



City of Palo Alto

City Council Staff Report

(ID # 12163)

Report Type: Action Items

Meeting Date: 4/12/2021

Summary Title: Public Hearing: Park, Community Center, Library Impact Fee Study

Title: PUBLIC HEARING: Finance Committee Recommends City Council Approve Park, Community Center, and Library Development Impact Fee Justification Study; Adjustments to Park, Community Center, and Library Development Impact Fees; Adopt the Ordinance Updating Park Land In Lieu fee; and Direct Staff to Implement the Impact Fee Updates With the Fiscal Year 2022 Budget (Continued From March 8, 2021)

From: City Manager

Lead Department: Community Services

Recommendation

The Finance Committee and Staff recommend that the City Council hold a Public Hearing and:

1. Review and Accept the Park, Community Center, and Library Development Impact Fee Justification Study and select and approve updated fee levels based on study recommendations to update the City's Park, Community Center, and Library Impact Fee Program,
2. Direct staff to implement the approved fee levels as part of the Fiscal Year 2022 budget process, and
3. Adopt an ordinance to update the fair market value per acre of land for the Park Land in Lieu Fee in PAMC section [21.50.070](#).

This is a duplicate of the report posted on the March 8, 2020 agenda. No changes have been made from CMR #12027.

Executive Summary

Under California law (AB 1600), cities have the ability to charge new development for its relative share of the cost to fund the acquisition of land and improvements to public facilities and services. Impact fees are established based on the reasonable relationship, or nexus, between impacts caused by new development and the improvements to mitigate those impacts that will be funded by the fee. Although fees are updated annually to reflect increases in the Bay Area Consumer Price Index or Engineering News Record Construction Cost Index, 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.

On November 8, 2019, staff released an RFP for a Parks, Library, and Community Center Development Impact Fee Nexus Study. The local firm of DTA was determined to be the most qualified consultant. DTA prepared the attached Park, Community Center, and Library Development Impact Fee Justification Study (the “Study”), found in Attachment A, which provides a detailed legal framework for the imposition of impact fees, defines the City facilities addressed in the study, illustrates the calculation methodology used, and specifies the maximum fee levels which the City could charge to new development.

On December 15, 2020, staff and DTA presented the draft study to Finance Committee to receive feedback prior to presenting to Council ([Minutes](#)). Finance Committee passed a motion to recommend that the City Council approve any adjustments to fee levels and direct staff to return with the necessary ordinance and fee schedule updates, as well as the addition of a possible tiered approach to implement the fees.

On February 23, 2021, staff and DTA presented to the Parks and Recreation Commission. The Commission passed a motion with a 5-2 vote to recommend that City Council adopt an ordinance based on study recommendations to update the City’s Park, Community Center, and Library Impact Fee Program. Dissenting commissioners expressed concerns that the fair market value land valuation figure seemed too low and the square footage per employee used as demographics information seemed too high. Additionally, there was a request to see commercial fees differentiated between retail and office space.

The City Council has broad discretion in determining fee schedules, as long as set at or below the maximum amounts. Council may wish to consider the funding needed to implement improvements, the effect of fees on the financial feasibility of development, and comparability with other communities, among other factors.

Discussion

The City’s Park, Community Center, and Library Development Impact Fees were initially developed in 2001. Table 1 below shows the FY 2020 impact fees for new development based on land use type.

Table 1. FY 2020 Park, Community Center, and Library Development Impact Fees

City of Palo Alto FY 2019-20 Development Impact Fees				
	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

State law requires agencies to identify a reasonable relationship, or nexus, between an impact fee and new development, and to make findings regarding: (a) the purpose of the fee; (b) what mitigation projects the fee will be used to fund; (c) the nexus between the fee’s use and the type of development on which the fee will be imposed; (d) the nexus between the need for the public facility and the type of development on which the fee will be imposed; and (e) the nexus between the amount of the fee and the cost of the public facility attributable to the development upon which the fee is imposed. The Study is designed to support these findings and is structured as shown in Table 2 below.

Table 2. Summary of Nexus Study Methodology

Step 1	Demographic Assumptions: Identify future growth that represents the increased demand for facilities
Step 2	Facility Needs and Costs: Identify the amount of public facilities required to support the new development and the costs of such facilities
Step 3	Cost Allocation: Allocate costs per equivalent dwelling unit
Step 4	Fee Schedule: Calculate the fee per residential unit or non-residential square foot

To develop new impact fee levels, DTA utilized the Standards-Based Fee Methodology, or Level of Service (“LOS”), which establishes impact fees based on “standards,” where costs are based on the existing LOS provided to the community. The existing LOS is based on the square feet of space, integrated unit, or number of volumes (in the case of Library) per 1,000 Persons Served for each facility, which is an industry-standard method of quantifying LOS for facilities such as Parks, Community Centers, and Libraries. The Standards-Based Methodology also relies on the concept of Equivalent Dwelling Units, or EDUs, to allocate benefit among each of the land use categories. EDUs are a mechanism that equates varying land uses to residential dwelling unit standards in order to equitably calculate fees. The Standards-Based Methodology ensures that City facilities are appropriately developed and sized so that future residents and employees do not cause a reduction in LOS by unduly burdening the infrastructure system, thus leading to decay and deterioration.

To project future development and facility needs, DTA used projections of future population and development within the City outlined in the [City’s 2017 Parks, Trails, Natural Open Space and Recreation Master Plan](#), as well as Scenario 3 of the [2017 Comprehensive Plan Update Draft Environmental Impact Report](#) (“2017 EIR”).

The attached report details the total fee amounts required to finance new residential and non-residential development’s share of the costs of new facilities as summarized in Table 3 below. The fees within this study reflect the maximum fee levels that may be legally imposed on new

residential and non-residential development; however, Council may decide to adopt fee levels below this maximum.

Table 3. Proposed Maximum Fee Levels for Park, Community Center, and Library Development Impact Fees

City of Palo Alto				
Proposed Development Impact Fees (Maximum)				
	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

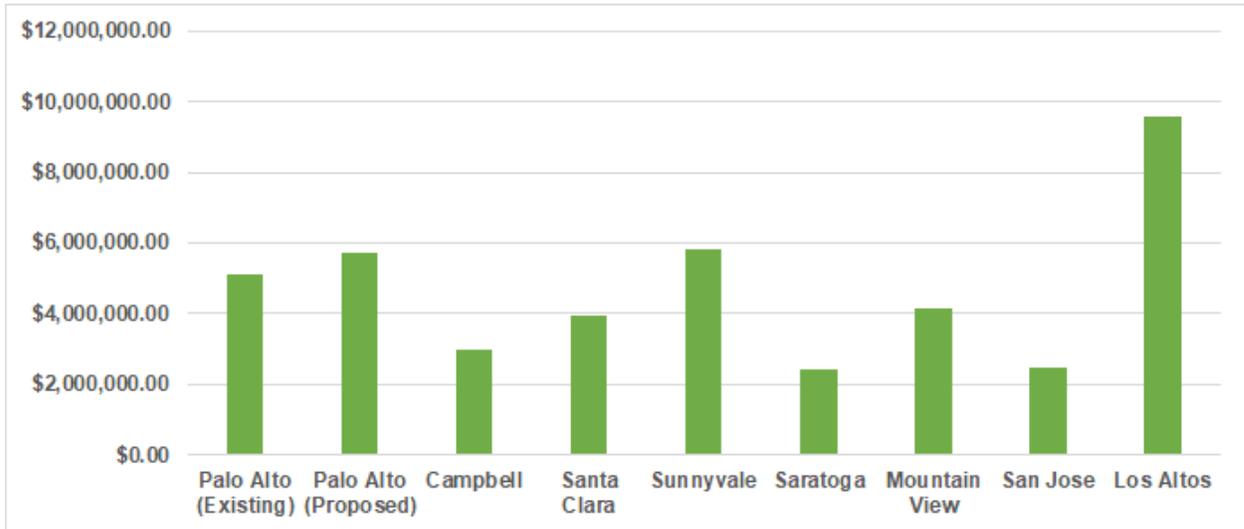
New or increased development impact fees go into effect no sooner than 60 days after adoption (Government Code § 66017). Development impact fees must be paid based on the rate in effect at the time of payment. A developer may pay fees at any point after the planning entitlement has been issued and must pay all applicable fees prior to the issuance of a building permit, unless otherwise approved by Council.

It is especially important that the City’s fees are calculated based on correct assumptions regarding the current market value of land. Using CoStar, a leading commercial real estate database, DTA has analyzed historical sales data of vacant land in the cities of Campbell, Santa Clara, Sunnyvale, Saratoga, Mountain View, San Jose, and Los Altos and recommends an updated FMV of \$5.7 M. DTA has provided in Table 4 and Chart 1 below a comparison of the proposed land valuation to those used in neighboring cities and communities, as well as information approximating when these local agencies last updated their land valuations.

Table 4. Comparable Land Valuation per Acre

Jurisdiction	Land Valuation	Land Valuation History
Palo Alto (Existing)	\$5,133,981.60	Based on 2008 valuation with annual escalation (land valuation shown here is based on 2019 Annual Report on Development Impact Fees)
Palo Alto (Proposed)	\$5,700,000.00	Potential/Proposed
Campbell	\$3,000,000.00	Updated November 2019
Santa Clara	\$3,922,000.00	Santa Clara commissioned an appraisal report with an effective date of value opinion on December 31, 2017; the new fee was adopted in August 2019
Sunnyvale	\$5,832,653.83	Sunnyvale City Council approved a Quimby Land Valuation adjustment and increase in September 2014 with a 3% annual escalator
Saratoga	\$2,395,800.00	Saratoga updated their formula from 1990 Census Data to 2010 Census Data in FY 2014-15, and updated their land valuation in FY 2015-16.
Mountain View	\$4,166,666.67	Mountain View's formula set in 2017 when revising their Housing Element 2015-2023; in 2020 they updated the Quimby fee to be fair market value (see Mountain View Municipal Code Section 41.8).
San Jose Comp Average	\$2,494,964.75	San Jose commissioned a Residential Land Values Study in 2012 and last updated their land valuations trended to 2015 and updated 2010 Census Data.
<i>San Jose - Willow Glen</i>	\$2,960,725.08	
<i>San Jose - Cambrian</i>	\$1,520,644.51	
<i>San Jose - Campbell</i>	\$2,749,244.71	
<i>San Jose - Cupertino</i>	\$2,749,244.71	
Los Altos	\$9,580,000.00	Los Altos commissioned an appraisal report in November 2018 to support land valuation and the new fee was adopted early 2019. Note: Proposal of \$10,780,000 land valuation was deferred to a later date at the 10/27/20 Council meeting.

