



CITY OF SAN MATEO

City Hall
330 W. 20th Avenue
San Mateo, CA 94403
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Administrative Report

Agenda Number: 12., Status: Consent Calendar

TO: City Council
FROM: Larry A. Patterson, City Manager
PREPARED BY: Finance Department
MEETING DATE: Monday, November 21, 2016

SUBJECT:
Annual Report on Receipt and Use of Development Impact Fees and In-Lieu Fees

RECOMMENDATION

Adopt a Resolution to make findings and accept the annual report on receipt and use of development impact fees and in-lieu fees for the year ended June 30, 2016.

BACKGROUND

While state law only requires this report for development impact fees, this report addresses the City's in-lieu fees as well.

Development Impact Fees

The City of San Mateo assesses five development impact fees - Wastewater Treatment Plant Phase II Expansion Fee, Transportation Improvement Fee, South Trunk Area Sewer Improvement Fee, Child Care Development Fee, and Park Impact Fee.

Local governments often charge fees as a condition of approval for development projects to fund public improvements to compensate for demands on public resources. These fees are commonly known as development impact fees. In 1989, the State Legislature passed Assembly Bill 1600 (AB 1600), which added Sections 66000 et seq. to the California Government Code, commonly known as the Mitigation Fee Act. Government Code Section 66001 requires that the City make available to the public information regarding development impact fees within 180 days after the end of each fiscal year:

1. A brief description of the type of fee.
2. The amount of the fee.
3. The fee's beginning and ending balances for the fiscal year.
4. Total fees collected and the interest earned, if applicable.
5. Identification of each public improvement on which impact fees were expended and the amount of expenditure on each improvement, including the total percentage of the cost of the public improvement that was funded with impact fees.
6. Identification and timeline of public improvements any unexpended fees will be used for
 - a. This information is listed in Exhibit A to the Resolution. Exhibit A shows the five-year plan for public improvement projects and their anticipated expenditures related to the Mitigation Fee Act and Quimby Act. Specific details on each of the projects listed in Exhibit A can be found in the five-year capital improvement program section in the City's 2016-18 Business Plan, which is adopted by City Council on June 20, 2016.
7. Description and uses for transfers or loans of fees, if applicable.

Further, the Mitigation Fee Act requires that findings describing the continuing need for impact fees be made every five years specifying the intended use of any unexpended impact fees, regardless of whether the fees are committed or uncommitted. If findings are not presented as scheduled, the City may be subjected to go through a refunding procedure. The City is opting to make such findings every year.

In-Lieu Fees

The City of San Mateo assesses four in-lieu fees - Parking In-Lieu Fee, Art in Public Places Fee, Tree Replacement Fee, and Park In-Lieu Fee.

Park In-Lieu Fees are assessed pursuant to the Quimby Act under Government Code Section 66477. The other in lieu fees do not have statutory reporting requirements, but are included in this report for informational purposes. Under the Quimby Act, local governments may require the dedication of land for parks or the payment of fees in-lieu of land dedication as a condition of subdivision map approval. While park in-lieu fees are exempt from the reporting requirements included in the Mitigation Fee Act, these fees have separate Quimby Act reporting requirements. Specifically,

1. The City must develop a schedule specifying the use of land or fees to develop park or recreational facilities to serve the residents of the subdivision.
2. Any Quimby fees collected must be committed within five years after the payment of the fees or the issuance of building permits on one-half of the lots created by the subdivision, whichever occurs later.
3. If not committed, the fees shall be distributed and paid to the record owners of the subdivision in the same proportion that the size of the lot bears to the total area of lots within the subdivision (Gov. Code section 66477(a)(6)).

This report complies with requirement of the Mitigation Fee Act and the Quimby Act outlined above.

Analysis

Development Impact Fees

Wastewater Treatment Plant Phase II Expansion Fee

In April 2005, construction began to increase capacity of the wastewater treatment plant, and construction was substantially completed in the spring of 2009. Funds from the Sewer Enterprise Fund were used to pay for the expansion project. Under a Joint Powers Agreement (JPA), the treatment plant is partially owned by the Estero Municipal Improvement (Foster City). Based on San Mateo's share of the treatment plant, and based on the total projected cost attributable to development based on the 2005 expansion study, the amount that is to be recovered through development fees is \$3.52 million in total.

