



City of Palo Alto

City Council Staff Report

(ID # 6295)

Report Type: Consent Calendar

Meeting Date: 1/25/2016

Summary Title: Annual Status Report Development Impact Fees FY15

Title: Review and Acceptance of Annual Status Report on Development Impact Fees for Fiscal Year 2015

From: City Manager

Lead Department: Administrative Services

Recommendation

Staff recommends that Council review and accept the Annual Report on Development Impact Fees for the year ended June 30, 2015 (Attachment A).

Background

State law (Government Code Section 66006) requires that each local agency that imposes development impact fees prepare an annual report providing specific information about those fees. This requirement is part of the law commonly referred to as AB 1600. It codifies the legal requirement that fees on new development must have the proper nexus to any project on which they are imposed. In addition, AB 1600 imposes certain accounting and reporting requirements with respect to the fees collected. The fees, for accounting purposes, must be segregated from the general funds of the City and from other funds or accounts containing fees collected for other improvements. Interest on each development fee fund or account must be credited to that fund or account and used only for the purposes for which the fees were collected.

Government Code Section 66006 contains comprehensive annual reporting requirements for development impact fees. This statute requires that, within 180 days after the close of the fiscal year, the agency that collected the fees must make available to the public the following information regarding each fund or account:

- Brief description of the type of fee in the fund.
- Amount of the fee.
- Beginning and ending balance in the fund.

- Amount of fees collected and interest earned.
- Identification of each public improvement on which fees were expended and the amount of the expenditure on each improvement, including the total percentage of the cost of the public improvement that was funded with fees.
- Identification of an approximate date by which the construction of a public improvement will commence, if the local agency determines that sufficient funds have been collected to complete financing on an incomplete public improvement.
- Description of each interfund transfer or loan made from the account or fund, including the public improvement on which the loaned funds will be expended, and in the case of an interfund loan, the date on which the loan will be repaid and the rate of interest that the account or fund will receive on the loan.
- Amount of any refunds made due to inability to expend fees within the required time frame.

This report must also be reviewed by the City Council at a regularly scheduled public meeting not less than 15 days after the information is made available to the public. In addition, notice of the time and place of the meeting shall be mailed at least 15 days prior to the meeting to any interested party who files a written request with the local agency for such a mailed notice. An early packet consisting of Exhibit A only was made available to the public and included in the packet for the December 7, 2015 meeting of the City Council.

The law also provides that, for the fifth fiscal year following the first deposit into the fund and every five years thereafter, the local agency shall make findings with respect to any portion of the fee remaining unexpended, whether committed or uncommitted. The finding must:

- identify the purpose to which the fee is to be put;
- demonstrate a nexus between the fee and the purpose for which it was originally charged; and
- identify all sources and amounts of funding anticipated to complete financing of incomplete improvements along with the approximate dates on which the anticipated funding is expected to be deposited into the fund.

If the agency no longer needs the funds for the purposes collected, or if the agency fails to make required findings, or to perform certain administrative tasks prescribed by AB 1600, the agency may be required to refund to property owners a prorated portion of the monies collected for that project and any interest earned on those funds.

The City Auditor's office recently conducted an audit of the City's Parking in-lieu fund.

Discussion

The City of Palo Alto development fees covered by AB 1600, and documented in Attachment A, include the established fees noted below, as well as two new fees for Public Safety Facilities and General Government Facilities that were approved by Council in May 2014. In addition, though not technically a fee covered by AB 1600, the City is reporting its Public Art fee for informational purposes only.