Chart 1. Comparable Land Valuation per Acre



DTA also reviewed Community Center and Library Development Impact Fees in the cities of Morgan Hill, Brentwood, Paso Robles, Richmond, and Fremont. These cities were chosen for their comparable size and because they each have both Community Center and Library Development Impact Fees. DTA has provided in Table 5 and Chart 2 below a comparison of the proposed Community Center and Library fees to those used in other cities and communities.

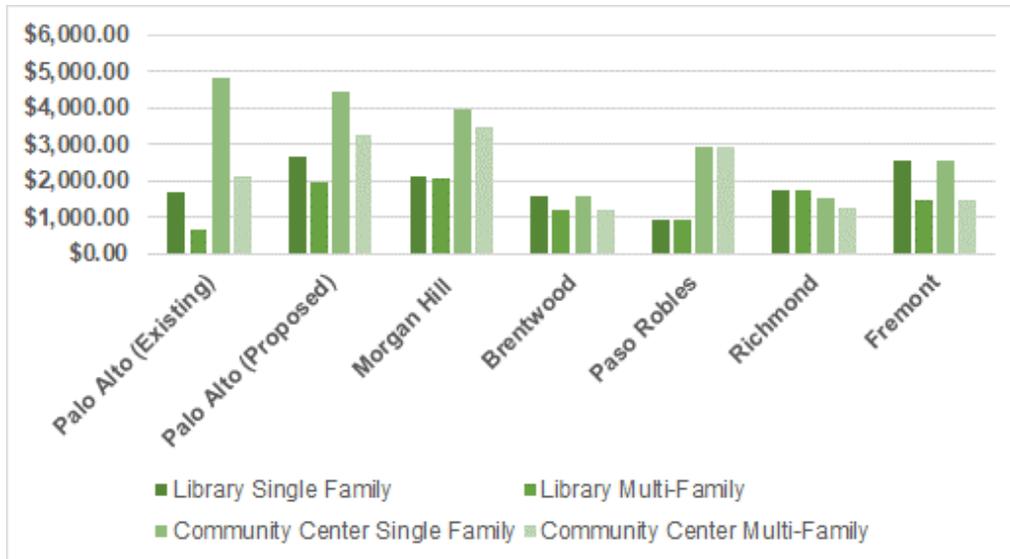
Table 5. Comparable Community Center and Library Development Impact Fees

Jurisdiction	Library Single Family	Library Multi-Family	Community Center Single Family	Community Center Multi-Family
Palo Alto (Existing) ¹	\$1,676	\$674	\$4,827	\$2,122
Palo Alto (Proposed)	\$2,645	\$1,956	\$4,438	\$3,283
Morgan Hill	\$2,132	\$2,054	\$3,955	\$3,470
Brentwood ²	\$1,595	\$1,179	\$1,595	\$1,179
Paso Robles ³	\$942	\$942	\$2,920	\$2,920
Richmond	\$1,744	\$1,744	\$1,543	\$1,267
Fremont ⁴	\$2,569	\$1,483	\$2,569	\$1,483

Notes:

1. Reflects fees for Single Family homes greater than 3,000 sq. ft. and Multi-Family homes greater than 900 sq. ft.
2. Community Facilities Fee may include Library and Community Centers.
3. General Government Fee may include Community Facilities.
4. General Capital Facilities Fee may include Library and Community Centers.

Chart 2. Comparable Library and Community Center Development Impact Fees



The City Council has broad discretion in determining fee schedules, as long as set at or below the maximum amounts. Council may wish to consider the funding needed to implement improvements, the effect of fees on the financial feasibility of development, and comparability with other communities, among other factors.

If Council were to decide to adopt a tiered approach to implementation, fee levels could be gradually increased over a four-year period as shown in Table 6.

Table 6. Tiered Fee Approach

Land Use	25% of Proposed Maximum Fee				50% of Proposed Maximum Fee			
	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	\$14,355	\$1,110	\$661	\$16,126	\$28,710	\$2,219	\$1,323	\$32,252
Multi-Family	\$10,617	\$821	\$489	\$11,927	\$21,234	\$1,641	\$978	\$23,853
Commercial/Industrial (per 1,000 SF)	\$4,209	\$325	\$194	\$4,728	\$8,418	\$651	\$388	\$9,457
Hotel/Motel (per 1,000 SF)	\$717	\$55	\$33	\$805	\$1,433	\$111	\$66	\$1,610

Land Use	75% of Proposed Maximum Fee				100% of Proposed Maximum Fee			
	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	\$43,065	\$3,329	\$1,984	\$48,378	\$57,420	\$4,438	\$2,645	\$64,504
Multi-Family	\$31,851	\$2,462	\$1,467	\$35,780	\$42,468	\$3,283	\$1,956	\$47,707
Commercial/Industrial (per 1,000 SF)	\$12,628	\$976	\$582	\$14,185	\$16,837	\$1,301	\$776	\$18,914
Hotel/Motel (per 1,000 SF)	\$2,150	\$166	\$99	\$2,415	\$2,866	\$222	\$132	\$3,220

Apart from the three impact fees, the City has a Park land dedication or in lieu fee. In general, when residential subdivisions are created, this provision requires the developer to dedicate

land for parks or alternatively pay a fee. The fee is calculated based on the formula outlined in section [21.50.080](#) of the municipal code, which itself is based on the fair market value of land. The fair market value (FMV) was last set in 2006 at \$3.9 M per acre. The FMV has been adjusted each year by the Construction Cost Index (CCI) for calculating annual fee updates. To harmonize the FMV of land of this fee with the impact fees, the ordinance attached will update the FMV to \$5.7 million per acre. This ordinance will take effect upon approval of the impact fees which are anticipated to be approved as part of the FY2022 budget process.

Timeline

Based on Council recommendation and approval, new fee levels will be adopted as part of the FY 2022 annual budget process. Impact fee ordinances require formal public notice and do not become effective until 60 days after adoption on a second reading.

Resource Impact

Development Impact Fees provide funding for capital improvements to mitigate the impacts of new development in the community. The revenues received each year vary based on the amount of residential and non-residential development occurring in Palo Alto during that timeframe. Revenue adjustments will be brought forward in the annual budget process as appropriate to recognize the impacts of any fee updated and adopted by the City Council.

According to the FY 2019-20 Annual Status Report on the Development Impact Fees Schedule ([CMR #11746](#)), a total of approximately \$583,573 was collected in Park, Community Center, and Library fees. DTA projects that the total fee revenues will increase by a minimum of two times should the maximum fee levels be approved and adopted as new fees. Please see Table 7 below for more detail.

Table 7. Current and Projected Revenues

Fee Category	Total Revenues Collected FY 2019-2020¹	Total Projected Annual Revenues²
Park	\$402,902	\$1,208,706
Community Center	\$134,638	\$201,957
Library	\$46,033	\$69,050
Total	\$583,573	\$1,479,713

Notes:

1. Total revenues collected reflect last available report as of period ending June 30, 2020.
2. Figures are an approximation and subject to change.

Stakeholder Engagement

The Community Services and Library departments have presented this report to the Finance Committee on December 15, 2020 ([Minutes](#)) and the Parks and Recreation Commission (PRC) for review.

Policy Implications

City Council has the authority to charge new development for its relative share of the cost of specific public facilities, as calculated based on a nexus study. Council also has the authority, for policy reasons, to restructure fees based on articulated City policies. The information provided in this report allows Council to take the next step towards reevaluating and adjusting the City's Development Impact Fees for Library and Community Services.

Environmental Review

The recommended actions are not considered a Project as defined by the California Environmental Quality Act pursuant to CEQA regulation 15061(b)(3). The projects associated with these fees have been fully analyzed as part of the City's 2030 Comprehensive Plan and its EIR, as well as the City's Parks and Open Space Master Plan and its Mitigated Negative Declaration and no further CEQA analysis is necessary.

Attachments:

- Attachment A: Palo Alto Park, Community Center, and Library Development Impact Fee Justification Study
- Attachment B: Ordinance Amending PAMC Section 21.50.070 to Update the Fair Market Value of Land for the Park Land Fees In Lieu of Dedication Fee



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**PARK, COMMUNITY CENTER,
AND LIBRARY DEVELOPMENT
IMPACT FEE JUSTIFICATION
STUDY**

CITY OF PALO ALTO

Report Date: January 15, 2021

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**PARK, COMMUNITY CENTER,
AND LIBRARY DEVELOPMENT IMPACT FEE
JUSTIFICATION STUDY**

Prepared for:

City of Palo Alto

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I EXECUTIVE SUMMARY

In order to adequately plan for new development and identify the public facilities and costs associated with mitigating the direct and cumulative impacts of new development, DTA was retained by the City of Palo Alto (the “City”) to prepare an AB 1600 Fee Justification Study (the “Fee Study”) for Park, Community Center, and Library improvements. This Fee Study is intended to comply with Section 66000 *et seq.* of the Government Code, which was enacted by the State of California in 1987, by identifying additional public facilities required by new residential and non-residential development (“Future Facilities”) and determining the level of fees that may be imposed to pay the costs of the Future Facilities. Fee amounts have been determined that will finance Park, Community Center, and Library facilities at levels of service required by each of these City departments as necessary to meet the needs of new development through 2040.

