



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Albert Balagso

SUBJECT: PARK TRUST FUND ANNUAL
REPORT FOR FY 2008-09

DATE: 02-01-10

Approved

Date

2-5-10

COUNCIL DISTRICT: Citywide

RECOMMENDATION

Accept this report on the status of the Park Trust Fund for fiscal year 2008-2009, ending June 30, 2009.

OUTCOME

Acceptance and approval of the above recommendation completes the Parks, Recreation, and Neighborhood Services' obligation to provide a year-end report on the performance of the Subdivision Park Trust Fund as previously directed by the City Council and to annually make available a report of mandatory fees assessed against a development to the public as required by the California Mitigation Fee Act.

EXECUTIVE SUMMARY

Parkland in-lieu fees collected during the 2008-2009 fiscal year totaled \$10.3 million. Interest and other miscellaneous revenues earned in the fund totaled \$2.8 million bringing total 2008-2009 revenues received in the fund to \$13.1 million. Expenditures for the fiscal year totaled \$9.1 million.

As of June 30, 2009, the funds available in the Park Trust Fund totaled \$81.7 million. Funds committed totaled \$66.7 million or 82% of the total funds available. A total of \$14.9 million (or 18%) remained uncommitted to projects at the end of fiscal year 2008-2009.

Information for the Fiscal Year ending June 30, 2009, required by the California Mitigation Fee Act was posted on the City's website at <http://www.sjpark.org/pdopio/> on December 30, 2009, and is provided in this memorandum as Attachment C.

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 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 undeveloped acres for every 1,000 new residents added to the City by new residential development. Fees in-lieu of land dedication are deposited into, and accounted for, in the Subdivision Park Trust Fund (Fund 375). Attachment B shows the fees charged in the 2008-2009 fiscal year.

On June 21, 2005, the City Council approved staff's recommendation to conduct a comprehensive reconciliation of the Park Trust Fund. The purpose of the review was to provide a historical summary of the administration of the fund, including a review of allocations, policies and practices. On June 20, 2006, the City Council accepted the report that provided the performance of the Park Trust Fund from the fund's inception in 1988 through June 30, 2005. Subsequently, the City Council directed staff to provide an annual update on the Park Trust Fund expenditures. This memorandum responds to City Council direction to provide an annual update on the fund. It also serves as a single source report of information required by the California Mitigation Fee Act to annually make available a report of mandatory fees assessed against a development to the public.

ANALYSIS

Parkland in-lieu fees collected during the 2008-2009 fiscal year totaled \$10.3 million. Four major developments in the City generated more than \$7.6 million of the total \$10.3 million in parkland in-lieu fees. These developments were Sobrato Development (\$3.1 million), Block 360 Development (\$1.7 million), and KB Home (\$1.1 million) in Council District 3 and Ronco Development (\$1.7 million) in Council District 6. The fund earned interest and other miscellaneous revenues (interest and amortization discount) in the amount of \$2.8 million bringing total revenues received in the fund for fiscal year 2008-09 to \$13.1 million. Compared with the 2007-2008 fiscal year, revenues earned in the fund were 11% higher in the 2008-2009 fiscal year (\$ 13.1 million in 2008-2009 vs. \$11.8 million in 2007-2008).

Expenditures for fiscal year 2008-2009 totaled \$9.1 million. Funds were expended in accordance with the nexus requirement to benefit the residents of the development that generated

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the funds. Expenditures remained the same when compared with 2007-2008; however, budgeted funds for projects for the 2008-2009 fiscal year were higher than the previous year. As a result, the end of the fiscal year showed variances between budgeted amounts for projects and actual expenditures. Actual expenditures in 2008-2009 were lower than anticipated due to several reasons, including but not limited, projects being put on hold pending resolution of issues, waiting for master plan completion or waiting for community input, delays in encumbering the construction contract, delays in construction schedule, and delays due to changes in project scopes. The majority of unexpended project funds have been rebudgeted to 2009-2010 to ensure adequate funding to complete the projects. Below is the comparison of revenues and expenditures for the two fiscal years.

	2008-2009	2007-2008	% Increase/(Decrease)
In-Lieu Fees	\$10.3	\$ 7.4	39 %
Interest and Other Revenues	\$ 2.8	\$ 4.4	- 37%
Expenditures	\$ 9.1	\$ 9.1	0 %

Funds appropriated for administration of the fund totaled \$3 million (or 3.8%), which included funds for the Department of Public Work and Parks Recreation & Neighborhood Services' design, review, inspection, and management of capital projects.

A combined Statement of Revenues, Expenditures and Changes in Fund Balance for the Year ended June 30, 2009 is included in this memorandum as Attachment A.

