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City of Palo Alto

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

Presentation to City Council
April 12, 2021

Public Finance
Public-Private Partnerships
Development Economics
Clean Energy Bonds

Project Background

- The City of Palo Alto's Park, Community Center, and Library Development Impact Fees ("DIFs") were established in 2001 and have been updated annually based on the Consumer Price Index ("CPI") or Consumer Cost Index ("CCI").
- Baseline fee levels for some impact fees have not been reviewed or updated in nearly 20 years, nor has the base land valuation applicable in some fees been reviewed and updated based on the cost inflation of land 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.
- Both the Finance Committee and the Parks and Recreation Commission have reviewed the Draft Study and their input has been incorporated.

Finance Committee Review

- The Finance Committee reviewed the Draft Study at the December 12, 2020 meeting and provided the following feedback:

Finance - Item #1

- Align the existing employee count with Scenario 3 of the Comprehensive Plan Update Environmental Impact Report adopted in 2017 in the Study



Finance - Item #2

- Show the delta between the existing and proposed fees in the presentation



Finance - Item #3

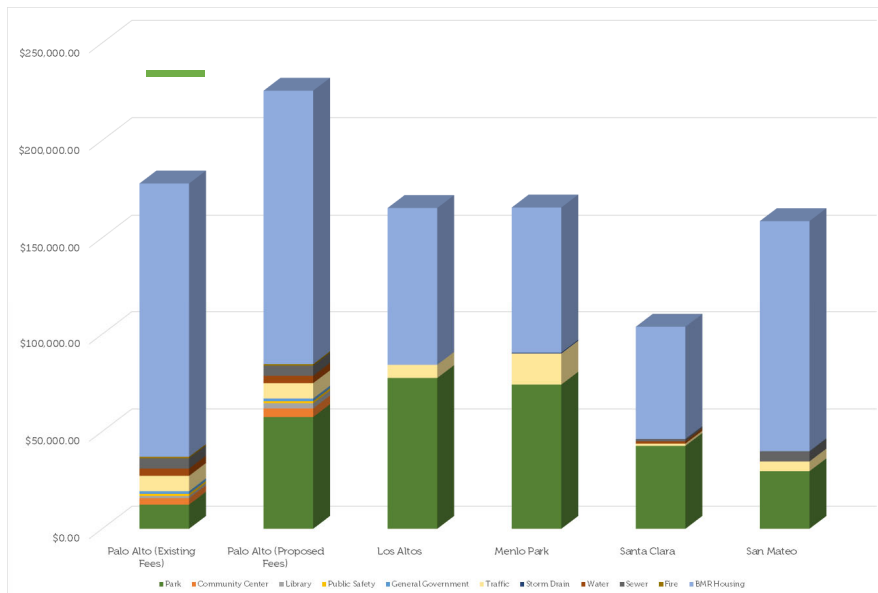
- Compare the total proposed fee load against neighboring cities in the presentation



