



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Norberto Duenas

**SUBJECT: ADJUSTMENTS TO
PARKLAND FEES**

DATE: 04-18-11

Approved

Date

4/25/11

COUNCIL DISTRICT: Citywide

RECOMMENDATION

Adoption of a resolution setting forth the new Schedule of Parkland Fees charged pursuant to the San José Municipal Code Chapters 14.25 (“Park Impact Ordinance”) and 19.38 (“Parkland Dedication Ordinance”) to reflect the 2010 Residential Land Value Study to be effective on August 1, 2011.

OUTCOME

Acceptance of this memorandum and adoption of a new parkland fee resolution will enable the City to collect parkland fees that reflect the land values from the latest land value survey that was completed for the year 2010. The net effect of this resolution will result in decreased fees for developers in six of the 14 zones, an increase in two zones, and no changes in the remaining six zones.

BACKGROUND

The City of San José enacted the Parkland Dedication Ordinance (“PDO”)¹ 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”)², 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.

¹ San Jose Municipal Code Chapter 19.38

² San Jose Municipal Code Chapter 14.25

Under the PDO and PIO, housing developers are required to dedicate land, improve parkland, and/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 residential units included in the development. The most recent available Federal census data, when available, is used to determine the number of residents per dwelling unit.

Parkland fees may be paid in-lieu of the land dedication or construction requirement. The amount of fees to be paid in lieu of land dedication or construction 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 parkland fees from developers.

The Parkland Fee adjustment recommended in this memorandum is based on the 2010 Residential Land Value Study prepared by Diaz, Diaz & Boyd, Inc. a Real Property Valuation and Consultation Company. Key historical milestones in the process to annually adjust the fees based on land values include:

- In March 1998, the first report was completed for the study of residential land values in the City of San José and various identified neighborhoods charged pursuant to the PIO and PDO. This report incorporated the original 1997 study and has been updated annually since it was first completed.
- In January 2007, as part of a comprehensive update of the PIO and PDO, City Council directed that any future fee adjustments to the Schedule of Parkland Fees should be brought to the Parks and Recreation Commission (PRC) and the Neighborhood Services and Education Committee (NSE), and then to City Council on an annual basis.
- In December 2007 and September 2008, City Council approved a new Schedule of Parkland Fees to reflect the 2006 Study and 2007 Study (Resolution Nos. 74152 and 74608 respectively).
- On April 20, 2010 the City Council approved a new Schedule of Parkland Fees to reflect the 2009 Study.

ANALYSIS

A map showing Multiple Listing zones in San José is provided as Attachment A, the new proposed fees based on the 2010 land values are included as Attachment B and the existing fees based on 2009 land values are included as Attachment C. The 2010 Study was completed by Diaz, Diaz & Boyd, Inc. (Real Property Valuation and Consultation) on February 27, 2011. The Study indicated:

- Values in six of the 14 Multi-Listing zones in San José had gone down from 2009. The decrease in land values ranged from a 6% decrease in North San Jose to a 20% decrease in Alviso. The six zones with declining costs per square foot are Alviso, North San Jose, Santa Clara, Downtown, Cambrian and West San Jose. Each of these zones' cost per square foot declined by \$5.
- Values in six zones remained unchanged from 2009. The six zones where fees remain the same are Santa Teresa, Evergreen, Alum Rock, Berryessa, Blossom Valley and Almaden Valley.
- The value in two zones, Willow Glen and South San Jose, went up from 2009. Increases were 14% and 25% respectively. Each of these zones cost per square foot increased by \$5.

From July 1, 2010 through February 28, 2011, the City has collected parkland fees for 26 residential projects totaling \$4,658,910. Although this is an increase from the 19 collections totaling \$1,723,708 in 2009-2010, this is still far below normal. In Fiscal Year 2008-2009 - 42 projects paid fees totaling \$10.3 million.

State law requires the adoption of a fee or increase of a fee to be effective no sooner than 60 days following the final action by the City Council to adopt the fee, or to increase the fee. Therefore, if approved by City Council on May 10, 2011, staff is proposing that the Schedule of Parkland Fees set forth in Attachment B will go into effect on August 1, 2011. Any projects that: (1) have not fully paid parkland fees on or before August 1, 2011; or (2) have not entered into a fully executed parkland or turnkey parkland agreement on or before August 1, 2011; are subject to the proposed Schedule of Parkland Fees set forth in Attachment B. City will not enter into a parkland or turnkey parkland agreement for purposes of payment of parkland in-lieu fees unless a discretionary permit authorizing a particular land use has been issued for the project or the project has an approved tentative or parcel map, whichever occurs first, that will allow City to calculate parkland fees based on Attachment B.

