY 19, 2008

CMR: 244:08

SUBJECT: POLICY AND SERVICES COMMITTEE RECOMMENDATION 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 and 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 subdividing property for residential purposes (Ordinance 4907, also see CMR 246:06). The ordinance required three acres of park land for every thousand residents. Based on experience with two recent projects, however, staff believes that parks generated by the three-acre-per-thousand requirement are inadequate to meet the City’s needs which is the minimum stipulated by State law. The attached proposed ordinance raises the dedication requirement to five acres per thousand residents generated by a proposed subdivision.

For further background, please refer to the Policy and Services Committee staff report, Attachment B.
COMMITTEE REVIEW AND RECOMMENDATION

On April 8, 2008, the Policy and Services Committee recommended that the City Council adopt an ordinance raising the park land dedication requirement to five acres per thousand residents. The vote was 2-1 with Councilmembers Drekmeier and Kishimoto voting yes, and Councilmember Barton voting no. Comments and questions were raised at the meeting as follows:

- Exactly what land is included in the calculation of existing City park land?
- How is the land value used to calculate the fee determined?
- How may the fees be used?
- Why was the park land requirement set at three units per thousand rather than five in 2006?
- Can somebody choose to dedicate land rather than pay fees if they are building fewer than fifty units?
- What are the total development fees that apply to new housing?
- Some additional analysis on whether the City’s park land goals can be achieved with a three acre per thousand requirement would be helpful.
- As population grows, this proposal is one way to maintain city services.
- The proposed fees could affect the affordability of housing in Palo Alto.
- Parks are an important part of the quality of life in Palo Alto.

DISCUSSION

Staff has prepared some additional analysis in response to some of the issues raised at the Policy and Services Committee meeting.

Exactly what land is included in the calculation of existing City park land?

In response to questions about the actual amounts of current park land, staff has developed the table below to illustrate Palo Alto’s various types of park land:

<table>
<thead>
<tr>
<th>Table 1: Palo Alto Park Land</th>
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<tbody>
<tr>
<td></td>
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<tr>
<td>Neighborhood Parks</td>
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<tr>
<td>School Athletic Fields</td>
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<tr>
<td>Foothills Park - Developed area</td>
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<tr>
<td>Foothills Park - Open space/ hiking areas</td>
</tr>
<tr>
<td>Baylands Athletic Center</td>
</tr>
</tbody>
</table>

Data Source:
- Service Efforts and Accomplishments Report 2006-07
- Adamson Report
- 1990 Palo Alto Baylands Master Plan Update
How is the land value used to calculate the fee determined?

The land value in this ordinance is based on a survey of comparables in Palo Alto for 2006. The land value used is the midpoint of the range of commercial sales for that year. Staff used the commercial land value because it represents larger parcels more likely to be subdivided into residential uses, and thus subject to the park land dedication ordinance.

Some cities do a study of comparables for each new development, rather than setting a fair market value for all new developments. This requires more administrative work, but can potentially yield higher in-lieu fees. The drawback to this method is the lack of predictability for both the City and the developer for forecasting future fee revenue and development costs, respectively.

How may the fees be used?

Fee revenue may be used only for projects that increase the capacity of the City’s parks. One way to do this is by acquiring new land, but there are other ways. Some improvements to existing parks increase capacity without additional land. For example, replacing a grass field with turf expands the number of days of the year the field can be used, because the turf is more resilient and requires less maintenance.

Capacity improvements are an important method for expanding park capacity because dedication is sporadic in a built-out community. Few parcels are large enough to support a development over 50 units which would trigger the land dedication requirement under the park land dedication ordinance.

Why was the requirement set at three units per thousand rather than five in 2006?

A question was raised at the Policy and Services Committee meeting about the rationale for adopting a three-unit-per-thousand requirement. When proposed in 2006, staff recommended the lower requirement until the City gained some experience with administering the ordinance, and could determine whether the City’s park land goals
could be achieved with such a requirement. A five-unit-per-thousand ratio was presented as an alternative, but not adopted at that time.