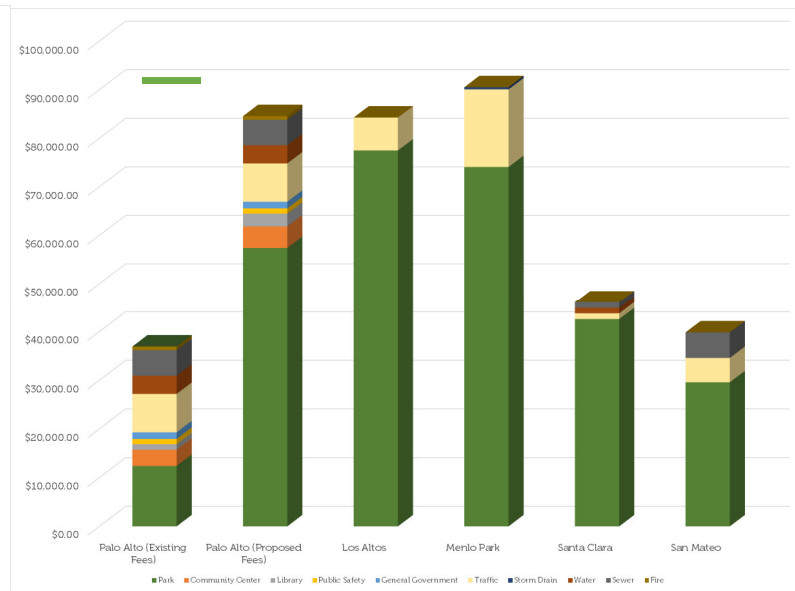
Finance Committee Review

Item #3 – Proposed Total Fee Load Compared to Neighboring Cities

Estimate of Total Fee Load for an 1,800 SF Single Family Dwelling
(Including BMR Housing Fee)



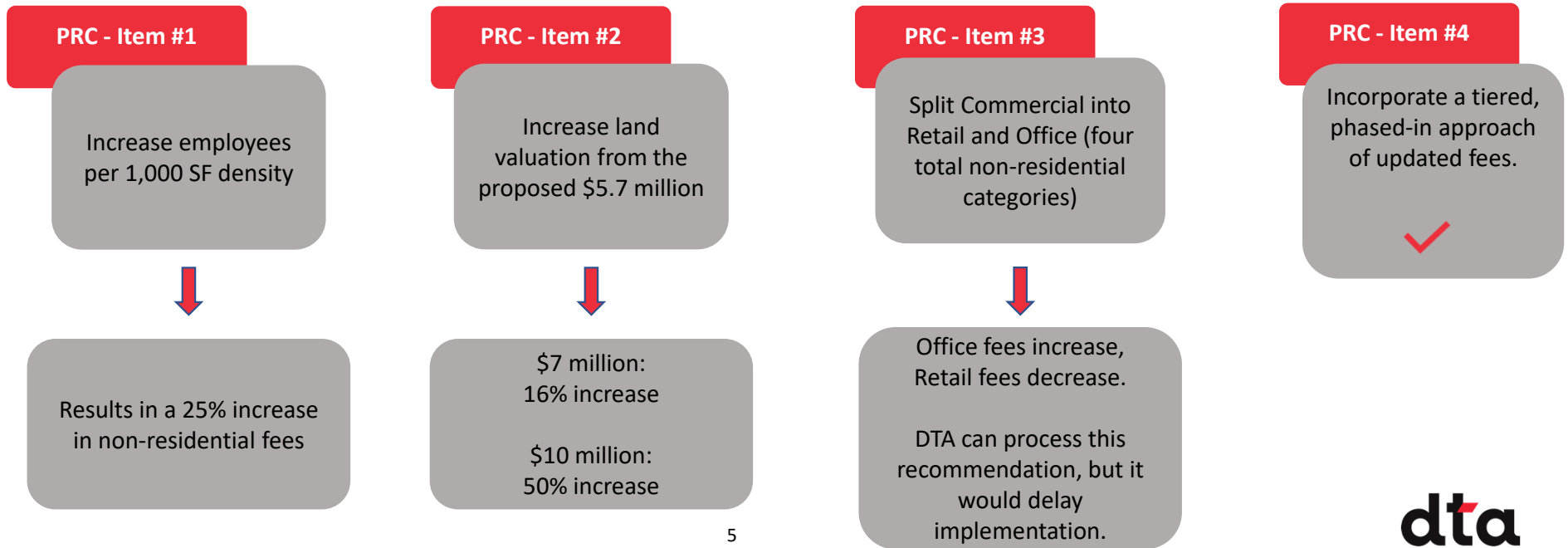
Estimate of Total Fee Load for an 1,800 SF Single Family Dwelling
(Excluding BMR Housing Fee)



Note: Estimates are based on information available on City websites.