- Stanford Research Park/El Camino Real traffic impact fees (PAMC Ch. 16.45): Fee for new nonresidential development in the Stanford Research Park/El Camino Real Service Commercial zone, to fund capacity improvements at eight intersections.
- San Antonio/West Bayshore Area traffic impact fees (PAMC Ch. 16.46): Fee for new nonresidential development in the San Antonio/West Bayshore area to fund capacity improvements at four intersections.
- Commercial housing in-lieu (PAMC Ch. 16.47): Fee on commercial and industrial development to contribute to programs that increase the City's low income and moderate-income housing stock.
- University Avenue Parking in-lieu (PAMC Ch. 16.57): Fee on new non-residential development in the University Avenue Parking Assessment District in lieu of providing required parking spaces.
- Parks, Community Centers, and Libraries impact fees (PAMC Ch. 16.58): Fee on new residential and non-residential development to provide community facility funds for parks, community centers, libraries, public safety, and general government.
- Residential housing in-lieu fees (PAMC Ch. 16.47): Fee on residential developments in-lieu of providing required below-market rate units to low and moderate income households.
- Parkland dedication fees (Quimby Act) (California Government Code Section 66477): Fee or parkland dedication imposed on new residential and non-residential development.
- Charleston-Arastradero Corridor pedestrian and bicyclist safety fees (PAMC Ch. 16.59): Fee on new development and re-development within the Charleston-Arastradero Corridor to provide for pedestrian and bicyclist improvements.
- Public Safety facilities (PAMC Ch. 16.58): Fee on residential and non-residential development to fund police and fire facilities, including fire apparatus and vehicles.
- General Government facilities (PAMC Ch. 16.58): Fee on residential and non-residential development to fund facilities associated with municipal administration.

- Citywide Transportation impact fee (PAMC Ch 16.59): Fee on development in all parts of the City to fund transportation projects and programs to reduce congestion.
- Public Art fees (PAMC 16.61): Fee on public art for private developments.
- Water and sewer capacity fees (California Government Code Section 66000): Fee on developments adding load to water and sewer systems.

AB 1600 requires the City to make specified findings in the event any funds are not expended within five fiscal years of collection and every five years thereafter. While there are several funds containing collected fees that have not been expended in five years, the required statutory carryover findings have already been made for those funds and no further findings are required.

RESOURCE IMPACT

Council approved the required findings with respect to unexpended fees in fiscal years 2012 and 2013. There were no required findings for either fiscal year 2014 or fiscal year 2015. The next finding date will be fiscal year 2017, and the unexpended balances for each fee type are noted at the bottom of each section in Attachment A.

Attachments:

- Attachment A: Developer Fees (XLS)

Attachment A

**City of Palo Alto
Annual Report on Development Impact Fees
for Period Ending June 30, 2015**

FUND	Stanford Research Park/ El Camino Fund	San Antonio/West Bayshore Fund
Purpose and Authority for Collection	Traffic impact fees imposed on new nonresidential development in the Stanford Research Park/El Camino Real CS zone to fund improvements at eight identified intersections. PAMC Ch. 16.45	Traffic impact fees imposed on new nonresidential development in the San Antonio/West Bayshore Areas to fund capacity improvements at four identified intersections. PAMC Ch. 16.46
Amount of the Fee	\$11.64 per square foot	\$2.40 per square foot
Fund Balance July 1, 2014	\$3,492,212	\$848,819
<u>Activity in 2014-15</u>		
Revenues		
Fees Collected	616,173	0
Interest Earnings	73,552	16,769
Unrealized Gain/Loss Investments	(4,692)	(361)
Total Revenues	\$685,033	\$16,408
Expenditures		
Inter-agency expenses		0
Transfer to Gas Tax Fund	(994,217)	0
Total Expenditures	(994,217)	0
Ending Balance June 30, 2015	\$3,183,028	\$865,227
Other Commitments/Appropriations Reserve for unrealized gain on investments	(19,599)	(5,037)
Net Funds Available	\$3,163,429	\$860,190
Unexpended balance at next finding date (FY 2017-18)	\$2,343,008	\$823,819
	USE OF FEES:	USE OF FEES:
	Expenditures of funds have been made in Fiscal Year 2015 for \$994K transfer to Gas Tax Fund. During the FY 2008-09, the City transferred out \$994k from Gas Tax Fund to this fund for various street related costs. However, the transfer were not used for street related expenses, as result per SCO recommendation \$994K was returned to Gas Tax Fund.	No expenditures have been made from this fund in Fiscal Year 2015.

