



CITY OF MOUNTAIN VIEW

MEMORANDUMFinance and Administrative
Services Department

DATE: October 9, 2018

TO: City Council

FROM: Rafaela Duran, Senior Financial Analyst
Helen Ansted, Principal Financial Analyst
Suzanne Niederhofer, Assistant Finance and Administrative
Services Director
Patty J. Kong, Finance and Administrative Services Director

VIA: Daniel H. Rich, City Manager

SUBJECT: **Fiscal Year 2017-18 Annual Compliance Report for Development Impact Fees and Capacity Charges; and Informational Reporting of Park Land Dedication Fee**

BACKGROUND**Development Impact Funds**

California Government Code (CGC) Section 66006(b)(1)(A-F) requires local agencies, within 180 days after the last day of each fiscal year, to make available to the public certain information for the fiscal year, and CGC Section 66006(b)(2) requires the information be made available to the public at least 15 days prior to City Council consideration of the report. This report discusses various fee programs, including Housing Impact (HI), Rental Housing Impact (RHI), North Bayshore Development Impact (NBS Development Impact) (including transportation, water, and sewer), Water Development Impact, and Sewer Development Impact. CGC Section 66001(d)(1) requires local agencies to make findings with respect to fees and investment earnings remaining unexpended, whether committed or uncommitted, for the fifth year following receipt of the first fee deposited, and every five years thereafter. There are currently four different five-year finding cycles, two of which are included in this year's report (HI and RHI).

Capacity Charges

In addition, CGC Section 66013(d) requires local agencies that establish Water and Sewer Capacity Charges pursuant to CGC Section 66013 to make certain information available to the public within 180 days after the last day of each fiscal year. This report provides the required information and discusses Water and Sewer Capacity Charges.

Park Land Dedication Fee

As defined in CGC Section 66000(b), “fee” does not include fees specified in CGC Section 66477 (Quimby Act) which governs the City’s Park Land Dedication (PLD) Fee and does not require annual reporting. The PLD Fund is included in this report to verify compliance with CGC Section 66477(6)(A) regarding commitment of PLD fees within five years after receipt or issuance of the building permit, whichever occurs later.

ANALYSIS

Development Impact Funds

1. Housing Impact Fund

Description of the Type of Fee – CGC Section 66006(b)(1)(A):

On January 8, 2002, the Council adopted Ordinance 01.02, amending Chapter 36 of the City Code, allowing for a nonresidential HI Fee to be imposed on all new and increased floor area on a per-square-foot basis. The fee was adopted by resolution on October 30, 2001, with an effective date of January 14, 2002. The HI fees and any investment earnings shall be used to increase and improve the supply of affordable housing to moderate- and lower-income households.

Amount of Fee – CGC Section 66006(b)(1)(B):

<u>Type</u>	<u>FY 2017-18 Fees</u>	<u>FY 2018-19 Fees</u>
High-Tech/Industrial/Office		
First 10,000 SF	\$13.14/net SF	\$13.60/net SF
10,000+ SF	\$26.27/net SF	\$27.19/net SF
Commercial/Entertainment/Hotel/Retail		
First 25,000 SF	\$1.41/SF	\$1.46/net SF
25,000+ SF	\$2.81/SF	\$2.91/net SF

Beginning and Ending Balances, Amount of Fees Collected, and Interest Earned – CGC Section 66006(b)(1)(C and D):

Beginning Balance, July 1, 2017		\$15,299,191
Housing Impact Fees	\$20,699,941	
Investment Earnings	<u>490,580</u>	
Total Audited Revenues		21,190,521
Total Audited Expenditures		<u>(5,674,426)</u>
Unexpended Balance		30,815,286
Appropriated by City Council for Affordable Housing Projects:		
460 North Shoreline Boulevard		<u>(7,320,000)</u>
Available Balance, June 30, 2018		<u>\$23,495,286</u>

During Fiscal Year 2017-18, there were \$20.7 million in fees deposited, \$490,580 of investment earnings, and \$5.7 million in expenditures. As of June 30, 2018, there is an unexpended HI balance of \$30.8 million, \$7.3 million of which has been appropriated for the Shorebreeze Apartments at 460 North Shoreline Boulevard. The June 30, 2018 available HI balance is \$23.5 million.

Identification of Each Public Improvement on Which Fees Were Expended in Fiscal Year 2017-18 – CGC Section 66006(b)(1)(E) (dollars in thousands):

	Total Project Cost	FY 2017-18 HI Expenditures	Life to Date (LTD) HI Expenditures	% Project Funded by LTD HI Fee Expenditures
779 East Evelyn Avenue				
NOFA	\$61,860	2,579	6,000	9.7%
1701 West El Camino Real	38,250	2,909	5,000	13.1%
Administration of Housing Impact Program and Fees	N/A	<u>186</u>	<u>N/A</u>	100.0%
		<u>\$5,674</u>	<u>11,000</u>	

Identification of Approximate Date by Which Construction Will Commence Once Sufficient Funds Have Been Collected – CGC Section 66006(b)(1)(F):

ROEM received 4.0 percent tax credits for the project at 779 East Evelyn Avenue in May 2016 and building permits on September 30, 2016. Construction has begun and is anticipated to be completed by January 2019. Palo Alto Housing (PAH) received City Council approval for its 1701 West El Camino Real project on June

21, 2016 and received a 9.0 percent tax credit allocation from the State on September 21, 2016. The project began construction in June 2017 and is anticipated to be completed by February 2019. Construction at 460 North Shoreline Boulevard for the Shorebreeze Apartments project has an anticipated start date of March 2019.