Parks and Recreation Commission Review

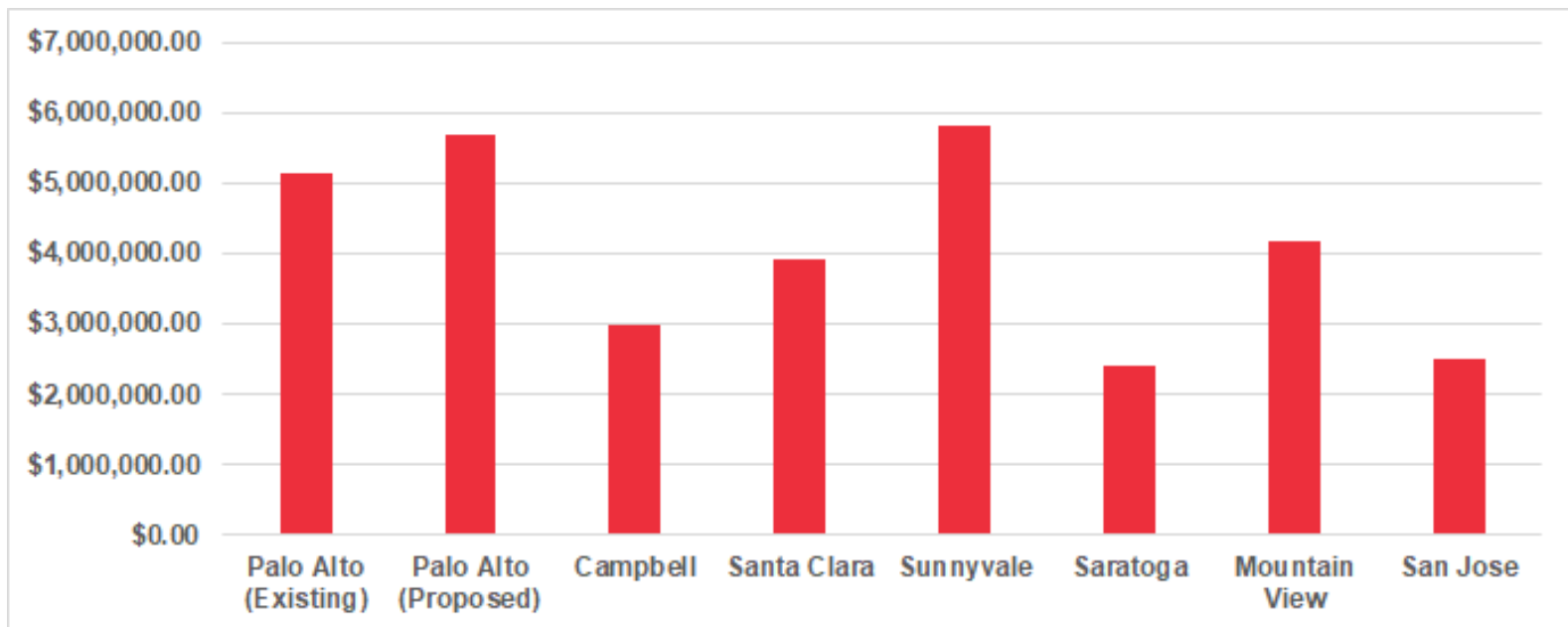
- The Parks and Recreation Commission reviewed the Draft Study at the February 23, 2021 meeting and provided the following feedback:



Land Valuation

- 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

Proposed Land Valuation and Fee Update

City of Palo Alto Existing Development Impact Fees (FY 2020 Adopted Schedule)				
	Park	Community Center	Library	Total Fees
Residential				
Single Family	\$12,436	\$3,321	\$1,126	\$16,883
Single Family > 3,000 SF	\$18,570	\$4,827	\$1,676	\$25,073
Multi-Family ≤ 900 SF	\$4,116	\$1,071	\$370	\$5,557
Multi-Family >900 SF	\$8,141	\$2,122	\$674	\$10,937
Non-Residential				
Commercial/Industrial (per 1,000 SF)	\$5,281	\$298	\$284	\$5,863
Hotel/Motel (per 1,000 SF)	\$2,388	\$134	\$119	\$2,641