ORGANIZATION OF THE REPORT

Section II of this report introduces the Fee Study including a brief description of the City and background information on the calculation of development impact fees. Section III provides an overview of the legal requirements for implementing and imposing the fee amounts identified in the Fee Study. Section IV includes a discussion of demographics, including projected new residential and non-residential development and demand variables such as future population, extrapolated through buildout in 2040. Projections of future development are based on data provided by the City’s Comprehensive Plan, the City’s Parks, Trails, Natural Open Space, and Recreation Master Plan, and data provided by the Association of Bay Area Governments (“ABAG”). Section V includes a description of the Future Facilities needed to serve new residential development that are eligible for funding by the impact fees, including estimated costs, net costs to the City, and costs attributable to new development. Section V discusses the findings required under the Mitigation Fee Act and requirements necessary to be satisfied when establishing, increasing, or imposing a fee as a condition of new development, and satisfies the nexus requirements for each facility included as part of this study. Section V also contains the description of the methodology used to determine the fees for all facility types. Finally, Section VI includes a summary of the proposed fees justified by this Fee Study. Appendix A includes the calculations used to determine the various fee levels.

IMPACT FEE SUMMARY

The total fee amounts required to finance new residential and non-residential development’s share of the costs of facilities are summarized in Table 1 below. Fees within this Fee Study reflect the maximum fee levels that may be imposed on new residential and non-residential development. Residential land uses in the City’s existing fee program are separated into four categories – Single Family units less than 3,000 square feet, Single Family units greater than 3,000 square feet, Multi-Family units less than 900 square feet, and Multi-Family units greater than 900 square feet. After discussion with City staff, DTA

believes the distinction between these land uses no longer reflects the type of proposed housing in the City and is difficult to align with underlying data and current industry practices. For these reasons, DTA has reduced the residential land uses from four to two categories.

Table 1: Development Impact Fee Summary

Land Use Type	Park	Community Center	Library	Total Fees
Single Family Residential (Per Unit)	\$57,420	\$4,438	\$2,645	\$64,504
Multi-Family Residential (Per Unit)	\$42,468	\$3,283	\$1,956	\$47,707
Commercial/Industrial (Per Net New Sq. Ft.)	\$16.837	\$1.301	\$0.776	\$18.914
Hotel/Motel (Per Net New Sq. Ft.)	\$2.866	\$0.222	\$0.132	\$3.220

*Note: Some figures may not sum due to rounding.

EXEMPTIONS

California Government Code permits fee exemptions for affordable housing and other product types at the discretion of local jurisdictions. Such fee exemptions are a policy matter that should be based on the consideration of the greater public good provided by the use exempted from the fee.

II INTRODUCTION

The City of Palo Alto (the “City”) serves a large, densely developed suburban population located on the eastern edge of Santa Clara County, approximately 14 miles north of San Jose and 35 miles south of San Francisco. The City encompasses an area of approximately 26 square miles, with boundaries that extend from the San Francisco Bay on the east to the Skyline Ridge of the coastal mountains on the west, with Menlo Park to the north and Mountain View to the south. The City has a legacy of providing residents of all ages with an abundance of parks, trails, and open space, as well as a rich diversity of cultural and learning opportunities through its 174 acres of parks, 4,030 acres of open space, and an impressive network of thriving community centers and award-winning libraries.

To adequately plan for new residential and non-residential development and identify the Park, Community Center, and Library facilities and costs associated with mitigating the direct and cumulative impacts of new development, DTA was retained by the City to prepare a new AB 1600 Fee Justification Study (the “Fee Study”). The need for this Fee Study is driven by anticipated residential and non-residential development.

This Fee Study is intended to comply with Section 66000 *et seq.* of the Government Code, which was enacted by the State of California in 1987, by identifying additional Park, Community Center, and Library facilities required by new residential and non-residential development and determining the level of fees that may be imposed to pay the costs of the Future Facilities. Fee amounts have been determined that will finance Park, Community Center, and Library facilities at the current level of service (“LOS”) for every 1,000 new residents or employees, or (“Persons Served”). The Future Facilities and estimated land development and associated construction costs per residential unit and per 1,000 sq. ft. of non-residential development are identified in Section V of the Fee Study. All new residential and non-residential development may be required to pay its “fair share” of the cost of the Future Facilities through the development fee program.

The fees are calculated to fund the cost of facilities needed to meet the needs of new residential and non-residential development. The steps followed in the Fee Study include:

1. **Demographic Assumptions:** Identify future growth that represents the increased demand for facilities.
2. **Facility Needs and Costs:** Identify the amount of public facilities required to support the new development and the costs of such facilities.
3. **Cost Allocation:** Allocate costs per equivalent dwelling unit.
4. **Fee Schedule:** Calculate the fee per residential unit or per non-residential square foot.

III LEGAL REQUIREMENTS TO JUSTIFY DEVELOPMENT IMPACT FEES

The imposition of impact fees is one authorized method of financing the public facilities necessary to mitigate the impacts of new development. Impact fees are limited by both the California and federal constitutions, and further limited by the California Mitigation Fee Act (Government Code Sections 66000 *et seq.*). A fee is “a monetary exaction, other than a tax or special assessment, which is charged by a local agency to the applicant in connection with approval of a development project for the purpose of defraying all or a portion of the cost of public facilities related to the development project...” (California Government Code, Section 66000). A fee may be imposed for each type of capital improvement required for new development, with the payment of the fee typically occurring prior to the beginning of construction of a dwelling unit or non-residential building. Fees are often imposed at final map recordation, issuance of a certificate of occupancy, or, more commonly, issuance of a building permit.

AB 1600, which created Section 66000 *et seq.* of the Government Code, was enacted by the State of California in 1987.

In 2006, Government Code Section 66001 was amended to clarify that a fee cannot include costs attributable to existing deficiencies but can fund costs used to maintain the existing level of service (“LOS”) or meet an adopted level of service that is consistent with the general plan.

Section 66000 *et seq.* of the Government Code thus requires that all public agencies satisfy the following requirements when establishing, increasing, or imposing a fee as a condition of new development:

1. Identify the purpose of the fee. [Government Code Section 66001, subd. (a)(1)];
2. Identify the use to which the fee will be put. [Government Code Section 66001, subd. (a)(2)];
3. Determine that there is a reasonable relationship between the fee’s use and the type of development on which the fee is to be imposed. [Government Code Section 66001, subd. (a)(3)];
4. Determine how there is a reasonable relationship between the need for the public facility and the type of development project on which the fee is to be imposed. [Government Code Section 66001, subd. (a)(4)]

Additionally, this Fee Study demonstrates how there is a reasonable relationship between the amount of the fee and the cost of the public facility or portion of the public facility attributable to the development on which the fee is imposed. (Government Code Section 66001 subd. (b).)

Presented below are the legal requirements as they relate to the calculation and imposition of the proposed fees addressed by this Study. Additionally, while the “rough proportionality”

standard does not apply here, DTA firmly believes this Fee Study and the calculations herein do, in fact, also meet that standard.

A PURPOSE OF THE FEE [GOVERNMENT CODE SECTION 66001(A)(1)]

New residential and non-residential development within the City is expected to result in approximately 10,985 new residents and an additional 10,031 new employees within the City by 2040. These future residents and employees will create an additional demand for Park, Community Center, and Library facilities that existing facilities cannot accommodate. To accommodate new residential and non-residential development in an orderly manner, without adversely impacting the current quality of life in the City, additional Park, Community Center, and Library facilities will need to be constructed.

It is the projected direct and cumulative effect of future residential and non-residential development that has required the preparation of this Fee Study. Each new residential and non-residential property will contribute to the need for new Park, Community Center, and Library facilities, and, as such, the proposed impact fee will be charged to all future development, irrespective of location, within the City. While a portion of the City's future development might be characterized as "in fill" development projects, these projects contribute to impacts on public facilities because they are an interactive component of a much greater universe of development located throughout the City. First, the residents associated with any new residential development and the employees associated with any non-residential development in the City have access to, and in fact, may regularly utilize and benefit from, the City's Park, Community Center, and Library facilities. Second, these residents and employees may have chosen to purchase the specific piece of property in which they reside and/or work partially because of the Park, Community Center, and Library opportunities located nearby. Third, the availability of Park, Community Center, and Library facilities throughout the City has a growth-inducing impact, in that it enhances the City's reputation as a great place to live and work, thereby attracting new development, particularly non-residential development, that may have otherwise gone elsewhere. As a result, all development projects in the City contribute to the cumulative need for new Park, Community Center, and Library facilities throughout the City. The development impact fees, when collected, will be placed into a dedicated fund that will be used solely for the design, acquisition, installation, and construction of Park, Community Center, and Library facilities and other appropriate costs to mitigate the direct and cumulative impacts of new residential and non-residential development within the City.

The discussion in this subsection of the Fee Study sets forth the purpose of the development impact fee as required by Section 66001(a)(1) of the California Government Code.

B THE USE TO WHICH THE FEE IS TO BE PUT [GOVERNMENT CODE SECTION 66001(A)(2)]

Each fee will provide a source of revenue to the City to allow for the acquisition, installation, and construction of Park, Community Center, and Library facilities identified in the City's Comprehensive Plan, and related costs necessary to mitigate the direct and cumulative

impacts of new residential and non-residential development in the City. By directly funding these costs, the development impact fees will both enhance the quality of life for and protect the health, safety, and welfare of the existing and future residents and employees.