Description of Each Interfund Transfer or Interfund Loan Made from the Fund – CGC Section 66006(b)(1)(G):

During Fiscal Year 2017-18, an Interfund Transfer was made to the Equipment Replacement Reserve totaling \$766.

The Equipment Replacement Reserve funds the replacement of capital equipment.

Amount of Refunds Made – CGC Section 66006(b)(1)(H):

No refunds were made from this fund.

Findings for Amounts Remaining Unexpended – CGC Section 66001(d)(1):

The first HI Fee was deposited February 13, 2003, and in accordance with CGC Section 66001(d)(1), the City is required to make its next five-year finding as of June 30, 2018 regarding the unexpended balance of \$30,815,287.

(A) Identify the purpose to which the fee is to be put.

The HI funds will be used to fund additional moderate- and lower-income housing in Mountain View, including the affordable housing projects at 779 East Evelyn Avenue, 1701 West El Camino Real, and 460 North Shoreline Boulevard.

(B) Demonstrate a reasonable relationship between the fee and the purpose for which it is charged.

A reasonable relationship exists between the HI Fees and the purpose for which said fees were charged as demonstrated by the Jobs-Housing Nexus Study (Nexus Study), dated November 2012, and prepared by Keyser Marston Associates, Inc. The Nexus Study demonstrates that a reasonable relationship exists between the need for affordable housing and the impacts of new commercial office development within the City. A reasonable

relationship also exists between the fee's use and the impacts of new commercial and office development since the developments will create new jobs. The Nexus Study demonstrates that some of the new jobs created would be filled by lower-income workers in need of affordable housing. This type of affordable housing continues to be in short supply within Mountain View. The HI Fee will be used to help increase the supply of affordable housing in the City to meet the increased need generated by new commercial and office developments.

- (C) Identify all sources and amounts of funding anticipated to complete financing of incomplete improvements (dollars in millions).

779 East Evelyn Avenue Project

\$15.70	City of Mountain View Below-Market-Rate (BMR) Funds
6.00	City of Mountain View HI Funds
16.53	Tax Credit Investor Capital
16.98	Permanent Loan
2.90	Citi Community Capital
0.67	Lease-Up Income
<u>3.08</u>	Deferred Interest and Fee Waivers
<u>\$61.86</u>	Total Funding

1701 West El Camino Real Project

\$ 2.00	City of Mountain View BMR Funds
5.00	City of Mountain View HI Funds
1.00	City of Mountain View RHI Funds
17.00	Tax Credit Investor Capital
4.40	VHHP Loan
1.50	Sponsor Loan
2.50	County of Santa Clara
4.10	Impact Fee Waivers
<u>0.75</u>	Deferred Interest
<u>\$38.25</u>	Total Funding

460 North Shoreline Boulevard Project

\$ 7.64	City of Mountain View HI Funds (previously \$6.3 million)
0.42	City of Mountain View HOME Funds (previously \$0.39 million)
0.96	City of Mountain View CDBG Funds (new from Fiscal Year 2016-17 report)
0.50	Housing Trust of Silicon Valley
0.25	Contributed Fee
15.28	Tax Credit Investor Capital (previously \$11.86 million)
2.16	Deferred Developer Fee (previously \$1.14 million)
11.15	Tranche A Permanent Loan (previously \$4.51 million)
<u>3.11</u>	Tranche B Permanent Loan (previously \$4.72 million)
<u>\$41.47</u>	Total Funding

- (D) Designate the approximate dates on which the funding referred to in Subparagraph (C) is expected to be deposited into the appropriate account or fund.

The 779 East Evelyn Avenue project is being developed by ROEM and the City loan documents with ROEM closed on May 31, 2016. The HI funds detailed above have been deposited into the fund, as previously discussed, and have been fully expended. The City is funding the loan and has fully disbursed all loan proceeds. None of the outside funding sources listed in Subparagraph (C) will be deposited into the City's account. All outside funding sources have signed loan agreements with the developer and will disburse loan proceeds by reimbursing the developer during the construction phase.

The 1701 West El Camino Real project is being developed and managed by PAH. The City loan with PAH closed on May 2, 2017. The HI funds detailed above have been deposited into the fund, as previously discussed, and have been fully expended. The City is funding the loan and has fully disbursed all loan proceeds. None of the outside funding sources listed in Subparagraph (C) will be deposited into the City's account. All outside funding sources will sign loan agreements with the developer and will disburse loan proceeds by reimbursing the developer during the construction phase.

The 460 North Shoreline Boulevard project will be developed and managed by MidPen Housing. This project will be funded by the City's Housing NOFA (HI) funds, HOME funds, and CDBG Funds, as well as low-income housing tax credits and a permanent loan. The HI funds detailed above have

been deposited into the fund, as previously discussed, and were appropriated for this project by City Council. None of the outside funding sources will be deposited into the City's account. All outside funding sources will sign loan agreements with the developer and will disburse loan proceeds by reimbursing the developer during the construction phase. City Council appropriated funding for this project on January 30, 2018, and additional funding was appropriated with the Fiscal Year 2018-19 budget. Construction is expected to begin in March 2019.

2. **Rental Housing Impact Fund**

Description of the Type of Fee – CGC Section 66006(b)(1)(A):

On December 11, 2012, the Council adopted Resolution No. 17748 allowing for a RHI Fee to be imposed on all new market-rate rental housing developments effective February 9, 2013. With City Council approval, a developer may pay the fee or choose an equivalent alternative to the fee that may include construction of affordable housing units, dedication of land, or other equivalent options. The RHI fees and any investment earnings shall be used for increasing and improving the supply of moderate- to very low-income rental housing.

