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City of Palo Alto

Park, Community Center, and Library Development  
Impact Fee  
Justification Study

Presentation to the Finance Committee  
December 15, 2020

Public Finance  
Public-Private Partnerships  
Development Economics  
Clean Energy Bonds

# Overview of Topics to be Discussed

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- Nexus Study Process
- Nexus Demographics
- For Park, Community Center, and Library Facilities:
  - Existing Inventory and Cost Assumptions
  - Existing Impact Fees and Land Valuation
  - Proposed Updated Impact Fees and Land Valuation

# Background

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- Existing Park, Community Center, and Library Development Impact Fees (“DIFs”) were established in 2001 and are updated annually based on the Consumer Price Index (“CPI”) or Consumer Cost Index (“CCI”)
- Baseline fee levels for some of the City’s impact fees have not been reviewed or updated in nearly 20 years, nor has the actual cost inflation of land valuation in the City
- New development will generate additional residents and employees who will require additional public facilities
- DTA completed a nexus study to propose revised impact fees based on updated current and projected demographic data. This ensures that City facilities are appropriately developed in order to maintain the same level of service for both existing and future residents without overburdening facilities and resources

# About DTA

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- Incorporated in 1985
  - Offices in Newport Beach, Riverside, San Francisco, and San Jose, CA, Dallas and Houston, TX, and Tampa, FL
- Specializes in financing public infrastructure and services
- Provides financial consulting services to virtually every urban county and major city in California
- Enviably reputation for producing high-quality work quickly and efficiently
- Preparation of over 400 DIF justification studies in the past 32 years
- High levels of involvement from senior staff who have more than 15 years of experience with our firm

# Nexus Study Overview



## Current Inventory

- Comprehensive list of existing facilities and associated costs per square foot, acre, volume, integrated unit, etc...
- Provided to DTA by City staff



## Demographics

- Equivalent Dwelling Units (“EDUs”)
- Based on:
  - Existing and projected land uses
  - Population
  - Average household size



## Methodologies

- Standards-Based Methodology (based on units of demand)
- Establishes a generic unit cost for capacity based on existing facilities



## Proposed Fees

- Calculated per residential unit or non-residential square foot
- Finance Committee and City Council review and input

# City of Palo Alto Current Inventory

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- Provided by City staff
- Existing facilities with square footage/acreage of each
- Establishes a set of cost per EDU assumptions for future needed improvements

# Park Inventory

## I. Inventory of Existing Park Facilities

Facility	Facility Units	Quantity
City Parks	Acres	174.10
Natural Open Space	Acres	4,030.00
Recreation Facilities (Courts, Play Areas, Ball Fields, etc.)	Integrated Facilities	154.00
Special Recreation Facilities (Winter Lodge, Gamble Garden, King Plaza)	Acres	4.33
Bayland Preserve Capital Improvements	Integrated Facilities	1.00
Foothills Park Capital Improvements	Integrated Facilities	1.00

# Community Center Inventory

## I. Inventory of Existing Community Center Facilities

Facility	Facility Units	Quantity
Cubberley Community Center	Square Feet	65,046
Lucie Stern Community Center	Square Feet	12,203
Mitchell Park Community Center	Square Feet	15,000
Palo Alto Art Center	Square Feet	23,000
Junior Museum and Zoo	Square Feet	45,071
Improvements, Upgrades, and Renovations	Integrated Unit	5
Building Master Plans	Integrated Unit	5



# Library Inventory

## I. Inventory of Existing Library Facilities

Facility	Facility Units	Quantity
Children's Library (1276 Harriet)	Square Feet	6,043
College Terrace Library (2300 Wellesley)	Square Feet	2,392
Downtown Library (270 Forest Ave.)	Square Feet	9,046
Mitchell Library (3700 Middlefield)	Square Feet	41,000
Rinconada Library (1213 Newell)	Square Feet	29,608
Furniture, Fixtures & Equipment	Integrated Unit	5
Volumes	Volumes	485,157
Technology Upgrades	Integrated Unit	5

# Nexus Demographics

- Fees are established to pay for public facilities that are needed to serve new development
- New development projections are based on data obtained from the California Dept. of Finance and generally confirmed by the City of Palo Alto's 2017 Environmental Impact Report, City's Parks Master Plan, and the Association of Bay Area Governments ("ABAG")



# Nexus Demographics (Cont.)

- DTA based population assumptions on Scenario 3 of the Comprehensive Plan Update Environmental Impact Report adopted in 2017:

COMPREHENSIVE PLAN UPDATE DRAFT EIR  
CITY OF PALO ALTO

## PROJECT DESCRIPTION

TABLE 3-9 SCENARIO 3 2030 HOUSING AND EMPLOYMENT PROJECTIONS

	City			City + SOI		
	Existing (2014)	Net New	2030 Total	Existing (2014)	Net New	2030 Total
Housing Units	28,545	3,545	32,090	33,070	4,710	37,780
Population <sup>a</sup>	65,685	8,435	74,120	80,805	11,240	92,045
Employees	95,460	12,755	108,215	100,830	13,145	113,975

a. Population is calculated based on a housing unit vacancy rate of five percent. Population is also based on an average household size of 2.40 persons per household in 2014 and 2.41 persons per household in 2030 with the city limit, and an average household size of 2.0 in 2014 and 2030 within the SOI. The Traffic Impact Analysis (TIA) (see Appendix G) assumes that the household size in the SOI would be the same as within the city limit. This difference in the Project Description better reflects household characteristics and does not affect the findings in the TIA. Source: PlaceWorks, City of Palo Alto, 2015.

# Nexus Demographics (Cont.)

Existing Equivalent Dwelling Units (2020):

Residential Land Use	Existing Residents	Existing Housing Units	Average Household Size
Single Family Residential	42,392	15,443	2.75
Multi-Family Residential	24,992	12,310	2.03
<b>Total</b>	<b>67,384</b>	<b>27,753</b>	<b>N/A</b>

Projected Future Equivalent Dwelling Units (2040):

Residential Land Use	Projected Residents	Projected Housing Units	Average Household Size
Single Family Residential	6,911	2,517	2.75
Multi-Family Residential	4,074	2,007	2.03
<b>Total</b>	<b>10,985</b>	<b>4,524</b>	<b>N/A</b>

# Nexus Demographics (Cont.)

## Existing Persons Served (2020):

Non-Residential Land Use	Existing Building SF	Existing Employees	Employees per 1,000 BSF	Persons Served per 1,000 BSF (50%)	Existing Persons Served
Commercial/Industrial	23,322,578	31,720	1.36	0.68	15,860
Hotel/Motel	1,577,422	365	0.23	0.12	183
<b>Total</b>	<b>24,900,000</b>	<b>32,085</b>	<b>N/A</b>	<b>N/A</b>	<b>16,043</b>

## Projected Future Persons Served (2040):

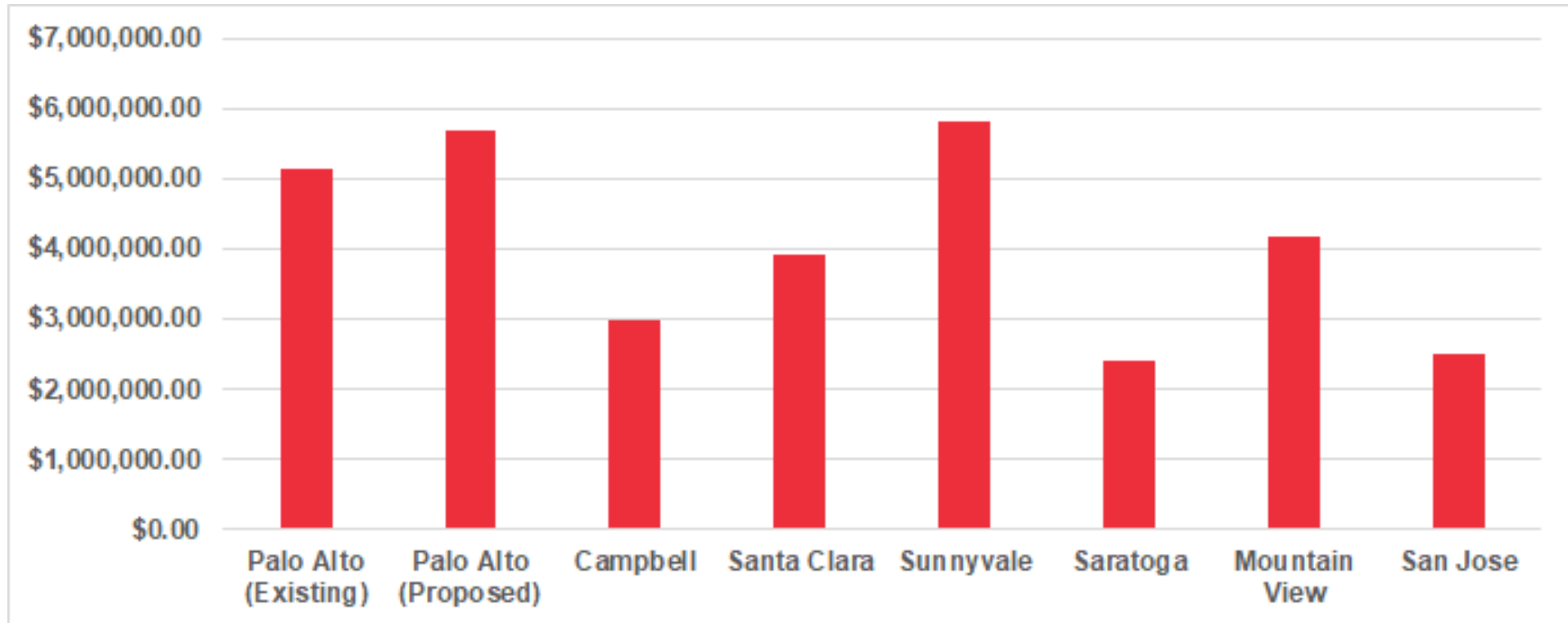
Non-Residential Land Use	Future Building SF	Future Employees	Employees per 1,000 BSF	Persons Served per 1,000 BSF (50%)	Future Persons Served
Commercial/Industrial	2,417,876	3,288	1.36	0.68	599
Hotel/Motel	163,533	38	0.23	0.12	7
<b>Total</b>	<b>2,581,409</b>	<b>3,326</b>	<b>N/A</b>	<b>N/A</b>	<b>606</b>

