



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Albert Balagso

SUBJECT: PARK TRUST FUND
ANNUAL REPORT

DATE: 11-17-08

Approved

Date

11/19/08

COUNCIL DISTRICT: Citywide

RECOMMENDATION

Acceptance of this report on the status of the reconciliation of the Park Trust Fund for fiscal year 2006-2007, ending June 30, 2007 and fiscal year 2007-2008, ending June 30, 2008.

OUTCOME

Acceptance and approval of the above recommendation completes the Parks, Recreation, and Neighborhood Services' (PRNS) obligation to provide a year-end report on the performance of the Subdivision Park Trust Fund as directed by the City Council.

BACKGROUND

The City of San Jose 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 Fee 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, residential developers are required to dedicate land, improve parkland, and/or pay a parkland fee in lieu of dedication for neighborhood and community parklands. For projects of 50 units or less, the City can only request the associated in-lieu fees from developers. The parkland fees are in-lieu of a requirement for developers to dedicate land for park purposes at the rate of three (3) undeveloped acres for every one-thousand (1,000) new residents added to the City by new residential development.

In 2006, the PRNS Department conducted a review of the Park Trust Fund ("Fund") which provided a historical summary of the administration of the Fund, including a review of

allocations, policies, and practices. As part of the review, it was noted that it has been increasingly difficult to purchase land for park development since the City was collecting PDO and PIO fees based on outdated land values (i.e. the City was collecting PDO and PIO fees based on 70% of 2001 land values). In response, the parkland in-lieu fees are now established annually by resolution of the City Council based on 100% of the prior calendar year's land values.

On January 9, 2007, the City Council adopted a revised resolution and associated ordinance for the Parkland Dedication Ordinance and Park Impact Ordinance to include a number of changes, including:

- Increasing the parkland in-lieu fees to 100% of the 2005 land values;
- Revising the credit schedule for private recreation improvements;
- Allowing land improvement credits for both public community gardens and trails;
- Eliminating projects of six (6) stories or more from the active element match in order to obtain private recreational credits for a housing project; and
- Establish a temporary program to set a discounted parkland in-lieu fee for certain residential high rise projects located in the Downtown Core Area and to defer payment until no later than the scheduling of the final inspection for the first certificate of occupancy.

Consistent with the City Council's direction, the Mayor and the City Council approved the adjustment of the in-lieu fees to 100% of the 2006 Residential Land Value on June 26, 2007. The revised parkland in-lieu fees schedule reflecting the 2006 Residential Land Value Study went into effect on February 1, 2008.

Again, on September 30, 2008, the Mayor and City Council adopted Resolution 74608 setting the in-lieu fees to reflect 100% of the 2007 land values. These changes will take effect on February 2, 2009.

The annual adjustment of parkland in-lieu fee schedule allows the City to aggressively pursue parkland acquisition opportunities. Additionally, the changes to the PDO/PIO in January 2007 expand the ability of the City to use in-lieu fees to enhance the parks system while permitting additional recreational credits for improvements such as trails, private garden plots, urban plazas and/or private gardens open to the public, and dog park amenities.

ANALYSIS

During the reporting on the status of the Park Trust Fund in September 2006, the Mayor and the City Council directed staff to report on the status of the Fund on a yearly basis. This memorandum is in response to the Council prior direction in September 2006 and reports on the status of the Park Trust Fund for fiscal years ending 2006-2007 and 2007-2008.

2006-2007 Fiscal Year

In April 2007, PRNS reported on the performance of the Fund during the first half of the 2006-2007 fiscal year, from July 1, 2006 through December 30, 2006. This memorandum provides an update of the performance of the Fund which includes the entire 2006-2007 fiscal year.

The Fund generated revenues of \$15.6 million in fiscal year 2006-2007. Revenues include in-lieu fees collected in the amount of \$12.4 million and interest in the amount of \$3.2 million earned on the Fund. Expenditures during the 2006-2007 fiscal year totaled \$6.5 million.

As of June 30, 2007, the amount of money in the Fund totaled \$77.3 million. As listed on Attachment A, funds committed to specific projects totaled \$57.1 million or 73.9% of the total funds available. A total of \$17.3 million (or 22.5%) remained uncommitted to projects at the end of fiscal year 2006-2007. Of these uncommitted funds, a total of \$6.6 million were earmarked to specific projects. Earmarks are allocations that have been made in the PRNS database but have not been budgeted. These earmarks will be budgeted at the time when the project is ready to proceed.

In 2006-2007, \$1.5 million was allocated for administrative overhead. As of June 30, 2007, \$0.3 million (or 20%) remained unexpended. These unexpended funds were made available for redistribution to projects in fiscal year 2007-2008.