On February 13, 2018, the City Council adopted Resolution No. 18196, which rescinded the RHI Fee effective April 28, 2018. State legislation, AB 1505, restored the ability for cities to implement inclusionary housing for rentals in response to *Palmer v. City of Los Angeles*, which caused cities, including Mountain View, to suspend their rental inclusionary housing programs. AB 1505 went into effect January 1, 2018 and the City resumed its inclusionary housing program on rentals. As the fee is not due until occupancy of the project, to ensure appropriate collection of the RHI fee on projects approved or project applications deemed complete prior to April 28, 2018, the City reinstated the fee for these projects on June 19, 2018 with the adoption of Resolution No. 18922. When all such projects have paid the RHI fee, the RHI fee will be brought back to Council with a recommendation for rescission. The City will continue to report the RHI fees annually until they are fully spent.

Amount of Fee – CGC Section 66006(b)(1)(B):

For Fiscal Year 2017-18, the fee was \$17.86 per net new habitable square foot and increased to \$18.49 as directed by Council for Fiscal Year 2018-19.

Beginning and Ending Balances, Amount of Fees Collected, and Interest Earned – CGC Section 66006(b)(1)(C and D):

Beginning Balance, July 1, 2017		\$ 3,093,834
Rental Housing Impact Fees	\$ 4,401	
Investment Earnings	<u>44,106</u>	
Total Audited Revenues		48,507
Total Audited Expenditures		<u>(1,000,000)</u>
Unexpended/ Available Balance, June 30, 2018		\$ <u>2,142,341</u>

During Fiscal Year 2017-18, there were \$4,401 in fees deposited, \$44,106 of investment earnings, and \$1.0 million in expenditures. As of June 30, 2018, there is an unexpended/available RHI balance of \$2.1 million.

Identification of Each Public Improvement on Which Fees Were Expended in Fiscal Year 2017-18 – CGC Section 66006(b)(1)(E):

	Total Project Cost	FY 2017-18 RHI Expenditures	LTD RHI Expenditures	% Project Funded by LTD HI Fee Expenditures
1701 West El Camino Real Administration of Housing Impact Program and Fees	\$38,250	1,000	1,000	2.6%
	N/A	<u>-0-</u>	<u>N/A</u>	100.0%
		<u>\$1,000</u>	<u>1,000</u>	

Identification of Approximate Date by Which Construction Will Commence Once Sufficient Funds Have Been Collected – CGC Section 66006(b)(1)(F):

PAH received City Council approval for its 1701 West El Camino Real project on June 21, 2016 and received a 9.0 percent tax credit allocation from the State on September 21, 2016. The project began construction in June 2017 and is anticipated to be completed by February 2019.

Description of Each Interfund Transfer or Interfund Loan Made from the Fund – CGC Section 66006(b)(1)(G):

No Interfund Transfers or Interfund Loans were made from this fund.

Amount of Refunds Made – CGC Section 66006(b)(1)(H):

No refunds were made from this fund.

Findings for Amounts Remaining Unexpended – CGC Section 66001(d)(1):

The first RHI Fee was deposited February 12, 2013, and in accordance with CGC Section 66001(d)(1), the City is required to make all findings as of June 30, 2018, the end of the fifth fiscal year following deposit of the first fee into the RHI Fund.

(A) Identify the purpose to which the fee is to be put.

The RHI funds will be used to fund additional moderate- and lower-income housing in Mountain View, including the affordable housing project at 1701 West El Camino Real.

(B) Demonstrate a reasonable relationship between the fee and the purpose for which it is charged.

A reasonable relationship exists between the RHI Fees and their use to develop affordable housing as demonstrated by the Nexus-Based Affordable Housing Fee Analysis, dated September 29, 2011, and the memorandum entitled “Draft Technical Memorandum,” dated November 29, 2012, and prepared by Economic and Planning Systems, Inc. (together the “Nexus Study”). The Nexus Study demonstrated that to fully mitigate the impacts of new rental housing development on the need for affordable housing, a Rental Housing Impact Fee on new market-rate rental development would be needed.

The Nexus Study demonstrates that a reasonable relationship exists between the need for affordable housing and the deleterious impacts of new market-rate rental housing development within the City. A reasonable relationship also exists between the fee’s use and the impacts of new market-rate rental housing development. Development of new rental housing results in more residents living in the City. The residents who move into new rental housing developments will increase the demand for services provided by the public and private sectors. Some of the public- and private-sector employees needed to meet the needs of the new City residents earn incomes that only allow these employees to afford housing for moderate low, very low, and extremely low-income housing. This type of affordable housing is in very short supply

within Mountain View and other available housing subsidies are inadequate to meet the need created by new rental housing developments. The RHI Fee will be used to help increase the supply of affordable housing in the City to meet the increased need generated by new rental housing developments.

- (C) Identify all sources and amounts of funding anticipated to complete financing of incomplete improvements (dollars in millions).

1701 West El Camino Real Project

\$ 2.00	City of Mountain View BMR Funds
5.00	City of Mountain View HI Funds
1.00	City of Mountain View RHI Funds
17.00	Tax Credit Investor Capital
4.40	VHHP Loan
1.50	Sponsor Loan
2.50	County of Santa Clara
4.10	Impact Fee Waivers
<u>0.75</u>	Deferred Interest
<u>\$38.25</u>	Total Funding

- (D) Designate the approximate dates on which the funding referred to in Subparagraph (C) is expected to be deposited into the appropriate account or fund.