# Land Valuation

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- Land valuation is a key component of the calculation of the following fees:
  - Park Impact Fee
  - Quimby Fee
- The base land valuation currently in use is \$3.9 million
- Although land valuation has been escalated annually, the base valuation has not been updated in nearly 20 years
- DTA proposes an updated land valuation across the board (implemented for both Quimby and Park Impact Fees) that is more realistic compared to cities in surrounding areas, as shown on the following chart

# Land Valuation Comparison



Note: The Palo Alto (Existing) land valuation is the \$3.9 million base valuation escalated annually, as derived from the Quimby fees shown in the 2019 DIF Annual Report

# Impact of Land Valuation on Fees

- Existing Fee Structure for Park Facilities:
  - Quimby fee charged to residential projects that require a subdivision or parcel map. Land dedication is required for subdivisions resulting in 50 parcels or more.
  - Park fee charged to residential development that does not involve a subdivision and commercial projects. Current Park fee does not include a land acquisition component.
- This fee structure results in a significantly lower fee charged to residential development that does not include a subdivision, as shown below:

Land Use	FY 2019-20 Quimby Fee	FY 2019-20 Park Fee	Park Fee as a Percentage of Quimby Fee	Land Value per Acre
Single Family	\$62,584	\$12,436	19.87%	\$5,133,982
Multi-Family	\$43,137	\$4,116	9.54%	\$5,133,982
Commercial/Industrial (per 1,000 SF)	NA	\$5,281	NA	NA
Hotel/Motel (per 1,000 SF)	NA	\$2,388	NA	NA

**Note:** Based on June 30, 2019 Annual Report on Development Impact Fees.



# Proposed Land Valuation and Fee Update

- Proposed land valuation updates:
  - Base land valuation of \$5,700,000 (requires an update to Muni Code)
  - Addition of acquisition component to Park fee calculation
- This land valuation update would result in a slightly increased Quimby fee and would more closely align the Park fee with the Quimby fee, as shown below:

Land Use	Proposed Quimby Fee	Proposed Park Fee	Park Fee as a Percentage of Quimby Fee	Land Value per Acre
Single Family	\$69,483	\$59,461	85.58%	\$5,700,000
Multi-Family	\$47,893	\$43,977	91.82%	
Commercial/Industrial (per 1,000 SF)	NA	\$14,730	NA	
Hotel/Motel (per 1,000 SF)	NA	\$2,507	NA	

# Proposed Land Valuation and Fee Update (Cont.)

FY 2019-20 Community Center and Library Fees

Land Use	FY 2019-20 Community Center Fee	FY 2019-20 Library Fee
Single Family	\$3,321	\$1,126
Single Family > 3,000 SF	\$4,827	\$1,676
Multi-Family ≤ 900 SF	\$1,071	\$370
Multi-Family >900 SF	\$2,122	\$674
Commercial/Industrial (per 1,000 SF)	\$298	\$284
Hotel/Motel (per 1,000 SF)	\$134	\$119

Proposed Community Center and Library Fees

Land Use	Proposed Community Center Fee	Proposed Library Fee
Single Family	\$4,605	\$2,739
Multi-Family	\$3,406	\$2,026
Commercial/Industrial (per 1,000 SF)	\$1,141	\$679
Hotel/Motel (per 1,000 SF)	\$194	\$116

# Proposed Fee Summary

<b>City of Palo Alto Proposed Development Impact Fees</b>				
	<b>Park</b>	<b>Community Center</b>	<b>Library</b>	<b>Total Fees</b>
<b>Residential</b>				
Single Family	\$59,461	\$4,605	\$2,739	<b>\$66,805</b>
Multi-Family	\$43,977	\$3,406	\$2,026	<b>\$49,409</b>
<b>Non-Residential</b>				
Commercial/Industrial (per 1,000 SF)	\$14,730	\$1,141	\$679	<b>\$16,550</b>
Hotel/Motel (per 1,000 SF)	\$2,507	\$194	\$116	<b>\$2,817</b>



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**Thank You!**

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