

**MEMORANDUM**

Finance and Administrative Services Department

DATE: November 15, 2022

TO: City Council

FROM: Elliot Young, Financial Analyst II
Grace Zheng, Assistant Finance and Administrative Services Director
Jesse Takahashi, Finance and Administrative Services Director

VIA: Kimbra McCarthy, City Manager

SUBJECT: **Fiscal Year 2021-22 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-H) 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. 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 fees, including the Citywide Transportation Impact Fee, Housing Impact (HI) Fee, Rental Housing Impact (RHI) Fee, North Bayshore Development Impact Fees for Transportation, Sewer, and Water (NBS Development Impact Fees) (including transportation, water, and sewer), Water Development Impact Fee, and Sewer Development Impact Fee. 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.

Although the City is required to make these findings every five years after the first fee is deposited, the City reports findings when required or provides the information on an annual basis, after the initial reporting, to make this requirement easier to administer. There are currently four different five-year finding cycles, and this year's report has no required findings. For ease of administration, this report provides information on those fees that have had an initial five-year findings report, which are the HI, RHI, NBS Development Impact Fee—Transportation, and Sewer Development Impact Fees.

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(a)(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. *Citywide Transportation Impact Fund*

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

On September 25, 2018, the City Council adopted Ordinance 8.18, adding Chapter 43 to the City Code to enact a Transportation Impact Fee on Citywide Development, which became effective on November 24, 2018. The purpose of the fee is to fund new Citywide multi-modal transportation improvements required under the Congestion Management Program (CMP). The CMP is managed by the Santa Clara Valley Transportation Authority (VTA), pursuant to State law.

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

| <u>Type</u> | <u>FY 2021-22</u> | <u>FY 2022-23</u> |
|---|-------------------|-------------------|
| Single-Family, attached or detached (net new dwelling unit) | \$5,188 | \$5,364 |
| Multi-Family (net new dwelling unit) | \$2,905 | \$3,004 |
| Hotels and Motels (net new guest room) | \$3,208 | \$3,317 |
| Service and Retail Commercial (SF, net new floor area) | \$5.53 | \$5.72 |
| Office, R&D, Industrial (SF, net new floor area) | \$5.53 | \$5.72 |
| Low Trip-Generating Uses (a.m. and p.m. peak-hour trips) | \$2,998 | \$3,100 |

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

| | | |
|---|--------------|------------------|
| Beginning Balance, July 1, 2021 | | \$99,817 |
| Citywide Transportation Impact Fees | \$762,263 | |
| Investment Earnings | <u>6,971</u> | |
| Total Unaudited Revenues | | \$769,234 |
| Total Unaudited Expenditures | | -0- |
| Unexpended/Available Balance, June 30, 2022 | | <u>\$869,051</u> |

During Fiscal Year 2021-22, there were \$762,263 in fees deposited, \$6,971 in investment earnings, and no expenditures. As of June 30, 2022, there is an unexpended/available balance of \$869,051. A transportation-related capital project, 2020-21 Street Resurfacing/Slurry Seal, Project 21-01, previously funded by these fees, is 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 2021-22—CGC Section 66006(b)(1)(E) (dollars in thousands):

The table below shows active project(s) that have been partially or fully funded by Citywide Transportation Impact (CTI) Fees.

| | <u>Total Project Cost</u> | <u>FY 2021-22 CTI Expenditures</u> | <u>Life to Date (LTD) CTI Expenditures</u> | <u>Total CTI Funding</u> | <u>% of Project Funded by CTI Fee</u> |
|---|---------------------------|------------------------------------|--|--------------------------|---------------------------------------|
| 20-21 Street Resurfacing/ Slurry Seal (21-01) | \$3,783 | \$84 | \$136 | \$156 | 4.1% |

Identification of Approximate Date by which Construction Will Commence Once Sufficient Funds have been Collected—CGC Section 66006(b)(1)(F):

Construction for the 2020-21 Street Resurfacing/Slurry Seal project will commence in summer 2023 and is expected to be completed fall 2023. Expenditures in the project to date are for project management and design.

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

During Fiscal Year 2021-22, a \$156,000 Interfund Transfer was made to Capital Projects for the project listed below and referenced in CGC Section 66006(b)(1)(E) above:

Project 21-01—2020-21 Street Resurfacing/Slurry Seal—\$156,000 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 Citywide Transportation Impact Fee was deposited June 10, 2019 and, in accordance with CGC Section 66001(d)(1), the City is required to make all findings as of June 30, 2024, the end of the fifth year following deposit of the first fee into the Citywide Transportation Impact Fund.

2. *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 net new gross floor area for nonresidential development projects on a per-square-foot basis. The fee was adopted by resolution on October 30, 2001, with an effective date of January 14, 2002, and is adjusted annually based on the Consumer Price Index for the San Francisco-Oakland-San Jose area for the previous year. 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 2021-22</u> | <u>FY 2022-23</u> |
|---------------------------------------|-------------------|-------------------|
| Commercial/Entertainment/Hotel/Retail | | |
| First 25,000 SF | \$1.60/net SF | \$1.65/net SF |
| 25,000+ SF | \$3.17/net SF | \$3.27/net SF |
| High-Tech/Industrial/Office | | |
| First 10,000 SF | \$14.81/net SF | \$15.28/net SF |
| 10,000+ SF | \$29.62/net SF | \$30.57/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, 2021 | | \$25,237,431 |
| Housing Impact Fees | \$16,459,010 | |
| Investment Earnings | 780,051 | |
| Other Revenue | <u>150,000</u> | |
| Total Unaudited Revenues | | 17,389,061 |
| Total Unaudited Expenditures | | <u>(1,381,771)</u> |
| Unexpended Balance | | 41,244,721 |
| Reserved by City Council for Affordable Housing Projects: | | <u>(15,910,937)</u> |
| Available Balance, June 30, 2022 | | <u>\$25,333,784</u> |

During Fiscal Year 2021-22, there were \$16.5 million in fees deposited, \$780,051 of investment earnings, other revenue of \$150,000, and \$1.4 million in expenditures (\$1.1 million in capital project funding). As of June 30, 2022, there is an unexpended balance of \$25.3 million, \$15.9 million of which has been reserved for the Charities Housing project at 1265 Montecito Avenue.

