

**MEMORANDUM**

Finance and Administrative Services Department

**DATE:** September 26, 2023

**TO:** City Council

**FROM:** Elliot Young, Senior Financial Analyst  
Grace Zheng, Assistant Finance and Administrative  
Services Director  
Derek Rampone, Finance and Administrative Services Director

**SUBJECT:** Fiscal Year 2022-23 Annual Compliance Report for In-Lieu Parking Fees

**BACKGROUND**

The City levies fees on new development within the City in order to fund public capital improvements necessitated by such development. The California Mitigation Fee Act, commonly known as AB 1600 (Government Code Sections 66000 and following), imposes certain accounting and reporting requirements on local agencies that collect development fees. The Mitigation Fee Act mandates that, for accounting purposes, development fees must be segregated from the general funds of the City and from other funds containing fees collected for other improvements. Interest on each development fee fund must be credited to that fund and used only for the purposes for which the fees were collected.

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 the next regularly scheduled public meeting but not fewer than 15 days after this information is made available to the public. No Council action is required on this item at this time. The report will be placed on the agenda for consideration at the October 24, 2023<sup>1</sup> City Council meeting.

This report discusses the In-Lieu Parking Fees (Fees). 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.

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<sup>1</sup> The staff report originally submitted for September 26, 2023 had a Council meeting report date of October 10, 2023, which has now been corrected to October 24, 2023.

**ANALYSIS****In-Lieu Parking Fees****Description of the Type of Fee—CGC Section 66006(b)(1)(A)**

On January 26, 1988, the City Council adopted Resolution No. 14763, establishing the In-Lieu Parking Fees for the Downtown Parking Maintenance Assessment District (“Downtown Parking District”). The fee allows developers in the Downtown Parking District to opt to pay a fee in lieu of providing all or a percentage of the required off-street parking. The purpose of the fee is to fund construction of new public parking.

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

| <u>Type</u>                  | <u>FY 2022-23</u> | <u>FY 2023-24</u> |
|------------------------------|-------------------|-------------------|
| In-Lieu Parking Fee:         |                   |                   |
| New Construction (per space) | \$61,227          | \$64,472          |
| Change of Use (per space)    | \$30,614          | \$32,237          |

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

| <u>Type</u>                                 | <u>FY 2022-23</u> | <u>FY 2023-24</u>  |
|---|-------------------|--------------------|
| Beginning Balance, July 1, 2022             |                   | \$9,165,255        |
| In-Lieu Parking Fee(s)                      | \$ 61,228         |                    |
| Investment Earnings                         | <u>187,412</u>    |                    |
| Total Unaudited Revenues                    |                   | 248,640            |
| Total Unaudited Expenditures                |                   | <u>(1,000,000)</u> |
| Unexpended/Available Balance, June 30, 2023 |                   | <u>\$8,413,895</u> |

During Fiscal Year 2022-23, there were \$61,228 in fees deposited, \$187,412 in investment earnings, and \$1.0 million in expenditures. As of June 30, 2023, there is an unexpended/available balance of \$8.4 million. A parking-related capital project, Lot 5 Parking Structure, Study and Preliminary Design, Project 23-33, is currently funded by these fees. It 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 2022-23—CGC Section 66006(b)(1)(E) (dollars in thousands):

The table below shows active project(s) that have been partially or fully funded by the In-Lieu Parking Fees.

|   | Total Project Cost | FY 2022-23 Expenditures | Life-to-Date (LTD) Expenditures | Total Funding | % of Project Funded by Fee |
|---|--------------------|-------------------------|---------------------------------|---------------|----------------------------|
| Lot 5 Parking Structure, Study and Preliminary Design (23-33) | \$1,000            | \$4                     | \$4                             | \$1,000       | 100%                       |

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

Construction for Lot 5 Parking Structure, Study and Preliminary Design, Project 23-33, will commence in summer 2026 and is expected to be completed in spring 2029. 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 2022-23, a \$1.0 million Interfund Transfer was made to capital projects for the project listed below and referenced in CGC Section 66006(b)(1)(E) above:

- Project 23-33—Lot 5 Parking Structure, Study and Preliminary Design—\$1.0 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 fee was deposited in Fiscal Year 1988-89 and, in accordance with CGC Section 66001(d)(1), the City is required to make its next five-year finding as of June 30, 2028. The City is providing information as of June 30, 2023 regarding the unexpended balance of \$8,413,895.

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

The In-Lieu Parking funds will support the construction of additional parking supply within downtown. The Hope Street Development Project will replace 149 existing parking spaces in Lots 4 and 8 with 224 new public parking spaces, generating an additional 75 spaces of net new parking supply. The Lot 5 Parking Structure Project will replace 254 existing parking spaces in Lots 5 and 12 with 400 new public parking spaces, generating an additional 146 spaces of net new parking supply.

- (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 were charged because the fee is intended to allow developers in the Downtown Parking District to meet their parking requirements by providing the City with funds to address the additional parking needs caused by the development through construction of new public parking.

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

The current unexpended balance of \$8,413,895 in the fund will be used for a parking structure at the Hope Street Lot 4 and 8 developments. The City has committed \$13.5 million for this upcoming project to support additional net new parking supply.

- (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 paid to the Hope Street developer when approved and appropriated by Council, anticipated to occur in Fiscal Year 2023-24.

## **CONCLUSION**

The fee discussed in this report complies with the requirements of CGC Sections 66001 and 66006 for annual reporting regarding the collection and use of the In-Lieu Parking Fees.

EY-GZ-DR/1/FIN

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