The 1701 West El Camino Real project is being developed and managed by PAH. The City loan with PAH closed on May 2, 2017. The RHI funds detailed above have been deposited into the fund, as previously discussed, and have been fully expended. The City is funding the loan and has fully disbursed all loan proceeds. None of the outside funding sources listed in Subparagraph (C) will be deposited into the City's account. All outside funding sources will sign loan agreements with the developer and will disburse loan proceeds by reimbursing the developer during the construction phase.

3. North Bayshore Development Impact Funds

Description of the Type of Fee – CGC Section 66006(b)(1)(A):

The North Bayshore Precise Plan (NBPP), adopted November 25, 2014, identified significant transportation, and water and sewer utility improvements necessary to

accommodate the anticipated development. An important component of funding for the required infrastructure improvements to support this development is a development impact fee. Environmental Planning Systems prepared the City's North Bayshore Development Impact Fee Nexus Study dated February 3, 2016, with technical assistance from Fehr+Peers (transportation consultants) and Shaaf & Wheeler (consulting civil engineers). On February 23, 2016, the Council considered the North Bayshore Development Impact Fee Nexus Study and adopted the NBS Development Impact fees with an effective date of April 23, 2016. The fees in effect during Fiscal Year 2017-18 and the fees approved by City Council for Fiscal Year 2018-19 are detailed below.

Amount of Fee – CGC Section 66006(b)(1)(B):

	<u>FY 2017-18</u>	<u>FY 2018-19</u>
Office/R&D:		
Transportation (SF net new gross floor area)	\$23.26	\$23.61
Water (SF net new gross floor area)	\$6.57	\$6.67
Sewer (SF net new gross floor area)	\$1.22	\$1.24
Retail:		
Transportation (SF net new gross floor area)	\$2.43	\$2.47
Water (SF net new gross floor area)	\$0.01	\$0.01
Sewer (SF net new gross floor area)	\$0.82	\$0.83
Hotel:		
Transportation (Guest Rooms)	\$2,071	\$2,102
Water (Guest Rooms)	\$4,068	\$4,129
Sewer (Guest Rooms)	\$732	\$743

Each type of improvement (transportation, water, sewer) has a specific fee and is posted to a separate subfund in accordance with development impact fee requirements. Below are separate reportings of the three NBS Development Impact fees by subfund:

a. **North Bayshore Development Impact Fund – Transportation**

Beginning and Ending Balances, Amount of Fees Collected, and Interest Earned – CGC Section 66006(b)(1)(C and D):

Beginning Balance, July 1, 2017		\$ 6,482,383
Transportation: North Bayshore Development Impact Fees	\$16,759,781	
Investment Earnings	<u>375,320</u>	
Total Audited Revenues		17,135,101
Total Audited Expenditures		<u>(13,369,650)</u>
Unexpended/ Available Balance, June 30, 2018		\$ <u>10,247,834</u>

During Fiscal Year 2017-18, there were \$16.8 million in fees deposited, \$375,320 of investment earnings, and \$13.4 million of capital project funding, resulting in an unexpended/available balance of \$10.2 million in the NBS Development Impact Fund. The \$13.4 million provides funding for a transportation-related capital project listed in the following section and the funds will be expended over the life of the capital project.

Identification of Each Public Improvement on Which Fees Were Expended in Fiscal Year 2017-18 – CGC Section 66006(b)(1)(E) (dollars in thousands):

The table below shows active project(s) that have been partially or fully funded by North Bayshore Development Impact – Transportation Fees.

	Total Project Cost	FY 2017-18 Expenditures	LTD Expenditures	Total NBS – Transportation Funding	% of Project Funded by NBS – Transportation
NBS Semi-Annual Traffic Counts (17-28)	\$ 153	14	14	100	65.4%
Acquisition Plymouth Street Realignment (18-70)	28,500	<u>-0-</u>	<u>-0-</u>	<u>13,370</u>	46.9%
Total		<u>\$14</u>	<u>14</u>	<u>13,470</u>	

Identification of Approximate Date by Which Construction Will Commence Once Sufficient Funds Have Been Collected – CGC Section 66006(b)(1)(F):

The NBS Semi-Annual Traffic Counts improvement project was adopted with the 2016-17 Capital Improvement Program and partially funded with \$100,000 from the NBS Development Impact Fund. A total of \$14,450 was expended from the project during Fiscal Year 2017-18.

The Acquisition of Real Property for the Plymouth Street Realignment was approved as a midyear Fiscal Year 2017-18 Capital Improvement Project and partially funded with \$13,369,650 from the NBS Development Impact Fund. One of the priority transportation improvement projects identified in the NBPP is to realign Plymouth Street to connect directly with Space Park Way. The project will improve traffic flow by eliminating one intersection on North Shoreline Boulevard, extending the left-turn lane to allow additional space for queuing on North Shoreline Boulevard to Plymouth Street, and providing a single four-way signalized intersection for Plymouth Street and Space Park Way to connect to North Shoreline Boulevard.

The Purchase and Sale Agreement was signed with Google LLC on February 14, 2018. Escrow is expected to close within six months of Google obtaining a Certificate of Occupancy for their new headquarters building on Charleston East (estimated for January 2020).

