



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Albert Balagso

SUBJECT: PARKLAND DEDICATION AND
PARK IMPACT ORDINANCES
IN-LIEU FEES ADJUSTMENTS

DATE: 10-29-07

Approved

Date

11/4/07

COUNCIL DISTRICT: Citywide

SNI AREA: NA

RECOMMENDATION

Adoption of a resolution setting forth the new parkland Schedule of In-Lieu Fees charged pursuant to Chapters 14.25 ("Park Impact Ordinance") and 19.38 ("Parkland Dedication Ordinance") of the San Jose Municipal Code to reflect the 2006 Residential Land Value Study.

OUTCOME

Acceptance of this report and adoption of a new in-lieu fees resolution will enable the City to collect parkland in-lieu fees that reflect the land values from the latest land value survey that was completed in 2006. Adjusting fees to reflect the land value study will improve the City's ability to address the impacts to the City's park system from new residential development.

BACKGROUND

The City of San José enacted the Parkland Dedication Ordinance ("PDO") in 1988 to help meet the demand for new neighborhoods and community parkland generated by the development of new residential subdivisions. The City's PDO is consistent with the State's Quimby Act (Government Code Section 66477). In 1992, the City Council adopted the Park Impact Ordinance ("PIO"), which is similar to the PDO, but applies to new non-subdivided residential projects such as apartment buildings.

Under the PDO and PIO, housing developers are required to dedicate land, improve parkland, or pay a parkland fee in lieu of land dedication for neighborhood and community parks. The amount of land to be dedicated is three acres for every 1,000 new residents added to the City by the new housing development. The number of new residents depends on the number and type of dwelling

units included in the development. The most recent available Federal census data is used in order to determine the number of residents per dwelling unit. In-lieu fees may be paid as an alternative to the land dedication requirement. The amount of fees to be paid in lieu of land dedication are calculated based on the type of dwelling units and the land value per an annual land value study. For projects of 50 units or less, the City can only require the associated in-lieu fees from developers.

On January 9, 2007, the City Council approved a new Schedule of In-Lieu Fees Charged and Credits Issued pursuant to the PDO and PIO. At that time, the Council indicated that future fee adjustments to the Schedule of Fees and Charges should be considered separate from the annual budget process. The Council also approved staff's recommendation to return on a yearly basis to adjust the in-lieu fees to reflect the previous year's residential land values. Additionally, the Council asked that the Parks and Recreation Commission and the Neighborhood Services and Education Committee be given an opportunity to review changes to the in-lieu fees prior to submitting the proposed changes to the Council for approval.

On June 6, 2007, the Parks and Recreation Commission voted unanimously in support of adjusting the in-lieu fees to reflect 100% of 2006 land values. On August 9, 2007, the Neighborhood Services and Education Committee also unanimously supported the adjusted fees. No changes are recommended to the schedule of credits.

On November 14, 2005, the City Council approved an ordinance creating a temporary pilot program for secondary dwelling units to test the allowance of secondary "granny" units on single-family lots subject to specific development parameters. On March 14, 2006, the City Council approved the suspension of park impact fees for the duration of the Secondary Residential Unit Pilot Program. The Council on various dates has extended the Secondary Residential Unit Pilot Program and park impact fees suspension, and most recently approved an additional extension of the pilot program and the fees suspension until April 30, 2008 in order to allow time for discussion of the park impact fees and update to the Schedule of Fees. This program has run for approximately 20 months, and as of July 20, 2007, had resulted in 67 secondary unit applications, of which 14 had been constructed and another 28 had been approved. Staff will be recommending a schedule of in-lieu fees for secondary units as part of the process to make the Secondary Residential Unit Pilot Program a permanent program in April 2008.

ANALYSIS

Attachments A, B and C to this memorandum provide the three parkland in-lieu fee tables that will be associated with the PDO and PIO if the recommendations in this memorandum are approved. In addition, the attachments provide guidance to the development community regarding which in-lieu fee table should be used for a particular project. These attachments will not be included in the revised resolution. However, a flow chart which will guide users regarding the appropriate fee to use will be included in the revised resolution.