Identification of Each Public Improvement on Which Fees Were Expended in Fiscal Year 2021-22—CGC Section 66006(b)(1)(E) (dollars in thousands):

The table below shows active project(s) that have been partially or fully funded by Housing Impact (HI) Fees.

| | <u>Total Project Cost</u> | <u>FY 2021-22 HI Expenditures</u> | <u>Life to Date (LTD) HI Expenditures</u> | <u>Total HI Funding</u> | <u>% of Project Funded by HI Fee</u> |
|--|-----------------------------------|---------------------------------------|---|-----------------------------|--|
| Lease/Purchase of Evelyn Lot (19-69) | \$15,041 | \$ 11,038 | \$11,189 | \$15,041 | 100.0% |
| Administration of HI Program and Fees ⁽¹⁾ | N/A | <u>217</u> | <u>N/A</u> | <u>N/A</u> | 100.0% |
| | | <u>\$11,255</u> | <u>\$ 11,189</u> | <u>\$15,041</u> | |

⁽¹⁾ Administration costs are annual costs.

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

The City released a Request for Qualifications (RFQ) for a qualified developer partner in August 2022. The City expects to select a qualified developer and complete the purchase of the property in 2023.

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

During Fiscal Year 2021-22, a \$1.1 million Interfund Transfer was made to Capital Projects for the project listed below and referenced in CGC Section 66006(b)(1)(E) above:

Project 19-69—Lease/Purchase of Evelyn Lot—\$1.1 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 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 required finding as of June 30, 2023. However, the City is providing information as of June 30, 2022 regarding the unexpended balance of \$25,333,784. As previously mentioned, for ease of reporting after the initial five-year finding, the City provides information on an annual basis.

- (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 project at 1265 Montecito Avenue, and eventually on affordable developments on Parking Lot 12 and the former VTA park-and-ride lot on Evelyn Avenue and Pioneer Way.

- (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 because 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).

Lease/Purchase of Evelyn Lot Project

| | |
|--------------|--------------------------------|
| <u>\$3.9</u> | City of Mountain View HI Funds |
| <u>\$3.9</u> | Total Funding |

1265 Montecito Avenue

| | |
|----------------|--|
| \$16.0 | City of Mountain View HI Funds |
| 18.0 | County of Santa Clara Measure A |
| 31.08 | Tax Credit Equity |
| 9.51 | Conventional Loan |
| 0.82 | FHLB – Affordable Housing Program |
| 5.48 | Contributed Developer Fee |
| 0.88 | Deferred Developer Fee |
| 5.47 | Fee Waivers |
| <u>1.46</u> | Deferred Interest from City and County |
| <u>\$88.70</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.

As mentioned in the findings section above, the City has only budgeted funds for the lease/purchase of the Evelyn Lot. The HI funds detailed above have been deposited into the fund and were transferred and appropriated in a capital project by the City Council. The City executed a ground lease on September 21, 2021 and released an RFQ for a qualified developer partner in August 2022. The City expects to select a qualified developer in 2023. The City also plans to complete the purchase of the property in 2023.

The 1265 Montecito Avenue project will be developed and managed by Charities Housing. This project will be funded by the City's Housing Notice of Funding Availability (NOFA) (HI) funds and County of Santa Clara Measure A funds, as well as low-income housing tax credits and a permanent loan. The HI funds detailed above have been deposited into the fund and were reserved for this project by the 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. The development is expected to go to City Council by December 2022 for final approval.

3. *Rental Housing Impact Fund*

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

On December 11, 2012, Council adopted Resolution No. 17748 allowing for an RHI Fee to be imposed on all new market-rate rental housing developments effective February 9,

2013. With 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 Fee 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, 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/Sixth Street Properties, L.P. v. City of Los Angeles*, which had 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, and to ensure collection of the RHI fee on projects approved or project applications deemed complete before April 28, 2018, the City reinstated the fee for these projects on June 19, 2018, with the adoption of Resolution No. 18922. All such projects have paid the RHI Fee, and the RHI Fee was eliminated in Fiscal Year 2021-22 as of August 22, 2021. 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 2021-22, the fee was \$19.82 per net new habitable square foot and was eliminated in Fiscal Year 2021-22 as of August 22, 2021.

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

| | | |
|---|---------------|---------------------------|
| Beginning Balance, July 1, 2021 | | \$3,243,803 |
| Rental Housing Impact Fees | \$ -0- | |
| Investment Earnings | <u>43,400</u> | |
| Total Unaudited Revenues | | 43,400 |
| Total Unaudited Expenditures | | <u>-0-</u> |
| Unexpended/Available Balance, June 30, 2022 | | <u><u>\$3,287,203</u></u> |

During Fiscal Year 2021-22, there were \$43,400 of investment earnings, and no expenditures. As of June 30, 2022, there is an unexpended/available balance of \$3.3 million.