Description of Each Interfund Transfer or Interfund Loan Made from the Fund – CGC Section 66006(b)(1)(G):

During Fiscal Year 2017-18, a \$13.4 million Interfund Transfer was made to Capital Projects for the project listed below and referenced in CGC Section 66006(b)(1)(E)-(F) above:

18-70 Acquisition Plymouth Street Realignment – \$13.4 million Interfund Transfer

Amount of Refunds Made – CGC Section 66006(b)(1)(H):

No refunds were made from this fund.

Findings for Amounts Remaining Unexpended – CGC Section 66001(d)(1):

The first NBS Development Impact Fee for transportation was deposited in September 2014 and, in accordance with CGC Section 66001(d)(1), the City is required to make all findings as of June 30, 2020, the end of the fifth year following deposit of the first fee into the NBS Development Impact Fund.

b. North Bayshore Development Impact Fund – Water

Beginning and Ending Balances, Amount of Fees Collected, and Interest Earned – CGC Section 66006(b)(1)(C and D):

Beginning Balance, July 1, 2017		\$ 1,425,206
Water: North Bayshore Development Impact Fees	\$5,432,429	
Investment Earnings	<u>111,181</u>	
Total Audited Revenues		5,543,610
Total Audited Expenditures		<u>(1,414,000)</u>
Unexpended/ Available Balance, June 30, 2018		\$ <u>5,554,816</u>

During Fiscal Year 2017-18, there were \$5.4 million in fees deposited, \$111,181 of investment earnings, capital project funding of \$1.4 million, resulting in an unexpended/available balance of \$5.6 million in the NBS Development Impact Fund – Water.

Identification of Each Public Improvement on Which Fees Were Expended in Fiscal Year 2017-18 – CGC Section 66006(b)(1)(E) (dollars in thousands):

The table below shows active project(s) that have been partially or fully funded by North Bayshore Development Impact – Water Fees.

	Total Project Cost	FY 2017-18 Expendi- tures	LTD Expendi- tures	Total NBS– Water Funding	% of Project Funded by NBS– Water
Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction (18-43)	\$12,164	-0-	-0-	<u>1,414</u>	11.6%
Total		<u>\$-0-</u>	<u>-0-</u>	<u>1,414</u>	

Identification of Approximate Date by Which Construction Will Commence Once Sufficient Funds Have Been Collected – CGC Section 66006(b)(1)(F):

The Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction capital project was approved with the Fiscal Year 2017-18 budget and is expected to begin in spring 2019. The project will construct the interim reversible bus lane along Shoreline Boulevard from Middlefield Road to Space Park Way, including improvements to replace water and sewer mains along Shoreline Boulevard from Middlefield Road (except freeway crossing) to Space Park Way. The reversible bus lane project is a proposal in the North Bayshore Precise Plan to reduce single-occupancy vehicles commuting to work in North Bayshore.

Description of Each Interfund Transfer or Interfund Loan Made from the Fund – CGC Section 66006(b)(1)(G):

During Fiscal Year 2017-18, a \$1.4 million Interfund Transfer was made to Capital Projects for the project listed below and referenced in CGC Section 66006(b)(1)(E)-(F) above:

18-43 Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction – \$1.4 million Interfund Transfer

Amount of Refunds Made – CGC Section 66006(b)(1)(H):

No refunds were made from this fund.

Findings for Amounts Remaining Unexpended – CGC Section 66001(d)(1):

The first NBS Impact Fee for water improvements was deposited February 28, 2017, and in accordance with CGC Section 66001(d)(1), the City is required to make all findings as of June 30, 2022, the end of the fifth year following deposit of the first fee into the NBS Development Impact Fund – Water.

c. **North Bayshore Development Impact Fund – Sewer**

Beginning and Ending Balances, Amount of Fees Collected, and Interest Earned – CGC Section 66006(b)(1)(C and D):

Beginning Balance, July 1, 2017		\$ 271,469
Sewer: North Bayshore Development Impact Fees	\$1,004,589	
Investment Earnings	<u>19,343</u>	
Total Audited Revenues		1,023,932
Total Audited Expenditures		<u>(269,000)</u>
Unexpended/ Available Balance, June 30, 2018		<u>\$1,026,401</u>

During Fiscal Year 2017-18, there were \$1.0 million in fees deposited, \$19,343 of investment earnings, and capital project funding of \$269,000, resulting in an unexpended/available balance of \$1.0 million in the NBS Development Impact Fund – Sewer.

Identification of Each Public Improvement on Which Fees Were Expended in Fiscal Year 2017-18 – CGC Section 66006(b)(1)(E) (dollars in thousands):

The table below shows active project(s) that have been partially or fully funded by North Bayshore Development Impact – Sewer Fees.

	Total Project Cost	FY 2017-18 Expenditures	LTD Expenditures	Total NBS – Sewer Funding	% of Project Funded by NBS – Sewer
Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction (18-43)	\$12,164	<u>-0-</u>	<u>-0-</u>	<u>269</u>	2.2%
Total		<u>\$-0-</u>	<u>-0-</u>	<u>269</u>	

Identification of Approximate Date by Which Construction Will Commence Once Sufficient Funds Have Been Collected – CGC Section 66006(b)(1)(F):

The Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction capital project was approved with the Fiscal Year 2017-18 budget and is expected to begin in spring 2019. The project will construct the interim reversible bus lane along Shoreline Boulevard from Middlefield Road to Space

Park Way, including improvements to replace water and sewer mains along Shoreline Boulevard from Middlefield Road (except freeway crossing) to Space Park Way. The reversible bus lane project is a proposal in the North Bayshore Precise Plan to reduce single-occupancy vehicles commuting to work in North Bayshore.