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for Period Ending June 30, 2015**

FUND	Commercial Housing In-Lieu Fund	University Avenue Parking In-Lieu Fund
Purpose and Authority for Collection	Fees imposed on large commercial and industrial development to contribute to programs that increase the City's low income and moderate-income housing stock. PAMC Ch.16.47	Fees collected from non-residential development within the University Ave. Parking Assessment District in lieu of providing the required number of parking spaces. PAMC Ch 16.57
Amount of the Fee	\$19.31 per square foot	\$63,848 per space
Fund Balance July 1, 2014	\$12,538,778	\$1,970,372
<u>Activity in 2014-15</u>		
Revenues		
Fees Collected	2,297,126	2,890,950
Interest Earnings	171,150	90,052
Unrealized Gain/Loss Investments	10,053	11,685
Total Revenues	2,478,329	2,992,687
Expenditures		
Transfer to Residential Housing In- Lieu Fund	(375,000)	0
Total Expenditures	(375,000)	0
Ending Balance June 30, 2015	\$14,642,107	\$4,963,059
Other Commitments/Appropriations		
Reserve for Notes Receivable include:\$1,290,000 for 2811 Alma, and \$3,645,010 for 801 Alma.	(4,935,010)	
Reserve for Buena Vista	(7,700,000)	
Reserve for unrealized gain on investments	(49,863)	(20,457)
Net Funds Available	\$1,957,234	\$4,942,602
Unexpended balance at next finding date (FY 2017-18)	4,667,286	\$652,080
	USE OF FEES:	USE OF FEES:
	Expenditures of funds have been made in Fiscal Year 2015 for \$375K. This is transfer to Residential Housing In-Lieu Fund for rehabilitation and preservation of affordable housing units at 110-130 El Dorado. This will be repaid on June 30, 2016 including interest.	No expenditure of funds have been made from this fund in Fiscal Year 2015.

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**City of Palo Alto
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for Period Ending June 30, 2015**

FUND	Residential & Non-Residential Housing Community Facilities Parks	Residential & Non-Residential Housing Community Facilities Community Centers
Purpose and Authority for Collection	Fees imposed on new residential and non-residential development approved after Jan 28, 2002 for Parks. PAMC Ch. 16.58	Fees imposed on new residential and non-residential development approved after Jan 28, 2002 for Community Centers. PAMC Ch. 16.58
Amount of the Fee	Residential: Single family \$11,180/residence (or \$16,695/residence larger than 3,000 sq ft); Multi-family \$7,318/unit (or \$3,700/unit smaller than or equal to 900 sq ft) Nonresidential: Commercial/industrial \$4,748 per 1,000 sq ft; Hotel/Motel \$2,147 per 1,000 sq ft	Residential: Single family \$2,898/residence (or \$4,439/residence larger than 3,000 sq ft); Multi-family \$1,907/unit (or \$963/unit smaller than or equal to 900 sq ft) Nonresidential: Commercial/industrial \$268 per 1,000 sq ft; Hotel/Motel \$121 per 1,000 sq ft
Fund Balance July 1, 2014	\$2,929,569	\$5,009,861
<u>Activity in 2014-15</u>		
Revenues		
Fees Collected	830,387	117,161
Interest Earnings	64,721	99,910
Unrealized Gain/Loss	5,398	(4,344)
Total Revenues	\$900,506	\$212,727
Total Expenditures	0	0
Ending Balance June 30, 2015	\$3,830,075	\$5,222,588
Other Commitments/Appropriations		
Reserve for unrealized gain on investments	(19,905)	(30,068)
Net Funds Available	\$3,810,170	\$5,192,520
Unexpended balance at next finding date (FY 2016-17)	446,005	\$843,809
	USE OF FEES: No expenditure of funds have been made from this Fund in Fiscal Year 2015.	USE OF FEES: No expenditure of funds have been made from this Fund in Fiscal Year 2015.

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FUND	Residential & Non-Residential Housing Community Facilities Libraries	Residential Housing In-Lieu Fund
Purpose and Authority for Collection	Fees imposed on new residential and non-residential development approved after Jan 28, 2002 for Libraries. PAMC Ch. 16.58	Fees collected from residential developments of three or more units in lieu of providing the required below-market rate unit(s) to low and moderate income households. PA Comprehensive Plan and PAMC Chapter 18
Amount of the Fee	Residential: Single family \$1,012/residence (or \$1,507/residence larger than 3,000 sq ft); Multi-family \$604/unit (or \$332/unit smaller than or equal to 900 sq ft) Nonresidential: Commercial/industrial \$255 per 1,000 sq ft; Hotel/Motel \$107 per 1,000 sq ft	Varies
Fund Balance July 1, 2014	\$730,991	\$13,909,337
<u>Activity in 2014-15</u>		
Revenues		
Fees Collected	58,007	19,800
Sterling Litigation Settlement		3,851,759
Webster Wood In-Lieu Payment		5,175
Interest Earnings	14,909	203,752
Unrealized Gain/Loss Investments	(211)	12,663
Transfer from Commercial Housing In-Lieu Fund		375,000
Total Revenues	\$72,705	\$4,468,149
Expenditures		
Legal		(278,326)
Housing Program Expense		(347,070)
Principal Retired		(131,126)
Total Expenditures	0	(756,522)
Ending Balance June 30, 2015	\$803,697	\$17,620,964
Other Commitments/Appropriations		
Reserve for Reappropriations		(1,975,000)
Reserve for Encumbrances		(363,645)
Reserve for Buena Vista		(6,800,000)
Reserve for unrealized gain on investments	(4,512)	(46,400)
Reserve for Notes Receivable include \$375,000 for 3053 Emerson, \$3,804,850 for Tree House Apts, \$203,093 for Oak Manor, \$756,819 for Sheridan Apts., and \$2,674,986 for 801 Alma		(7,814,748)
Net Funds Available	\$799,185	\$621,171