Fees for High-Rise Multi-Family Residential Projects located in the Downtown Core Area

There is no proposed adjustment to the parkland fees associated with High-Rise Multi-Family Residential Projects located in the Downtown Core Area as defined in Section 2 of Resolution No. 73587.

On January 9, 2007, the City Council adopted Resolution No. 73587 to establish a temporary program providing incentives for the development of high-rise multi-family residential projects located in the Downtown Core Area east of Highway 87. Certain residential projects of 12 stories or more located in the specified area are eligible to pay a reduced fee of \$8,950 per high-rise unit until the temporary program automatically expires with the issuance of 2,500 building permits under the program. To date, approximately 873 high-rise multi-family residential units have been completed by four residential housing developments. These projects are listed below.

Multi- Family Residential Projects in Downtown Core Area		
Completed Projects	Street Location	No. of Units
Axis Condos	SW/c Carlysle & Notre Dame	330
The 88 Condos (Phase 1)	S/s E. San Fernando bet S. 2nd & S. 3rd	206
City Heights at Pellier Park	NW/c San Pedro & St. James predated	124
Mesa 360 Condos	NE/c Market & San Salvador	213
	Total	873

Fees for Secondary Units (Granny Units)

Parkland fees for secondary units will be adjusted based on Resolution No.74314 adopted by Council on April 8, 2008. Pursuant to Resolution No. 74314, parkland fees for secondary units are set at fifty percent (50%) of applicable fees for single-room occupancy (SRO) units.

Fees for Low Income Units

The parkland fees charged for “low income units” as defined in SJMC Chapters 14.25 and 19.38 are set at the rate of fifty percent (50%) of the applicable parkland fees for each residential unit type pursuant to Resolution No. 75540 adopted by Council on August 24, 2010.

EVALUATION AND FOLLOW-UP

Staff will continue to bring forward any future fee adjustments to the Schedule of Parkland Fees to the Parks and Recreation Commission and then to City Council to reflect the findings of the Residential Land Value Study on an annual basis as opposed to first going to the Neighborhood Services and Education Committee in order to expedite the process. Staff will process the fee adjustments effective on August 1st, seven months after the end of the calendar year.

POLICY ALTERNATIVES

Alternative #1: Do not adjust fees and leave them consistent with the 2009 land values.

Pros: The fees for the two areas that have increased in value will stay the same which could help development in Willow Glen and South San Jose.

Cons: Adjustment of the fees to accurately reflect the latest land values allows the fees in six zones to decrease, which will help development in these areas.

Reason for Not Recommending: This alternative is not consistent with the City’s goal to encourage construction activity.

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)**

Although this item does not meet any of the special outreach criteria above, it will be posted in the San Jose Mercury News and the City Council's site on the City's website for the May 10, 2011 meeting. This action was presented and discussed with the Parks and Recreation Commission (4-6-11) and the Neighborhood Services and Education Committee (4-14-11).

COORDINATION

This memorandum has been coordinated with the City Manager's Budget Office and the City Attorney's Office.

FISCAL/POLICY ALIGNMENT

Not applicable

COST SUMMARY/IMPLICATIONS

Not applicable

BUDGET REFERENCE

Not applicable

HONORABLE MAYOR AND CITY COUNCIL

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CEQA

Not a project: File No. PP10-067(a), Adjustments to Fees, CEQA Guidelines Section 15273.