City of Palo Alto Proposed Development Impact Fees								
	Park	% Increase	Community Center	% Increase	Library	% Increase	Total Fees	% Increase
Residential								
Single Family	\$57,420	209.21%	\$4,438	-8.05%	\$2,645	57.82%	\$64,504	157.26%
Multi-Family	\$42,468	421.65%	\$3,283	54.70%	\$1,956	190.26%	\$47,707	336.19%
Non-Residential								
Commercial/Industrial (per 1,000 SF)	\$16,837	218.82%	\$1,301	336.73%	\$776	173.10%	\$18,914	222.60%
Hotel/Motel (per 1,000 SF)	\$2,866	20.02%	\$222	65.33%	\$132	10.95%	\$3,220	21.91%

Four-Year Tiered Fee Approach

Land Use	25%				50%			
	Park Fee* FY 2021-22	Community Center Fee FY 2021-22	Library Fee FY 2021-22	Total Fees FY 2021-22	Park Fee* FY 2022-23	Community Center Fee FY 2022-23	Library Fee FY 2022-23	Total Fees FY 2022-23
Single Family	\$23,682	\$3,600	\$1,506	\$28,788	\$34,928	\$3,880	\$1,886	\$40,693
Multi-Family	\$13,704	\$1,624	\$767	\$16,094	\$23,292	\$2,177	\$1,163	\$26,632
Commercial/Industrial (per 1,000 SF)	\$8,170	\$549	\$407	\$9,126	\$11,059	\$800	\$530	\$12,388
Hotel/Motel (per 1,000 SF)	\$2,508	\$156	\$122	\$2,786	\$2,627	\$178	\$126	\$2,930

Land Use	75%				100%			
	Park Fee* FY 2023-24	Community Center Fee FY 2023-24	Library Fee FY 2023-24	Total Fees FY 2023-24	Park Fee FY 2024-25	Community Center Fee FY 2024-25	Library Fee FY 2024-25	Total Fees FY 2024-25
Single Family	\$46,174	\$4,159	\$2,265	\$52,598	\$57,420	\$4,438	\$2,645	\$64,504
Multi-Family	\$32,880	\$2,730	\$1,560	\$37,169	\$42,468	\$3,283	\$1,956	\$47,707
Commercial/Industrial (per 1,000 SF)	\$13,948	\$1,051	\$653	\$15,651	\$16,837	\$1,301	\$776	\$18,914
Hotel/Motel (per 1,000 SF)	\$2,747	\$200	\$129	\$3,075	\$2,866	\$222	\$132	\$3,220

Proposed Fee Summary

City of Palo Alto Proposed Development Impact Fees				
	Park	Community Center	Library	Total Fees
Residential				
Single Family	\$57,420	\$4,438	\$2,645	\$64,504
Multi-Family	\$42,468	\$3,283	\$1,956	\$47,707
Non-Residential				
Commercial/Industrial (per 1,000 SF)	\$16,837	\$1,301	\$776	\$18,914
Hotel/Motel (per 1,000 SF)	\$2,866	\$222	\$132	\$3,220