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Unexpended balance at next finding date (FY 2016-17-Residential & Non Residential Housing Communities Facilities Libraries, FY2017-18-Residential Housing In-Lieu)	\$541,529	2,734,967
USE OF FEES:	USE OF FEES:	
No expenditure of funds have been made from this Fund in Fiscal Year 2015.	Expenditures in Fiscal Year 2015 include \$147K to Palo Alto Housing Corp for BMR fees, \$131K for Oak Manor Apts. loan forgiveness, \$279K for legal fees, and \$200K financial contribution to Housing Trust Silicon Valley.	

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**City of Palo Alto
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FUND	Parkland Dedication	Charleston-Arastradero Corridor Pedestrian and Bicyclist Safety
Purpose and Authority for Collection	Fees on parkland dedication imposed on new residential and non-residential development Govt Code Sec.66477 (Quimby Act)	Fees collected from new development and re-development within the Charleston-Arastradero Corridor to provide for pedestrian and bicyclist safety improvements. PAMC Ch. 16.60
Amount of the Fee	Varies	Residential: \$1,225 per unit; Commercial: \$0.36 per sq ft
Fund Balance July 1, 2014	\$2,427,163	\$249,804
<u>Activity in 2014-15</u>		
Revenues		
Fees Collected	78,214	1,168
Interest Earnings	48,088	4,942
Unrealized Gain/Loss	(310)	(1,224)
Total Revenues	\$125,992	\$4,886
Total Expenditures	0	0
Ending Balance June 30, 2015	\$2,553,155	\$254,690
Other Commitments/Reappropriations Reserve for unrealized gain on investments	(14,534)	(1,475)
Net Funds Available	\$2,538,621	\$253,215
Unexpended balance at next finding date (FY 2016-17-Parkland Dedication, FY2017-18-Charleston)	\$757,744	\$138,989
	USE OF FEES:	USE OF FEES:
	No expenditure of funds have been made from this Fund in Fiscal Year 2015.	No expenditure of funds have been made from this Fund in Fiscal Year 2015.

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FUND	New Public Safety Facilities	General Government Facilities
Purpose and Authority for Collection	Fees imposed on residential and non-residential development to fund police and fire facilities (including fire apparatus and vehicles) PAMC Ch. 16.58	Fees imposed on residential and non-residential development to fund facilities associated with municipal administration PAMC Ch. 16.58
Amount of the Fee	Residential: Single family \$996 per unit; Multi-family \$797 per unit Nonresidential: Commercial \$557 per 1,000 sq ft. or fraction thereof; Industrial \$186 per 1,000 sq. ft. or fraction thereof; Hotel/Motel \$743 per 1,000 sq ft or fraction thereof	Residential: Single family \$1,225 per unit; Multi-family \$1004 per unit Nonresidential: Commercial \$702 per 1,000 sq ft. or fraction thereof; Industrial \$234 per 1,000 sq. ft. or fraction thereof; Hotel/Motel \$937 per 1,000 sq ft or fraction thereof
Fund Balance July 1, 2014	\$0	\$0
<u>Activity in 2014-15</u>		
Revenues		
Fees Collected	1,594	2,008
Interest Earnings	2	3
Total Revenues	\$1,596	\$2,011
Total Expenditures	0	0
Ending Balance June 30, 2015	\$1,596	\$2,011
Other Commitments/Reappropriations		
Net Funds Available	\$1,596	\$2,011
Unexpended balance at next finding date FY 2019-20	\$1,596	\$2,011
	USE OF FEES:	USE OF FEES:
	No expenditure of funds have been made from this Fund in Fiscal Year 2015.	No expenditure of funds have been made from this Fund in Fiscal Year 2015.

