



CITY OF MOUNTAIN VIEW

MEMORANDUM

Finance and Administrative
Services Department

DATE: October 24, 2017

TO: City Council

FROM: Rafaela Duran, Senior Financial Analyst
Helen Ansted, Principal Financial Analyst
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Services Director
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VIA: Daniel H. Rich, City Manager

SUBJECT: Fiscal Year 2016-17 Annual Compliance Report for Development Impact Fees and Capacity Charges; and Informational Reporting of Park Land Dedication Fee

BACKGROUND

Development Impact Funds

The California Government Code (CGC) Section 66006(b)(1)(A-F) requires local agencies, within 180 days after the last day of each fiscal year (FY), 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.* Although the City is required to make these findings every five years after the first fee is

* This report previously included the Below-Market-Rate Housing and Parking In-Lieu fees but these two fee programs will no longer be included as this section of the report only includes development impact fees subject to annual reporting and 5 year findings requirements of the Mitigation Fee Act (CGC 66000 *et seq.*).

deposited, the City reports findings on an annual basis, after the initial reporting, to make this requirement easier to administer. There are currently four different five-year finding cycles.

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 16-17 Fees</u>	<u>FY 17-18 Fees</u>
High-Tech/Industrial/Office		
First 10,000 SF	\$12.79/net SF	\$13.14/net SF
10,000+ SF	\$25.58/net SF	\$26.27/net SF
Commercial/Entertainment/Hotel/Retail		
First 25,000 SF	\$1.37/SF	\$1.41/net SF
25,000+ SF	\$2.74/SF	\$2.81/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, 2016		\$12,584,252
Housing Impact Fees	\$7,607,132	
Investment Earnings	<u>200,654</u>	
Total Unaudited Revenues		7,807,786
Total Unaudited Expenditures		<u>(5,092,847)</u>
Unexpended Balance		15,299,191
Appropriated by City Council for NOFA		
Affordable Housing Projects:		
779 East Evelyn Avenue		(2,579,349)
1701 West El Camino Real		(2,908,816)
460 North Shoreline Boulevard		<u>(6,300,000)</u>
Available Balance, June 30, 2017		\$ <u>3,511,026</u>

During Fiscal Year 2016-17, there were \$7.6 million in fees deposited, \$200,654 of investment earnings, and \$5.1 million in expenditures. As of June 30, 2017, there is an unexpended HI balance of \$15.3 million, \$2.6 million of which has been appropriated for the 779 East Evelyn Avenue affordable housing project, \$2.9 million appropriated for the project at 1701 West El Camino Real and, \$6.3 million appropriated for Shorebreeze Apartments at 460 North Shoreline Boulevard. The June 30, 2017 available HI balance is \$3.5 million.

Identification of Each Public Improvement on Which Fees Were Expended in FY 2016-17 – CGC Section 66006(b)(1)(E) (dollars in thousands):

	Total Project Cost	FY 2016-17 HI Expenditures	LTD HI Expenditures	% Project Funded by LTD HI Fee Expenditures
779 East Evelyn Avenue				
NOFA	\$61,860	3,135	3,421	5.5%
1701 West El Camino Real	38,250	1,805	2,091	5.5%
Administration of Housing				
Impact Program and Fees	N/A	<u>153</u>	<u>N/A</u>	100.0%
		<u>\$5,093</u>	<u>5,512</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 October 2018. 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 May 2019. Construction at 460 North Shoreline Boulevard for the Shorebreeze Apartments project has an anticipated start date of July 2018.

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 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. However, the City is making all required findings as of June 30, 2017 regarding the unexpended balance of \$15,299,191. As previously discussed,

for ease of tracking after the initial five-year finding, the City makes findings 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 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 BMR Funds (previously \$16.25M)
6.00	City of Mountain View Housing Impact Funds
16.53	Tax Credit Investor Capital
16.98	Permanent Loan
2.90	Citi Community Capital
0.67	Lease-Up Income
3.08	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 Housing Impact Funds
1.00	City of Mountain View Rental Housing Impact Funds
17.00	Tax Credit Investor Capital
4.40	VHHP Loan
1.50	Sponsor Loan (new from FY15-16 report)
2.50	County of Santa Clara (new from FY15-16 report)
4.10	Impact Fee Waivers (new from FY15-16 report)
<u>0.75</u>	Deferred Interest (new from FY15-16 report)
<u>\$38.25</u>	Total Funding