Identification of Each Public Improvement on Which Fees were Expended in Fiscal Year 2021-22—CGC Section 66006(b)(1)(E):

No RHI Fees were expended during Fiscal Year 2021-22.

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

The RHI funds will be used to increase and improve the supply of moderate- to very low-income rental housing when a new rental housing project is in the development pipeline.

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 its next five-year required finding as of June 30, 2023. However, the City is providing information as of June 30, 2022 regarding the unexpended balance of \$3,287,203. As previously mentioned, for ease of reporting after the initial five-year finding, the City provides information on an annual basis.

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

The RHI Fees will be used to fund additional moderate- and lower-income housing in Mountain View.

(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 RHI 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 households. 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).

The current unexpended balance of \$3,287,203 in the RHI Fund will be used for a future rental housing project.

- (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 RHI funds will be deposited into the fund for a new rental housing project when appropriated by the City Council.

4. *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 City 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 2021-22 and the fees approved by City Council for Fiscal Year 2022-23 are detailed below.

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

| | <u>FY 2021-22</u> | <u>FY 2022-23</u> |
|--|-------------------|-------------------|
| Hotel: | | |
| Transportation (Guest Rooms) | \$2,336 | \$2,415 |
| Water (Guest Rooms) | \$4,587 | \$4,743 |
| Sewer (Guest Rooms) | \$826 | \$854 |
| Office/R&D: | | |
| Transportation (SF net new gross floor area) | \$26.22 | \$27.11 |
| Water (SF net new gross floor area) | \$7.41 | \$7.66 |
| Sewer (SF net new gross floor area) | \$1.38 | \$1.43 |
| Retail: | | |
| Transportation (SF net new gross floor area) | \$2.74 | \$2.83 |
| Water (SF net new gross floor area) | \$0.01 | \$0.01 |
| Sewer (SF net new gross floor area) | \$0.92 | \$0.95 |

Each type of improvement (transportation, water, and 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, 2021 | | \$2,947,819 |
| Transportation: North Bayshore Development Impact Fees | \$14,427,765 | |
| Investment Earnings | <u>155,782</u> | |
| Total Unaudited Revenues | | 14,583,547 |
| Total Unaudited Expenditures | | <u>(2,790,000)</u> |
| Unexpended/Available Balance, June 30, 2022 | | <u>\$14,741,366</u> |

During Fiscal Year 2021-22, there were \$14.4 million in fees deposited, \$155,782 in investment earnings, and \$2.8 million in capital project funding. As of June 30, 2022, there is an unexpended/available balance of \$14.7 million. Transportation-related capital projects previously funded by these fees are 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 2021-22—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.

| | <u>Total Project Cost</u> | <u>FY 2021-22 Expendi- tures</u> | <u>LTD Expendi- tures</u> | <u>Total NBS— Transportation Funding</u> | <u>% of Project Funded by NBS— Transportation</u> |
|--|-----------------------------------|--|-----------------------------------|--|---|
| Acquisition Plymouth Street Realignment (18-70) | \$28,540 | \$28,471 | \$28,471 | \$13,370 | 46.8% |
| NB Shoreline Blvd./101 Off-Ramp Realignment, Design (19-59) | 6,400 | 121 | 1,783 | 6,400 | 100.0% |
| Shoreline at 101 Ped/Bike Overcrossing, Construction (20-38) | 18,803 | -0- | -0- | 3,848 | 20.5% |
| Landings Frontage Road (Landings to Permanente Creek)(22-28) | 3,420 | -0- | -0- | <u>2,790</u> | 81.6% |
| Total | | <u>\$28,592</u> | <u>\$30,254</u> | <u>\$26,408</u> | |

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

The Acquisition of Real Property for the Plymouth Street Realignment (18-70) project 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. Negotiations began in summer 2017, and the Purchase and Sale Agreement was signed with Google LLC (Google) on February 14, 2018. Escrow closed on August 26, 2021.

The NB Shoreline Blvd./101 Off-Ramp Realignment, Design (19-59) project was fully funded from the NBS Development Impact Fund. Project design began in August 2019 and should be complete by summer 2023.

The Shoreline at 101 Ped/Bike Overcrossing, Construction (20-38), project was adopted with the 2019-20 Capital Improvement Program and partially funded with \$3,848,000 from the NBS Development Impact Fund. This project is part of the Shoreline Corridor Study and will construct a bicycle and pedestrian bridge parallel and adjacent to Shoreline Boulevard over U.S. 101. Preliminary project design began in summer 2018. Final design and right-of-way acquisition should be completed by summer 2026, and construction should begin by end of 2027.

The Landings Frontage Road (22-28) project was adopted with the Fiscal Year 2021-22 Capital Improvement Program and partially funded with \$2,790,000 from the NBS Development Impact Fund. This project will be designed and constructed by the development at 1860-2159 Landings Drive (800,000 square foot office building). Design is nearly complete and construction is expected to begin once a majority of the on-site building construction work is complete, expected in early 2025, and anticipated to be completed by end of 2025.

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

During Fiscal Year 2021-22, a \$2.8 million Interfund Transfer was made to Capital Projects for the project listed below and referenced in CGC Section 66006(b)(1)(F) above:

22-28—Landings Frontage Road (Landings to Permanente Creek)—\$2.8 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 its next five-year required finding as of June 30, 2025. However, the City is providing information as of June 30, 2022 regarding the unexpended balance of \$14,741,366. As previously mentioned,

for ease of reporting after the initial five-year finding, the City provides information on an annual basis.