*Can a developer choose to dedicate land rather than pay fees if they are building fewer than fifty units?*

A developer may always offer to dedicate land rather than pay fees, but that offer is subject to the City’s acceptance. The City may require in-lieu fees if the land proposed does not meet the City’s park needs. For developments of fifty units or fewer, the City may not require land, though the developer may still offer it. It is unlikely a park offered as part of such a development would be large enough to meet the City’s needs, though in some cases it might be if it expanded an existing park.

*Some additional analysis on whether the City’s park land goals can be achieved with a three acre per thousand requirement would be helpful.*

The demand for parks demonstrates itself both qualitatively and quantitatively. There is an existing demand for field sports. A survey done in 2002 of some of the major sports leagues in Palo Alto found that 3% of people who want to join are turned away. There is also competing demand for space from underserved activities such as skateboarding, dog recreation, gym recreation, and water sports. The existing facilities for these activities, built a long time ago, are not up to modern standards. When considered alongside the continuing need for passive recreation areas such as picnic space, or the need for playgrounds, including those suitable for special needs children, the demand for additional park space is clear.

Staff has done a rough analysis of the cost of acquiring parcels to expand park land to meet this demand. Staff chose sample parcels spread throughout the City that could be suitable for new parks, and analyzed the cost. The parcels were chosen with an eye to their effectiveness at expanding parks in a way that created a more efficient shape or layout. To acquire six acres of suitable land spread throughout the City would require approximately $28 million. Even if this land were acquired over the next twelve to fifteen years, it would still provide only 2.4 acres of park land for each 1,000 new residents projected to move to Palo Alto during the same time. A park land dedication fee based on a ratio of five acres per thousand residents may generate enough revenue to acquire and improve this park land, while a fee based on the current ratio most likely would not (see “Resource Impacts”, CMR 196:08, Attachment B). This analysis suggests that the current park land dedication requirement is not sufficient to maintain our existing level of recreation service to current and future Palo Alto residents.
What are the total development fees that apply to new housing?

Below are tables showing the total development impact fees, assessed both by the City and the School District.

| Table 2: Impact and In-Lieu Fees for Single Family Subdivisions (5+ units)* |
|------------------|------------------|------------------|
|                   | Current Fees     | Proposed Fees    | % increase |
|                   | (Per Unit)       | (Per Unit)       |            |
| School fees       | $ 8,680          | $ 8,680          |            |
| Community Facility Fees | 2,350          | 2,350            |            |
| Library Fees      | 820              | 820              |            |
| Citywide TIF      | 3,582            | 3,582            |            |
| Park Land Dedication | 28,620          | 47,700          | 67%        |
| Housing In-Lieu Fees** | 116,625        | 116,625          |            |
| **TOTAL**         | $ 160,677        | $ 179,757        | 12%        |

*Note: None of these fees apply to tearing down and rebuilding a home. For second units, only the school, community facility, library, and traffic fees apply (at the multi-family rate).

** Housing in-lieu fees are only required if the developer does not build affordable housing units.

| Table 3: Impact and In-Lieu Fees for Multi-family and Condominium Projects |
|------------------|------------------|------------------|
|                   | Current Fees     | Proposed Fees    | % increase |
|                   | (Per Unit)       | (Per Unit)       |            |
| School fees       | $ 4,200          | $ 4,200          |            |
| Community Facility Fees | 1,546          | 1,546            |            |
| Library Fees      | 536              | 536              |            |
| Citywide TIF      | 1,771            | 1,771            |            |
| Park Land Dedication | 19,620          | 32,670          | 67%        |
| Housing In-Lieu Fees* | 57,000          | 57,000          |            |
| **TOTAL**         | $ 84,673         | $ 97,723         | 15%        |

* Housing in-lieu fees are only required if the developer does not build affordable housing units.

**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. 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  
B. April 8, 2008 Policy and Services Committee staff report (CMR 196:08)

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**COURTESY COPIES**
Home Builder’s Association  
Silicon Valley Association of Realtors  
Palo Alto Chamber of Commerce