C THERE IS A REASONABLE RELATIONSHIP BETWEEN THE FEE'S USE AND THE TYPE OF DEVELOPMENT PROJECT UPON WHICH THE FEE IS IMPOSED (BENEFIT RELATIONSHIP) [GOVERNMENT CODE SECTION 66001(A)(3)]

As discussed in Section A above, it is the projected direct and cumulative effect of future residential and non-residential development that has prompted the preparation of this Fee Study. Each development will contribute to the need for new Park, Community Center, and Library facilities. Even future "in fill" development projects, which may be adjacent to existing Park, Community Center, and Library facilities, contribute to impacts on such facilities because they are a collaborative component of a much greater universe of development located throughout the City. Consequently, all new residential and non-residential development within the City, irrespective of location, contributes to the direct and cumulative impacts of development on Park, Community Center, and Library facilities and creates the need for new public facilities to accommodate growth.

As set forth in Section V of the Fee Study, the fees will be expended for the design, acquisition, installation, and construction of new Park, Community Center, and Library facilities identified in Section IV, as that is the purpose for which the development impact fee is collected. As previously stated, all new residential and non-residential development creates either a direct impact or contributes to the cumulative impact on Park, Community Center, and Library facilities.

For the foregoing reasons, there is a reasonable relationship between the design, acquisition, construction, and installation of the Park, Community Center, and Library facilities and new development as required under Section 66001(a)(3) of the Mitigation Fee Act.

D THERE IS A REASONABLE RELATIONSHIP BETWEEN THE NEED FOR THE PUBLIC FACILITY AND THE TYPE OF DEVELOPMENT PROJECT UPON WHICH THE FEE IS IMPOSED (IMPACT RELATIONSHIP) [GOVERNMENT CODE SECTION 66001(A)(4)]

As previously stated, all new development within the City, irrespective of location, contributes to the direct and cumulative impacts of development on Park, Community Center, and Library facilities and creates the need for new facilities to accommodate growth. Moreover, the Park, Community Center, and Library facilities identified in Section V are specifically a function of the number of projected Persons Served within the City and do not reflect any unmet needs of existing development.

For the reasons presented herein and in Section V, there is a reasonable relationship between the need for Park, Community Center, and Library facilities and all new development within the City.

E THERE IS A REASONABLE RELATIONSHIP BETWEEN THE AMOUNT OF THE FEE AND THE COST OF THE PUBLIC FACILITIES ATTRIBUTABLE TO THE DEVELOPMENT UPON WHICH THE FEE IS IMPOSED ("ROUGH PROPORTIONALITY" RELATIONSHIP) [GOVERNMENT CODE 66001(B)]

This Fee Study is additionally intended to comply with the standard found in the Mitigation Fee Act at Government Code section 66001, subd. (b), applicable to fees imposed as a condition of approval of a development project. As such, this Fee Study demonstrates how there is a reasonable relationship between the amount of the fee and the cost of the public facility or portion of the public facility attributable to the development on which the fee is imposed. As set forth above, all new construction in the City impacts public facilities. Moreover, each individual development project and its related increase in population and/or employment, along with the cumulative impacts of all development in the City, will adversely impact existing facilities. Thus, imposition of the fee to finance future public facilities is an efficient, practical, and equitable method of permitting development to proceed in a responsible manner.

New development impacts facilities directly and cumulatively. Without any future development, the acquisition, construction, and/or installation of new facilities would not be necessary as existing City facilities are generally adequate. Even new development located adjacent to existing facilities will utilize and benefit from new public facilities.

The proposed fee amounts are reasonably related to the impacts resulting from new development based on the analyses contained in Section V.

IV DEMOGRAPHICS

In order to determine the Park, Community Center, and Library facilities needed to serve new development, as well as establish fee amounts to fund such facilities, the City provided DTA with projections of future population and development within the City, as outlined in the City’s 2017 Parks, Trails, Natural Open Space and Recreation Master Plan, as well as in Scenario 3 of the 2017 Comprehensive Plan Update Draft Environmental Impact Report (“2017 EIR”). DTA categorized developable residential land uses as Single Family or Multi-Family. Developable non-residential land uses within the City are categorized as Commercial/Industrial or Hotel/Motel. As previously stated, residential land uses in the City’s existing fee program are separated into four categories – Single Family units less than 3,000 square feet, Single Family units greater than 3,000 square feet, Multi-Family units less than 900 square feet, and Multi-Family units greater than 900 square feet. After discussion with City staff, DTA believes the distinction between these land uses no longer reflects the type of proposed housing in the City and is difficult to align with underlying data and current industry practices. For these reasons, DTA has reduced the residential land uses from four to two categories. Additional details on these Land Use Classifications are included in Table 2 below. Based on these designations, DTA established fees for the four (4) land use categories detailed below to acknowledge the difference in impacts resulting from various land uses and to make the resulting fee program implementable.

Table 2: Summary of Land Use Categories

Land Use Classification	Definition
Single Family	Includes Single Family detached homes
Multi-Family	Includes buildings with attached residential units including apartments, town homes, condominiums, and all other residential units not classified as Single Family. For purposes of determining the impact fees due, any “second unit” or “accessory dwelling unit” (as determined pursuant to Section 65852.2 of the Government Code) shall be considered a separate residential unit and shall be subject to this fee.
Commercial/Industrial	Includes, but is not limited to, buildings used as the following: <ul style="list-style-type: none"> ▪ Commercial; ▪ Service-oriented business activities; ▪ Department stores, discount stores, furniture/appliance outlets, home improvement centers; ▪ Entertainment centers; ▪ Sub-regional and regional shopping centers; ▪ Business/professional office; ▪ Light manufacturing, warehouse/distribution, wholesaling;

Land Use Classification	Definition
	<ul style="list-style-type: none"> ▪ Large-scale warehouse commercial; ▪ Service commercial activities; ▪ Public uses, arterial roadways and freeways providing automobile and public transit access; ▪ Automobile dealerships; ▪ Support commercial services; ▪ Self-storage facilities; and ▪ Other uses.
Hotel/Motel	<p>Includes, but is not limited to, buildings used as the following:</p> <ul style="list-style-type: none"> ▪ Hotels; and ▪ Motels.

Data provided by the County of Santa Clara, the City, the Association of Bay Area Governments (“ABAG”), and CoStar, a leading commercial real estate database, were used to estimate the number of housing units to be built within City. These figures were generally confirmed by the California Department of Finance and the U.S. Census Bureau. In addition, the census and American Consumer Survey were used to project the additional population generated from new residential and non-residential development.

Notably, DTA attempted to utilize metrics (e.g. average household size) that standardized existing demographics with the projections provided by the City, the Census Bureau’s American Community Survey (ACS) Public Use Microdata Samples (PUMS), and forecasts provided by ABAG.

The following sections summarize the existing and future development figures that were used in calculating the impact fees.

1. Existing Population for Land Use Categories

According to information provided by the City, the U.S. Census Bureau and the American Community Survey, there are 42,392 existing Single Family residents and 24,992 existing Multi-Family residents within the City.

DTA has used the following demographic information provided by the American Community Survey Public Use Microdata Sample, which assumes Citywide resident-per-unit factors of 2.75 and 2.03 per Single Family and Multi-Family unit, respectively. Therefore, the Citywide population is comprised of 67,384 residents living in a total of 15,443 Single Family and 12,310 Multi-Family homes. Table 3 below summarizes the existing demographics for the residential land uses.

Table 3: Estimated Existing Residential Development

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

In terms of City non-residential property, DTA utilized information from the 2017 EIR to calculate estimates of 23,322,578 square feet of existing Commercial/Industrial development and 1,577,422 square feet of existing Hotel/Motel development within the City. These non-residential property estimates were confirmed using information from CoStar.

DTA has also utilized non-residential demographic information provided by the City in Scenario 3 of the 2017 EIR, which assumes 95,653 Commercial/Industrial employees and 1,101 Hotel/Motel employees, as shown in Table 4. An Employment Adjustment Factor of 19.63% has been applied to employees and generally suggests that a resident has five times the potential hours of use than that of an employee for Park, Community Center, and Library facilities and captures the reduced levels of service demanded by employees. Using these estimates, DTA derived employees-per-thousand-square-foot factors of 0.80 and 0.14 for Commercial/Industrial and Hotel/Motel, respectively. The adjusted employee calculations can be found in Appendix A.

Importantly, for many of the facilities considered in this Fee Study, Equivalent Dwelling Units (“EDUs”) are calculated based on the number of Persons Served generated by each land use class. Persons Served equals residents plus approximately 20% of employees. For existing Persons Served estimates for non-residential land uses, please reference Table 4 below.

Table 4: Estimated Existing Non-Residential Development¹

Non-Residential Land Use	Existing Building SF	Existing Employees	Adjusted Employees (20%) ²	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

Notes:

1. Some figures may not sum due to rounding.
2. An Employment Adjustment Factor of 19.63% has been applied to the number of EDUs per 1,000 sq. ft. to capture the reduced levels of service demanded by employees for Park, Community Center, and Library facilities. Please see Appendix A for a detailed calculation.

2. Future Population for New Land Use Categories (2040)

According to information provided by the City and the U.S. Census Bureau, in 2040 (the time horizon utilized for this Fee Study) the City is projected to include an additional 2,517 Single Family units and 2,007 Multi-Family units.

DTA has used the demographic information provided by the U.S. Census Bureau American Community Survey (ACS) Public Use Microdata Sample, which assumes City future resident-per-unit factors of 2.75 and 2.03 per Single Family and Multi-Family unit, respectively. This results in an additional 10,985 residents living in 2,517 additional Single Family and 2,007 Multi-Family homes Citywide.

Table 5 below summarizes the projected demographics for the residential land uses.

Table 5: Future Residential Development in 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

*Note: Some figures may not sum due to rounding.

According to information provided by the City, in 2040 there are projected to be an additional 9,916 Commercial/Industrial employees and 114 Hotel/Motel employees.

DTA estimated non-residential square feet using persons served-per-thousand-square-foot factors, as noted previously, of 0.80 and 0.14 employees per 1,000 building square feet of Commercial/Industrial and Hotel/Motel, respectively. This resulted in estimates of approximately 2,417,876 square feet of future Commercial/Industrial development and 163,533 square feet of future Hotel/Motel development within the City.