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

The purpose of this fee is to provide revenue that the City can use to help mitigate the impact new development will have on the existing transportation. Fee revenue will be used as a funding source for transportation improvements in the City and specifically the Shoreline Regional Park Community, particularly those improvements that will need to be made in North Bayshore to facilitate the growth in daily service population.

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

A reasonable relationship exists between the fee and the purpose for which said fees are charged. New development in North Bayshore will contribute an additional burden to Mountain View's transportation and utility infrastructure. Fee revenues that are collected from this new development will be spent to directly offset this burden by increasing the capacity of the existing transportation infrastructure as well as construction of new infrastructure to accommodate the projected growth.

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

The current unexpended/available balance of \$14,741,366 in the NBS Development Impact Fund—Transportation will be programmed into future transportation-related projects in the North Bayshore Area.

- (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 funds will be deposited into a new capital improvement project when approved and appropriated by Council.

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, 2021 | | \$931,305 |
| Water: North Bayshore Development Impact Fees | \$4,077,412 | |
| Investment Earnings | <u>81,808</u> | |
| Total Unaudited Revenues | | 4,169,220 |
| Total Unaudited Expenditures | | <u>-0-</u> |
| Unexpended/Available Balance, June 30, 2022 | | <u>\$5,100,525</u> |

During Fiscal Year 2021-22, there were \$4.1 million in fees deposited, \$81,808 in investment earnings, and no expenditures. As of June 30, 2022 there is an unexpended/available balance of \$5.1 million. Water infrastructure-related capital projects previously funded by these fees are 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 2021-22—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 2021-22 Expenditures | LTD Expenditures | Total NBS— Water Funding | % of Project Funded by NBS— Water |
|---|--------------------------|----------------------------|---------------------|-----------------------------------|--|
| Miscellaneous Water | | | | | |
| Main/Service Line Replacement (17-21)* | \$4,949 | \$2,465 | \$2,926 | \$ 28 | 0.6% |
| Shoreline Boulevard | | | | | |
| Interim Bus Lane and Utility Improvements, Construction (18-43) | \$16,402 | 2,048 | 2,484 | 1,414 | 8.6% |
| Water & Sewer Main | | | | | |
| Replacement 101 at Two Locations, Construction (20-41) | \$9,900 | <u>-0-</u> | <u>1,811</u> | <u>4,987</u> | 50.4% |
| Total | | <u>\$4,513</u> | <u>\$7,221</u> | <u>\$6,429</u> | |

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

The Annual Water Main/Service Line Replacement (17-21) project was adopted in Fiscal Year 2016-17. On March 9, 2021, the City Council approved transferring the balance of the 2020-21 Annual Water Main/Service Line Replacement project to this capital project, including the North Bayshore Development Impact-Water Fee funding of \$28,000. These funds are being used to complete the Rock Street and Spring Street Water Main Replacement. Project design began in summer 2018 and was completed in spring 2021. Project construction began in November 2021 and will be completed the end of 2022.

The Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction (18-43) project was approved with the Fiscal Year 2017-18 budget, and construction began in March 2021. The project will construct the interim reversible bus lane along with bicycle and pedestrian improvements along Shoreline Boulevard from Middlefield Road to Pear Avenue, including improvements to replace water and sewer mains along Shoreline Boulevard from Middlefield Road to south of U.S. 101. The reversible bus lane project is a proposal in the North Bayshore Precise Plan to reduce single-occupancy vehicles commuting to/from work in North Bayshore. During construction, the contractor's underground site investigations discovered unforeseen site conditions creating several utility conflicts. In addition, in October 2021, Council directed additional scope changes removing the proposed second left-turn lanes on West Middlefield Road. Due to the substantial scope of the changes, the work had significantly changed from their submitted bid and, unfortunately, staff and the contractor could not agree on the terms of the compensation. As a result, both parties mutually agreed to terminate the construction contract. On May 24, 2022, Council authorized staff to pursue termination of the construction contract with the contractor, and on October 25, 2022, Council approved the final termination of the contract. The project is currently undergoing redesign to eliminate utility conflicts and remove the proposed second left-turn lanes on West Middlefield Road. Due to these redesign efforts, the City will be rebidding the project and awarding a new construction contract in early 2023. Construction is anticipated to be completed at the end of 2024.

The Water & Sewer Main Replacement 101 at Two Locations, Construction (20-41) project was adopted with the 2019-20 Capital Improvement Program and partially funded with \$5,627,000 from NBS Development Impact—Water funds. In Fiscal Year 2020-21, \$640,000 of this funding was returned as a capital project refund (and replaced with Wastewater Debt Proceeds), reducing the funding from NBS Development Impact—Water funds to \$4,987,000. This project will construct the replacement of a new water and sewer main to cross under U.S. 101 south of Shoreline Boulevard as well as a new water main under

U.S. 101 at Macon Avenue to improve water service reliability to North Bayshore. Construction for the Macon Avenue water pipeline began in May 2020 and was completed and accepted by the City Council in December 2020. Construction for the water and sewer lines crossing U.S. 101 should begin in summer 2023 pending completion of right-of-way acquisition.

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 NBS Development 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.

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

The purpose of this fee is to provide revenue that the City can use to help mitigate the impact new development will have on the existing utility infrastructure. Fee revenue will be used as a funding source for utility improvements in the City and specifically the Shoreline Regional Park Community, particularly those improvements that will need to be made in North Bayshore to facilitate the growth in the community.