Attachment A provides the in-lieu fees which were in effect prior to the adjustment of fees which occurred in early 2007. As noted on the attachment, certain projects are still eligible to pay these fees as long as certain project approvals were obtained by July 13, 2007 or September 9, 2007.

Attachment B provides the in-lieu fees which are currently in effect for projects which did not meet the approval timelines stated in Attachment A.

Attachment C provides the in-lieu fees which will be in effect as of February 1, 2008, if Council approves the recommendations contained in this memorandum. No exemptions are proposed for projects in process.

The in-lieu fees in Attachment B are based on the 2005 Residential Land Value Study prepared by Diaz, Diaz & Boyd, Inc., a real property valuation and consultation firm. The 2006 Residential Land Value Study has recently been completed, and indicates that four of the Multi-Listing Zones identified by the San Jose Board of Realtors have gone down in value, four zones have retained value from last year, and six zones have gone up in value as indicated on the attachments. The 2006 land values range from a low of \$35 per square foot in five zones, to a high of \$85 in one zone. The fees associated with each housing type using the 2006 land values are included as Attachment C.

As mentioned above, attachment C provides the Proposed Fees for all housing types set at 100% of 2006 Land Values. If approved, the proposed in-lieu fee adjustments would go into effect on February 1, 2008. Any developer who has not paid the parkland in-lieu fees or entered into a parkland or turnkey agreement on or before January 31, 2008 would be subject to the new fees. This does not take into account projects subject to the projects in process fees that are described in Attachment A. Those persons have until January 31, 2009 to pay their in lieu fees pursuant to the Schedule of In-Lieu Fees Charged and Credits Issued that was approved by the Council on January 9, 2007.

EVALUATION AND FOLLOW-UP

Staff will continue to bring forward recommendations for fee adjustments on a yearly basis as directed by the City Council in January 2007.

POLICY ALTERNATIVES

Alternative #1: Do nothing

Pros: Fees remain the same and certain developers will be able to pay a smaller in-lieu fee.

Cons: Parkland in-lieu fees will not keep pace with land values and the City's ability to purchase parkland with the fees will diminish.

Reason for not recommending:

It is critical for the parkland in-lieu fees to keep pace with the land value costs. By not recommending this change, the Council could be setting a precedent of not changing the fees on a yearly basis and the City could end up in a situation similar to one year ago where the fees were based upon outdated land values and staff did not have the leverage to purchase property with the fees which were received.

PUBLIC OUTREACH/INTEREST

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

While this recommendation does not fit the above criteria, staff is following the necessary guidelines for adjustments to fees. This included advertisement in the San José Mercury News as well as mail and email notification of stakeholders interested in parkland in-lieu fees.

COORDINATION

This memorandum has been coordinated with the Department of Planning, Building and Code Enforcement, Department of Housing, City Attorney's Office and City Manager's Budget Office.

CEQA

CEQA: Resolution No. 65459.


ALBERT BALAGSO
Director of Parks, Recreation
and Neighborhood Services

For questions please contact Matt Cano, Division Manager, PRNS, at (408) 535-3580.
Attachments

Attachment A

FEES SET AT 70% OF 2001 LAND VALUES

Projects which fall into the following categories are eligible to pay these fees. Payment of fees must be made prior to January 31, 2009 or the development will be subject to the fees in effect at the time of payment:

1. Residential housing projects that have obtained an approved Plan Development Permit (PDP), Conditional Use Permit (CUP), Site Development Permit, or Tentative Map (Map) no later than July 13, 2007.
2. Residential housing development projects: 1) for which the City Council approved a General Plan amendment in April 2007, and 2) that have obtained an approved Plan Development Permit (PDP), Conditional Use Permit (CUP), Site Development Permit, or Tentative Map (Map) no later than September 9, 2007.

Projects which do not meet the above criteria should proceed to Attachment B to determine appropriate fees.