2007-2008 Fiscal Year

In fiscal year 2007-2008, the Fund generated revenues of \$11.8 million. Revenues include in-lieu fees collected in the amount of \$7.4 million and interest earned on the fund in the amount of \$4.4 million. Revenues generated in 2007-2008 were significantly lower than in 2006-2007 (\$11.8 million in 2007-2008 vs. \$15.6 million in 2006-2007). The reduction in revenue is the result of the significant drop in payment of in-lieu fees to the City from \$12.4 million in 2006-2007 to \$7.4 million in 2007-2008, reflecting the slowing down of the housing market as well as an increase in the number of land dedications and turnkey projects instead of in-lieu fees. Lower collection of in-lieu fees was partially off-set by an increase in interest earned and other revenues.

Expenditures at the end of fiscal year 2007-2008 totaled \$9.2 million. Expenditures significantly increased by 41% in 2007-2008 as compared to 2006-2007. This higher expenditure rate is indicative of a higher number of projects having been worked on and/or completed during the 2007-2008 fiscal year. With the addition of dedicated staff to more efficiently monitor the budgeting and expenditure of funds, PRNS is now able to ensure funds are expended to benefit communities that generated these funds in a timely manner. With other improvements PRNS is implementing (e.g. budgeting smaller collections of \$15,000 and below to implement improvements to existing parks rather than waiting to achieve critical mass to fund a larger project), PRNS is able to provide communities that generated the revenues with improved

facilities and parks. The current fund balance will be expended in the current fiscal year and in future fiscal years to address these needs.

	<u>2006-2007</u>	<u>2007-2008</u>	<u>% Increase/(Decrease)</u>
In-Lieu Fees	\$12.4	\$ 7.4	(40 %)
Interest and Other Revenues	\$ 3.2	\$ 4.4	37%
Expenditures	\$ 6.5	\$ 9.2	41%

As of June 30, 2008, the funds available in the Fund totaled \$78.8 million. As listed in Attachment A, funds committed to specific projects totaled \$55.9 million or 71% of the total funds available. A total of \$20.5 million (or 26%) remained uncommitted to projects at the end of fiscal year 2007-2008. Of these uncommitted funds, approximately \$7 million has been earmarked to specific projects.

In 2007-2008, \$1.2 million was appropriated for administrative overhead. As of June 30, 2008, \$0.5 million (or 42%) remained unexpended. These unexpended funds were made available for redistribution in fiscal year 2008-2009.

The majority of unexpended project funds resulted from several factors, including but not limited to delays in encumbering construction contracts, projects being put on hold pending resolution of issues, and delays due to changes in project scopes. Unexpended funds have been rebudgeted to 2008-2009 to ensure adequate funding to complete the projects.

Status of Land Dedication and Turnkey Projects

During the 2007-2008 fiscal year, the City continued working on parkland and turnkey agreements with developers for 1) projects dedicating parkland and constructing and improving parks, 2) projects dedicating parkland only, and 3) improvements on existing parks for several separate sites in different Council Districts. Approximately 26.1 acres of parkland will be added to the City's future park inventory. In addition, approximately 6.75 acres of City parks are being improved and approximately 7.06 acres of parklands are being dedicated but are not yet available for use by the public. Improvements to these dedicated parklands have yet to be determined and/or completed. More detailed information is shown as Attachment B of this report. Attachment B lists outstanding projects, including those from the years prior to 2007-2008 resulting from agreements with developers as described above.

EVALUATION AND FOLLOW UP

Consistent with City Council direction on September 2006, staff will continue to report on the status of the Park Trust Fund on a yearly basis.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater.
- Criterion 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.
- Criterion 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.

This memorandum reports on the implementation of Council-approved recommendations relating to the reconciliation of the Park Trust Fund and to revisions to the PDO and PIO. It does not meet any of the criteria listed above. This memorandum will be posted on the City's website for the December 9, 2008 City Council agenda.

COORDINATION

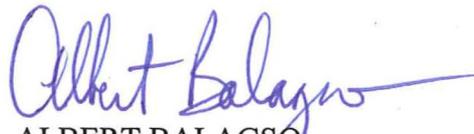
This memorandum was coordinated with the Department of Planning, Building and Code Enforcement, the City Attorney's Office, the Finance Department and the San José Redevelopment Agency.

FISCAL/POLICY ALIGNMENT

Consistent with the Council approved Budget Strategy, Economic Recovery section, expenditure of these funds will help stimulate construction spending in our local economy.

CEQA

CEQA: Not a project.


ALBERT BALAGSO
Director of Parks, Recreation and
Neighborhood Services

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

ATTACHMENT A

City of San Jose
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Years Ended June 30, 2007 and June 30, 2008
Park Trust Fund