Again, for many of the facilities considered in this Fee Study, EDUs are calculated based on the number of Persons Served generated by each land use class. Persons Served equals residents plus approximately 20% of employees, as an Employment Adjustment Factor of 19.63% has been applied to employees and generally suggests that a resident has five times the potential hours of use than that of an employee for Park, Community Center, and Library facilities. For future non-residential Persons Served estimates, please reference Table 6 on the following page.

Table 6: Future Non-Residential Development in 2040¹

Non-Residential Land Use	Future Building SF	Future Employees	Adjusted Employees (20%) ²	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

Notes:

1. Some figures may not sum due to rounding.
2. An Employment Adjustment Factor of 19.63% has been applied to the number of EDUs per 1,000 sq. ft. to capture the reduced levels of service demanded by employees for Park, Community Center, and Library facilities. Please see Appendix A for a detailed calculation.

3. EDU Projections

EDUs are a means of quantifying different land uses in terms of their equivalence to a Single Family residential dwelling unit, where equivalence is measured in terms of potential infrastructure use or benefit for each type of public facility.

Since nearly all of the facilities proposed to be financed by the imposition of impact fees will serve both residential and non-residential property, DTA projected the number of future EDUs based on the number of residents or employees generated by each land use class. The EDU projections for each land use type are shown in Table 7 below and in the fee derivation worksheets in Appendix A.

Table 7: Equivalent Dwelling Units per Land Use Type¹

Land Use Type	Residents per Unit/Employee per 1,000 Non-Res. SF [A]	EDU [A]/2.75
Single Family Residential	2.75	1.00
Multi-Family Residential	2.03	0.74
Commercial/Industrial	0.80	0.29
Hotel/Motel	0.14	0.05

Notes:

1. Source: 2013-2017 American Community Survey ("ACS") and CoStar.

V METHODOLOGY USED FOR CALCULATING IMPACT FEES

Pursuant to the nexus requirements of Government Code 66000, a local agency is required to “determine how there is a reasonable relationship between the amount of the fee and the cost of the public facility or portion of the public facility attributable to the development on which the fee is imposed.” It is impossible to precisely determine the impact that a specific new residential unit, commercial/industrial project, or hotel/motel development will have on existing facilities. Predicting specific behavioral patterns, such as park or library requirements, for future Persons Served is extremely difficult and would involve numerous assumptions that are subject to substantial variances. Recognizing these limitations, the Legislature drafted AB 1600 to specifically require that a “reasonable” relationship be determined, not a direct cause and effect relationship.

There are many methods of calculating fees, but they are all based on determining the cost of needed improvements and assigning those costs equitably to various types of development. In determining a reasonable nexus for each of public facility in this Fee Study, DTA utilized the Standards-Based Fee Methodology. This methodology employs the concept of EDUs to allocate benefit among each of the four (4) land use classes. EDUs are a means of quantifying different land uses in terms of their equivalence to a residential dwelling unit, where equivalence is measured in terms of potential infrastructure use or benefit for each type of public facility.

Table 8 below shows the total existing and projected EDUs by facility type. Notably, Persons Served equals residents plus 20% of employees due to the Employment Adjustment Factor and is a customary industry practice designed to capture the reduced levels of service demanded by employees.

Table 8: Equivalent Dwelling Units

Facility Type	Service Factor	Existing EDUs	Projected Future EDUs	Total EDUs
Park	Persons Served	31,465	4,719	36,184
Community Center	Persons Served	31,465	4,719	36,184
Library	Persons Served	31,465	4,719	36,184

The Standards-Based methodology establishes public facility impact fees based on “standards,” where costs are based on the existing level of service (“LOS”). This Standards-Based Methodology establishes a generic unit cost for capacity which is then applied to each land use per the existing LOS. The LOS is based on the square feet of space, integrated unit, or number of volumes (in the case of Library) per 1,000 Persons Served for each facility, which is an industry-standard method of quantifying LOS for facilities such as Park, Community Center, and Library facilities. The Standards-Based Methodology ensures that City facilities are appropriately developed and sized so that

future residents and employees do not cause a reduced LOS by unduly burdening the infrastructure system, thus leading to decay and deterioration.

The following sections present the reasonable relationship of benefit, impact, and rough proportionality tests for each fee element (i.e., Park, Community Center, and Library facilities) and the analysis undertaken to apportion costs for each type of facility. More detailed fee calculation worksheets for each type of facility are included in Appendix A.

A Park Facilities

This category includes those facilities required within the City to maintain adequate Park facilities.

Table 9: Park Facilities Element

<p>Identify Purpose of Fee (Government Code Section 66001(A)(1))</p>	Park Facilities
<p>Identify Use of Fee (Government Code Section 66001(A)(2))</p>	To design, acquire, install, and construct Park facilities.
<p>Demonstrate How There is a Reasonable Relationship Between the Fee's Use and the Type of Development Project on Which the Fee is Imposed (Government Code Section 66001(A)(3))</p>	Fees collected from new residential and non-residential development in the City will be used for Park facilities that will be necessary due to increased demand for facilities resulting from new development. Thus, a reasonable relationship exists between the use of Park fees and the new residential and non-residential developments upon which they are imposed.
<p>Demonstrate How There is a Reasonable Relationship Between the Need for the Public Facility and the Type of Development Project on Which the Fee is Imposed (Government Code Section 66001(A)(4))</p>	New development will generate additional residents and employees who will increase the demand for active and passive Park facilities within the City. Land will have to be purchased and improved to meet this increased demand; thus, a reasonable relationship exists between the need for Park and Open Space facilities and the impact of development. Fees collected from new development will be used exclusively for Park facilities identified here in Section V.

A.1 Level of Service for Park Facilities

There are many methods or ways of calculating fees, but they are all based on determining the cost of needed improvements and assigning those costs equitably to various types of development. Park facilities fees have been calculated utilizing the Standards-Based Approach. This methodology utilizes a facility "standard" established for future development, against which facilities costs are determined based on "units of demand" or a "level of service" from a development. This approach establishes a generic unit cost for capacity, which is then applied to each land use type per unit of demand. This standard is not based on the cost of a specific existing or future facility, but rather on the cost of providing a certain standard of service, such as the 2.02 acres of City Park space per 1,000 Persons Served, which is the current level of service for the City. To meet the standard of service required, the City will need to develop new park land and open space. Therefore 100% of the costs of land acquisition and development will be allocated to new residential and non-residential development. Table 10 on the following page summarizes the existing Park facilities located within the City that meet the required standard of 2.02 acres

of City park space and 46.66 acres of natural open space facilities per 1,000 Persons Served.

Table 10: Existing Level of Service for Park Facilities

Facility Type	Existing Acres	Facility Units per 1,000 Persons Served
City Parks	174	2.02
Natural Open Space	4,030	46.66
Total	4,204	48.68

*Note: Some figures may not sum due to rounding.

A.2 Land Acquisition and Park Development Costs

Notably, land acquisition costs are dependent on the real estate market at the time of acquisition. Location, demand for land, encumbrances, comparable acquisitions, and construction costs are a few of the many variables that play into appraisals and negotiations. Each park has its own location and improvement requirements. However, City Staff was able to provide DTA with general cost assumptions for land acquisition and new park development, based on the City’s Parks Master Plan, recently updated in December 2019 (the “Parks Master Plan”). Please see Table 11 below for more detail regarding the costs for new parks in the City.

Table 11: Cost Assumptions for New Park Development

Facility Type	Facility Units (Acres) Funded by Future Development	Land Acquisition Cost per Acre	Park Development Cost per Acre	Planning and Design Cost per Acre	Administration Costs (5%)	Total Facility Cost
City Parks	26.11	\$5,700,000	\$1,406,530	\$84,392	\$70,327	\$189,590,784
Natural Open Space	604.38	\$57,000	\$40,000	\$2,400	\$2,000	\$61,284,430
Total						\$250,875,213

*Note: Some figures may not sum due to rounding.

Using both the LOS and cost assumptions, DTA calculated a total of \$250,875,213 for both City park and natural open space development costs. Please see Appendix A for more information.

A.3 Additional Park Improvement Costs

Furthermore, the City intends to expand and enhance existing City-owned recreational facilities to accommodate increased demand. The Parks Master Plan has identified the need for improvements and/or expansion of special recreational facilities to serve the 12,953 total new Persons Served within the City. These include

but are not limited to capital improvements to Bayland Preserve and Foothills Park, rehabilitation of athletic fields and playgrounds, new play areas, basketball courts, tennis courts, sports fields, picnic areas, pools, dog parks, community gardens, and interpretive centers. The total cost for these facilities is currently estimated at \$47,357,098 according to the Master Plan, of which \$20,078,723 will be allocated to new development, as shown in Table 12 below. Please see Appendix A for more detail on the costs and LOS associated with these facilities.

Table 12: Additional Park Improvement Cost Assumptions

Park Facility	Amount of Cost Allocated to New Development
Recreational Facilities (Courts, Play Areas, Ball Fields, etc.)	\$15,316,334
Special Recreation Facilities (Winter Lodge, Gamble Garden, King Plaza)	\$4,346,862
Bayland Preserve Capital Improvements	\$3,749,274
Foothills Park Capital Improvements	\$2,249,564
Less Off-Setting Revenue (Current Park DIF Fund Balance)	(\$5,583,312)
Total	\$20,078,723

*Note: Some figures may not sum due to rounding.

A.4 Park Fee Amounts

Once the total future facility costs have been determined, the fee amount can be calculated. This is done by dividing the total future facility cost by the projected Citywide EDUs (4,719) to determine a per EDU rate, which equals \$57,420 per EDU. Since a Single Family unit equals one (1) EDU, this land use type will pay the fee amount in its entirety. A Multi-Family unit, which equals 0.74 EDUs, will be responsible for approximately seventy-four percent (74%) of the per unit EDU fee amount. Therefore, the fee for this land use type equals \$42,468.