The Wastewater Treatment Plant Phase II Expansion Fee is imposed on all development that results in a change of use and that adds more sewage to the City's sewage treatment system. The fee took effect on July 1, 2006 and will continue to be charged until \$3.52 million is collected. Funds collected are transferred annually to the fund balance of the Sewer Enterprise Fund, as a repayment to the Fund for the expansion cost. As shown in the 2015-16 Comprehensive Fee Schedule, the fee is \$2.34 per gallon of average daily flow, which is determined by reference to site sewer study or engineering standards.

The following table shows collections in 2015-16, as well as collections to date.

Wastewater Treatment Plant Expansion Impact Fee	2015-16
Beginning Balance	\$ -
Developer Fees	\$ 445,998
Interest Income / (Expense)	\$ -
Transfer to Sewer Enterprise Fund	\$ (445,998)
Ending Balance	\$ -

Collections to Date

Total developer fees collected as of 2015-16	\$ 1,631,211
Total developer fees needed	\$ 3,520,000
% collected	46%

Transportation Improvement Fee

San Mateo Municipal Code Chapter 27.13 establishes a transportation improvement fee for new development to fund City-wide traffic improvements to mitigate the cumulative impacts of new development and to accommodate future development. The fee is charged as shown in the 2015-16 Comprehensive Fee Schedule:

Residential

- Single-family Per dwelling unit \$3,422
- Multi-family Per dwelling unit \$2,101

Commercial and Industrial

- Retail Per 1,000 sq. ft. \$5,893
- Office Per 1,000 sq. ft. \$3,135
- Industrial Per 1,000 sq. ft. \$2,042

The following table shows activities in 2015-16.

Transportation Improvement Fee	2015-16
Beginning Balance	\$ 5,465,570
Developer Fees	\$ 2,821,168
Interest Income / (Expense)	\$ 58,135
Expenditures	\$ (897,333)
Ending Balance	\$ 7,447,540

2015-16 Transportation Improvement Fee	Total Expended	Impact Fees Used	% of Total
Project Expenditures:			
462202 Rail Corridor Grade Separation	\$ 129,156	\$ 129,156	100%
462204 Hillsdale Station Relocation Plan	\$ 7,632	\$ 7,632	100%
462225 El Camino @ Hwy92 Interchange Improv	\$ 1,445,820	\$ 612,927	42%
465004 Citywide Bide/Ped Path Improvements	\$ 331,291	\$ 37,989	11%

466600 Citywide Traffic Calming	\$	41,906	\$	41,906	100%
466601 Traffic Model Update	\$	90,486	\$	67,420	75%
467005 20th Ave/ECR SB Right Turn Lane	\$	7,014	\$	303	4%
Total Expenditures:	\$	2,053,305	\$	897,333	44%

The total ending balance as of the end of fiscal year 2015-16 was \$7,447,540. The fund balance and continued collection of the Transportation Improvement Fee will be utilized to fund the project(s) listed in Exhibit A.

South Trunk Area Sewer Improvement Fee

San Mateo Municipal Code Chapter 3.54 establishes a development impact fee for the South Trunk area sewer improvements. The fee is imposed on all development and redevelopment contributing to the South Trunk line and became effective on March 1, 2008. The fee is charged as shown in the 2015-16 Comprehensive Fee Schedule:

Single-family dwelling	Per dwelling unit	\$4,638
Multi-family dwelling, 1 bedroom	Per dwelling unit	\$2,319
Multi-family dwelling, 2 bedroom	Per dwelling unit	\$3,479
Multi-family dwelling, 3 bedroom	Per dwelling unit	\$4,638
Hotels or motels	Per room	\$2,319
Non-residential	Per fixture unit	\$ 232

The following table shows activities in 2015-16.