460 North Shoreline Boulevard Project

\$ 6.30	City of Mountain View HI Funds
0.39	City of Mountain View HOME Funds
0.50	Housing Trust of Silicon Valley
0.57	Project Based Voucher Funding
0.25	Contributed Fee
11.86	Tax Credit Investor Capital
1.14	Deferred Developer Fee
4.51	Tranche A Permanent Loan
4.72	Tranche B Permanent Loan
<u>1.25</u>	Tranche C Permanent Loan
<u>\$31.50</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 and as previously discussed, a portion has been expended. The City is funding the loan and will fully disburse all loan proceeds by the completion of construction. 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 previously have been deposited into the fund and as discussed, a portion has been expended. The City is funding the loan and will fully disburse all loan proceeds by the completion of construction. 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 and HOME funds, as well as low income housing tax credits and a permanent loan. The HI funds detailed previously have been deposited into the fund and as discussed, 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. It is anticipated the Council will consider this project for approval on December 5, 2017, with construction expected to begin July 2018.

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.

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

For Fiscal Year 2016-17, the fee was \$17.39 per net new habitable square foot and increased to \$17.86 as directed by Council for Fiscal Year 2017-18.

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

Beginning Balance, July 1, 2016		\$2,907,850
Rental Housing Impact Fees	\$ 148,372	
Investment Earnings	<u>37,612</u>	
Total Unaudited Revenues		185,984
Total Unaudited Expenditures		<u>-0-</u>
Unexpended Balance		\$3,093,834
Appropriated by City Council for NOFA Affordable Housing Projects:		
1701 West El Camino Real		(1,000,000)
Available Balance, June 30, 2017		<u>\$2,093,834</u>

During Fiscal Year 2016-17, there were \$148,372 in fees deposited, \$37,612 of investment earnings, and no expenditures. As of June 30, 2017, there is an unexpended RHI balance of \$3.1 million, \$1.0 million of which has been appropriated for the 1701 West El Camino Real project, leaving an available balance of \$2.1 million.

Identification of Each Public Improvement on Which Fees Were Expended in FY
2016-17 – CGC Section 66006(b)(1)(E):

As noted previously, no RHI fees were expended during Fiscal Year 2016-17.

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 May 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.

3. North Bayshore Development Impact Funds

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

The North Bayshore Precise Plan, 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 (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 Nexus Study and adopted the NBS Development Impact fees with an effective date of April 23, 2016. The fees in effect during FY 2016-17 and the fees approved by City Council for FY 2017-18 are detailed below.

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

	<u>FY 2016-17</u>	<u>FY 2017-18</u>
Office/R&D:		
Transportation (SF net new gross floor area)	\$22.47	\$23.26
Water (SF net new gross floor area)	\$6.35	\$6.57
Sewer (SF net new gross floor area)	\$1.18	\$1.22
Retail:		
Transportation (SF net new gross floor area)	\$2.35	\$2.43
Water (SF net new gross floor area)	\$0.01	\$0.01
Sewer (SF net new gross floor area)	\$0.79	\$0.82
Hotel:		
Transportation (Guest Rooms)	\$2,000	\$2,071
Water (Guest Rooms)	\$3,929	\$4,068
Sewer (Guest Rooms)	\$707	\$732

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, 2016		\$1,472,216
North Bayshore Development Impact Fees	\$5,051,430	
Investment Earnings	<u>58,737</u>	
Total Unaudited Revenues		5,110,167
Total Unaudited Expenditures		<u>(100,000)</u>
Unexpended/ Available Balance, June 30, 2017		<u>\$6,482,383</u>

During Fiscal Year 2016-17, there were \$5.1 million in fees deposited, \$58,737 of investment earnings, and \$100,000 of capital project funding, resulting in an unexpended/available balance of \$6.5 million in the NBS Development Impact Fund. The \$100,000 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 FY 2016-17 – CGC Section 66006(b)(1)(E) (dollars in thousands):

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. However, no expenditures were made from the project during Fiscal Year 2016-17.

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

The available balance is included as a portion of the funding for a transportation-related project planned for Fiscal Year 2019-20.

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 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, 2016		\$ -0-
Water: North Bayshore Development	\$1,414,400	
Impact Fees		
Investment Earnings	<u>10,806</u>	
Total Unaudited Revenues		1,425,206
Total Unaudited Expenditures		<u>-0-</u>
Unexpended/ Available Balance, June 30, 2017		<u>\$1,425,206</u>

During Fiscal Year 2016-17, there were \$1,414,400 in fees deposited, \$10,806 of investment earnings, and no expenditures, resulting in an unexpended/available balance of \$1.4 million in the NBS Development Impact Fund - Water.