This same methodology applies to the Commercial/Industrial and Hotel/Motel land use types. Please see Table 13 on the following page for all fee amounts and the corresponding costs to be financed with the fees. Additional details regarding the analysis related to Park facilities are included in Appendix A.

Table 13: Park Facilities Fee Summary¹

Land Use Type	EDUs per Unit/1,000 Non-Res. SF	Fee per Unit/per 1,000 Non-Res. SF. ²	Total Number of EDUs	Total Costs Financed by Fees
Single Family	1.00	\$57,420	2,517	\$144,554,047
Multi-Family	0.74	\$42,468	1,484	\$85,221,937
Commercial/Industrial	0.29	\$16,837	709	\$40,709,260
Hotel/Motel	0.05	\$2,866	8	\$468,692
			Total	\$270,953,936

Notes:

1. Some figures may not sum due to rounding.
2. Please reference Table 22 for non-residential Park fees per net new square foot.

B Community Center Facilities

This category includes those facilities required within the City to maintain adequate Community Center facilities.

Table 14: Community Center Facilities Element

Identify Purpose of Fee (Government Code Section 66001(A)(1))	Community Center Facilities
Identify Use of Fee (Government Code Section 66001(A)(2))	To design, acquire, install, and construct Community Center facilities.
Demonstrate How There is a Reasonable Relationship Between the Fee’s Use and the Type of Development Project on Which the Fee is Imposed (Government Code Section 66001(A)(3))	Fees collected from new residential and non-residential development in the City will be used for Community Center facilities that will be necessary due to increased demand for facilities resulting from new development. Thus, a reasonable relationship exists between the use of Community Center fees and the new residential and non-residential developments upon which they are imposed.
Demonstrate How There is a Reasonable Relationship Between the Need for the Public Facility and the Type of Development Project on Which the Fee is Imposed (Government Code Section 66001(A)(4))	New development will generate additional residents and employees who will increase the demand for Community Center facilities within the City. Land will have to be purchased and improved to meet this increased demand; thus, a reasonable relationship exists between the need for Community Center facilities and the impact of development. Fees collected from new development will be used exclusively for Community Center facilities identified here in Section V.

B.1 Level of Service for Community Center Facilities

Fees for Community Center facilities have been calculated utilizing the Standards-Based Approach. This methodology utilizes a facility “standard” established for future development, against which facilities costs are determined based on “units of demand” or a “level of service” from a development. This approach establishes a generic unit cost for capacity, which is then applied to each land use type per unit of demand. This standard is not based on the cost of a specific existing or future facility, but rather on the cost of providing a certain standard of service, such as the 1,856 square feet of Community Center facilities per 1,000 Persons Served, which is the current LOS for the City. To meet the standard of service required, the City will need to develop new Community Center space. Therefore 100% of the costs of land acquisition and development will be allocated to new residential and non-residential development. Table 15 on the following page summarizes the Community Center facilities located within the City that meet the required standard of 1,856 square feet of Community Center facilities per 1,000 Persons Served.

Table 15: Existing Level of Service for Community Center Facilities

Community Center Facility	Total Facility Units (Existing Square Feet)	Facility Units per 1,000 Persons Served
Cubberley Community Center	65,046	753.09
Lucie Stern Community Center	12,203	141.28
Mitchell Park Community Center	15,000	173.67
Palo Alto Art Center	23,000	266.29
Junior Museum and Zoo	45,071	521.82
Total	160,320	1,856.15

*Note: Some figures may not sum due to rounding.

B.2 Community Center Facilities Costs

Each community center has its own expansion and/or improvement requirements. City Staff provided DTA with general cost assumptions for community centers, based on the City’s Parks Master Plan and Capital Improvement Plan. Please see Table 16 below and Appendix A for more detail regarding the cost assumptions for community centers in the City.

Table 16: Community Center Cost Assumptions

Community Center Facility	Amount of Cost Allocated to New Development
Cubberley Community Center	\$6,135,363
Lucie Stern Community Center	\$1,151,029
Mitchell Park Community Center	\$1,414,852
Palo Alto Art Center	\$2,169,439
Junior Museum and Zoo	\$4,856,117
Improvements, Upgrades, and Renovations	\$9,350,609
Building Master Plans	\$128,744
Less Off-Setting Revenue (Current Community Center DIF Fund Balance)	(\$4,261,898)
Total	\$20,944,256

*Note: Some figures may not sum due to rounding.

B.3 Community Center Fee Amounts

Once the total future facility costs have been determined, the fee amount can be calculated. This is done by dividing the total future facility cost by the projected Citywide EDUs (4,719) to determine a per EDU rate, which equals \$4,438 per EDU. Since a Single Family unit equals one (1) EDU, this land use type will pay the fee

amount in its entirety. A Multi-Family unit, which equals 0.74 EDUs, will be responsible for approximately seventy-four percent (74%) of the per unit EDU fee amount; therefore, the fee for this land use type equals \$3,283.

This same methodology applies to the Commercial/Industrial and Hotel/Motel land use types. Please see Table 17 below for all of the fee amounts and the corresponding costs to be financed with the fees. Additional details regarding the analysis related to Community Center facilities are included in Appendix A

Table 17: Community Center Fee Summary¹

Land Use Type	EDUs per Unit/1,000 Non-Res. SF	Fee per Unit/per 1,000 Non-Res. SF. ²	Total Number of EDUs	Total Costs Financed by Fees
Single Family	1.00	\$4,438	2,517	\$11,173,770
Multi-Family	0.74	\$3,283	1,484	\$6,587,504
Commercial/Industrial	0.29	\$1,301	709	\$3,146,753
Hotel/Motel	0.05	\$222	8	\$36,229
Total				\$20,944,256

Notes:

1. Some figures may not sum due to rounding.
2. Please reference Table 22 for non-residential Community Center fees per net new square foot.

C Library Facilities

This category includes those facilities required within the City to maintain adequate Library facilities.

Table 18: Citywide Library Facilities Element

<p>Identify Purpose of Fee (Government Code Section 66001(A)(1))</p>	<p>Library Facilities</p>
<p>Identify Use of Fee (Government Code Section 66001(A)(2))</p>	<p>To design, acquire, install, and construct Library facilities.</p>
<p>Demonstrate How There is a Reasonable Relationship Between the Fee’s Use and the Type of Development Project on Which the Fee is Imposed (Government Code Section 66001(A)(3))</p>	<p>Fees collected from new residential and non-residential development in the City will be used for Library facilities that will be necessary due to increased demand for facilities resulting from new development. Thus, a reasonable relationship exists between the use of Library fees and the new residential and non-residential developments upon which they are imposed.</p>
<p>Demonstrate How There is a Reasonable Relationship Between the Need for the Public Facility and the Type of Development Project on Which the Fee is Imposed (Government Code Section 66001(A)(4))</p>	<p>New development will generate additional residents and employees who will increase the demand for Library facilities within the City. Land will have to be purchased and improved to meet this increased demand; thus, a reasonable relationship exists between the need for Library facilities and the impact of development. Fees collected from new development will be used exclusively for Library facilities identified here in Section V.</p>

C.1 Level of Service for Library Facilities

Fees for Library facilities have been calculated utilizing the Standards-Based Approach. This methodology utilizes a facility “standard” established for future development, against which facilities costs are determined based on “units of demand” or a LOS from a development. This approach establishes a generic unit cost for capacity, which is then applied to each land use type per unit of demand. This standard is not based on the cost of a specific existing or future facility, but rather on the cost of providing a certain standard of service, such as the 1,020 square feet of Library facilities per 1,000 Persons Served which is the current level of service for the City. To meet the standard of service required, the City will need to develop new Library space. Therefore 100% of the costs of land acquisition and development will be allocated to new residential and non-residential development. Table 19 on the following page summarizes the existing Library facilities located within the City that meet the required standard of 1,020 square feet of facilities per 1,000 Persons Served.

Table 19: Existing Level of Service for Library Facilities

Library Facility	Existing Square Feet	Facility Units per 1,000 Persons Served
Children’s Library	6,043	69.96
College Terrace Library	2,392	27.69
Downtown Library	9,046	104.73
Mitchell Library	41,000	474.69
Rinconada Library	29,608	342.80
Total	88,089	1,019.88

*Note: Some figures may not sum due to rounding.

C.2 Library Facilities Costs

Each Library facility has its own expansion and/or improvement requirements. City Staff provided DTA with general cost assumptions for Library facilities, based on the City’s Capital Improvement Plan. Please see Table 20 below and Appendix A for additional detail regarding the cost assumptions for Library facilities in the City.

Table 20: Library Cost Assumptions

Library Facility	Amount of Cost Allocated to New Development
Children’s Library	\$569,997
College Terrace Library	\$225,622
Downtown Library	\$853,250
Mitchell Library	\$3,867,262
Rinconada Library	\$2,792,729
Furniture, Fixtures and Equipment	\$374,927
Volumes	\$3,637,973
Technology Upgrades	\$374,927
Less Off-Setting Revenue (Current Library DIF Fund Balance)	(\$214,779)
Total	\$12,481,907

*Note: Some figures may not sum due to rounding.

C.3 Library Fee Amounts

Once the total future facility costs have been determined, the fee amount can be calculated. This is done by dividing the total future facility cost by the projected Citywide EDUs (4,719) to determine a per EDU rate, which equals \$2,645 per EDU. Since a Single Family unit equals one (1) EDU, this land use type will pay the fee

amount in its entirety. A Multi-Family unit, which equals 0.74 EDUs, will be responsible for approximately seventy-four percent (74%) of the per unit EDU fee amount; therefore, the fee for this land use type equals \$1,956.

This same methodology applies to the Commercial/Industrial and Hotel/Motel land use types. Please see Table 21 below for all of the fee amounts and the corresponding costs to be financed with the fees. Additional details regarding the analysis related to Library facilities are included in Appendix A.