Description of Each Interfund Transfer or Interfund Loan Made from the Fund – CGC Section 66006(b)(1)(G):

During Fiscal Year 2017-18, a \$269,000 Interfund Transfer was made to Capital Projects for the project listed below and referenced in CGC Section 66006(b)(1)(E)-(F) above:

18-43 Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction – \$269,000 Interfund Transfer

Amount of Refunds Made – CGC Section 66006(b)(1)(H):

No refunds were made from this fund.

Findings for Amounts Remaining Unexpended – CGC Section 66001(d)(1):

The first NBS Development Impact Fee for sewer improvements was deposited February 28, 2017, and in accordance with CGC Section 66001(d)(1), the City is required to make all findings as of June 30, 2022, the end of the fifth year following deposit of the first fee into the NBS Development Impact Fund – Sewer.

4. **Water Development Impact Fund**

Description of the Type of Fee – CGC Section 66006(b)(1)(A):

These fees are assessed as a condition for new developments in order to mitigate a future deficiency in specific areas beyond the planned capacity of the water system.

Amount of Fee – CGC Section 66006(b)(1)(B):

The fee is the developer's contribution for their proportional share of the required infrastructure improvements due to the developer's project exceeding the capacity

of the water system anticipated in the 2030 General Plan and is required as a condition of development.

Beginning and Ending Balances, Amount of Fees Collected, and Interest Earned – CGC Section 66006(b)(1)(C and D):

Beginning Balance, July 1, 2017		\$-0-
Water Development Impact Fees	\$-0-	
Investment Earnings	<u>-0-</u>	
Total Audited Revenues		-0-
Total Audited Expenditures		<u>-0-</u>
Unexpended/ Available Balance, June 30, 2018		<u>\$-0-</u>

During Fiscal Year 2017-18, there were no fees deposited and no expenditures, resulting in an unexpended/available balance of \$0 in the Water Development Impact Fund.

Identification of Each Public Improvement on Which Fees Were Expended in Fiscal Year 2017-18 – CGC Section 66006(b)(1)(E):

No Water Development Impact fees were expended during Fiscal Year 2017-18 for water-related capital improvements.

Identification of Approximate Date by Which Construction Will Commence Once Sufficient Funds Have Been Collected – CGC Section 66006(b)(1)(F):

If any fees are collected in the future, they will be utilized when it is necessary to increase the capacity of the system and a water infrastructure improvement project is adopted for that specific area of the City.

Description of Each Interfund Transfer or Interfund Loan Made from the Fund – CGC Section 66006(b)(1)(G):

No Interfund Transfers or Interfund Loans were made from this fund.

Amount of Refunds Made – CGC Section 66006(b)(1)(H):

No refunds were made from this fund.

Findings for Amounts Remaining Unexpended – CGC Section 66001(d)(1):

In accordance with CGC Section 66001(d)(1), the City is required to make all findings at the end of the fifth year following deposit of the first fee into the Water Development Impact Fund. At the time the first fee is deposited, the five-year period will begin.

5. **Sewer Development Impact Fund**

Description of the Type of Fee – CGC Section 66006(b)(1)(A):

These fees are assessed as a condition for new developments in order to mitigate a future deficiency in specific areas beyond the planned capacity of the sewer system.

Amount of Fee – CGC Section 66006(b)(1)(B):

The fee is the developer’s contribution for their proportional share of the required infrastructure improvements due to the developer’s project exceeding the capacity of the sewer system anticipated in the 2030 General Plan and is required as a condition of development.

Beginning and Ending Balances, Amount of Fees Collected, and Interest Earned – CGC Section 66006(b)(1)(C and D):

Beginning Balance, July 1, 2017		\$121,236
Sewer Development Impact Fees	\$13,451	
Investment Earnings	<u>3,185</u>	
Total Audited Revenues		16,636
Total Audited Expenditures		<u>-0-</u>
Unexpended/ Available Balance, June 30, 2018		<u>\$137,872</u>

During Fiscal Year 2017-18, there were \$13,451 in fees deposited, the fund earned \$3,185 of investment earnings, and there were no expenditures. As of June 30, 2018, there is an unexpended/available balance of \$137,872 in the Sewer Development Impact Fund.

Identification of Each Public Improvement on Which Fees Were Expended in
Fiscal Year 2017-18 – CGC Section 66006(b)(1)(E):

No Sewer Development Impact fees were expended during Fiscal Year 2017-18 for sewer-related capital improvements.

Identification of Approximate Date by Which Construction Will Commence Once
Sufficient Funds Have Been Collected – CGC Section 66006(b)(1)(F):

When it is necessary to increase the capacity of the system and a sewer infrastructure improvement project is adopted for the specific areas of the City in which fees have been collected, the fees collected for the specific area will be utilized for project funding.

Description of Each Interfund Transfer and Interfund Loan Made from the Fund –
CGC Section 66006(b)(1)(G):

No Interfund Transfers or Interfund Loans were made from this fund.

Amount of Refunds Made – CGC Section 66006(b)(1)(H):

No refunds were made from this fund.

Findings for Amounts Remaining Unexpended – CGC Section 66001(d)(1):

The first Sewer Development Impact Fee was deposited November 14, 2013, and in accordance with CGC Section 66001(d)(1), the City is required to make all findings as of June 30, 2019, the end of the fifth fiscal year following deposit of the first fee into the Sewer Development Impact Fund.