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

A reasonable relationship exists between the fee and the purpose for which said fees are charged. New development in North Bayshore will contribute an additional burden to Mountain View's utility infrastructure. Fee revenues that are collected from this new development will be spent to directly offset this burden by increasing the capacity of the existing utility infrastructure as well as construction of new infrastructure to accommodate the projected growth.

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

The current unexpended balance of \$5,100,525 in the NBS Development Impact Fund—Water will be programmed into future water-related projects in the North Bayshore area.

- (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 funds will be deposited into a new capital improvement project when approved and appropriated by Council.

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, 2021 | | \$ 757,965 |
| Sewer: North Bayshore Development Impact | | |
| Fees | \$759,356 | |
| Investment Earnings | <u>18,390</u> | |
| Total Unaudited Revenues | | 777,746 |
| Total Unaudited Expenditures | | <u>-0-</u> |
| Unexpended/Available Balance, June 30, 2022 | | <u>\$1,535,711</u> |

During Fiscal Year 2021-22, there were \$759,356 in fees deposited, \$18,390 in investment earnings, and no expenditures. As of June 30, 2022, there is an unexpended/available balance of \$1.5 million. Sewer infrastructure-related capital projects previously funded by these fees are 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 2021-22—CGC Section 66006(b)(1)€ (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 <u>Cost</u> | FY 2021-22 Expendi- <u>tures</u> | LTD Expendi- <u>tures</u> | Total NBS— Sewer <u>Funding</u> | % of Project Funded by NBS— <u>Sewer</u> |
|--|---------------------------------|--|---------------------------------|--|---|
| Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction (18-43) | \$16,402 | \$2,048 | \$2,484 | \$269 | 1.6% |
| Miscellaneous Storm/ Sanitary Sewer Main Replacement (20-22) | 1,649 | -0- | -0- | 132 | 8.0% |
| Interceptor Force Trunk Rehab, Construction, Phase II (20-42) | 3,410 | <u>2,492</u> | <u>2,735</u> | <u>222</u> | 6.5% |
| Total | | <u>\$4,540</u> | <u>\$5,219</u> | <u>\$623</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 (18-43) project was approved with the Fiscal Year 2017-18 budget, and construction began in March 2021. The status of this project is identified in the North Bayshore Development Impact—Water section of this report.

The annual Miscellaneous Storm/Sanitary Sewer Main Replacement (20-22) project was adopted with the 2019-20 Capital Improvement Program and partially funded with \$132,000 from NBS Development Impact—Sewer funds. This project will repair and replace the segments of the existing sanitary sewer main and manholes on Castro Street and El Camino Real near Castro Street. The design of this work began in fall 2021 and should be completed in early 2023 with construction to follow in spring 2023.

The Interceptor Force Trunk Rehab, Construction, Phase II (20-42) project was adopted with the 2019-20 Capital Improvement Program and was partially funded with \$222,000 from NBS Development Impact—Sewer funds. This project will rehabilitate approximately 1,090' of a 42" interceptor force trunk main just downstream of the Shoreline Sewage Pump Station and rehabilitate an existing manhole adjacent to Michaels at Shoreline

Restaurant. Project construction began in fall 2021 and will be completed at the end of 2022.

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 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.

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

The purpose of this fee is to provide revenue that the City can use to help mitigate the impact new development will have on the existing utility infrastructure. Fee revenue will be used as a funding source for utility improvements in the City and specifically the Shoreline Regional Park Community, particularly those improvements that will need to be made in North Bayshore to facilitate the growth in the community.

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

A reasonable relationship exists between the fee and the purpose for which said fees are charged. New development in North Bayshore will contribute an additional burden to Mountain View's utility infrastructure. Fee revenues that are collected from this new development will be spent to directly offset this burden by increasing the capacity of the existing utility infrastructure as well as construction of new infrastructure to accommodate the projected growth.

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

The current unexpended balance of \$1,535,711 in the NBS Development Impact Fund—Sewer will be programmed into future sewer-related projects in the North Bayshore area.

- (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 funds will be deposited into a new capital improvement project when approved and appropriated by Council.

5. *Water Development Impact Fund*

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

This fee is 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, 2021 | | \$-0- |
| Water Development Impact Fees | \$-0- | |
| Investment Earnings | <u>-0-</u> | |
| Total Unaudited Revenues | | -0- |
| Total Unaudited Expenditures | | <u>-0-</u> |
| Unexpended/Available Balance, June 30, 2022 | | <u>\$-0-</u> |

During Fiscal Year 2021-22, there were no fees deposited and no expenditures. As of June 30, 2022, there is an unexpended/available balance of \$0.

Identification of Each Public Improvement on Which Fees Were Expended in Fiscal Year 2021-22—CGC Section 66006(b)(1)(E):

No Water Development Impact Fees were expended during Fiscal Year 2021-22 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.

6. *Sewer Development Impact Fund*

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

This fee is 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, 2021 | | \$396,816 |
| Sewer Development Impact Fees | \$63,629 | |
| Investment Earnings | <u>5,575</u> | |
| Total Unaudited Revenues | | 69,204 |
| Total Unaudited Expenditures | | <u>-0-</u> |
| Unexpended/Available Balance, June 30, 2022 | | <u>\$466,020</u> |

During Fiscal Year 2021-22, there were \$63,629 in fees deposited, \$5,575 in investment earnings, and no expenditures. As of June 30, 2022, there is an unexpended/available balance of \$466,020.

Identification of Each Public Improvement on Which Fees Were Expended in Fiscal Year 2021-22—CGC Section 66006(b)(1)(E):

No Sewer Development Impact Fees were expended during Fiscal Year 2021-22 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 its next five-year required finding as of June 30, 2024. However, the City is providing information as of June 30, 2022 regarding the unexpended balance of \$466,020. As previously mentioned, for ease of reporting after the initial five-year finding, the City provides information on an annual basis.