Table 21: Library Facilities Fee Summary¹

Land Use Type	EDUs per Unit/1,000 Non-Res. SF	Fee per Unit/per 1,000 Non-Res. SF. ²	Total Number of EDUs	Total Costs Financed by Fees
Single Family	1.00	\$2,645	2,517	\$6,659,103
Multi-Family	0.74	\$1,956	1,484	\$3,925,879
Commercial/Industrial	0.29	\$776	709	\$1,875,334
Hotel/Motel	0.05	\$132	8	\$21,591
Total				\$12,481,907

Notes:

1. Some figures may not sum due to rounding.
2. Please reference Table 22 for non-residential Library fees per net new square foot.

VI SUMMARY OF FEES

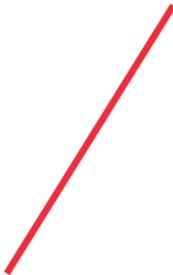
The total fee amounts required to finance new residential and non-residential development's "fair share" of the costs of facilities are summarized in Table 22 below. Please see Appendix A for additional detail regarding the LOS and cost calculations of each fee category.

Table 22: Development Impact Fee Summary

Land Use Type	Park	Community Center	Library	Total Fees
Single Family Residential (Per Unit)	\$57,420	\$4,438	\$2,645	\$64,504
Multi-Family Residential (Per Unit)	\$42,468	\$3,283	\$1,956	\$47,707
Commercial/Industrial (Per Net New Sq. Ft.)	\$16.837	\$1.301	\$0.776	\$18.914
Hotel/Motel (Per Net New Sq. Ft.)	\$2.866	\$0.222	\$0.132	\$3.220

APPENDIX A

City of Palo Alto
Park, Community Center, and Library Development Impact Fee Justification Study



FEE DERIVATION WORKSHEETS

**APPENDIX A-1
CITY OF PALO ALTO
PARK DEVELOPMENT IMPACT FEE CALCULATION**

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

II. Existing Recreation and Park Facilities EDU Calculation					
Land Use Type	Number of Persons Served [1]	Number of Units/ Non-Res 1,000 SF [2]	Residents per Unit/ Persons Served per 1,000 Non-Res. SF [3]	EDUs per Unit/ per 1,000 Non-Res SF	Total Number of EDUs
Single Family	42,392	15,443	2.75	1.00	15,443
Multi-Family	24,992	12,310	2.03	0.74	9,104
Commercial/Industrial (per 1,000 SF)	18,772	23,323	0.80	0.29	6,839
Hotel/Motel (per 1,000 SF)	216	1,577	0.14	0.05	79
Total	86,372	52,653	NA	NA	31,465

III. Existing Facility Standard			
Facility Type	Facility Units	Quantity	Facility Units per 1,000 Persons Served
City Parks	Acres	174.10	2.02
Natural Open Space	Acres	4,030.00	46.66
Recreation Facilities (Courts, Play Areas, Ball Fields, etc.)	Integrated Facilities	154.00	1.78
Special Recreation Facilities (Winter Lodge, Gamble Garden, King Plaza)	Acres	4.33	0.05
Bayland Preserve Capital Improvements	Integrated Facilities	1.00	0.01
Foothills Park Capital Improvements	Integrated Facilities	1.00	0.01

IV. Future Recreation and Park Facilities EDU Calculation					
Land Use Type	Number of Persons Served [1]	Number of Units/ Non-Res 1,000 SF [2]	Residents per Unit/ Persons Served per 1,000 Non-Res. SF [3]	EDUs per Unit/ per 1,000 Non-Res SF	Total Number of EDUs
Single Family	6,911	2,517	2.75	1.00	2,517
Multi-Family	4,074	2,007	2.03	0.74	1,484
Commercial/Industrial (per 1,000 SF)	1,946	2,418	0.80	0.29	709
Hotel/Motel (per 1,000 SF)	22	164	0.14	0.05	8
Total	12,953	7,106	NA	NA	4,719

V. Future Facility Standard			
Facility Type [4]	Facility Units	Facility Units per 1,000 Persons Served	Facility Units Funded by Future Development
City Parks	Acres	2.02	26.11
Natural Open Space	Acres	46.66	604.38
Recreation Facilities (Courts, Play Areas, Ball Fields, etc.)	Integrated Facilities	1.78	23.10
Special Recreation Facilities (Winter Lodge, Gamble Garden, King Plaza)	Acres	0.05	0.65
Bayland Preserve Capital Improvements	Integrated Facilities	0.01	0.15
Foothills Park Capital Improvements	Integrated Facilities	0.01	0.15

VI. Park and Open Space Summary Cost Data									
Facility Type [5]	Facility Units	Facility Units Funded by Future Development	Land Acquisition per Acre	Acres Being Developed	Park Development per Acre [6]	Planning and Design per Acre [7]	Administration (5%) [8]	Total Facility Cost for New Development	Cost per EDU
City Parks	Acres	26.11	\$5,700,000	26.11	\$1,406,830	\$84,392	\$70,327	\$189,590,784	\$40,177.63
Natural Open Space	Acres	604.38	\$57,000	604.38	\$40,000	\$2,400	\$2,000	\$61,284,430	\$12,987.25
Total								\$250,875,213	\$53,164.88

VII. Parks & Recreation Facility Cost Summary									
Facility Type	Facility Units	Current Development	Future Development	Buildout Persons Served Population	Facility Units per 1,000 Persons Served	Facilities Funded by Future Development	Facility Cost	Total Facilities for Future Development	Cost per EDU
Recreation Facilities (Courts, Play Areas, Ball Fields, etc.)	Integrated Facilities	154	23.10	99,326	1.78	23.10	\$663,173	\$15,316,334	\$3,245.80
Special Recreation Facilities (Winter Lodge, Gamble Garden, King Plaza)	Acres	4.33	0.65	99,326	0.05	0.65	\$6,693,925	\$4,346,862	\$921.18
Bayland Preserve Capital Improvements	Integrated Facilities	1.00	0.15	99,326	0.01	0.15	\$25,000,000	\$3,749,274	\$794.54
Foothills Park Capital Improvements	Integrated Facilities	1.00	0.15	99,326	0.01	0.15	\$15,000,000	\$2,249,564	\$476.72
Offsetting Revenues								(\$5,583,312)	(\$1,183.20)
Total							\$47,357,098	\$20,078,723	\$4,255.03

Parks LOS Facilities Fee Total \$57,419.91

Notes:

- [1] Employee Adjustment Factor of 19.63% has been applied to capture the reduced hours of facilities usage for an employee compared to a resident.
- [2] Population estimates based on California Dept. of Finance, Demographic Research Unit - Report E-5 January 1, 2020.
- [3] Persons Served per Unit based on U.S. Census Bureau's American Community Survey (ACS) 2018.
- [4] Estimates based on current Park inventory as identified within the Palo Alto Parks, Trails, Natural Open Space, and Recreation Master Plan.
- [5] Estimates based on cost assumptions for Park improvement costs provided by City of Palo Alto.
- [6] Park development costs have been escalated to Fiscal Year 2019 according to the Construction Cost Index (CCI).
- [7] Planning and Design Costs have been estimated to be approximately 6% of development costs, as seen in other California communities.
- [8] Administration costs have been estimated at 5% to appropriately reflect City staff's time.

**APPENDIX A-3
CITY OF PALO ALTO
LIBRARY DEVELOPMENT IMPACT FEE CALCULATION**

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

II. Existing Library Facilities EDU Calculation					
Land Use Type	Number of Persons Served [1]	Number of Units/ Non-Res 1,000 SF [2]	Residents per Unit/ Persons Served per 1,000 Non-Res. SF [3]	EDUs per Unit/ per 1,000 Non-Res SF	Total Number of EDUs
Single Family	42,392	15,443	2.75	1.00	15,443
Multi-Family	24,992	12,310	2.03	0.74	9,104
Commercial/Industrial (per 1,000 SF)	18,772	23,323	0.80	0.29	6,839
Hotel/Motel (per 1,000 SF)	216	1,577	0.14	0.05	79
Total	86,372	52,653	NA	NA	31,465

III. Existing Facility Standard			
Facility Type	Facility Units	Quantity	Facility Units per 1,000 Persons Served
Children's Library (1276 Harriet)	Square Feet	6,043	69.96
College Terrace Library (2300 Wellesley)	Square Feet	2,392	27.69
Downtown Library (270 Forest Ave.)	Square Feet	9,046	104.73
Mitchell Library (3700 Middlefield)	Square Feet	41,000	474.69
Rinconada Library (1213 Newell)	Square Feet	29,608	342.80
Furniture, Fixtures & Equipment	Integrated Unit	5	0.06
Volumes	Volumes	485,157	5,617.05
Technology Upgrades	Integrated Unit	5	0.06

IV. Future Library Facilities EDU Calculation					
Land Use Type	Number of Persons Served [1]	Number of Units/ Non-Res 1,000 SF [2]	Residents per Unit/ Persons Served per 1,000 Non-Res. SF [3]	EDUs per Unit/ per 1,000 Non-Res SF	Total Number of EDUs
Single Family	6,911	2,517	2.75	1.00	2,517
Multi-Family	4,074	2,007	2.03	0.74	1,484
Commercial/Industrial (per 1,000 SF)	1,946	2,418	0.80	0.29	709
Hotel/Motel (per 1,000 SF)	22	164	0.14	0.05	8
Total	12,953	7,106	NA	NA	4,719

V. Future Facility Standard			
Facility Type [4]	Facility Units	Facility Units per 1,000 Persons Served	Facility Units Funded by Future Development
Children's Library (1276 Harriet)	Square Feet	69.96	906.27
College Terrace Library (2300 Wellesley)	Square Feet	27.69	358.73
Downtown Library (270 Forest Ave.)	Square Feet	104.73	1,356.64
Mitchell Library (3700 Middlefield)	Square Feet	474.69	6,148.81
Rinconada Library (1213 Newell)	Square Feet	342.80	4,440.34
Furniture, Fixtures & Equipment	Integrated Unit	0.06	0.75
Volumes	Volumes	5,617.05	72,759.46
Technology Upgrades	Integrated Unit	0.06	0.75