Identification of Each Public Improvement on Which Fees Were Expended in FY
2016-17 – CGC Section 66006(b)(1)(E):

As noted previously, no NBS Development Impact fees were expended during Fiscal Year 2016-17 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):

The majority of the available balance is included as a portion of the funding for a water-related capital improvement adopted for Fiscal Year 2017-18. Construction is anticipated to begin in summer 2018.

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 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		\$ -0-
Sewer: North Bayshore Development Impact Fees	\$269,410	
Investment Earnings	<u>2,059</u>	
Total Unaudited Revenues		271,469
Total Unaudited Expenditures		<u>-0-</u>
Unexpended/ Available Balance, June 30, 2017		<u>\$271,469</u>

During Fiscal Year 2016-17, there were \$269,410 in fees deposited, \$2,059 of investment earnings, and no expenditures, resulting in an unexpended/available balance of \$271,469 in the NBS Development Impact Fund - Sewer.

Identification of Each Public Improvement on Which Fees Were Expended in FY 2016-17 – CGC Section 66006(b)(1)(E):

As noted previously, no NBS Development Impact fees were expended during Fiscal Year 2016-17 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):

The majority of the available balance is included as a portion of the funding for a sewer-related capital improvement adopted for Fiscal Year 2017-18. Construction is anticipated to begin in summer 2018.

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.

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 developers' 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, 2016		\$3,633
Water Development Impact Fees	(\$3,613)	
Investment Earnings	<u>(20)</u>	
Total Unaudited Revenues		(3,633)
Total Unaudited Expenditures		<u>-0-</u>
Unexpended/ Available Balance, June 30, 2017		<u><u>\$ -0-</u></u>

The report for Fiscal Year 2015-16 included a Water Development Impact Fee and interest totaling \$3,633. However, it was later determined this was a Water Capacity Fee and the correcting entry was processed in Fiscal Year 2016-17 resulting in a zero available balance for the Water Development Impact Fund. No fees were collected in Fiscal Year 2016-17.

Identification of Each Public Improvement on Which Fees Were Expended in FY 2016-17 – CGC Section 66006(b)(1)(E):

As noted previously, no Water Development Impact fees were expended during Fiscal Year 2016-17 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):

When it is necessary to increase the capacity of the system and a water 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 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 developers' 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, 2016		\$ 61,189
Sewer Development Impact Fees	\$58,485	
Investment Earnings	<u>1,562</u>	
Total Unaudited Revenues		60,047
Total Unaudited Expenditures		<u>-0-</u>
Unexpended/ Available Balance, June 30, 2017		<u>\$121,237</u>

During Fiscal Year 2016-17, there were \$58,485 in fees deposited, the fund earned \$1,562 of investment earnings, and there were no expenditures. As of June 30, 2017, there is an unexpended/available balance of \$121,237 in the Sewer Development Impact Fund.

Identification of Each Public Improvement on Which Fees Were Expended in FY 2016-17 – CGC Section 66006(b)(1)(E):

As noted previously, no Sewer Development Impact fees were expended during Fiscal Year 2016-17 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 for 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, 2016		\$ 41,466
Water Capacity Charges	\$3,310,111	
Investment Earnings	<u>43,032</u>	
Total Unaudited Revenues		3,353,143
City Administration	(1,191)	
Capital Improvement Projects	<u>(1,079,000)</u>	
Total Unaudited Expenditures		<u>(1,080,191)</u>
Unexpended/ Available Balance, June 30, 2017		<u>\$2,314,419</u>

During Fiscal Year 2016-17, there were \$3.3 million of fees deposited, investment earnings of \$43,032, capital project funding of \$1.1 million, and City Administration of \$1,191, resulting in a June 30, 2017 unexpended/available balance of \$2.3 million in the Water Capacity Charges Fund. The \$1.1 million provides 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
FY 2016-17 – CGC Section 66013(d)(4)(A)-(B) (dollars in thousands):

	Total Project Cost	FY 2016-17 Water Capacity Expenditures	LTD Water Capacity Expendi- tures	% Project Funded by LTD Water Capacity Charge Expenditures	Project Completed
Misc. Water Main Repl. (16-21)	\$2,415	7	11	0.46%	No
Shoreline Blvd. Interim Bus Lane and Utility Imp. Design (16-58)	2,955	263	273	9.2%	No
Water/Sewer Main Replacement Crossing 101 (16-61)	800	0	0	0.0%	No
Misc. Water Main Repl. (17-21)	2,464	<u>0</u>	<u>0</u>	0.0%	No
Total		<u>\$270</u>	<u>284</u>		

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

Preliminary work has been done on two projects and the actual or approximate dates for construction to commence are listed below:

16-21 Miscellaneous Water Main Replacement – Spring 2018
16-58 Shoreline Boulevard Interim Bus Lane and Utility Improvements,
Design – Summer 2018

The projects below were adopted with the Fiscal Year 2015-16 and Fiscal Year 2016-17 CIPs and work is anticipated to begin as indicated.

