



CITY OF SAN MATEO

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Administrative Report

Agenda Number: 4., Status: Consent Calendar

File ID: 2018-879

TO: City Council
FROM: Larry A. Patterson, City Manager
PREPARED BY: Finance Department
MEETING DATE: Monday, December 03, 2018

SUBJECT:

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

RECOMMENDATION

Adopt a Resolution to make required findings and accept the annual report on receipt and use of development impact fees and in-lieu fees for the year ended June 30, 2018.

BACKGROUND

This Administrative Report serves as the City's annual report on development impact fees, as required by Government Code section 66006, and on park in-lieu fees, as required by Government Code section 66477. This report also addresses the City's other in-lieu fees and linkage fees, for informational purposes.

Development Impact Fees

Local governments often charge fees as a condition of approval for development projects to fund public improvements in order to compensate for the demands that the developments have 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. The City of San Mateo assesses four development impact fees - Wastewater Treatment Plant Phase II Expansion Fee, Transportation Improvement Fee, South Trunk Area Sewer Improvement Fee, and Park Impact Fee.

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 2018-20 Business Plan, which was adopted by City Council on June 18, 2018.

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

In-lieu fees are fees that are collected by the City instead of requiring developers to provide or construct specified improvements or amenities with their projects. The City of San Mateo assesses five in-lieu fees - Parking In-Lieu Fee, Art in Public Places Fee, Tree Replacement Fee, Below Market Rate Housing 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)).

Linkage Fees

Linkage fees are exactions for social needs indirectly related to development projects. The City of San Mateo assesses two linkage fees - Child Care Development Fee and Affordable Housing Commercial Linkage Fee. While these are linkage fees, they are included in this report with reporting requirements under the Mitigation Fee Act for informational purposes and to make sure that information is available in the event that a court rules in the future that linkage fees are subject to the reporting requirements of the Mitigation Fee Act.

This report complies with requirements 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 District (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 2017-18 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 2017-18, as well as collections to date.

Wastewater Treatment Plant Phase II Expansion Fee		2017-18
Beginning Balance	\$	-
Developer Fees	\$	250,523
Interest Income / (Expense)	\$	-
Transfer to Sewer Enterprise Fund	\$	(250,523)
Ending Balance	\$	-

		Collections to Date
Total Developer Fees Collected as of 2017-18	\$	2,075,389
Total Developer Fees Needed	\$	3,520,000
% Collected		59%

Transportation Improvement Fee

San Mateo Municipal Code Chapter 27.13 established 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 2017-18 Comprehensive Fee Schedule:

Residential

- Single-family Per dwelling unit \$4,100
- Multi-family Per dwelling unit \$2,517

Commercial and Industrial

- Retail Per 1,000 sq. ft. \$7,043
- Office Per 1,000 sq. ft. \$3,763
- Industrial Per 1,000 sq. ft. \$2,452

The following table shows activities in 2017-18.

Transportation Improvement Fee	2017-18
Beginning Balance	\$ 2,019,674
Developer Fees	\$ 2,229,189
Interest Income / (Expense)	\$ 31,575
Expenditures	\$ (1,395,640)
Ending Balance	\$ 2,884,798

2017-18				
Transportation Improvement Fee	Total Expended	Impact Fees Used	% of Total	
Project Expenditures:				
460037 El Camino At Hwy 92 Landscape Improv	\$ 13,267	\$ 13,267	100%	
462202 Rail Corridor Grade Separation	\$ 1,082,051	\$ 932,205	86%	
462204 Hillsdale Station Relocation Plan	\$ 42,215	\$ 74,433	176%	
462225 El Camino At Hwy 92 Interchange Improv	\$ 248,468	\$ 248,468	100%	
466600 Citywide Traffic Calming	\$ 127,174	\$ 127,174	100%	
466601 Traffic Model Update	\$ 92	\$ 92	100%	
Total Expenditures:	\$ 1,513,268	\$ 1,395,640	92%	

The total ending balance as of the end of fiscal year 2017-18 was \$2,884,798. Impact fees used for the Hillsdale Station Relocation Plan project in 2017-18 was more than the project has expended in 2017-18, in order to cover for expenditures in 2016-17 from anticipated grant funding that has not yet been realized. 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 established a development impact fee for the South Trunk area sewer improvements. The fee is imposed on all development and redevelopment served by the South Trunk line and became effective on March 1, 2008. The fee is charged as shown in the 2017-18 Comprehensive Fee Schedule:

Single-family dwelling	Per dwelling unit	\$4,759
Multi-family dwelling, 1 bedroom	Per dwelling unit	\$2,379
Multi-family dwelling, 2 bedroom	Per dwelling unit	\$3,569
Multi-family dwelling, 3 bedroom	Per dwelling unit	\$4,759
Hotels or motels	Per room	\$2,379
Non-residential	Per fixture unit	\$ 238

The following table shows activities in 2017-18.