MLS ZONE	AREA COVERED	70% OF COST/SQUARE FOOT	FEE/UNIT SINGLE FAMILY DETACHED	FEE/UNIT SINGLE FAMILY ATTACHED	FEE/UNIT MULTI-FAMILY 2-4	FEE/UNIT MULTI-FAMILY 5+	FEE/UNIT SINGLE RESIDENTIAL OCCUPANCY (SRO)
Number of Persons Per Unit – 2000 Census Data			3.50	3.06	3.23	2.29	1.00
2	SANTA TERESA	\$24.50	\$11,000	\$9,300	\$9,950	\$7,350	\$3,350
3	EVERGREEN	\$31.50	\$14,150	\$11,900	\$12,800	\$9,450	\$4,350
4	ALUM ROCK	\$24.50	\$11,000	\$9,300	\$9,950	\$7,350	\$3,350
5	BERRYESSA	\$28.00	\$12,550	\$10,600	\$11,400	\$8,400	\$3,850
7	ALVISO	\$10.50	\$4,700	\$3,950	\$4,250	\$3,150	\$1,450
7	NORTH SAN JOSE	\$24.50	\$11,000	\$9,300	\$9,950	\$7,350	\$3,350
9	DOWNTOWN	\$35.00	\$15,700	\$13,250	\$14,250	\$10,500	\$4,850
10	WILLOW GLEN	\$35.00	\$15,700	\$13,250	\$14,250	\$10,500	\$4,850
11	SOUTH SAN JOSE	\$24.50	\$11,000	\$9,300	\$9,950	\$7,350	\$3,250
12	BLOSSOM VALLEY	\$28.00	\$12,550	\$10,600	\$11,400	\$8,400	\$3,850
13	ALMADEN VALLEY	\$31.50	\$14,150	\$11,900	\$12,800	\$9,450	\$4,350
14	CAMBRIAN	\$31.50	\$14,150	\$11,900	\$12,800	\$9,450	\$4,350
15/18	WEST SAN JOSE	\$35.00	\$15,700	\$13,250	\$14,250	\$10,500	\$4,850

Price Per Square Foot Numbers from the Annual Residential Land Values Study prepared by Diaz, Diaz & Boyd, Inc. multiplied by 0.70 (2001) or multiplied by 1.00 (2005)
 At 100% of Land Value – Top Fee is in the Willow Glen Area at \$31,750 SFD and \$20,900 MF 5+

Attachment B

CURRENT FEES SET AT 100% OF 2005 LAND VALUES

Projects which do not meet the criteria in Attachment A must pay in-lieu fees at the below rates assuming the project pays its in-lieu fees prior to February 1, 2008. If a project does not pay its in-lieu parkland fees prior to February 1, 2008 then proceed to Attachment C to determine the appropriate fees.

MLS ZONE	AREA COVERED	100% OF COST/ SQUARE FOOT	FEE/UNIT SINGLE FAMILY DETACHED	FEE/UNIT SINGLE FAMILY ATTACHED	FEE/UNIT MULTI- FAMILY 2-4	FEE/UNIT MULTI- FAMILY 5+	FEE/UNIT SINGLE RESIDENTIAL OCCUPANCY (SRO)
Number of Persons Per Unit – 2000 Census Data			3.50	3.06	3.23	2.29	1.00
2	SANTA TERESA	\$35.00	\$15,850	\$14,000	\$14,650	\$10,450	\$4,550
3	EVERGREEN	\$40.00	\$18,150	\$16,000	\$16,75	\$11,900	\$5,200
4	ALUM ROCK	\$30.00	\$13,600	\$12,000	\$12,550	\$8,950	\$3,900
5	BERRYESSA	\$40.00	\$18,150	\$16,000	\$16,750	\$11,900	\$5,200
7	ALVISO	\$55.00	\$24,950	\$21,950	\$23,050	\$16,400	\$7,100
7	NORTH SAN JOSE	\$55.00	\$24,950	\$21,900	\$23,050	\$16,400	\$7,100
9	DOWNTOWN	\$60.00	\$27,200	\$24,000	\$25,100	\$17,900	\$7,800
10	WILLOW GLEN	\$70.00	\$31,750	\$27,960	\$25,400	\$17,900	\$7,800
11	SOUTH SAN JOSE	\$45.00	\$20,400	\$17,950	\$18,850	\$13,400	\$5,800
12	BLOSSOM VALLEY	\$35.00	\$15,580	\$14,000	\$14,650	\$10,450	\$4,550
13	ALMADEN VALLEY	\$45.00	\$20,400	\$17,950	\$18,850	\$13,400	\$5,800
14	CAMBRIAN	\$40.00	\$18,150	\$16,000	\$16,750	\$11,900	\$5,200
15/18	WEST SAN JOSE	\$65.00	\$29,500	\$15,950	\$27,200	\$19,400	\$8,400
9-DC	Downtown Core – East Hwy 87 High Rise Projects 12+ Stories (50% of 9)		na	Na	na	\$8,950	\$3,900