Park Trust Fund Audit

During the past fiscal year, the PRNS Department requested an audit of the fund to ascertain whether the policies and procedures that the department developed, and started to implement after its administrative review of the Park Trust Fund in 2006, effectively address deficiencies that the department identified in the prior administrative review. The audit was completed and determined the department had significantly improved the administration of the fund. Namely, formalizing an administrative fee assessment to better align with projects, documentation of current commitments with a memo approved by the PRNS Director, developing and making publicly available in a single report all the information that is required by the California Mitigation Fee Act, and updating of the database to implement an advance notification warning system for unallocated collections reaching within 18, 12 and 6 months of the 5-year statutory commitment time frame.

Staff will be working to update the draft policies and procedures relating to the Park Trust Fund to comply with the implementation of the remaining City Auditor recommendations.

Information Required by the Mitigation Fee Act

Information for the Fiscal Year ending June 30, 2009 required by the California Mitigation fee Act was posted on the City's website at <http://www.sjparcs.org/pdopio/> on December 30, 2009, and is provided as Attachment C to this memorandum.

Status of Land Dedication and Turnkey Projects

During the 2008-2009 fiscal year, the City continued working on parkland and turnkey agreements with developers for: 1) projects dedicating parkland only, 2) projects constructing and improving parks, and 3) projects dedicating parkland and constructing or improving parks for several separate sites in different Council Districts. Hitachi Park (17 acres), Gran Paradiso aka McKay/Lundy Park (1.25 acres), and Vieira/Overlook Park aka Communication/Tuscany Hills (1.4 acres) were opened to the public for use in 2008-2009. These added approximately 19.65 acres to the City's park inventory.

EVALUATION AND FOLLOW-UP

Consistent with City Council direction in September 2006 and the requirement of the Mitigation Fee Act, staff will continue to report on the status of the Park Trust Fund on an annual basis.

POLICY ALTERNATIVES

Not applicable

PUBLIC OUTREACH/INTEREST

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

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. However, this memorandum will be posted on the City's website for February 23, 2010 City Council meeting.

COORDINATION

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

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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.

COST SUMMARY/IMPLICATIONS

Not applicable

BUDGET REFERENCE

Not applicable

CEQA

Not a project


ALBERT BALAGSO
Director of Parks, Recreation and
Neighborhood Services

For questions please contact Ron Hunter, Administrative Officer, at 408-535-3573.

Attachments

ATTACHMENT A

City of San Jose
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended June 30, 2009
Park Trust Fund

	FY 2008-2009		
		Ended	
		6/30/2009	
		<hr/>	
REVENUES			
In Lieu Fees	\$	10,272,786	
Interest and Other Revenues (Interest & Amortization Discount)		2,852,556	
Total Revenues		<hr/> 13,125,342	
EXPENDITURES			
Current:			
Capital Maintenance		13,416,510	
Less: Total Encumbrance		<hr/> (4,244,595)	
Total Expenditures		<hr/> 9,171,915	
Excess (deficiency) of revenue over (under) expenditures		<hr/> - <hr/> 3,953,428	
OTHER FINANCING SOURCES (USES)			
Transfers In		318	
Transfers Out		<hr/> (1,382,464)	
Total Other Financing Sources (Uses)		<hr/> (1,382,146)	
Net Change in fund balance		2,571,282	
Fund balance- beginning		<hr/> 88,296,666	
Sub Total		<hr/> 90,867,948	
Less: Due from Redevelopment Agency		(8,111,800)	
Gain/Loss on Investments		(1,256,370)	
Miscellaneous Adjustments		155,941	
Total Funds Available	\$	<hr/> 81,655,719 <hr/>	
FUND BALANCE COMPONENTS			
1	Funds appropriated to specific projects	77.79%	63,521,899
2	Administrative Overhead Allocation	3.76%	3,072,283
3	Public Art	0.17%	140,613
4	Uncommitted Funds	18.27%	14,920,924
	Total	<hr/> 100.00%	<hr/> \$ 81,655,719 <hr/>

