



DATE: December 2, 2014

CATEGORY: Consent

DEPT.: Finance and Administrative Services

TITLE: **Fiscal Year 2013-14 Annual Report of Developer Impact Funds**

RECOMMENDATION

1. Below-Market-Rate Housing Fund
 - a. Acknowledge and file the annual Below-Market-Rate Housing Fund report for the period ending June 30, 2014.
2. Housing Impact Fund
 - a. Acknowledge and file the annual Housing Impact Fund report for the period ending June 30, 2014.
 - b. Adopt a Resolution Approving the Retention of Housing Impact Fees Collected and Held in Excess of Five Years in Order to Fund Affordable Housing Projects in Mountain View, to be read in title only, further reading waived (Attachment 1 to the Council report).
3. Rental Housing Impact Fund
 - a. Acknowledge and file the annual Rental Housing Impact Fund report for the period ending June 30, 2014.
4. Downtown Parking In-Lieu Fund
 - a. Acknowledge and file the annual Downtown Parking In-Lieu Fund report for the period ending June 30, 2014.

5. Park Land Dedication Fund

- a. Acknowledge and file the annual Park Land Dedication Fund report for the period ending June 30, 2014.

6. Wastewater Developer Impact Fund

- a. Acknowledge and file the annual Wastewater Developer Impact Fund report for the period ending June 30, 2014.

BACKGROUND

The California Government Code requires local agencies to prepare an annual report regarding the collection and use of development fees. In addition, the code section requires local agencies to make a finding for the continued need of any portion of fees remaining uncommitted five or more years after receipt. This report discusses the Below-Market-Rate (BMR) Housing, Housing Impact, Rental Housing Impact, Downtown Parking In-Lieu, Park Land Dedication, and Wastewater Developer Impact Funds.

ANALYSIS

1. Below-Market-Rate Housing Fund

On January 12, 1999, the Council adopted Ordinance 1.99, amending Chapter 36 of the City Code to include the BMR Housing Program, and on January 26, 1999, the Council adopted the BMR Housing Program Administrative Guidelines. The BMR Housing Program requires at least 10.0 percent of the units in new housing developments over a certain size be provided to low- and moderate-income households. Developers of ownership projects may be allowed to pay an in-lieu fee of 3.0 percent of the sales price of each unit in the development as they are sold instead of providing the required BMR housing units in the project. These funds are then used to provide housing for moderate- and lower-income households.

The beginning balance, revenues, expenditures, and available balance of the BMR Housing Fund for Fiscal Year 2013-14 is as follows:

Beginning Balance, July 1, 2013	<u>\$19,751,857</u>
Audited Revenues:	
BMR In-Lieu Fees	3,238,229
Investment Earnings	208,887
Other	<u>246,093</u>
Total Audited Revenues	<u>3,693,209</u>
Total Available	<u>23,445,066</u>
Audited Expenditures	
Operations	125,692
Loans	<u>6,360,870</u>
Total Audited Expenditures	<u>6,486,562</u>
Ending Balance, June 30, 2014	16,958,504
Designated for Low- to Moderate-Income Housing	(<u>4,548,543</u>)
Available Balance, June 30, 2014	<u>\$12,409,961</u>

The revenues received during Fiscal Year 2013-14, including fees, investment earnings, and other miscellaneous revenue, total \$3.7 million. Expenditures from the BMR Housing Fund total \$6.5 million for operations and loans to affordable housing developments. As of June 30, 2014, \$4.5 million of BMR funds have been designated or encumbered for specific low- to moderate-income housing projects, leaving an available balance of \$12.4 million. The available BMR balance includes \$1.0 million reserved for the Mountain View Employee Homebuyer Program. In addition, some or all of the BMR fund balance may be used for affordable projects applying for the current \$15.5 million Notice of Funding Availability (NOFA). There are no BMR fees that have been held in excess of five years.

2. Housing Impact Fund

On January 8, 2002, the Council adopted Ordinance 01-02, amending Chapter 36 of the City Code to implement a Housing Impact Fee to be used to fund affordable housing projects and programs. All nonresidential developments with new and increased floor area are assessed on a per-square-foot basis. The Housing Impact

fees and any investment earnings shall be used to increase and improve the supply of affordable housing to moderate- and lower-income households.