Price Per Square Foot Numbers from the Annual Residential Land Values Study prepared by Diaz, Diaz & Boyd, Inc. multiplied by 0.70 (2001) or multiplied by 1.00 (2005)
At 100% of Land Value – Top Fee is in the Willow Glen Area at \$31,750 SFD and \$20,900 MF 5+

Attachment C

PROPOSED FEES SET AT 100% OF 2006 LAND VALUES

Projects which do not meet the criteria in Attachments A and B must pay in-lieu fees at the below rates assuming the project pays its in-lieu fees after February 1, 2008. Fees are subject to change on an annual basis.

MLS ZONE	AREA COVERED	100% OF COST/SQUARE FOOT	FEE/UNIT SINGLE FAMILY DETACHED	FEE/UNIT SINGLE FAMILY ATTACHED	FEE/UNIT MULTI-FAMILY 2-4	FEE/UNIT MULTI-FAMILY 5+	FEE/UNIT SINGLE RESIDENTIAL OCCUPANCY (SRO)
	Number of Persons Per Unit – 2000 Census Data		3.50	3.06	3.23	2.29	1.00
2	SANTA TERESA	\$35.00	\$15,850	\$14,000	\$14,650	\$10,450	\$4,550
3	EVERGREEN	\$35.00	\$15,850	\$14,000	\$14,650	\$10,450	\$4,550
4	ALUM ROCK	\$40.00	\$18,150	\$16,000	\$16,750	\$11,900	\$5,200
5	BERRYESSA	\$35.00	\$15,850	\$14,000	\$14,650	\$10,450	\$4,550
7	ALVISO	\$55.00	\$24,950	\$21,950	\$23,050	\$16,400	\$7,100
7	NORTH SAN JOSE	\$55.00	\$24,950	\$21,900	\$23,050	\$16,400	\$7,100
9	DOWNTOWN	\$70.00	\$31,750	\$27,950	\$29,300	\$20,850	\$9,050
10	WILLOW GLEN	\$85.00	\$38,550	\$33,950	\$35,600	\$25,350	\$11,000
11	SOUTH SAN JOSE	\$35.00	\$15,850	\$14,000	\$14,650	\$10,450	\$4,550
12	BLOSSOM VALLEY	\$35.00	\$15,850	\$14,000	\$14,650	\$10,450	\$4,550
13	ALMADEN VALLEY	\$35.00	\$15,850	\$14,000	\$14,650	\$10,450	\$4,550
14	CAMBRIAN	\$45.00	\$20,400	\$17,950	\$18,850	\$13,400	\$5,880
15/ 18	WEST SAN JOSE	\$85.00	\$38,550	\$33,950	\$35,600	\$25,350	\$11,000
9-DC	Downtown Core – East Hwy 87 High Rise Projects 12+ Stories (50% of 9)		na	na	na	\$10,425	\$4,525

Price Per Square Foot Numbers from the Annual Residential Land Values Study prepared by Diaz, Diaz & Boyd, Inc. multiplied by 0.70 (2001) or multiplied by 1.00 (2005)
 At 100% of Land Value – Top Fee is in the Willow Glen Area at \$31,750 SFD and \$20,900 MF 5+