ATTACHMENT B

FEES SET AT 100% OF 2007 LAND VALUES

MLS ZONE	AREA COVERED	100% OF COST/ SQUARE FOOT	FEE PER UNIT					
			SINGLE FAMILY DETACHED	SINGLE FAMILY ATTACHED	MULTI-FAMILY 2-4	MULTI-FAMILY 5+	SINGLE RESIDENTIAL OCCUPANCY (SRO)	SECONDARY RESIDENTIAL UNIT (Granny Unit)**
<i>Number of Persons Per Unit</i>			3.50	3.06	3.23	2.29	1.00	0.50
2	SANTA TERESA	\$35.00	\$15,850	\$14,000	\$14,650	\$10,450	\$4,550	\$2,275
3	EVERGREEN	\$35.00	\$15,850	\$14,000	\$14,650	\$10,450	\$4,550	\$2,275
4	ALUM ROCK	\$35.00	\$15,850	\$14,000	\$14,650	\$10,450	\$4,550	\$2,275
5	BERRYESSA	\$40.00	\$18,150	\$16,000	\$16,750	\$11,900	\$5,200	\$2,600
7	ALVISO	\$70.00	\$31,750	\$27,950	\$29,300	\$20,850	\$9,050	\$4,525
7	NORTH SAN JOSE	\$70.00	\$31,750	\$27,950	\$29,300	\$20,850	\$9,050	\$4,525
8	SANTA CLARA IN SJ	\$35.00	\$15,850	\$14,000	\$14,650	\$10,450	\$4,550	\$2,275
9	DOWNTOWN	\$70.00	\$31,750	\$27,950	\$29,300	\$20,850	\$9,050	\$4,525
10	WILLOW GLEN	\$75.00	\$34,000	\$29,950	\$31,400	\$22,350	\$9,700	\$4,850
11	SOUTH SAN JOSE	\$35.00	\$15,850	\$14,000	\$14,650	\$10,450	\$4,550	\$2,275
12	BLOSSOM VALLEY	\$35.00	\$15,850	\$14,000	\$14,650	\$10,450	\$4,550	\$2,275
13	ALMADEN VALLEY	\$35.00	\$15,850	\$14,000	\$14,650	\$10,450	\$4,550	\$2,275
14	CAMBRIAN	\$40.00	\$18,150	\$16,000	\$16,750	\$11,900	\$5,200	\$2,600
15&18	WEST SAN JOSE	\$70.00	\$31,750	\$27,950	\$29,300	\$20,850	\$9,050	\$4,525
9-DC*	Downtown Core -East of Hwy 87 High Rise Projects 12+ Stories		na	na	na	na	na	na

**These fees are subject to provisions of Section 2 of Resolution No. 73587- Fees set at \$8,950 per High Rise Unit.*

***These fees are subject to Resolution No. 74314- Fees set at 50% of SRO Unit*

ATTACHMENT C

Information Required by the Mitigation Fee Act

The Mitigation Fee Act requires the City to make available to the public on an annual basis the following information concerning Park Impact Ordinance (PIO) fees within 180 days after the last day of the fiscal year:

- Description of the type of fee
- Amount of the fee
- Beginning and ending balances of the fund
- Identification of each public improvement on which fees were expended and the amount of the expenditures on each improvement, including the total percentage of the cost of the public improvement that is funded with fees, and
- Description of inter-fund transfers or loans, date of loan repayment, and rate of interest that the fund will receive.

This report provides information on the PIO fees for the Fiscal Year ending June 30, 2009.

The City's PIO requires residential developers to dedicate land, improve parkland, and/or pay a parkland fee in lieu of dedication for neighborhood and community parklands. Fees are collected in lieu of dedicating land or improving parkland to help meet the demand for new neighborhoods and community parkland generated by the development of new non-subdivided residential projects. The amount of fees to be paid in lieu of land dedication are established by resolution of the City Council and 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 September 30, 2008, the City Council adopted Resolution No. 74608 that set the schedule of In-Lieu Fees charged pursuant to Chapter 14.25 PIO of the San Jose Municipal Code to reflect the 2007 Land Value Study. These fees took effect on February 2, 2009.

A list of public improvements on which PIO fees were expended in FY 2008-09 and the amount of the expenditures on each improvement is provided below. It also includes the total percentage of the cost of the public improvement that is funded with the fees.

Finally, inter-fund transfers and loans in the Park Trust Fund for FY 2008-09 totaling \$5.1 million consisted of:

- A transfer to the City Hall Debt Service Fund (Fund 210) in the amount of \$92,464 (the Fund's share of the debt service for the new City Hall)
- A transfer to the Redevelopment Agency in the amount of \$1.29 million for the Edenvale Community Center project.
- A 72-hour loan to the Redevelopment Agency in the amount of \$3.73 million for the purpose of paying Agency obligations such as capital, operations and other expenses in the adopted FY 2008-2009 Agency Budget (Ordinance No. 28575).

These inter-fund transfers and loans were supported by PDO collections. No inter-fund transfers supported by PIO collections were made in FY 2008-09.