The beginning balance, revenues, expenditures, and ending balance of the Housing Impact Fund for Fiscal Year 2013-14 is as follows:

Beginning Balance, July 1, 2013	<u>\$3,304,420</u>
Audited Revenues:	
Housing Impact Fees	3,445,351
Investment Earnings	<u>82,002</u>
Total Audited Revenues	<u>3,527,353</u>
Total Available	<u>6,831,773</u>
Audited Expenditures	<u>132,755</u>
Ending Balance, June 30, 2014	<u>\$6,699,018</u>

The revenues received during Fiscal Year 2013-14, including Housing Impact fees and investment earnings, total \$3.5 million. Expenditures for housing operations total \$132,755, resulting in an ending balance of \$6.7 million. As of June 30, 2014, \$264,858 of Housing Impact fees and investment earnings have been held in excess of five years. In order to maintain these funds, Council must make a finding these fees are still required for the original purpose they were collected and a proposed resolution for adoption has been included as Attachment 1 to the Council report.

3. Rental Housing Impact Fund

On December 11, 2012, the Council adopted Resolution No. 17748 allowing for a Rental Housing Impact Fee to be imposed on all residential rental developments. With City Council approval, a developer can choose an equivalent alternative to the fee that may include construction of affordable housing units, dedication of land, or other equivalent options. The fee will be assessed on all residential rental developments on a net new habitable square-foot basis. The Rental Housing Impact fees and any investment earnings shall be used for increasing and improving the supply of moderate- and lower-income rental housing.

The beginning balance, revenues, expenditures, and ending balance of the Rental Housing Impact Fund for Fiscal Year 2013-14 is as follows:

Beginning Balance, July 1, 2013	<u>\$1,000,227</u>
Audited Revenues:	
Rental Housing Impact Fees	1,722,090
Investment Earnings	<u>28,885</u>
Total Audited Revenues	<u>1,750,975</u>
Total Available	<u>2,751,202</u>
Audited Expenditures	<u>-0-</u>
Ending Balance, June 30, 2014	<u>\$2,751,202</u>

The revenues received during Fiscal Year 2013-14, including Rental Housing Impact fees and investment earnings, total \$1.8 million. There are no expenditures which results in an ending balance of \$2.8 million. There are no Rental Housing Impact fees that have been held in excess of five years

4. Downtown Parking In-Lieu Fund

The Downtown Precise Plan requires, as a condition of approval for development within the Downtown Parking District, that the developer or owner shall provide the required off-street parking, pay the Parking In-Lieu Fee established by Council, or a combination of the two. The fee varies depending on the location of the property and the use. Parking In-Lieu fees are collected in order to provide additional shared public parking spaces and/or facilities.

The beginning balance, revenues, expenditures, and ending balance of the Downtown Parking In-Lieu Fund for Fiscal Year 2013-14 is as follows:

Beginning Balance, July 1, 2013	<u>\$3,709,554</u>
Audited Revenues:	
Parking In-Lieu Fees	1,885,000
Investment Earnings	<u>71,477</u>
Total Audited Revenues	<u>1,956,477</u>
Total Available	<u>5,666,031</u>
Audited Expenditures	<u>-0-</u>
Ending Balance, June 30, 2014	<u>\$5,666,031</u>

Parking In-Lieu fees and investment earnings total \$2.0 million providing an available balance of \$5.7 million as of June 30, 2014. There are no Parking In-Lieu fees that have been held in excess of five years.

5. Park Land Dedication Fund

Park Land Dedication fees are collected as a condition of approval for any new residential development and used for park or recreational purposes. On November 28, 2006, the City Council amended the Park Land Dedication In-Lieu policy to establish objectives for use of Park Land Dedication In-Lieu fees as detailed below:

- Priority No. 1 – Acquisition
- Priority No. 2 – Development
- Priority No. 3 – Rehabilitation

Within each priority, first consideration goes to projects that are located within one mile of the development generating the fee and the next consideration is for projects that provide a community-wide asset. The Parks and Recreation Commission continues to review projects and forwards a recommendation to the City Council regarding commitment of both the available in-lieu fees received and the available investment earnings generated each fiscal year.

