



COUNCIL AGENDA: 6-21-05
ITEM: 5.2

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Sara L. Hensley
Scott P. Johnson

SUBJECT: SEE BELOW

DATE: 06-20-05

Approved

Date

6-20-05

Council District: Citywide
SNI Area: N/A

SUBJECT: PARKLAND DEDICATION AND PARK IMPACT ORDINANCES

RECOMMENDATION

- (a) Defer to August 16, 2005, 7:00 p.m., the proposed public hearing date of June 21, 2005 to consider amendments to the Parkland Dedication and Park Impact Ordinances (PDO/PIO).
- (b) Drop the proposed changes to the in-lieu fees until the reconciliation and re-distribution of the Park Trust Fund reserve is completed and reported to the City Council. Staff estimates that the reconciliation and re-distribution of interest within the Park Trust Fund should be completed by December 2005.

BACKGROUND

The Parkland Dedication Ordinance (PDO) was enacted in 1988 to help meet the demand for neighborhood and community parks generated by the development of new residential parcels. In 1992, the City Council adopted the Park Impact Ordinance (PIO), which applies parkland dedication requirements to new units in non-subdivided residential projects. The PDO and PIO require that new housing projects dedicate land for public parks, pay a fee in-lieu of dedication, construct or enhance a neighborhood and/or community park facility, or a combination of the three. The PDO and PIO provide for updating of in-lieu fees through the adoption of a Fee Resolution presented to City Council. Changes to the language related to the administration and application of the ordinances are enacted by the adoption of an Ordinance by the City Council.

The PDO and PIO in-lieu fees were last adjusted on January 1, 2003, to seventy percent (70%) of the values found in the 2001 Residential Land Value Study. The 2004 Study indicated that three of MLS zones have remained constant from the 2001 Study, while five zones have decreased and five have increased. The greatest increased in land value is associated with Alviso (\$15 to \$40

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per square foot) and Downtown area (\$50 to \$70) and the greatest decrease in values are found in Cambrian (\$45 to \$40 per square foot) and East Valley/Alum Rock (\$35 to \$30 per square foot).

In November of 2004, staff made various recommendations to the Driving A Strong Economy Committee to amend both ordinances to permit greater latitude for how the funds may be expended and allow the collected fees to be used for an expanded number of recreational amenities such as trails. The recommendations also expanded private recreational credits that developers may obtain for their projects. In March 2005, the Building Strong Neighborhoods Committee also considered the staff recommendations to change both Ordinances. In April 2005, the City Council accepted the report regarding the proposed revisions to the PDO and PIO and scheduled a public hearing to consider the amendments, along with the proposed in-lieu fee changes.

The Home Builders Association asked for a comprehensive review of the PDO/PIO in-lieu fees collected from its conception in 1988 to date and how the fees were used.

ANALYSIS

This section of the report provides background for the proposed changes to in-lieu fees and amendments to the PDO/PIO ordinances. In addition, it also provides the short- and long- term strategies that staff is employing prior to any City Council action.

Proposed Changes to In-Lieu Fees

The proposed changes to the in-lieu fees have been dropped until the reconciliation and re-distribution of the Park Trust Fund is completed. Finance and PRNS have developed a work plan to perform a detailed accounting of the fund. The effort involves three major work items:

- 1) Sorting through seventeen (17) years of PDO/PIO transactions that contributed to the reserve;
- 2) Redistributing the interest to follow the principal, as necessary; and
- 3) Setting up of appropriate procedures for future administration of the interest within the fund.

Once this comprehensive review is completed, Council will have a complete analysis of how the Park Trust Fund has been used to protect and enhance the City's park system. This accounting review is estimate to be completed by December 2005, therefore staff is now requesting that any changes to the in-lieu fee should occur after this analysis has been complete and reported to the City Council.

Amendments to the Parkland Dedication and Park Impact Ordinances

On August 16, 2005, staff will present the proposed changes to both ordinances, Chapter 14.24 and 19.38 of the San Jose Municipal Code for City Council consideration. Such changes to the Ordinances will allow greater latitude for how the funds may be expended and allow the

collected fees to be used for an expanded number of recreational amenities such as trails. The recommendations also expanded private recreational credits that developers may obtain for their projects.

Work Plan

To facilitate completion of the above-mentioned work, the Departments of Parks, Recreation and Neighborhood Services and Finance have developed a work plan with the following strategies:

Short-term Strategy (June – July)

1. Drop the proposed amendments to the PDO/PIO in-lieu fees until the reconciliation and re-distribution of the reserve is complete. The proposed amendments to the PDO/PIO incorporate additions to the types of parkland and improvements acceptable for dedication and to add and/or clarify certain definitions and sections to the ordinances has been deferred to August 16.
2. Transfer the lead for reconciliation of prior years of PDO/PIO fees to the Finance Department, adding necessary staff to assist in the effort, with a target date to complete the detailed accounting of the reserve by December 2005.
3. Develop a scope of work for an “Agreed Upon Procedures” review for handling the fund with the City’s external auditor, Macias, Gini & Company, an Independent Certified Public Accounting firm, to review current accounting and tracking processes and develop written procedures that are in conformance with general accepted accounting procedures. Park Trust Funds will be used as the source of funding.
4. Research best practices used by other jurisdictions that implement PDO/PIO programs and issue a Request for Proposal/Request for Qualifications to procure consulting services and software to serve as a tool in assisting proper tracking and accounting for the PDO/PIO Fund based on the best practices research conducted. Park Trust Funds will be utilized as the appropriate source of funding for these services.

Long-term Strategy (December – January)

1. Transfer the accounting responsibilities of PDO/PIO fees to the Finance Department. Identify and add resources needed to ensure improved accounting of the fund.
2. Explore alternative options for the accounting of PDO/PIO fees using a trust fund within the City’s Treasury and/or establish a trust account with a third-party trustee with a financial institution similar to the method used for some bond programs.
3. Explore changing the assessed year values and making an automatic annual adjustment to the current year assessed value without necessitating City Council action, and determine necessary Ordinance amendments, if any, to implement this change.
4. Implement new procedures as recommended by the third-party consultant and the City’s external independent auditor.

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City Council action scheduled for August 16 is limited to the approval of amendments to the Parkland Dedication and Park Impact Ordinances to incorporate amendments to the types of parkland and improvements acceptable for dedication and to add/clarify certain definitions and sections of the Ordinances. The desired outcomes of future fee amendment and proposed language modifications include:

1. Greater latitude for how funds may be expended and allow the collected fees to be used for an expanded number of recreational amenities,
2. Ability to respond to changing or evolving City Council priorities, and
3. Reduce the impacts that new residents have on existing parks and recreation facilities.


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for SARA L. HENSLEY
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and Neighborhood Services