South Trunk Area Sewer Improvement Fee		2017-18
Beginning Balance	\$	2,361,341
Developer Fees	\$	669,083
Interest Income / (Expense)	\$	44,490
Expenditures	\$	(72,276)
Ending Balance	\$	3,002,638

2017-18

South Trunk Area Sewer Improvement Fee	Total Expended	Impact Fees Used	% of Total
Project Expenditures:			
46S003 Basins 2&3 Collection System			
Improvements	\$ 4,547,424	\$ 72,276	2%
Total Expenditures:	\$ 4,547,424	\$ 72,276	2%

The total ending balance as of the end of fiscal year 2017-18 was \$3,002,638. 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.

Park Impact Fee

Under San Mateo Municipal Code Chapter 13.05, a park impact fee is imposed on the construction of new residential units to accommodate the increased demand on park and recreation facilities. The fee is charged as shown in the 2017-18 Comprehensive Fee Schedule:

Per residential unit type:

Single family	\$25,535 per unit
Multi-family 2-4 units	\$21,485 per unit
Multi-family 5+ units	\$17,435 per unit
Mobile homes	\$1,711 per unit

The following table shows activities in 2017-18.

Park Impact Fee	2017-18
Beginning Balance	\$ 1,587,899
Developer Fees	\$ 21,485
Interest Income / (Expense)	\$ 15,601
Expenditures	\$ -
Ending Balance	\$ 1,624,985

The total ending balance as of the end of fiscal year 2017-18 was \$1,624,985. Funds collected were not expended on any projects in 2017-18. The fund balance and continued collection of the Park Impact Fee will be utilized to fund the project(s) listed in Exhibit A.

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 established 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 2017-18 Comprehensive Fee Schedule, the fee is \$25,000 per space.

The following table shows activities in 2017-18.

Parking In-Lieu Fee	2017-18
Beginning Balance	\$ 4,113,619
Developer Fees	\$ 2,075,000
Interest Income / (Expense)	\$ 84,341
Expenditures	\$ -
Ending Balance	\$ 6,272,960

The total ending balance as of the end of fiscal year 2017-18 was \$6,272,960. 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 established 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 2017-18 Comprehensive Fee Schedule, the fee is charged 0.5% of total building valuation.

The following table shows activities in 2017-18.

Art in Public Places Fee		2017-18
Beginning Balance	\$	338,281
Developer Fees	\$	-
Interest Income / (Expense)	\$	4,895
Expenditures	\$	(93,548)
Ending Balance	\$	249,627

2017-18				
Art in Public Places Fee	Total Expended	In-Lieu Fees Used	% of Total	
Project Expenditures:				
310330 Art in Public Places	\$ 93,548	\$ 93,548	100%	
Total Expenditures:	\$ 93,548	\$ 93,548	100%	

The total ending balance as of the end of fiscal year 2017-18 was \$249,627. The fund balance and continued collection of the Art in Public Places Fee will be utilized to fund the project(s) listed in Exhibit A.

Tree Replacement Fee

San Mateo Municipal Code Chapter 27.71 established 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 2017-18 Comprehensive Fee Schedule, the fee is charged \$313 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 on 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 2017-18 Comprehensive Fee Schedule, the tree replacement cost is \$425 per tree.

The following table shows activities in 2017-18.

Tree Replacement Fee		2017-18
Beginning Balance	\$	530,796
Developer Fees	\$	200,681
Interest Income / (Expense)	\$	8,663
Expenditures	\$	(200,252)
Ending Balance	\$	539,889

2017-18				
Tree Replacement Fee	Total Expended	In-Lieu Fees Used	% of Total	
Project Expenditures:				
610008 Tree Planting - Parks Division	\$ 200,252	\$ 200,252	100%	
Total Expenditures:	\$ 200,252	\$ 200,252	100%	

The total ending balance as of the end of fiscal year 2017-18 was \$539,889. The fund balance and continued collection of the Tree Replacement Fee will be utilized to fund the project(s) listed in Exhibit A.