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

The fee will be used to mitigate a future deficiency in specific areas beyond the planned capacity of the sewer system.

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

A reasonable relationship exists between the fee and the purpose for which said fees are charged. The fee is charged as a condition of new development when a project exceeds the capacity of the sewer system anticipated in the 2030 General Plan. The funds generated from this fee will be used to mitigate the impacts to the sewer system caused by the new development project.

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

The current unexpended/available balance of \$466,020 in the Sewer Development Impact Fund will be programmed into future sewer projects.

- (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 funding will be transferred to Capital Projects when identified and approved by the City Council.

Capacity Charges

Capacity charges are governed by CGC Section 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.

7. *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, 2021 | | \$5,074,270 |
| Water Capacity Charges | \$1,509,349 | |
| Investment Earnings | <u>138,604</u> | |
| Total Unaudited Revenues | | 1,647,953 |
| Total Unaudited Expenditures | | <u>(1,600,000)</u> |
| Unexpended/Available Balance, June 30, 2022 | | <u>\$5,122,223</u> |

During Fiscal Year 2021-22, there were \$1.5 million of charges deposited, \$138,604 of investment earnings, and \$1.6 million of capital project funding. As of June 30, 2022, there is an unexpended/available balance of \$5,122,223. The expenditures of \$1.6 million provide funding for a capital project. This, as well as capital projects previously funded by these fees, are 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 Charges Were Expended in Fiscal Year 2021-22—CGC Section 66013(d)(4)(A)-(B) (dollars in thousands):

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

| | Total Project Cost | FY 2021-22 Expendi- tures | LTD Expendi- tures | Total Water Capacity Charges Funding | % of Project Funded by Water Capacity Charges | Project Completed |
|---|--------------------------|---------------------------------|--------------------------|--|---|----------------------|
| Misc. Water Main Repl. (16-21) | \$3,833 | \$ -0- | \$3,621 | \$ 804 | 21.0% | No |
| Shoreline Boulevard Interim Bus Lane and Utility Improvements, Design (16-58) | 3,332 | 488 | 2,517 | 444 | 13.3% | No |
| Water/Sewer Main Replacement Crossing 101 (16- 61) | 940 | 8 | 804 | 600 | 63.8% | No |
| Misc. Water Main Repl. (17-21)* | 4,949 | 2,465 | 2,926 | 1,597 | 32.3% | No |
| Misc. Water Main Repl. (18-21) | 2,533 | 6 | 16 | 787 | 31.1% | No |
| Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction (18- 43) | 16,402 | 750 | 842 | 86 | 0.5% | No |
| Misc. Water Main Repl. (19-21) | 2,584 | 213 | 258 | 1,640 | 63.5% | No |
| Misc. Water Main/ Service Line Repl. (21-21) | 2,688 | 347 | 753 | 600 | 22.3% | No |
| Annual Water Main/Service Line Repl. (22-08) | 2,742 | <u>-0-</u> | <u>-0-</u> | <u>1,600</u> | 58.4% | No |
| Total | | <u>\$4,277</u> | <u>\$11,737</u> | <u>\$8,158</u> | | |

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

The annual Miscellaneous Water Main/Service Line Replacement (16-21) project was adopted in Fiscal Year 2015-16 and was partially funded with \$804,000 from the Water Capacity Charges Fund. These funds were used to complete the design and provide construction support for the Leong Drive Water and Sewer Main Replacement. Project construction was completed and accepted by the City Council in October 2020. This project will be closed in the upcoming fiscal year.

The Shoreline Boulevard Interim Bus Lane and Utility Improvements, Design (16-58), capital project was adopted in Fiscal Year 2015-16 and was partially funded with \$444,000 from the Water Capacity Charges Fund. The project will design a reversible bus lane along with bicycle and pedestrian improvements along Shoreline Boulevard from Middlefield Road to Pear Avenue, including improvements to replace water and sewer mains along Shoreline Boulevard from Middlefield Road to south of U.S. 101. 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 from the Mountain View Transit Center. The project design documents are complete, and the construction contract was awarded in March 2021. The Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction (18-43), project funds the construction of the project and is partially funded with \$86,000 from the Water Capacity Charges Fund. Construction began in March 2021.

During construction, the contractor's underground site investigations discovered unforeseen site conditions creating several utility conflicts. In addition, in October 2021, Council directed additional scope changes removing the proposed second left-turn lanes on West Middlefield Road. Due to the substantial scope of the changes, the work had significantly changed from their submitted bid and, unfortunately, staff and the contractor could not agree on the terms of the compensation. As a result, both parties mutually agreed to terminate the construction contract. On May 24, 2022, Council authorized staff to pursue termination of the construction contract with the contractor, and on October 25, 2022, Council approved the final termination of the contract. The project is currently undergoing redesign to eliminate utility conflicts and remove the proposed second left-turn lanes on West Middlefield Road. Due to these redesign efforts, the City will be rebidding the project and awarding a new construction contract in early 2023. Construction is anticipated to be completed at the end of 2024.

The Water/Sewer Main Replacement Crossing Highway 101, Design (16-61) project was adopted in Fiscal Year 2015-16 and was partially funded with \$600,000 from the Water Capacity Charges Fund. This project is to design the replacement of a new water and sewer

main to cross under U.S. 101 south of Shoreline Boulevard as well as a new water main under U.S. 101 at Macon Avenue to improve water service reliability to North Bayshore. Design for the Macon Avenue water pipeline was completed in October 2019, and construction was accepted by the City Council in December 2020. Design for the water and sewer lines crossing U.S. 101 is anticipated to be completed early 2023, pending completion of right-of-way acquisition.