Capacity Charges

Capacity charges are governed by CGC 66013 and are a charge for existing public facilities or new public facilities to be acquired or constructed in the future that are of proportional benefit.

6. Water Capacity Charges Fund

Description of the Charges Deposited in the Fund – CGC Section 66013(d)(1):

The City retained a consulting firm, Bartle Wells Associates (Bartle Wells), to review the existing fee systems and recommend updates based on the current development patterns of infill, redevelopment, and land use intensification. On April 8, 2014, the City Council adopted Water Capacity Charges with an effective date of July 1, 2015. These fees are to capture the increased demand from all development projects by assessing a capacity-based charge that is calculated proportional to the increased demand each project places on the City's water system.

Beginning and Ending Balances, Amount of Fees Collected, and Interest Earned – CGC Section 66013(d)(2)-(3):

Beginning Balance, July 1, 2017		\$2,314,419
Water Capacity Charges	\$1,594,686	
Investment Earnings	<u>100,538</u>	
Total Audited Revenues		1,695,224
Capital Improvement Projects	<u>(873,000)</u>	
Total Audited Expenditures		<u>(873,000)</u>
Unexpended/ Available Balance, June 30, 2018		<u>\$3,136,643</u>

During Fiscal Year 2017-18, there were \$1.6 million of fees deposited, investment earnings of \$100,538, capital project funding of \$873,000, resulting in a June 30, 2018 unexpended/available balance of \$3.1 million in the Water Capacity Charges Fund. The expenditures of \$873,000 provide funding for two capital projects and the funds will be expended over the life of the capital projects.

Identification of Each Public Improvement on Which Charges Were Expended in Fiscal Year 2017-18 – CGC Section 66013(d)(4)(A)-(B) (dollars in thousands):

The table below shows active project(s) that have been partially or fully funded by Water Capacity Charges.

	<u>Total Project Cost</u>	<u>FY 2017-18 Expendi- tures</u>	<u>LTD Expendi- tures</u>	<u>Total Water Capacity Charges Funding</u>	<u>% of Project Funded by Water Capacity Charges</u>	<u>Project Completed</u>
Misc. Water Main Repl. (16-21)	\$3,833	8	19	804	21.0%	No
Shoreline Boulevard Interim Bus Lane and Utility Improvements, Design (16-58)	2,955	769	1,189	444	15.0%	No
Water/Sewer Main Replacement Crossing 101 (16- 61)	800	6	6	600	75.0%	No
Misc. Water Main Repl. (17-21)	2,324	77	77	1,079	46.4%	No
Misc. Water Main Repl. (18-21)	2,533	- 0-	-0-	787	31.1%	No
Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction (18- 43)	12,164	<u>-0-</u>	<u>-0-</u>	<u>86</u>	0.7%	No
Total		<u>\$860</u>	<u>1,291</u>	<u>3,800</u>		

Identification of Each Public Improvement Anticipated to Be Undertaken in the Following Fiscal Year – CGC Section 66013(d)(4)(C):

The Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction capital project was approved with the Fiscal Year 2017-18 budget and is expected to begin in spring 2019. The project will construct the interim reversible bus lane along Shoreline Boulevard from Middlefield Road to Space Park Way, including improvements to replace water and sewer mains along Shoreline Boulevard from Middlefield Road (except freeway crossing) to Space

Park Way. The reversible bus lane project is a proposal in the North Bayshore Precise Plan to reduce single-occupancy vehicles commuting to work in North Bayshore.

Description of Each Interfund Transfer or Interfund Loan Made from the Fund – CGC Section 66013(d)(5):

During Fiscal Year 2017-18, an \$873,000 Interfund Transfer was made to Capital Projects for the project listed below and referenced in CGC Section 66013(d)(4)(A)-(C) above:

18-21 Miscellaneous Water Main Replacement – \$787,000 Interfund Transfer

18-43 Miscellaneous Water Main/Service Line Replacement – \$86,000 Interfund Transfer

7. Sewer Capacity Charges Fund

Description of the Charges Deposited in the Fund – CGC Section 66013(d)(1):

The City retained a consulting firm, Bartle Wells, to review the existing fee systems and recommend updates based on the current development patterns of infill, redevelopment, and land use intensification. On April 8, 2014, the City Council adopted Sewer Capacity Charges with an effective date of July 1, 2015. These fees are to capture the increased demand from all development projects by assessing a capacity-based charge that is calculated proportional to the increased demand each project places on the City’s sewer system.

Beginning and Ending Balances, Amount of Charges Collected, and Interest Earned – CGC Section 66013(d)(2)-(3):

Beginning Balance, July 1, 2017		\$2,543,592
Sewer Capacity Charges	\$4,485,590	
Investment Earnings	<u>133,612</u>	
Total Audited Revenues		4,619,202
Capital Improvement Projects	<u>(358,000)</u>	
Total Audited Expenditures		<u>(358,000)</u>
Unexpended/ Available Balance, June 30, 2018		<u>\$6,804,794</u>

During Fiscal Year 2017-18, there were \$4.5 million in charges deposited, investment earnings of \$133,612, and capital project funding of \$358,000. As of June 30, 2018, there is an unexpended/available balance of \$6.8 million in the Sewer Capacity Charges Fund. The expenditures of \$358,000 provide funding for one capital project and the funds will be expended over the life of the capital project.

Identification of Each Public Improvement on Which Charges Were Expended in Fiscal Year 2017-18 – CGC Section 66013(d)(4)(A)-(B) (dollars in thousands):

The table below shows active project(s) that have been partially or fully funded by Sewer Capacity Charges.