/s/

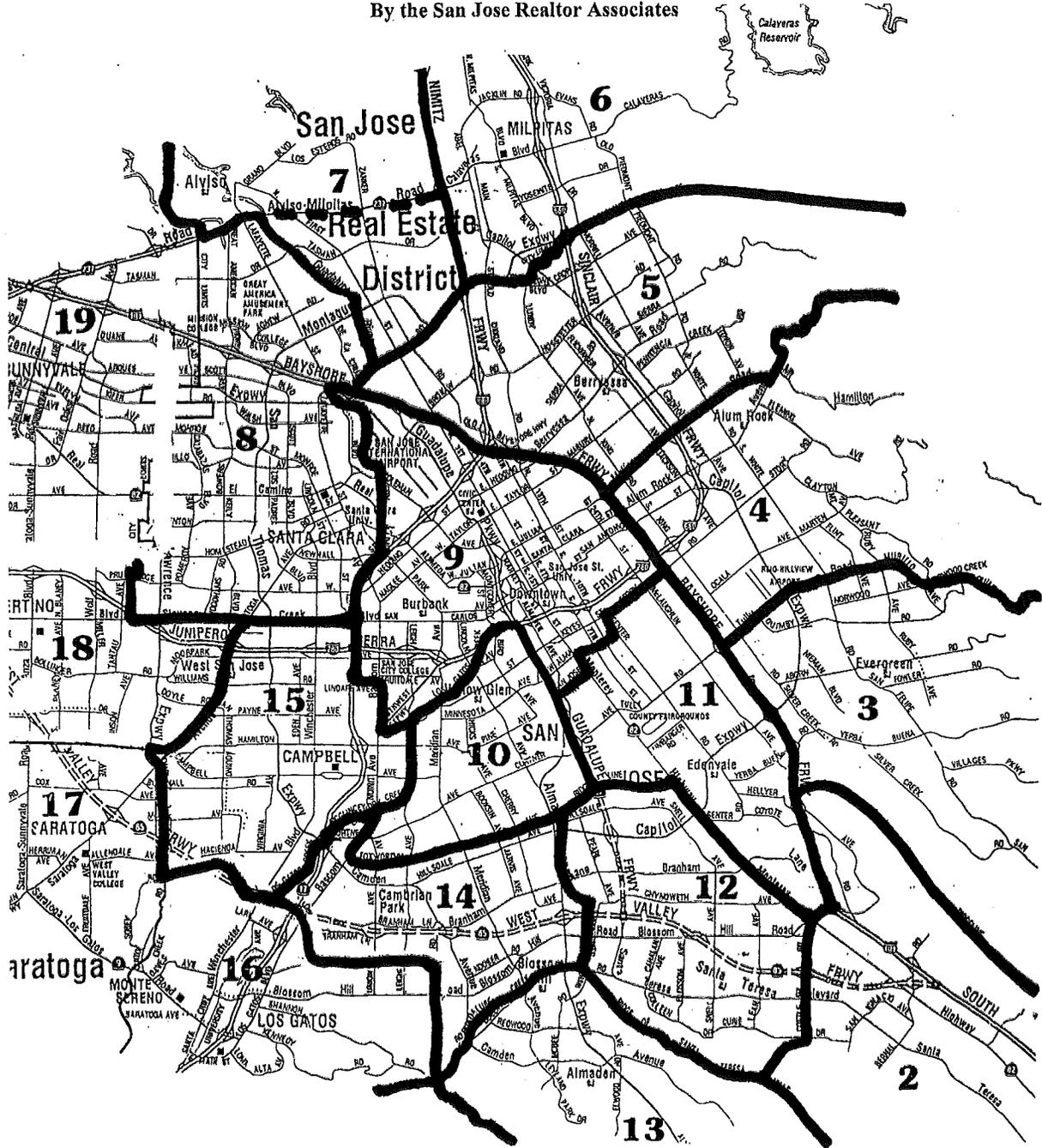
NORBERTO DUENAS
Deputy City Manager/Acting Director of
Parks, Recreation and Neighborhood Services

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

Attachments: A) Multiply Listing Service Zones
B) Proposed New Fees
C) Existing Fees