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**City of Palo Alto
Annual Report on Development Impact Fees
for Period Ending June 30, 2015**

FUND	Citywide Transportation	
Purpose and Authority for Collection	Transportation impact fees imposed on new development in all parts of the City to fund congestion reduction projects. PAMC Ch. 16.59	
Amount of the Fee	\$3,354 per net new PM peak hour trip	
Fund Balance July 1, 2014		\$3,882,010
<u>Activity in 2014-15</u>		
Revenues		
Fees Collected		405,120
Interest Earnings		62,759
Unrealized Gain/Loss Investments		(4,311)
Total Revenues		\$463,568
Expenditures		
Operating Transfer to CIP		(1,885,183)
Total Expenditures		(1,885,183)
Ending Balance June 30, 2015		\$2,460,395
Other Commitments/Reappropriations		
Reserve for unrealized gain on investments		(18,630)
Net Funds Available		\$2,441,765
Unexpended balance at next finding date (FY 2017-18)		\$1,216,124
	USE OF FEES:	
	Expenditures have been made in Fiscal Year 2015 for \$372K to PL-15001 (Embarcadero Corridor), \$308K to PL-14000 (El Camino / Churchhill), \$841K to PL-05030 (Traffic Signal and ITS upgrades, and \$364K to PL-11003 (Palo Alto Traffic Signal)	

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**City of Palo Alto
Annual Report on Development Impact Fees
for Period Ending June 30, 2015**

(INFORMATION ONLY)

Public Art Fund

FUND	Public Art Fund	
Purpose and Authority for Collection		
	Fees imposed on new commercial developments (including mixed use projects), including new construction, remodels, additions and reconstruction that (i) have a floor area of 10,000 square feet or more, and (ii) have a construction value of \$200,000, or more, exclusive of costs for architecture, design, engineering, and required studies; and all new residential projects of five or more units to fund public art for private developments.	
	PAMC Ch. 16.61	
Amount of the Fee	1% of first \$100 million construction valuation and .9% of construction valuation for valuation in excess of \$100 million	
Fund Balance July 1, 2014		\$56,176
<u>Activity in 2014-15</u>		
Revenues		
Fees Collected		110,485
Interest Earnings		5,707
Unrealized Gain/Loss Investments		1,208
Operating Transfer from General Fund		96,123
Total Revenues		\$213,523
Expenditures		
Salaries and benefits		(114,815)
Supplies and materials		(168)
Total Expenditures		(114,983)
Ending Balance June 30, 2015		\$154,716
Reserve for unrealized gain on investments		(1,546)
Net Funds Available		\$153,170
<p align="center">This fund is not subject to AB1600 requirements and is listed only for information purposes</p>		

Attachment A

**City of Palo Alto
Annual Report on Development Impact Fees
for Period Ending June 30, 2015**

(INFORMATION ONLY)

FUND	Water and Wastewater Collection	
Purpose and Authority for Collection	Capacity fees charged to developers that are adding load to the water and sewer systems effective July 1, 2005.	
	California Government Code Sect 66000	
Amount of the Fee	<p>Water Domestic: 5/8 in., 3/4 in. \$5,000, 1 in. \$9,400, 1 1/2 in. \$18,850, 2 in. by est. \$125/FU, 3 in. by est. \$125/FU, 4 in. by est. \$125/FU, 6 in. by est. \$125/FU</p> <p>Water Fire Service: 2 in. \$750, 4 in. \$9,000, 6 in. \$22,530, 8 in. \$43,080, 10in. \$69,510</p> <p>Sewer: 4 in. \$10,500 first 50 FU, \$210/FU additional, 6 in. by est. \$210/FU, 8 in. by est. \$210/FU</p> <p>FU is fixture unit</p>	
<u>Activity in 2014-15</u>		
Capacity Fees Collected		
Water		\$1,132,095
Wastewater Collection		<u>647,640</u>
Total		\$1,779,735
USE OF FEES:		
The fees are used exclusively for water and sewer system improvements		