South Trunk Area Sewer Impact Fee	2015-16
Beginning Balance	\$ 1,724,923
Developer Fees	\$ 412,218
Interest Income / (Expense)	\$ 12,811
Expenditures	\$ (543,280)
Ending Balance	\$ 1,606,672

2015-16

South Trunk Area Sewer Impact Fee	Total Expended	Impact Fees Used	% of Total
Project Expenditures:			
469911 South Trunk System Upgrade	\$ 543,280	\$ 543,280	100%
Total Expenditures:	\$ 543,280	\$ 543,280	100%

The total ending balance as of the end of fiscal year 2015-16 was \$1,606,672. The fund balance and continued collection of the South Trunk Area Sewer Impact Fee will be utilized to fund the project(s) listed in Exhibit A.

Child Care Development Fee

The Child Care Development Fee, which became effective on July 1, 2004 pursuant to City Council Resolution No. 34, is collected to mitigate the impact of commercial development on the need for child care facilities. The fee is imposed on commercial projects over 10,000 sq. ft. and is charged \$1.08 per sq. ft. as shown in the 2015-16 Comprehensive Fee Schedule.

The following table shows activities in 2015-16.

Child Care Development Fee	2015-16
Beginning Balance	\$ 503,570
Developer Fees	\$ 404,462
Interest Income / (Expense)	\$ 6,680
Expenditures	\$ -
Ending Balance	\$ 914,712

The total ending balance as of the end of fiscal year 2015-16 was \$914,712. A public improvement project is not currently identified in the five-year plan. The Child Care Development Fee will continue to be collected to build its fund balance, and potential projects will be identified as the fund balance reaches to an appropriate level. Projects may include funding for a new child care facility or to expand a current facility.

Park Impact Fee

Under San Mateo Municipal Code Chapter 13.05, a park impact fee is established for the construction of new residential units to accommodate the increased demand on park and recreation facilities. The fee is charged as shown in the 2015-16 Comprehensive Fee Schedule:

Per residential unit type:	
Single family	\$19,105 per unit
Multi-family 2-4 units	\$19,392 per unit
Multi-family +5 units	\$13,882 per unit
Mobile homes	\$27,798 per unit

No park impact fees were collected in 2015-16, and no fund balance has been accumulated for this fee, as funds that were collected in prior years were all expended on projects to improve park and recreation facilities.

The Council is asked to make the following findings regarding development impact fees collected but not expended - these findings are detailed in the proposed resolution:

1. Development impact fees are collected to mitigate direct and indirect impacts from development.
2. These funds are expended in a timely manner to fund continued improvements to public facilities related to the increased demand on the facilities resulting from development.
3. There is a reasonable relationship between these impact fees and their purpose.
4. These impact fees continue to be required to fund applicable improvements, and as such, these fees will continue to be collected for utilization solely for their intended purpose.

In-Lieu Fees

Parking In-Lieu Fee

San Mateo Municipal Code Chapter 11.62 establishes a parking in-lieu fee for new development to fund for additional parking in downtown San Mateo. Applicants for planning approval within the Central Parking Improvement District may pay a fee in lieu of providing required parking on the property site in accordance with Title 27 of the municipal code. As shown in the 2015-16 Comprehensive Fee Schedule, the fee is \$12,000

per space.

The following table shows activities in 2015-16.

Parking In-Lieu Fee	2015-16
Beginning Balance	\$ 2,032,140
Developer Fees	\$ 1,938,100
Interest Income / (Expense)	\$ 41,379
Expenditures	\$ -
Ending Balance	\$ 4,011,619

The total ending balance as of the end of fiscal year 2015-16 was \$4,011,619. The fund balance and continued collection of the Parking In-Lieu Fee will be utilized to fund the project(s) listed in Exhibit A.

Art in Public Places Fee

San Mateo Municipal Code Chapter 23.60 establishes a fee on developers in lieu of placing approved artwork at the development sites to balance the community's physical growth and revitalization with its cultural and artistic resources. The fee is applicable to commercial and multi-family residential projects exceeding three million dollars in building permit valuation, which is computed using the latest building valuation data as set forth by the International Conference of Building Officials (ICBO) unless, in the opinion of the Building Official, a different valuation measure should be used. As shown in the 2015-16 Comprehensive Fee Schedule, the fee is charged 0.5% of total building valuation.