16-61 Water and Sewer Main Replacement Crossing Highway 101 – Spring 2018
17-21 Miscellaneous Water Main/Service Line Replacement – Spring 2019

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

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

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, 2016		(\$1,512,153)
Sewer Capacity Charges	\$3,111,264	
Capital Project Refunds	2,400,000	
Investment Earnings	<u>65,616</u>	
Total Unaudited Revenues		5,576,880
City Administration	(1,135)	
Capital Improvement Projects	<u>(1,520,000)</u>	
Total Unaudited Expenditures		<u>(1,521,135)</u>
Unexpended/ Available Balance, June 30, 2017		<u>\$2,543,592</u>

During Fiscal Year 2016-17, there were \$3.1 million in charges deposited, capital project refunds of \$2.4 million, investment earnings of \$65,616, capital project funding of \$1.5 million, and City Administration of \$1,135. As of June 30, 2017, there is an unexpended/available balance of \$2.5 million in the Sewer Capacity Charges Fund. The \$1.5 million provides funding for three 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
FY 2016-17 – CGC Section 66013(d)(4)(A)-(B) (dollars in thousands):

	<u>Total Project Cost</u>	<u>FY 2016-17 Sewer Capacity Expenditures</u>	<u>LTD Sewer Capacity Expendi- tures</u>	<u>% Project Funded by LTD Sewer Capacity Charge Expenditures</u>	<u>Project Completed</u>
Misc. Storm/Sewer Main Repl. (16-22) Shoreline Blvd. Interim Bus Lane and Utility Imp. Design (16-58)	\$1,523 2,955	15 139	17 148	1.1% 5.0%	No No
Water/Sewer Main Replacement Crossing 101 (16-61)	800	0	0	0.0%	No
Misc. Storm/Sewer Main Repl. (17-22)	1,553	192	192	12.4%	No
Immediate Repairs to Sewage Pump Station (17-48)	1,000	0	0	0.0%	No
San Antonio Area Sewer Imp-Design (17-50)	320	<u>0</u>	<u>0</u>	0.0%	No
Total		<u>\$ 346</u>	<u>357</u>		

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

Preliminary work has been done on three projects and the approximate dates for construction to commence are listed below:

- 16-22 Miscellaneous Water Main Replacement – Spring 2018
- 16-58 Shoreline Boulevard Interim Bus Lane and Utility Improvements,
Design – Summer 2018
- 17-22 Miscellaneous Storm/Sewer Main Replacement – Spring 2019

The projects below were adopted with the Fiscal Year 2015-16 and Fiscal Year 2016-17 CIPs and work is anticipated to begin as indicated.

- 16-61 Water and Sewer Main Replacement Crossing Highway 101 – Spring 2018
- 17-48 Immediate Repairs to Sewage Pump Station – Spring 2018
- 17-50 San Antonio Area Sewer Improvement-Design – Spring 2018

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

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

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 2016-17 are as follows:

Beginning Balance, July 1, 2016		\$47,026,197
Unaudited Revenues:		
Park Land Dedication Fees	\$26,490,880	
Investment Earnings	707,152	
Capital Projects Refunds	<u>17,098</u>	
Total Unaudited Revenues		<u>27,215,130</u>
Total Available		<u>74,241,327</u>
Unaudited Expenditures:		
FY 2016-17 Adopted Capital Improvement		
Projects (CIPs)	(22,581,000)	
2016-17 Midyear CIPs	(2,200,000)	
General Fund Administration	(30,884)	
Miscellaneous Expenditures	<u>(7,118)</u>	
Total Unaudited Expenditures		<u>(24,819,002)</u>
Unexpended Ending Balance		49,422,325
Total Committed by City Council for		
Specific Future Projects		<u>(17,552,143)</u>
Available Balance, June 30, 2017		<u>\$31,870,182</u>

Park Land Dedication Fees, investment earnings, and capital project refunds total \$27.2 million and expenditures total \$24.8 million. After deducting \$17.6 million in funds committed for future projects, there is an available balance of \$31.9 million as of June 30, 2017. This \$31.9 million is comprised of fees deposited during Fiscal Years 2014-15 through 2016-17. 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 2017-18 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 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.

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530-10-24-17M-E

cc: AAI – Goedicke, APWD – Solomon, AAI – Doan, PMAH, SMA – Ruebusch, USM,
WCC