



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Albert Balagso

SUBJECT: PARK TRUST FUND ANNUAL
REPORT FOR FY 2009-2010

DATE: 02-07-11

Approved

Date

2/14/11

RECOMMENDATION

Accept this annual report on the Park Trust Fund for fiscal year 2009-2010, ended June 30, 2010.

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 Park Trust Fund as previously directed by the City Council and to annually make available to the public, a report of mandatory fees assessed against a development, as required by the California Mitigation Fee Act.

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. The City's PIO is consistent with the State's Mitigation Fee Act (Government Code Section 66000 et seq).

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).

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

As a result of substantial slow down in housing development, revenue collections in FY 2009-2010 were significantly lower than the previous fiscal year. In-lieu fees earned during the 2009-2010 FY totaled \$1.9 million. Of this amount, the Sobrato Development in Council District 3 generated over \$1.4 million of the total in-lieu fees collected. The \$1.8 million total revenue is a reduction of 81.6% from the FY 2008-2009 revenue collections of \$10.3 million. The investment income for the year was negative (\$22K) which resulted from reporting the cash investments balance at fair market value on June 30, 2010.

Expenditures, before encumbrances for FY 2009-2010, totaled \$8.6 million. Funds were expended in accordance with the nexus requirement to benefit the residents of the development that generated the funds. Expenditures in FY 2009-2010 were slightly lower when compared with FY 2008-2009 due to several reasons, including but not limited to, projects being put on hold pending resolution of maintenance issues, completion of master plans, community engagement, delays associated with encumbering the construction contract, construction schedule, and changes in project scopes. The majority of unexpended project funds have been rebudgeted to 2010-2011 to ensure adequate funding to complete the projects. Below is the comparison of revenues and expenditures for the past two fiscal years

	<u>2009-2010</u> <u>(in millions)</u>	<u>2008-2009</u> <u>(in millions)</u>	<u>% Increase/(Decrease)</u>
In-Lieu Fees	\$1.9	\$10.3	(81.6 %)
Interest and Other Revenues	(\$.02)	\$ 2.8	(100 %)
Expenditures	\$8.6	\$ 9.1	(5.5 %)

Funds appropriated for administration of the fund totaled \$1.5 million 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 fiscal year ended June 30, 2010 is included as Attachment B.

Information Required by the Mitigation Fee Act

Information for fiscal year ending June 30, 2010 required by the Mitigation Fee Act was posted on the City's website at <http://www.sjparcs.org/pdopio/> on December 22, 2010 and is provided as Attachment A to this memorandum.

Status of Land Dedication and Turnkey Projects

In FY 2009-2010, the City temporarily deferred the construction of four turnkey projects due to the negative impact to the General Fund associated with operating and maintaining these parks once they are completed. These turnkey parks are Pellier Park in District 3, Riverview and River Oaks Parks in District 4, and Montecito Vista Park in District 7. Both Riverview and Montecito Vista Parks remain on hold, however staff is in discussions with the developers for Pellier Park and River Oaks Park to identify potential mechanisms to move these parks forward.

During fiscal year 2009-2010, the City completed the construction of Piercy Park, a turnkey park located in Council District 2. This park was opened to the public for use in FY 2009-2010, adding 0.70 acre to the City's park inventory.

Staff will continue to monitor the economy and revenues available for operations and maintenance of facilities. Staff will track grant funding sources, although few are commonly available for operations and maintenance. Staff will continue to report to council as part of the annual budget process regarding the status of the capital projects.

EVALUATION AND FOLLOW-UP

Consistent with City Council direction in June 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

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- 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. **(Required: E-mail and Website Posting)**
- 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. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This memorandum reports on the implementation of Council-approved recommendations relating to the reconciliation of the Park Trust Fund. It does not meet any of the criteria listed above. However, this memorandum will be posted on the City's website for the February 15, 2011 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 and the Finance Department.

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

HONORABLE MAYOR AND CITY COUNCIL

02-07-11

Subject: PARK TRUST FUND ANNUAL REPORT FOR FY 2009-10

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CEQA

Not a project, File No. PP10-069 (a), annual reports

/s/

ALBERT BALAGSO
Director of Parks, Recreation and
Neighborhood Services

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

Attachments

Attachment A
Information Required by the Mitigation Fee Act
A Report on PIO fees for the Fiscal Year ending June 30, 2010.

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, 2010.

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 and 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 were effective from February 2, 2009 to June 13, 2010.