	<u>Total Project Cost</u>	<u>FY 2017-18 Expenditures</u>	<u>LTD Expenditures</u>	<u>Total Sewer Capacity Charges Funding</u>	<u>% of Project Funded Sewer Capacity Charges</u>	<u>Project Completed</u>
Misc. Storm/Sewer Main Repl. (16-22)	\$ 3,068	6	22	1,523	49.6%	No
Shoreline Boulevard Interim Bus Lane and Utility Improvements, Design (16-58)	2,955	769	1,189	148	5.0%	No
Water/Sewer Main Replacement Crossing 101 (16-61)	800	6	6	200	25.0%	No
Misc. Storm/Sewer Main Repl. (17-22)	1,133	55	247	200	17.7%	No
Immediate Repairs to Sewage Pump Station (17-48)	1,000	6	6	1,000	100.0%	No
San Antonio Area Sewer Imp. – Design (17-50)	320	1	1	320	100.0%	No
Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction (18-43)	12,164	<u>-0-</u>	<u>-0-</u>	<u>358</u>	2.9%	No
Total		<u>\$843</u>	<u>1,471</u>	<u>3,749</u>		

Identification of Each Public Improvement Anticipated to Be Undertaken in the Following Fiscal Year – CGC Section 66013(d)(4)(C)

The Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction capital project was approved with the Fiscal Year 2017-18 budget and is expected to begin in spring 2019. The project will construct the interim reversible bus lane along Shoreline Boulevard from Middlefield Road to Space Park Way, including improvements to replace water and sewer mains along Shoreline Boulevard from Middlefield Road (except freeway crossing) to Space Park Way. The reversible bus lane project is a proposal in the North Bayshore Precise Plan to reduce single-occupancy vehicles commuting to work in North Bayshore.

Description of Each Interfund Transfer or Interfund Loan Made from the Fund – CGC Section 66013(d)(5):

During Fiscal Year 2017-18, a \$358,000 Interfund Transfer was made to Capital Projects for the project listed below and referenced in CGC Section 66013(d)(4)(A)-(C) above:

18-43 Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction – \$358,000 Interfund Transfer

Park Land Dedication Fee Not Subject to Annual Reporting

The Park Land Dedication (PLD) Fee discussed below is not subject to CGC Section 66006 or 66013 requiring annual reporting, but is subject to CGC Section 66477(6)(A) and is included to report the commitment of PLD fees within five years after receipt or issuance of the building permit, whichever occurs later.

8. Park Land Dedication Fund

PLD fees are collected as a condition of approval for any new residential development and used for park or recreational purposes. PLD fees are not subject to annual reporting under CGC Section 66477. However, staff will continue to report on this fee for informational purposes.

On November 28, 2006, the City Council amended the Park Land Dedication In-Lieu Fee Ordinance 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 communitywide asset. The Parks and Recreation Commission reviews 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. On October 13, 2015 and June 14, 2016, the City Council adopted ordinances amending Chapter 41 (Park Land Dedication In-Lieu Fee) to exclude affordable housing units from the PLD requirement; and to establish a new dwelling density and In-Lieu Fee calculation for companion units, respectively.

The beginning balance, revenues, expenditures, and available balance of the PLD Fund for Fiscal Year 2017-18 are as follows:

Beginning Balance, July 1, 2017		\$49,422,325
Audited Revenues:		
Park Land Dedication Fees	\$8,583,600	
Investment Earnings	1,366,963	
Capital Projects Refunds	<u>18,148</u>	
Total Audited Revenues		<u>9,968,711</u>
Total Available		<u>59,391,036</u>
Audited Expenditures:		
FY 2017-18 Adopted Capital Improvement Projects (CIPs)	(7,130,000)	
2017-18 Midyear CIPs	(240,000)	
General Fund Administration	-0-	
Miscellaneous Expenditures	<u>(30,483)</u>	
Total Audited Expenditures		<u>(7,400,483)</u>
Unexpended Ending Balance		51,990,553
Total Committed by City Council for Specific Future Projects		<u>(16,092,792)</u>
Available Balance, June 30, 2018		<u>\$35,897,761</u>

Park Land Dedication fees, investment earnings, and capital project refunds total \$10.0 million and expenditures total \$7.4 million. After deducting \$16.1 million in funds committed for future projects, there is an available balance of \$35.9 million as of June 30, 2018. This \$35.9 million is comprised of fees, investment earnings, and capital project refunds deposited during Fiscal Years 2016-17 through 2017-18. As required by CGC Section 66477(6)(A), all PLD fees have been committed within five years after deposit of the fees or the issuance of building permits, whichever occurs later.

The Fiscal Year 2018-19 Adopted CIP includes appropriations for projects and commitments for future projects which utilized a portion of the committed and available PLD funds indicated above.

CONCLUSION

The development impact funds discussed in this report comply with the requirements of the CGC Section 66000 for annual reporting regarding the collection and use of

development fees. In addition, this report makes findings that the HI and RHI funds are still needed for the purposes specified.

The Water and Sewer Capacity Charges are in compliance with the CGC Section 66013 for annual reporting regarding the collection and use of capacity charges. The PLD Fund is in compliance with CGC Section 66477(6)(A) regarding the commitment of fees within five years of receipt.

RD-HA-SN-PJK/3/FIN
572-10-09-18M

cc: SMA – Goedicke, APWD – Solomon, AI – Doan, PM-AH, SMA – Ruebusch, USM,
WRM – Flegel