The following table shows activities in 2015-16.

Art in Public Places Fee	2015-16
Beginning Balance	\$ 151,624
Developer Fees	\$ -
Interest Income / (Expense)	\$ 9
Expenditures	\$ (30,000)
Ending Balance	\$ 121,633

2015-16

Art in Public Places Fee	Total Expended	In-Lieu Fees Used	% of Total
Project Expenditures:			
310330 Art in Public Places	\$ 30,000	\$ 30,000	100%
Total Expenditures:	\$ 30,000	\$ 30,000	100%

The total ending balance as of the end of fiscal year 2015-16 was \$121,633. A public improvement project is not currently identified in the five-year plan; however, funding in the amount of \$80,000 from art in lieu fees has been set aside for a sculpture at Gateway Park. Funds set aside will be used for public artwork display as proposals are received and approved.

Tree Replacement Fee

San Mateo Municipal Code Chapter 27.71 establishes a fee on all development requiring approval of a

planning application, except for single-family dwelling design review applications, for the removal of existing trees on development sites. The fee is imposed if the trees to be removed are not made up with replacement trees on-site. As shown in the 2015-16 Comprehensive Fee Schedule, the fee is charged \$294 per landscape unit, which is a unit of measurement that indicates the worth of each tree that is to be removed relative to the tree that is to be replaced.

Under San Mateo Municipal Code Chapter 13.35, the City may also impose a fee to any person or entity for removing trees that encroach on City street. The fee is imposed if the tree to be removed is not replanted with a like tree satisfying City requirements. The fee is to be used by the City for plantings on public land. As shown in the 2015-16 Comprehensive Fee Schedule, the tree replacement cost is \$350 per tree.

The following table shows activities in 2015-16.

Tree Replacement Fee	2015-16
Beginning Balance	\$ 721,263
Developer Fees	\$ 328,503
Interest Income / (Expense)	\$ -
Expenditures	\$ (403,828)
Ending Balance	\$ 645,937

2015-16

Tree Replacement Fee	Total Expended	In-Lieu Fees Used	% of Total
Project Expenditures:			
610008 Tree Planting - Parks Division	\$ 403,828	\$ 403,828	100%
Total Expenditures:	\$ 403,828	\$ 403,828	100%

The total ending balance as of the end of fiscal year 2015-16 was \$645,937. The fund balance and continued collection of the Tree Replacement Fee will be utilized to fund the project(s) listed in Exhibit A.

Park In-Lieu Fee

San Mateo Municipal Code Chapter 26.64 establishes a park in-lieu fee on subdivisions in residential planning application projects. Pursuant to the authority of the Subdivision Map Act, and in conformity with the parks and recreation element of the General Plan, the fee is imposed as a condition of final approval of a subdivision or parcel map for park and recreation facilities to serve the subdivision. The fee is charged as shown in the 2015-16 Comprehensive Fee Schedule:

Per residential unit type:	
Single family	\$19,105 per unit
Multi-family 2-4 units	\$19,392 per unit
Multi-family 5+ units	\$13,882 per unit
Mobile homes	\$27,798 per unit

The following table shows activities in 2015-16.

Park In-Lieu Fee	2015-16
Beginning Balance	\$ 5,141,730
Developer Fees	\$ 5,676,324

Interest Income / (Expense)	\$ 57,355
Expenditures	\$ (2,954,266)
Ending Balance	\$ 7,921,142

2015-16

Park In-Lieu Fee	Total Expended	In-Lieu Fees Used	% of Total
Project Expenditures:			
610015 Citywide Park Irrigation & Drainage	\$ 24,673	\$ 5,377	22%
610017 Citywide Park Play Area Upgrade	\$ 2,250,240	\$ 2,138,573	95%
610023 Sports Fields Conversion: Synthetic Turf	\$ 964,809	\$ 504,459	52%
610027 Central Park	\$ 185,568	\$ 94,244	51%
610030 Park Site Amenities	\$ 167,787	\$ 167,787	100%
610033 Citywide Park Pathway Rehabilitation	\$ 43,826	\$ 43,826	100%
Total Expenditures:	\$ 3,636,903	\$ 2,954,266	81%

The beginning fund balance for 2015-16 is \$5,141,730, and \$2,954,266 of that was expended during the year for projects listed in the table above. The remaining balance, along with the developer fees that were collected in 2015-16, is committed to the projects listed in Exhibit A.