The annual Miscellaneous Water Main/Service Line Replacement (17-21) project was adopted in Fiscal Year 2016-17 and was partially funded with \$1,079,000 from the Water Capacity Charges Fund. On March 9, 2021, the City Council approved transferring the balance of Capital Project 20-21, Annual Water Main/Service Line Replacement, to this capital project, including the Water Capacity Charge funding of \$518,000. These funds are being used to complete the Rock Street and Spring Street Water Main Replacement. This project is scheduled to be completed at the end of 2022.

The annual Miscellaneous Water Main/Service Line Replacement (18-21) project was adopted in Fiscal Year 2017-18 and was partially funded with \$787,000 from the Water Capacity Charges Fund. These funds are being used to complete the Thaddeus Drive, Emmons Drive, Whitney Drive, Whitney Court, Parker Court, Alison Avenue, Begem Avenue, and North Whisman Road Water Main Replacement. Design is anticipated to be completed early 2023 with construction to follow in spring 2023.

The annual Miscellaneous Water Main/Service Line Replacement (19-21) project was adopted in Fiscal Year 2018-19 and was partially funded with \$1,640,000 from the Water Capacity Charges Fund. These funds are being used to complete the Thaddeus Drive, Emmons Drive, Whitney Drive, Whitney Court, Parker Court, Alison Avenue, Begem Avenue, and North Whisman Road Water Main Replacement. Design is anticipated to be completed early 2023 with construction to follow in spring 2023.

The annual Miscellaneous Water Main/Service Line Replacement (21-21) project was adopted in Fiscal Year 2020-21 and was partially funded with \$600,000 from the Water Capacity Charges Fund. These funds are being used to complete the San Antonio and Miramonte Avenue Water Main Replacement Projects. The San Antonio Water Main Replacement Project was completed and accepted in September 2021. The Miramonte Avenue Water Main Replacement should be completed in summer 2023.

The annual Water Main/Service Line Replacement (22-08) was adopted in Fiscal Year 2021-22 and was partially funded with \$1,600,000 from the Water Capacity Charges Fund. Preliminary water main replacement locations are Nilda Avenue, Barbara Avenue,

and Gretel Lane. Project design is expected to begin in summer 2023 and be completed in 15 months.

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

During Fiscal Year 2021-22, a \$1.6 million Interfund Transfer was made to Capital Projects for the project listed below and referenced in CGC Section 66013(d)(4)(A)-(C) above:

Project 22-08—Annual Water Main/Service Line Repl.—\$1.6 million Interfund Transfer

8. *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, 2021 | | \$8,514,209 |
| Sewer Capacity Charges | \$1,542,344 | |
| Investment Earnings | 159,072 | |
| Capital Project Refunds | <u>82,648</u> | |
| Total Unaudited Revenues | | 1,784,064 |
| Total Unaudited Expenditures | | <u>(1,980,000)</u> |
| Unexpended/Available Balance, June 30, 2022 | | <u>\$8,318,273</u> |

During Fiscal Year 2021-22, there were \$1.5 million in charges deposited, \$159,072 in investment earnings, \$82,648 in capital project refunds, and \$2.0 million in transfers to capital projects. As of June 30, 2022, there is an unexpended/available balance of \$8,318,273. Capital projects previously funded by these fees are 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 Charges Were Expended in Fiscal Year 2021-22—CGC Section 66013(d)(4)(A)-(B) (dollars in thousands):

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

| | <u>Total Project Cost</u> | <u>FY 2021-22 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 | \$ 166 | \$3,068 | \$1,523 | 49.6% | Yes |
| Shoreline Boulevard Interim Bus Lane and Utility Improvements, Design (16-58) | 3,332 | 488 | 2,517 | 148 | 4.4% | No |
| Water/Sewer Main Replacement Crossing 101 (16-61) | 940 | 8 | 804 | 200 | 21.3% | No |
| Misc. Storm/Sewer Main Repl. (17-22) | 1,133 | 20 | 474 | 200 | 17.7% | No |
| San Antonio Area Sewer Imp.—Design (17-50) | 320 | -0- | 296 | 320 | 100.0% | No |
| Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction (18-43) | 16,402 | 2,048 | 2,484 | 358 | 2.2% | No |
| San Antonio Sewer Improvements, Construction, Phase II (19-45) | 1,760 | 34 | 69 | 1,230 | 69.9% | No |
| Misc. Storm/Sanitary Sewer Main Repl. (20-22) | 1,649 | -0- | -0- | 145 | 8.8% | No |
| Middlefield and Moffett Sewer Replacement, Design (22-42) | 750 | -0- | -0- | 750 | 100.0% | No |
| TOTAL | | <u>\$2,764</u> | <u>\$9,712</u> | <u>\$4,874</u> | | |

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

The annual Miscellaneous Storm/Sanitary Sewer Main Replacement (16-22) project was adopted in Fiscal Year 2015-16 and was partially funded with \$1,523,000 from the Sewer Capacity Charges Fund. These funds were used to complete the design and provide construction support for the Leong Drive Water and Sewer Main Replacement. Project construction was completed and accepted by the City Council in October 2020.

The Shoreline Boulevard Interim Bus Lane and Utility Improvements, Design (16-58) capital project was adopted in Fiscal Year 2015-16 and was partially funded with \$148,000 from the Sewer Capacity Charges Fund. The status of this project is identified in the Water Capacity Charges section of this report.