A list of public improvements on which PIO fees were expended in FY 2009-2010 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.

Attachment A
Information Required By The Mitigation Fee Act

2009 - 2010 PARK IMPACT FEE COLLECTIONS						
DEVELOPER	FEES PAID	DATE PAID	PROJECT DESCRIPTION	2009-2010 PROJECT EXPENSES*	2009-2010 ENDING BALANCE**	% of FEES' CONTRIBUTION TO TOTAL PROJECT COST
Edwin Bruce Associates	\$ 4,850	4/13/2010	Council District 1 Uncommitted Funds	\$ -	\$ 4,334	
Doherty Patrick And Karen	\$ 27,950	8/4/2009	Council District 3 Uncommitted Funds	\$ -	\$ 25,325	
San Salvador, LLC John T. Kufchak	\$ 31,750	12/23/2009	Watson Park Phase II Development - Soccer Field	\$ -	\$ 28,526	1.05%
Brookwood Terrace Family Apartments, L.P.	\$ 10,425	3/19/2010	Council District 3 Uncommitted Funds	\$ -	\$ 9,326	
Core Homes, LLC Chris Neale	\$ 20,850	3/25/2010	Council District 3 Uncommitted Funds	\$ -	\$ 18,639	
Sobrato Development	\$1,435,734	6/10/2010	Council District 3 Uncommitted Funds	\$ -	\$1,333,558	
First Community Housing	\$ 20,850	6/11/2010	Council District 3 Uncommitted Funds	\$ -	\$ 18,784	
Hosseini Ali And Sandra Trustee	\$ 2,600	8/17/2009	Council District 4 Uncommitted Funds	\$ -	\$ 2,354	
Hua Di	\$ 2,275	6/16/2010	Council District 5 Uncommitted Funds	\$ -	\$ 2,049	
De Mattei Construction	\$ 31,750	8/21/2009	Council District 6 Uncommitted Funds	\$ -	\$ 28,734	
Terry Pries	\$ 20,850	10/9/2009	Bramhall Park Play Lot Renovation	\$ -	\$ 18,806	2.0%
Sullivan Bill	\$ 4,850	11/24/2009	Council District 6 Uncommitted Funds	\$ -	\$ 4,360	
Darya Tiffany Partnership, A California General Partnership	\$ 52,300	2/18/2010	Council District 6 Uncommitted Funds	\$ -	\$ 46,789	
Nong Dung Hung	\$ 2,275	7/14/2009	Solari Park Sports Field Conversion	\$ 2,059	\$ -	0.07%
Latala Homes Inc	\$ 2,275	10/27/2009	Trail: Thompson Creek	\$ -	\$ 2,054	0.44%
Tran Anh Ngoc Trustee	\$ 2,275	1/29/2010	Trail: Thompson Creek	\$ -	\$ 2,041	0.43%
William Wilson	\$ 15,850	5/13/2010	Council District 8 Uncommitted Funds	\$ -	\$ 14,150	
Access Development Group Inc	\$ 18,150	5/20/2010	Council District 9 Uncommitted Funds	\$ -	\$ 16,200	
Raman Patel	\$ 15,850	7/24/2009	Reserve: Trail: Guadalupe River (Branham-Chynoweth)	\$ -	\$ 14,365	1.2%
Total	\$ 1,723,709			\$ 2,059	\$ 1,590,393	