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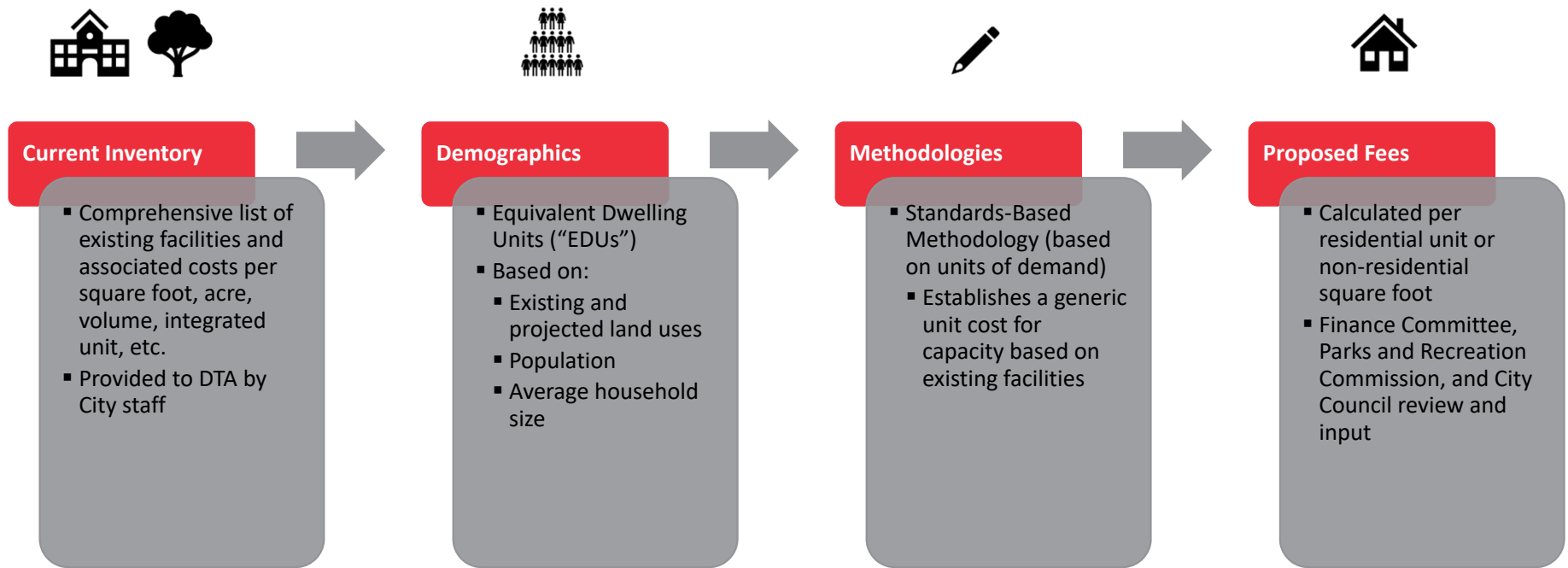
Thank You!

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About DTA

- 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 Process Overview



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%	
Commercial/Industrial (per 1,000 SF)	NA	\$5,281	NA	
Hotel/Motel (per 1,000 SF)	NA	\$2,388	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	\$57,420	82.64%	\$5,700,000
Multi-Family	\$47,893	\$42,468	88.67%	
Commercial/Industrial (per 1,000 SF)	NA	\$16,837	NA	
Hotel/Motel (per 1,000 SF)	NA	\$2,866	NA	

City of Palo Alto Current Inventory

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

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

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

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
- DTA based population assumptions on Scenario 3 of the Comprehensive Plan Update Environmental Impact Report (“EIR”) adopted in 2017
- New development projections are based on data obtained from the California Dept. of Finance and generally confirmed by the City’s EIR, City’s Parks Master Plan, and the Association of Bay Area Governments (“ABAG”)

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 ^a	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
Total	67,384	27,753	N/A

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
Total	10,985	4,524	N/A

Nexus Demographics (Cont.)

Existing Persons Served (2020):

Non-Residential Land Use	Existing Building SF	Existing Employees	Adjusted Employees (20%)	Employees per 1,000 BSF	EDUs per 1,000 BSF	Total EDUs
Commercial/Industrial	23,322,578	95,653	18,772	0.80	0.29	6,839
Hotel/Motel	1,577,422	1,101	216	0.14	0.05	79
Total	24,900,000	96,754	18,989	N/A	N/A	6,917

Projected Future Persons Served (2040):

Non-Residential Land Use	Future Building SF	Future Employees	Adjusted Employees (20%)	Employees per 1,000 BSF	EDUs per 1,000 BSF	Total EDUs
Commercial/Industrial	2,417,876	9,916	1,946	0.80	0.29	709
Hotel/Motel	163,533	114	22	0.14	0.05	78
Total	2,581,409	10,030	1,969	N/A	N/A	717

Overview of Topics to be Discussed

- Project Background
- Nexus Study Process
- Feedback from Finance Committee and Parks and Recreation Commission
- Land Valuation
- Cost Assumptions and Demographics
- Proposed Park, Community Center, and Library Fees