The Water/Sewer Main Replacement Crossing Highway 101, Design (16-61) project was adopted in Fiscal Year 2015-16 and was partially funded with \$600,000 from the Water Capacity Charges Fund. This project is to design the replacement of a new water and sewer main to cross under U.S. 101 south of Shoreline Boulevard as well as a new water main under U.S. 101 at Macon Avenue to improve water service reliability to North Bayshore. Design for the Macon Avenue water pipeline was completed in October 2021, and construction was accepted by the City Council in December 2020. Design for the water and sewer lines crossing U.S. 101 is anticipated to be completed early 2023, pending completion of right-of-way acquisition.

The annual Miscellaneous Storm/Sanitary Sewer Main Replacement (17-22) project was adopted in Fiscal Year 2016-17 and was partially funded with \$200,000 from the Sewer Capacity Charges Fund. These funds were used to complete design of the Rock Street and Spring Street Sewer Main Replacement. The design was completed in fall 2020.

The San Antonio Area Sewer Improvement, Design (17-50), project is fully funded from the Sewer Capacity Charges Fund. The design is nearly complete, and the project will proceed with bid and award, pending obtaining a utility easement from the City of Palo Alto.

The Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction (18-43) project was approved with the Fiscal Year 2017-18 budget, and construction began in March 2021. The status of this project is identified in the North Bayshore Development Impact—Water section of this report.

The San Antonio Sewer Improvements, Construction (19-45) project was adopted in Fiscal Year 2018-19 and was partially funded with \$1,230,000 from the Sewer Capacity Charges

Fund. Project design completion and construction commencement is pending utility easement acquisition from the City of Palo Alto.

The annual Miscellaneous Storm/Sanitary Sewer Main Replacement (20-22) project was adopted in Fiscal Year 2019-20 and was partially funded with \$145,000 from the Sewer Capacity Charges Fund. This project will repair and replace the segments of the existing sanitary sewer main and manholes on Castro Street and El Camino Real near Castro Street. The design of this work began in fall 2021 and should be completed in early 2023 with construction to follow in spring 2023.

The Middlefield and Moffett Sewer Replacement, Design (22-42) project was adopted in Fiscal Year 2021-22 and was fully funded from the Sewer Capacity Charges Fund. This project will abandon the sewer main parallel to Stevens Creek and crossing at State Route 85 by redirecting sewage to south on Moffett Boulevard and west on West Middlefield Road. Project design is anticipated to start early 2023 and complete by the end of 2024 with construction to follow in 2025.

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

During Fiscal Year 2021-22, \$82,648 was refunded from capital project Miscellaneous Storm/Sanitary Sewer Main Replacement (16-22).

Park Land Dedication Fee Not Subject to Annual Reporting

The PLD Fee discussed below is not subject to CGC Sections 66006 or 66013 requiring annual reporting but is subject to CGC Section 66477(a)(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.

9. *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.

In 1997, the City adopted a Park Land Dedication Ordinance, Chapter 41 of the City Code (Park Land Dedication), which requires park land dedication or payments of in-lieu fees for residential development. On November 28, 2006, the City Council amended the City

Council Policy for prioritizing the use of Park Land Dedication In-Lieu Fees 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 the same parks and open space area as the development generating the fee. Next, prioritization goes to projects within one mile of the development generating the fee. Last, consideration is for projects that provide a communitywide asset, which can be located anywhere in the City. 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.

Subsequent amendments to the Park Land Dedication Ordinance were enacted, including amendments adopted on October 13, 2015 and April 13, 2021 to exclude affordable housing units from the PLD requirement, modify the process of establishing a fair market range for land values, and provide for a privately owned/publicly accessible open space credit.

The beginning balance, revenues, expenditures, and available balance of the PLD Fund for Fiscal Year 2021-22 are as follows:

| | | |
|---|---------------------|---------------------|
| Beginning Balance, July 1, 2021 | | \$80,354,665 |
| Unaudited Revenues: | | |
| Park Land Dedication Fees | \$21,268,500 | |
| Investment Earnings | 1,498,662 | |
| Capital Projects Refunds | <u>1,066,970</u> | |
| Total Unaudited Revenues | | <u>23,834,132</u> |
| Total Available | | <u>104,188,797</u> |
| Unaudited Expenditures: | | |
| FY 2021-22 Adopted Capital Improvement Projects (CIPs) | (7,478,000) | |
| FY 2021-22 Midyear CIPs | <u>(31,795,000)</u> | |
| Total Unaudited Expenditures | | <u>(39,273,000)</u> |
| Unexpended Ending Balance | | 64,915,797 |
| Total Committed by City Council for Specific Future Projects | | <u>(11,453,304)</u> |
| Available Balance, June 30, 2022 | | <u>\$53,462,493</u> |

Park Land Dedication fees, investment earnings, and capital project refunds total \$23.8 million and expenditures total \$39.3 million. After deducting \$11.5 million in funds committed for future projects, there is an available balance of \$53.5 million as of June 30, 2022. This \$53.5 million is comprised of fees, investment earnings, and capital project refunds deposited during Fiscal Years 2016-17 through 2021-22. 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 2022-23 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 CGC Section 66001 for annual reporting regarding the collection and use of development fees.

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

EY-GZ-JT/4/FIN
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cc: APWD—Arango, APWD—Au, APWD—Skinner, HNSM—Hellman-Tincher, SM—Ruebusch,
SMA—Goedicke, SMA—Doan