*Excludes the fee's share of the administrative costs

** Reflects Deduction for Administrative Costs and Addition of Interest Earnings

PROJECTS CONTINUING FROM 2008-09							
DEVELOPER	FEES PAID	DATE PAID	BEGINNING FISCAL YEAR 2009-2010 BALANCE	PROJECT DESCRIPTION	2009-2010 PROJECT EXPENSES*	2009-2010 ENDING BALANCE*	% of FEES' CONTRIBUTION TO TOTAL PROJECT COST
Neighborhood Housing Services - Silicon Valley	\$ 15,700	6/20/2006	\$ 750	Re-appropriated to Watson Park Phase II Development - Soccer Field (Savings from Ryland Pool Restoration)	\$ 750	\$ -	0.04%
Paseo Villas, L.P. (\$718,000)	\$ 159,277	7/25/2005	\$ 72,841	Re-appropriated to Watson Park Phase II Development - Soccer Field (Savings from Roosevelt Gym Design)	\$ -	\$ 72,841	4.3%
Paseo Villas, L.P.	\$ 174,149	7/25/2005	\$ 124,482	Re-appropriated to Watson Park Phase II Development - Soccer Field (Savings from Roosevelt Com Ctr - Multi Service)	\$ -	\$ 124,482	7.3%
Alfred Wong	\$ 57,000	6/21/2007	\$ 3,325	Re-appropriated to Watson Park Phase II Development - Soccer Field (Savings from Guadalupe Gardens Community Garden)	\$ 3,325	\$ -	0.2%
Christine Thurman	\$ 15,700	7/10/2007	\$ 8,654	Backesto Park Minor Improvements	\$ 1,855	\$ 7,208	100%
Rivera Victor et al	\$ 10,800	6/26/2006	\$ 5,743	Biebrach Park Minor Improvements	\$ 3,134	\$ 2,609	100%
John Garcia	\$ 54,444	6/1/2007	\$ 639	Trail: Airport Parkway Under Crossing	\$ 639	\$ -	1.8%
Irvine Company Apartments 1(to Trail N SJ)	\$ 981,250	4/25/2005	\$ 498,964	Trail: Lower Guadalupe River (Gold St. to 880)	\$ 224,653	\$ 274,311	23.7%
Wlakup James & Jeri	\$ 12,550	9/15/2006	\$ 2,484	Re-appropriated to Trail: Penitencia Creek Reach 1 (Savings from Trail: Penitencia Creek @Viceroy)	\$ -	\$ 2,484	2.2%
Garcia Gilbert R & Brenda M	\$ 11,000	11/22/2005	\$ 5,748	Mt Pleasant Park Minor Improvements	\$ -	\$ 5,748	100%
CWD Development	\$ 15,700	6/8/2006	\$ 7,763	Wallenberg Park Minor Renovations	\$ 1,682	\$ 6,081	100%
Richard/Alma Shwe	\$ 26,500	9/23/2003	\$ 20,511	River Glen Park Improvements	\$ -	\$ 20,511	100%

DEVELOPER	FEES PAID	DATE PAID	BEGINNING FISCAL YEAR 2009-2010 BALANCE	PROJECT DESCRIPTION	2009-2010 PROJECT EXPENSES*	2009-2010 ENDING BALANCE*	% of FEES' CONTRIBUTION TO TOTAL PROJECT COST
Robert Drafting Service	\$ 11,000	12/13/2004	\$ 331	Reappropriated to Solari Park Ball Fields Upgrade (Savings from Ramblewood Park Improvements)	\$ 331	\$ -	0.01%
Lancar Development	\$ 42,450	4/20/2006	\$ 36,712	Paul Moore Park Renovations	\$ 36,712	\$ -	0.2%
Rockwell Homes, Inc. Mack Mohsen	\$ 169,800	12/19/2007	\$ 54,853	Camden Multi Service Community Ctr.	\$ -	\$ 54,853	0.9%
Total	\$1,757,320				\$ 273,081	\$ 571,128	

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

Attachment B
CITY OF SAN JOSE
SPECIAL REVENUE FUND
SUBDIVISION PARK TRUST - FUND 375
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

		For the Year Ended June 30, 2010
REVENUES		
Charges for Current Services	\$	1,852,707
Interest		(22,632)
Total Revenues		<u>1,830,075</u>
EXPENDITURES		
Capital Expenditures		7,160,147
Capital Outlay		1,405,260
Total Expenditures		<u>8,565,407</u>
Excess (deficiency) of revenues over expenditures		<u>(6,735,332)</u>
OTHER FINANCING SOURCES (USES)		
Transfers out		<u>(2,854,677)</u>
Total other financing sources (uses)		<u>(2,854,677)</u>
Net Change in Fund Balance		(9,590,009)
Fund balance - July 1, 2009		90,867,948
Fund balance - June 30, 2010	\$	<u>81,277,939</u>
Cash Reconciliation		
Beginning Cash July 1, 2009	\$	81,655,718
Adjustments to Cash		
Current Year Net Income/Loss		(9,590,009)
SERAF Loan		(3,000,000)
Unrealized Gain/Loss on Investments		1,312,999
Accruals of Expenditures and Refunds		267,705
Cash Ending June 30, 2010	\$	<u>70,646,413</u>
Cash Components		
Funds Committed to Projects	61%	43,228,222
Reserves for Projects	26%	18,547,979
Administrative Overhead Allocation	2%	1,404,323
Uncommitted Funds	11%	7,465,889
Total	100%	<u>70,646,413</u>