	GAAP Basis	
	FY 2006-2007 Ended June 30, 2007	FY 2007-2008 Ended June 30, 2008
Revenues		
In Lieu Fees	\$12,397,141	\$ 7,405,078
Interest and Other Revenues	3,197,556	\$ 4,415,659
Total Revenues	\$15,594,697	\$11,820,737
Expenditures		
Current:		
Capital Maintenance	\$ 5,304,118	\$ 4,898,676
Capital Outlay	1,199,602	4,272,191
Total Expenditures	\$ 6,503,720	\$ 9,170,867
Excess (deficiency) of revenue over (under) expenditures	\$ 9,090,977	\$ 2,649,869
Other Financing Sources (Uses)		
Transfers In	-	-
Transfers Out	(\$40,000)	(\$51,000)
Total Other Financing Sources (Uses)	(\$40,000)	(\$51,000)
Net Change in fund balance	\$ 9,050,977	\$2,598,870
Fund balances- beginning	\$76,646,819	\$ 85,697,796
Fund Balance- Ending	\$85,697,796	\$ 88,296,666
Adjustments to Fund Balance		
Unrealized Gain/Loss from Investments ¹	(\$306,092)	(\$1,387,377)
Due from Redevelopment Agency ²	(\$8,111,800)	(\$8,111,800)
Total Funds Available	\$77,279,804	78,797,489

Total Funds Available	% to Balance	FY 2006-2007	FY 2007-2008	% to Balance
1. Committed funds to specific projects	73.9%	\$57,122,230	\$55,947,198	71.0%
2. Administrative Overhead	0.4%	\$297,328	\$521,588	0.7%
3. Uncommitted Funds	22.5%	\$17,383,225	\$20,485,834	26.0%
4. Other Miscellaneous Allocations	3.2%	\$2,477,021	\$1,842,869	2.3%
Total	100.0%	\$77,279,804	\$78,797,489	100%

¹ Fund Balance Adjustments due to non-cash transactions (adjusting the value of City's investment at year-end to conform with Generally Accepted Accounting Principles)

² Due from Redevelopment Agency- uncollected revenues as of 6/30/08

ATTACHMENT B

Projects Dedicating Parkland and Constructing or Improving Parks					
Name of Park	Council District	Project Location	Developer	Acres	Status as of 06/30/2008
Hitachi Site	2	Cottle Road & Poughkeepsie	Hitachi Corporation	17 acres	Park includes 1 acre neighborhood park, 10.6 acre community park, and a 5.7 acre linear park. Construction on the park sites is ongoing.
Mckay/Lundy Site	4	Mckay/Lundy	Toll Brothers	1.25 acre	Park operation is tentatively scheduled by Nov/Dec 2008
Madden Park	5	Jackson/Madden Site	Falk Development	.30 acre	Park operation is expected on June 2009
Luna Park	5	Berryessa & Oakland Road	Taylor Woodrow Homes	1.30 acre	Currently under construction
San Antonio Tot Lot	5	San Antonio & 34th Streets	DKB Homes	.70 acre	Development of the park started in October 2008
St. Elizabeth Park Site	6	Curci & St. Elizabeth	Pinn Brother Homes	.90 acre	Tot lot, turf areas and shade structures to be completed no later than September 2009
Montecito Vista Park	7	Goble Lane & Monterey Road	ROEM Developments	2.00 acres	Construction documents will be reviewed within the next 18-24 months. Park operations are expected to begin in Winter 2011
Communication/Tuscany Hills	7	Hillsdale Ave	KB Homes	1.4 acre	Park operations began this September 2008. Park dedication was held on October 2008.
Carolyn Norris Park	9	Samaritan Dr & Clydelle Ave	Summerhill Homes	1.25 acre	City staff is in the process of reviewing the constructions documents including project costs.
Subtotal of park acreage being developed for future use				26.1 acres	

ATTACHMENT B

Projects Dedicating Parkland Only					
Name of Park	Council District	Project Location	Developer	Acres	Status as of 06/30/2008
Fleming Avenue Park Site	5	Fleming Ave and Neves Way	Braddock & Logan	.50 acre	Land dedication only, the city will develop the park
Venetian Terrace/Scottish Rite Site	6	Rinconada Drive	Vitoil Corporation	1.20 acre	Land dedication only, improvements to the park will be determined at a later date
Newhall/Campbell Ave Site	6	Newhall & Campbell Avenues	Pulte Homes	1.46 acre	Land dedication only, construction to begin in 2009
Northpointe Area Park Site	6	Tasman Drive & Zanker Road	Fairfield Residential LLC	2.30 acres	Land dedication only, park development and improvements will be determined at a later date.
Almaden Apartments	7	Almaden Road & Alma Avenue	Housing Solutions LLC	1.60 acre	Land dedication only, park design is still pending
Subtotal of acreage to be dedicated to the city				7.06 acres	

Total acreage that will be part of city's land inventory

33.16 acres

Improvements on existing parks					
Pellier Park	3	Julian St & St. James	Barry Swenson	.75 acre	The Park and Recreation Commission and Historic Landmarks operations have approved the final design. Construction documents will be reviewed within the next 4-6 months.
Martin Park/Forestdale Tot Lot Project	3	Forestdale Ave & Melbourne	KB Homes	5 acres	The City of San Jose owns the land which was a former landfill. Improvements will include soccer field, picnic areas and walkways.
N San Pedro Housing Sites	3	N San Pedro and Julian St	Barry Swenson/ Owens Housing	1 acre	The Master Plan is currently in progress
Subtotal Projects Constructing and Improving Parks				6.75 acres	