VI. Library Summary Cost Data					
Facility Type [5]	Facility Units	Facility Units Funded by Future Development	Cost Per Unit	Total Facility Cost for New Development	Cost per EDU
Children's Library (1276 Harriet)	Square Feet	906.27	\$629	\$569,997	\$120.79
College Terrace Library (2300 Wellesley)	Square Feet	358.73	\$629	\$225,622	\$47.81
Downtown Library (270 Forest Ave.)	Square Feet	1,356.64	\$629	\$853,250	\$180.82
Mitchell Library (3700 Middlefield)	Square Feet	6,148.81	\$629	\$3,867,262	\$819.54
Rinconada Library (1213 Newell)	Square Feet	4,440.34	\$629	\$2,792,729	\$591.83
Furniture, Fixtures & Equipment	Integrated Unit	0.75	\$500,000	\$374,927	\$79.45
Volumes	Volumes	72,759.46	\$50	\$3,637,973	\$770.95
Technology Upgrades	Integrated Unit	0.75	\$500,000	\$374,927	\$79.45
Total				\$12,696,686	\$2,690.65

VII. Library Facility Cost Summary										
Facility Type	Facility Units	Current Development	Future Development	Buildout Persons Served Population	Facility Units per 1,000 Persons Served	Facilities Funded by Future Development	Facility Cost	for Future Development	Total Facilities for Future Development	Cost per EDU
Children's Library (1276 Harriet)	Square Feet	6,043	906.27	99,326	69.96	906.27	\$629	\$569,997	\$120.79	
College Terrace Library (2300 Wellesley)	Square Feet	2,392	358.73	99,326	27.69	358.73	\$629	\$225,622	\$47.81	
Downtown Library (270 Forest Ave.)	Square Feet	9,046	1,356.64	99,326	104.73	1,356.64	\$629	\$853,250	\$180.82	
Mitchell Library (3700 Middlefield)	Square Feet	41,000	6,148.81	99,326	474.69	6,148.81	\$629	\$3,867,262	\$819.54	
Rinconada Library (1213 Newell)	Square Feet	29,608	4,440.34	99,326	342.80	4,440.34	\$629	\$2,792,729	\$591.83	
Furniture, Fixtures & Equipment	Integrated Unit	5	0.75	99,326	0.06	0.75	\$500,000	\$374,927	\$79.45	
Volumes	Volumes	485,157	72,759.46	99,326	5,617.05	72,759.46	\$50	\$3,637,973	\$770.95	
Technology Upgrades	Integrated Unit	5	0.75	99,326	0.06	0.75	\$500,000	\$374,927	\$79.45	
Offsetting Revenues										
Total								\$1,003,195	\$12,481,907	\$2,645.14

Notes:

- [1] Employee Adjustment Factor of 19.63% has been applied to capture the reduced hours of facilities usage for an employee compared to a resident.
- [2] Population estimates based on California Dept. of Finance, Demographic Research Unit - Report E-5 January 1, 2020.
- [3] Persons Served per Unit based on U.S. Census Bureau's American Community Survey (ACS) 2018.
- [4] Estimates based on current Library inventory as identified within the Palo Alto Parks, Trails, Natural Open Space, and Recreation Master Plan.
- [5] Estimates based on cost assumptions for Library improvement costs provided by City of Palo Alto.

Library Facilities Fee Total \$2,645.14

**APPENDIX A-4
CITY OF PALO ALTO
EDU & EBU CALCULATION YEAR TO BUILD-OUT (2040)**

Existing EDU Calculation (FY 2020)								
Service Factor (Residents and Employees)								
Land Use Type	Number of Persons Served*	Employment Adjustment Factor	Adjusted Persons Served	Residents per Unit/** Adjusted Persons Served per 1,000 Non-Res. SF	EDUs per Unit/ per 1,000 Non-Res. SF	Estimated Number of Units/Non-Res. SF	Total EDUs	
Single Family	42,392	100%	42,392	2.75	1.00	15,443	15,443	
Multi-Family	24,992	100%	24,992	2.03	0.74	12,310	9,104	
Commercial/Industrial (per 1,000 SF)	95,653	19.63%	18,772	0.80	0.29	23,322,578	6,839	
Hotel/Motel (per 1,000 SF)	1,101	19.63%	216	0.14	0.05	1,577,422	79	
Total	164,138						31,465	

* Source: David Taussig & Associates; U.S. Census Bureau (ACS); City of Palo Alto Comprehensive Plan Update.

** Persons Served = Residents plus 20% of Employees, customary industry practice designed to capture the reduced levels of service demanded by employees. Subject to change.

Future EDU Calculation (FY 2040)								
Service Factor (Future Residents and Employees)								
Land Use Type	Number of Persons Served*	Employment Adjustment Factor	Adjusted Persons Served	Residents per Unit/** Adjusted Persons Served per 1,000 Non-Res. SF	EDUs per Unit/ per 1,000 Non-Res. SF	Estimated Number of Units/Non-Res. SF	Total EDUs	
Single Family	6,911	100%	6,911	2.75	1.00	2,517	2,517	
Multi-Family	4,074	100%	4,074	2.03	0.74	2,007	1,484	
Commercial/Industrial (per 1,000 SF)	9,916	19.63%	1,946	0.80	0.29	2,417,876	709	
Hotel/Motel (per 1,000 SF)	114	19.63%	22	0.14	0.05	163,533	8	
Total	21,015						4,719	

* Source: David Taussig & Associates; California Dept. of Finance, Demographic Research Unit - Report E-5 May 1, 2020.

** Persons Served = Residents plus 20% of Employees, customary industry practice designed to capture the reduced levels of service demanded by employees. Subject to change.

Total Hours of Potential Park, Community Center, and Library Usage per Week									
User of Facilities	Potential Recreation Hours per Work Day	Number of Work Days per Week	Hours Per Weekend Day	Number of Weekend Days Per Week	Potential Recreation Hours Per Week Per Person	Percentage of Household Population	Person Hours	Employee User Percentage	
Resident, non-working	10	5	10	2	70	52.38%	37		NA
Resident, working	2	5	10	2	30	47.62%	14		NA
Employee	2	5	0	0	10	NA	10		19.63%

City of Palo Alto Household Population	67,384
City of Palo Alto Labor Force	32,085
Employee Percentage of Household Population	47.62%



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Ordinance No. ____

Ordinance of the Council of the City of Palo Alto Amending Section 21.50.070 (Calculation of fair market value) of Chapter 21.50 (Park Land Dedication or Fees In Lieu Thereof) of Title 21 (Subdivisions and Other Divisions of Land) to Update the Fair Market Value of Land.

The Council of the City of Palo Alto ORDAINS as follows:

SECTION 1. Findings and declarations. The City Council finds and declares as follows:

1. Pursuant to local law and the state Quimby Act (see Gov. Code section 66477 *et seq.*), the City requires park land dedication or fees in lieu thereof when creating a subdivision as detailed in Palo Alto Municipal Code chapter 21.50;
2. The City Council approved a Park, Community Center, and Library Development Impact Fee Justification Study on March 8, 2021 in which it was determined that the fair market value of land for acquisition for City parks is \$5.7 million per acre in Palo Alto; and
3. The City Council now desires to update the fair market value per acre of land for the purposes of Chapter 21.50 to \$5.7 million per acre.

SECTION 2. Subsection (b) of Section 21.50.070 (Calculation of fair market value) of Chapter 21.50 (Park Land Dedication or Fees In Lieu Thereof) of Title 21 (Subdivisions and Other Divisions of Land) is hereby amended as follows (new text in underline, deleted text in ~~striketrough~~):

21.50.070 Calculation of fair market value.

(a) At the time of submission a final subdivision map for approval, the city shall, in those cases where a fee in lieu of dedication is required either in whole or in part, determine the fair market value of the land in the proposed residential development, and this determination shall be used in calculating the fee to be paid. If the developer objects to the fair market value, the city, at developer's expense, shall obtain an appraisal of the property by a qualified independent real estate appraiser, agreed to by the city and the developer, and the value established by said appraiser using standard recognized appraisal techniques to establish fair market value will be accepted as the fair market value of the land in the proposed development. Alternatively, the city and the developer may agree as to the fair market value.

(b) The fair market value per acre of land for the purposes of the calculation in § 21.50.080 is ~~\$3.9~~ \$5.7 million per acre.

(c) The rate of the fee shall be subject to annual adjustment for inflation pursuant to Section 16.64.110.

SECTION 3. If any section, subsection, sentence, clause, or phrase of this Ordinance is for any reason held to be invalid or unconstitutional by a decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this Ordinance. The City Council hereby declares that it would have passed this Ordinance and each and every section, subsection, sentence, clause, or phrase not declared invalid or unconstitutional without

regard to whether any portion of the Ordinance would be subsequently declared invalid or unconstitutional.

SECTION 4. The Council finds this ordinance to update this fee is not considered a Project as defined by the California Environmental Quality Act pursuant to CEQA regulation 15061(b)(3). The projects associated with this fee have been fully analyzed as part of the City’s 2030 Comprehensive Plan and its EIR, as well as the City’s Parks and Open Space Master Plan and its Mitigated Negative Declaration and no further CEQA analysis is necessary.

SECTION 5. This Ordinance shall be effective upon the effective date of the revised Parks, Open Space, and Library impact fees anticipated to be approved with the City’s fiscal year 2022 budget, but in no case shall the ordinance be effective less than thirty-one days after the date of its adoption.

INTRODUCED:

PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

NOT PARTICIPATING:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Deputy City Attorney

City Manager

Director of Community Services

Director of Administrative Services