ATTACHMENT C

INFORMATION REQUIRED BY THE MITIGATION FEE ACT

DEVELOPER	FEES PAID	PROJECT DESCRIPTION	PROJECT EXPENSES*	ENDING BALANCE	% of FEES' CONTRIBUTION TO TOTAL PROJECT COST
E & H Third Fam Partnership LP	\$ 49,700	Cypress Senior Center Renovation	\$ 44,730	\$ -	10.4%
Eden Housing Inc	\$ 7,350	RDA: Edenvale Community Center	\$ 6,615	\$ -	
Montanez Antonio & Chavez Georgina	\$ 12,800	Ryland Pool Repairs	\$ 11,520	\$ -	0.8%
Neigh Hous Serv - Silicon Valley	\$ 15,700	Ryland Pool Restoration	\$ 13,380	\$ 750	0.9%
Core/ Art Ark	\$ 21,000	Roosevelt Gym Design	\$ 18,900	\$ -	21.1%
Paseo Villas, L.P. (\$718,000)	\$ 159,277	Roosevelt Gym Design	\$ 70,509	\$ 72,841	78.9%
Paseo Villas, L.P.	\$ 174,149	Roosevelt Com Ctr - Multi Service	\$ 32,252	\$ 124,482	0.1%
Alfred Wong	\$ 57,000	Guadalupe Gardens Community Garden	\$ 47,975	\$ 3,325	8.2%
Christine Thurman	\$ 15,700	Backesto Park Minor Improvements	\$ 5,476	\$ 8,654	100.0%
Rivera Victor et al	\$ 10,800	Biebrach Park Minor Improvements	\$ 3,977	\$ 5,743	100.0%
John Garcia	\$ 54,444	Trail: Airport Parkway Under Crossing	\$ 48,360	\$ 639	1.8%
Agustina Reyes	\$ 4,700	Trail: Lower Guad River (Gold St to 880)	\$ 4,230	\$ -	0.3%
L Jay Dev't LLC	\$ 4,700	Trail: Lower Guad River (Gold St to 880)	\$ 4,230	\$ -	0.3%
Eugene Geraci	\$ 4,250	Trail: Lower Guad River (Gold St to 880)	\$ 3,825	\$ -	0.2%
Jose Ortiz	\$ 8,500	Trail: Lower Guad River (Gold St to 880)	\$ 7,650	\$ -	0.5%
Jennifer Santos	\$ 4,700	Trail: Lower Guad River (Gold St to 880)	\$ 4,230	\$ -	0.3%
Williams Trust	\$ 4,700	Trail: Lower Guad River (Gold St to 880)	\$ 4,230	\$ -	0.3%
Irvine Company Apts 1(to Trail N SJ)	\$ 981,250	Trail: Lower Guad River (Gold St to 880)	\$ 384,161	\$ 498,964	23.7%
Wlakup James & Jeri	\$ 12,550	Trail: Penitencia Creek @Viceroy	\$ 8,811	\$ 2,484	TBD
Doreswamy R & Krishnaiyengar A	\$ 12,550	Berryessa Creek Park Play Lot Renovation	\$ 11,295	\$ -	1.6%
Garcia Gilbert R & Brenda M	\$ 11,000	Mt Pleasant Park Minor Improvements	\$ 4,152	\$ 5,748	100.0%

* Excludes the fee's share of the administrative costs

ATTACHMENT C

DEVELOPER	FEES PAID	PROJECT DESCRIPTION	PROJECT EXPENSES*	ENDING BALANCE	% of FEES' CONTRIBUTION TO TOTAL PROJECT COST
Greg Mussakem	\$ 18,800	River Glen Park Improvements	\$ 16,920	\$ -	23.3%
Joey Na	\$ 15,700	Bascom Community Center	\$ 14,130	\$ -	0.0%
Barry Swenson Builder	\$ 388,600	Theodore Linzen Park Development	\$ 349,740	\$ -	41.0%
Luciano Iacomini	\$ 6,400	Cahill Park Improvements	\$ 5,760	\$ -	1.2%
CWD Development	\$ 15,700	Wallenberg Park Minor Renovations	\$ 6,367	\$ 7,763	100.0%
Richard/Alma Shwe	\$ 26,500	River Glen Park Improvements	\$ 3,339	\$ 20,511	100.0%
Robert drafting Service	\$ 11,000	Ramblewood Park Improvements	\$ 9,569	\$ 331	100.0%
Benito Leal Hernandez	\$ 14,150	Aborn Park Development	\$ 12,735	\$ -	TBD
Lancar Development	\$ 42,450	Paul Moore Park Renovations	\$ 1,493	\$ 36,712	0.2%
Rockwell Homes, Inc. Mack Mohsen	\$ 169,800	Camden Multi Service CC	\$ 97,967	\$ 54,853	0.9%
Sta Clara Dev't	\$ 14,150	Graystone Park Stage Construction	\$ 12,735	\$ -	4.0%
David Markham	\$ 14,150	Graystone Park Stage Construction	\$ 12,735	\$ -	4.0%
TOTAL	\$2,364,220		\$ 1,283,999	\$ 843,799	

* Excludes the fee's share of the administrative costs.