ATTACHMENT A

Multiply Listings Service Zones
By the San Jose Realtor Associates



Attachment B

PROPOSED FEES SET AT 100% OF 2010 LAND VALUES

MLS ZONE	AREA COVERED	100% OF COST PER SQUARE FOOT	PROPOSED FEE PER UNIT*					
			SINGLE FAMILY DETACHED	SINGLE FAMILY ATTACHED	MULTI-FAMILY 2-4 UNITS	MULTI-FAMILY 5+ UNITS	SINGLE RESIDENCY OCCUPANCY UNIT (SRO)	Secondary Residential Unit (Granny Unit) Maximum of 700 sq feet
<i>Number of Persons Per Unit - 2000 Census Data or Adopted by Council</i>			3.50	3.06	3.23	2.29	1.00	0.50
2	SANTA TERESA	\$20.00	\$ 9,100	\$ 8,000	\$ 8,400	\$ 6,000	\$ 2,600	\$ 1,300
3	EVERGREEN	\$25.00	\$ 11,400	\$ 10,000	\$ 10,600	\$ 7,500	\$ 3,300	\$ 1,650
4	ALUM ROCK	\$20.00	\$ 9,100	\$ 8,000	\$ 8,400	\$ 6,000	\$ 2,600	\$ 1,300
5	BERRYESSA	\$20.00	\$ 9,100	\$ 8,000	\$ 8,400	\$ 6,000	\$ 2,600	\$ 1,300
7	ALVISO (North of 237)	\$20.00	\$ 9,100	\$ 8,000	\$ 8,400	\$ 6,000	\$ 2,600	\$ 1,300
7	NORTH SAN JOSE (So. of 237)	\$70.00	\$ 32,000	\$ 28,000	\$ 29,500	\$ 20,900	\$ 9,100	\$ 4,550
8	SANTA CLARA	\$25.00	\$ 11,400	\$ 10,000	\$ 10,600	\$ 7,500	\$ 3,300	\$ 1,650
9	DOWNTOWN	\$70.00	\$ 32,000	\$ 28,000	\$ 29,500	\$ 20,900	\$ 9,100	\$ 4,550
10	WILLOW GLEN	\$40.00	\$ 18,300	\$ 16,000	\$ 16,900	\$ 12,000	\$ 5,200	\$ 2,600
11	SOUTH SAN JOSE	\$25.00	\$ 11,400	\$ 10,000	\$ 10,600	\$ 7,500	\$ 3,300	\$ 1,650
12	BLOSSOM VALLEY	\$25.00	\$ 11,400	\$ 10,000	\$ 10,600	\$ 7,500	\$ 3,300	\$ 1,650
13	ALMADEN VALLEY	\$25.00	\$ 11,400	\$ 10,000	\$ 10,600	\$ 7,500	\$ 3,300	\$ 1,650
14	CAMBRIAN	\$25.00	\$ 11,400	\$ 10,000	\$ 10,600	\$ 7,500	\$ 3,300	\$ 1,650
15 & 18	WEST SAN JOSE	\$30.00	\$ 13,700	\$ 12,000	\$ 12,700	\$ 9,000	\$ 3,900	\$ 1,950
9- DC	Downtown Core - East of Highway 87 HighRise Projects 12+ Stories		NA	NA	NA	\$8,950**	NA	NA

* Fees for Low Income Units shall be at the rate of 50% of the applicable parkland fees for each residential unit type per Section 1 of Resolution No. 75540

** These fees are subject to provisions of Section 2 of Resolution No. 73587

ATTACHMENT C CURRENT FEES

FEES SET AT 100% OF 2009 LAND VALUES

MLS ZONE	AREA COVERED	100% OF COST/ SQUARE FOOT	FEE PER UNIT					Secondary Residential Unit (Granny Unit) Maximum of 700 sq feet**
			SINGLE FAMILY DETACHED	SINGLE FAMILY ATTACHED	MULTI-FAMILY 2-4 UNITS	MULTI-FAMILY 5+	SINGLE RESIDENCY OCCUPANCY UNIT (SRO)	
<i>Number of Persons Per Unit- 2000 Census Data</i>			3.50	3.06	3.23	2.29	1.00	0.50
<i>Number of Dwelling Units to create 1 acre of Raw Parkland</i>			95	109	103	146	333	na
2	SANTA TERESA	\$ 20.00	9,100	8,000	8,400	6,000	2,600	1,300
3	EVERGREEN	\$ 25.00	11,400	10,000	10,600	7,500	3,300	1,650
4	ALUM ROCK	\$ 20.00	9,100	8,000	8,400	6,000	2,600	1,300
5	BERRYESSA	\$ 20.00	9,100	8,000	8,400	6,000	2,600	1,300
7	ALVISO (North of 237)	\$ 25.00	11,400	10,000	10,600	7,500	3,300	1,650
7	NORTH SAN JOSE (So. of 237)	\$ 75.00	34,300	30,000	31,700	22,400	9,800	4,900
8	SANTA CLARA	\$ 30.00	13,700	12,000	12,700	9,000	3,900	1,950
9	DOWNTOWN	\$ 75.00	34,300	30,000	31,700	22,400	9,800	4,900
10	WILLOW GLEN	\$ 35.00	16,000	14,000	14,800	10,500	4,600	2,300
11	SOUTH SAN JOSE	\$ 20.00	9,100	8,000	8,400	6,000	2,600	1,300
12	BLOSSOM VALLEY	\$ 25.00	11,400	10,000	10,600	7,500	3,300	1,650
13	ALMADEN VALLEY	\$ 25.00	11,400	10,000	10,600	7,500	3,300	1,650
14	CAMBRIAN	\$ 30.00	13,700	12,000	12,700	9,000	3,900	1,950
15 & 18	WEST SAN JOSE	\$ 35.00	16,000	14,000	14,800	10,500	4,600	2,300
9- DC	Downtown Core- East of Highway 237 High Rise Projects 12+ Stories		NA	NA	NA	\$ 8,950*	NA	NA

* These fees are subject to provisions of Section 2 of Resolution No. 73587

** These fees are subject to Resolution No. 74314