The beginning balance, revenues, expenditures, and available balance of the Park Land Dedication Fund for Fiscal Year 2013-14 is as follows:

Beginning Balance, July 1, 2013	<u>\$24,230,262</u>
Audited Revenues:	
Park Land Dedication Fees	12,479,996
Investment Earnings	489,483
Other Revenue	1,238
Capital Projects Refunds	<u>214,768</u>
Total Audited Revenues	<u>13,185,485</u>
 Total Available	 <u>37,415,747</u>
Audited Expenditures:	
2013-14 Adopted Capital Improvement Projects (CIPs)	43,000
Administration	<u>57,381</u>
Total Audited Expenditures	<u>100,381</u>
 Ending Balance, June 30, 2014	 37,315,366
Total Committed by City Council to be Reserved in the Fund for Specific Future Projects	 <u>(10,630,056)</u>
 Available Balance, June 30, 2014	 <u>\$26,685,310</u>

Developer fees, investment earnings, other revenue, and capital project refunds total \$13.2 million and there are expenditures totaling \$100,381, a combination of contributions to CIPs and administration. After deducting \$10.6 million in committed funds for future projects, there is an available balance of \$26.7 million as of June 30, 2014. However, as part of the Fiscal Year 2014-15 Adopted CIP, \$4.5 million was appropriated for projects and the commitment of Park Land Dedication funds for future CIPs increased to \$27.2 million, leaving an available balance of \$5.7 million. There are no uncommitted Park Land Dedication fees that have been held in excess of five years.

As required by California Government Code 66006, the allocation or commitment to a project resulting from Council actions for Fiscal Year 2013-14 is as follows:

<u>Project</u>	<u>Fiscal Year 2013-14 Funding</u>	<u>% of Project Currently Funded with Park Land Dedication Fees</u>
Active Project Allocations:		
Biennial Real Estate Technical and Legal Services (14-20)	\$ <u>43,000</u>	63.2%
Subtotal Active Project Allocations	<u>43,000</u>	
Future Project Commitments:		
San Antonio Open Space Acquisition	4,491,105	
Rengstorff Open Space Acquisition	1,415,135	
Sylvan-Dale Open Space Acquisition	1,359,000	
South Whisman Area Park, Construction	1,280,000	
South Whisman Area Park, Design	834,818	
General Open Space Acquisition	548,325	
Stevens Creek Trail Dale/Heatherstone to MVHS	483,060	
Central Open Space Acquisition	116,234	
Whisman Open Space Acquisition	62,100	
Stierlin Open Space	30,360	
Crittenden Park Restrooms	<u>9,919</u>	
Subtotal Future Project Commitments	<u>10,630,056</u>	
Total Project Allocations	<u>\$10,673,056</u>	

6. Wastewater Developer Impact Fund

These fees are assessed as a condition for new developments to mitigate a future deficiency in specific areas beyond the planned capacity of the wastewater system. The fees are approved by Council with the approval of the development project. When a future wastewater infrastructure improvement project is approved for these specific areas of the City, the fees collected for the specific area will be utilized for project funding.

The beginning balance, revenues, expenditures, and ending balance of the Wastewater Developer Impact Fund for Fiscal Year 2013-14 is as follows:

Beginning Balance, July 1, 2013	\$ <u>-0-</u>
Audited Revenues:	
Wastewater Developer Impact Fees	33,133
Investment Earnings	<u>49</u>
Total Audited Revenues	<u>33,182</u>
 Total Available	 <u>33,182</u>
 Audited Expenditures	 <u>-0-</u>
 Ending Balance, June 30, 2014	 <u>\$33,182</u>

The revenues received during Fiscal Year 2013-14, including developer fees and investment earnings, total \$33,182. There were no expenditures, which results in an ending balance of \$33,182. There are no Wastewater Developer Impact fees that have been held in excess of five years.

FISCAL IMPACT

The fees are available for the purposes indicated. Adoption of the resolution demonstrates the need for the use of Housing Impact funds beyond five years for the purposes specified.

CONCLUSION

The six funds discussed in the report are in compliance with the requirements of the California Government Code for annual reporting regarding the collection and use of development fees and the recommended funding for the continued need of the Housing Impact fees held in excess of five years.

ALTERNATIVES

Do not adopt a resolution for the retention of the Housing Impact fees. The City would no longer be able to hold these funds per California Government Code and would be required to refund the fees.

PUBLIC NOTICING – Agenda posting.

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Attachment: 1. Resolution – Housing Impact

cc: EDM, ANSM, SAA – Kiner, SP – Adams