BUDGET IMPACT

There is no budget impact resulting from this report.

ENVIRONMENTAL DETERMINATION

This project is exempt from CEQA requirements as an administrative activity that will not have a significant effect on the environment per Guidelines Section 15378(b)(4).

NOTICE PROVIDED

All meeting noticing requirements were met.

ATTACHMENTS

- Att 1 - Proposed Resolution
 - Exhibit A - Public Improvement Project Expenditures Related to the Mitigation Fee Act and Quimby Act Five-Year Plan

STAFF CONTACT Drew Corbett, Assistant City Manager
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(650)522-7102

**CITY OF SAN MATEO
RESOLUTION NO. 112 (2016)**

**ACCEPTING THE ANNUAL REPORT ON RECEIPT AND USE OF DEVELOPMENT
IMPACT FEES AND IN-LIEU FEES FOR THE YEAR ENDED JUNE 30, 2016 AND MAKING
FINDINGS REGARDING DEVELOPMENT IMPACT FEES COLLECTED BUT
NOT EXPENDED**

WHEREAS, Government Code Sections 66000 et seq., commonly known as the Mitigation Fee Act, regulate the imposition, collections, expenditure, and reporting of development impact fees; and

WHEREAS, Government Code Section 66001 requires that certain information be made available to the public regarding development impact fees on an annual basis; and

WHEREAS, Government Code Section 66001 requires the City Council to make findings describing the continuing need for impact fees every five years specifying the intended use of any unexpended impact fees; and

WHEREAS, the City of San Mateo assesses five development impact fees – Wastewater Treatment Plant Phase II Expansion Fee, Transportation Improvement Fee, South Trunk Area Sewer Improvement Fee, Child Care Development Fee, and Park Impact Fee; and

WHEREAS, the City Council of the City of San Mateo has read and considered the Development Impact Fees and In-Lieu Fees Annual Report for the Year Ended June 30, 2016, and all accompanying attachments; and

WHEREAS, acceptance of this report is an administrative activity that will not impact the environment and is therefore exempt from CEQA review in accordance with CEQA Guidelines section 15378(b)(5);

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF SAN MATEO, CALIFORNIA, FINDS AND RESOLVES, that:

1. The City Council accepts the Development Impact Fees and In-Lieu Fees Annual Report (Report) for the Year Ended June 30, 2016, with attachments, and a copy is on file in the City Clerk's Office.
2. Based on the Report and the schedule for expenditure of improvements attached as Exhibit A to this resolution, the City Council makes the following findings with regard to the development impact fees collected but not expended and listed below:
 - a. Wastewater Treatment Plant Phase II Expansion Fee:
 - (1) This fee is used to build wastewater treatment plant infrastructure that is necessary to serve new development.
 - (2) There is a reasonable relationship between the fee and its purpose, because the amount of the fee is determined based on the anticipated amount of wastewater that will be generated by new development.
 - (3) The sources and amounts of funding anticipated to complete the financing of the incomplete public improvements are shown in Exhibit A.

(4) The approximate dates on which the necessary funding is expected to be deposited are shown in Exhibit A.

b. Transportation Improvement Fee

(1) This fee is used to build transportation infrastructure that is necessary to serve new development.

(2) There is a reasonable relationship between the fee and its purpose, because the amount of the fee is determined based on the anticipated amount of traffic that will be generated by new development.

(3) The sources and amounts of funding anticipated to complete the financing of the incomplete public improvements are shown in Exhibit A.

(4) The approximate dates on which the necessary funding is expected to be deposited are shown in Exhibit A.

c. South Trunk Area Sewer Improvement Fee

(1) This fee is used to build sewer infrastructure that is necessary to serve new development.