Below Market Rate Housing Fee

The Below Market Rate Housing Fee, which became effective January 1, 2010 pursuant to City Council Resolution No. 121 (2008), is collected from developers in lieu of constructing affordable housing units onsite as required under the City’s Below Market Rate program. The fee applies to developments that contain fewer than 10 residential units, and to fractional unit requirements of less than .5 for developments that contain 11 or more units. The fee is charged as shown in the 2017-18 Comprehensive Fee Schedule:

A. Fractional required units for projects consisting of 11 or more residential units	.1 housing unit	\$15,510
	.2 housing unit	\$31,020
	.3 housing unit	\$46,530
	.4 housing unit	\$62,040
 B. Requirement for projects consisting of 5 to 10 residential units		
	5 unit project	\$ 77,550
	6 unit project	\$ 93,060
	7 unit project	\$108,570
	8 unit project	\$124,080
	9 unit project	\$139,590
	10 unit project	\$155,100

The following table shows activities in 2017-18.

Below Market Rate Housing Fee		2017-18
Beginning Balance	\$	253,820
Developer Fees	\$	-
Interest Income / (Expense)	\$	-
Expenditures	\$	-
Ending Balance	\$	253,820

No fees were collected or expended in 2017-18, and the total ending balance as of the end of fiscal year was \$253,820. A public improvement project is not currently identified in the five-year plan. The Below Market Rate Housing Fee will continue to be collected to build its fund balance, and potential housing related projects will be identified as the fund balance reaches to an appropriate level.

Park In-Lieu Fee

San Mateo Municipal Code Chapter 26.64 established 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 2017-18 Comprehensive Fee Schedule:

Per residential unit type:

Single family	\$25,535 per unit
Multi-family 2-4 units	\$21,485 per unit
Multi-family 5+ units	\$17,435 per unit
Mobile homes	\$1,711 per unit

The following table shows activities in 2017-18.

Park In-Lieu Fee	2017-18	
Beginning Balance	\$	5,592,457
Developer Fees		334,246
Interest Income / (Expense)	\$	55,140
Expenditures	\$	(238,599)
Ending Balance	\$	5,743,244

2017-18			
Park In-Lieu Fee	Total Expended	In-Lieu Fees Used	% of Total
Project Expenditures:			
610036 Recreation Facilities Strategic Plan	\$ 263,650	\$ 163,259	62%
612201 Hayward Park Square	\$ 2,933	\$ 2,933	100%
612917 Park Renovation Shoreview Park Master Plan and Implementation	\$ 658	\$ 658	100%
618279 Golf Course - Re-Sod Fairways	\$ 71,749	\$ 71,749	100%
Total Expenditures:	\$ 338,990	\$ 238,599	70%

The total ending balance as of the end of fiscal year 2017-18 was \$5,743,244. The fund balance and continued collection of the Park In-Lieu Fee will be utilized to fund the project(s) listed in Exhibit A.

Linkage Fees

Child Care Development Fee

The Child Care Development Fee, which became effective on July 1, 2004 pursuant to City Council Resolution No. 34 (2004), 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 2017-18 Comprehensive Fee Schedule.

The following table shows activities in 2017-18.

Child Care Development Fee	2017-18	
Beginning Balance	\$	1,146,345
Developer Fees	\$	789,280
Interest Income / (Expense)	\$	25,217
Expenditures	\$	-
Ending Balance	\$	1,960,841

The total ending balance as of the end of fiscal year 2017-18 was \$1,960,841. 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.

Affordable Housing Commercial Linkage Fee

San Mateo Municipal Code Chapter 23.61 established an Affordable Housing Commercial Linkage Fee to mitigate the impact that developments have on the demand for affordable housing in the City. The fee is imposed on commercial projects over 5,000 sq. ft. and is charged as shown in the 2017-18 Comprehensive Fee Schedule:

Hotels	Per square foot	\$10
Retail, restaurants, and services	Per square foot	\$ 5
Office, research & development uses, and medical offices	Per square foot	\$25

The fee does not apply to public use developments such as hospitals, nonprofit and government facilities, as well as churches, schools and child care centers. Developers who enter written agreements to pay area standard wages to all construction workers on the project are entitled to a 25% reduction of the fee. Additionally, developers may provide construction of affordable housing units in lieu of the fee payment.

The following table shows activities in 2017-18.

Affordable Housing Commercial Linkage Fee	2017-18	
Beginning Balance	\$	-
Developer Fees	\$	2,785,888
Interest Income / (Expense)	\$	13,668
Expenditures	\$	-
Ending Balance	\$	2,799,556

The total ending balance as of the end of fiscal year 2017-18 was \$2,799,556. A public improvement project is not currently identified in the five-year plan. The Affordable Housing Commercial Linkage Fee will continue to be collected to build its fund balance, and potential projects will be identified as the fund balance reaches an appropriate level to support the creation or preservation of affordable housing.

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)(5).

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

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