(2) There is a reasonable relationship between the fee and its purpose, because the amount of the fee is determined based on the anticipated amount of sewage that will be generated by new development.

(3) The sources and amounts of funding anticipated to complete the financing of the incomplete public improvements are shown in Exhibit A.

(4) The approximate dates on which the necessary funding is expected to be deposited are shown in Exhibit A.

d. Child Care Development Fee

(1) This fee will be used to support child care facilities that are necessary in order to serve new development.

(2) There is a reasonable relationship between the fee and its purpose, because the amount of the fee is determined based upon the anticipated need for child care that will be generated by new commercial development.

(3) The sources and amounts of funding expected to complete the anticipated projects are shown in Exhibit A.

(4) The approximate dates on which the necessary funding is expected to be deposited are shown in Exhibit A.

e. Park Impact Fee

(1) This fee is used to develop parkland and parkland improvements that are necessary to serve new development.

(2) There is a reasonable relationship between the fee and its purpose, because the amount of the fee is determined based on the need for parkland and parkland improvements that will be generated by new development.

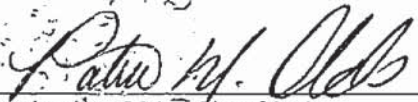
(3) The sources and amounts of funding anticipated to complete the planned projects are shown in Exhibit A.

(4) The approximate dates on which the necessary funding is expected to be deposited are shown in Exhibit A.


RESOLUTION NO. 112 (2016) adopted by the City Council of the City of San Mateo, California, at a regular meeting held on November 21, 2016, by the following vote of the City Council:

AYES: Council Members Goethals, Lim, Freschet and Papan
NOES: None
ABSENT: Bonilla

ATTEST:



Patrice M. Olds, City Clerk



Joe Goethals, Mayor

City of San Mateo
Public Improvement Project Expenditures Related to the Mitigation Fee Act and Quimby Act
Five-Year Plan

Projects *	Funding Source	Anticipated Expenditure Timeframe					Total
		2016-17	2017-18	2018-19	2019-20	2020-2021	
462202 Rail Corridor Grade Separation	Transportation Improvement Fee	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ -	\$ -	\$ 6,000,000
462204 Hillsdale Station Relocation Plan	Transportation Improvement Fee	\$ 60,000	\$ -	\$ -	\$ -	\$ -	\$ 60,000
466600 Citywide Traffic Calming	Transportation Improvement Fee	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 750,000
466601 Traffic Model Update	Transportation Improvement Fee	\$ 40,000	\$ 50,000	\$ 50,000	\$ 60,000	\$ 60,000	\$ 260,000
469911 South Trunk System Upgrade	South Trunk Area Sewer Impact Fee	\$ 550,000	\$ 90,000	\$ 55,000	\$ 50,000	\$ 50,000	\$ 795,000
461007 New Downtown Parking Garage	Parking In-Lieu Fee	\$ 200,000	\$ 1,000,000	\$ 2,430,000	\$ -	\$ -	\$ 3,630,000
610008 Tree Planting - Parks Division	Tree Replacement Fee	\$ 200,000	\$ 150,000	\$ 75,000	\$ 50,000	\$ 75,000	\$ 550,000
610016 Citywide Park Field Renovations	Park In-Lieu Fee	\$ 152,340	\$ -	\$ -	\$ -	\$ -	\$ 152,340
610023 Sports Fields Conversion: Synthetic Turf	Park In-Lieu Fee	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 2,000,000
610027 Central Park	Park In-Lieu Fee	\$ 25,000	\$ 3,000,000	\$ 2,500,000	\$ -	\$ -	\$ 5,525,000
610035 Citywide Park Special Facilities Upgrade	Park In-Lieu Fee	\$ 125,000	\$ -	\$ -	\$ -	\$ -	\$ 125,000
612917 Park Ren Shoreview Park MP & IMP	Park In-Lieu Fee	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000

* Specific details on each of these projects can be found in the five-year capital improvement program section in the City's 2016-18 Business Plan, which is adopted by City Council on June 20, 2016.