

MEMORANDUM

Finance and Administrative Services Department

DATE: November 12, 2024

TO: City Council

FROM: Grace Zheng, Assistant Finance and Administrative Services Director
Derek Rampone, Finance and Administrative Services Director

VIA: Kimbra McCarthy, City Manager

SUBJECT: Fiscal Year 2023-24 Annual Compliance Report for Development Impact Fees

BACKGROUND

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, In-Lieu Parking Fee (ILP), North Bayshore Development Impact Fees for Transportation, Sewer, and Water (NBS Development Impact Fees), 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 and increase transparency to the public on collected fees. There are currently four different five-year finding cycles, and this year's report has required findings for the Citywide Transportation Impact Fee and Sewer Development Impact Fee. For ease of administration, this report also provides information on those fees outside of their respective five-year cycles, which are the HI, RHI, ILP, and NBS Development Impact Fee—Transportation, Water, and Sewer.

ANALYSIS1. *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 2023-24</u>	<u>FY 2024-25</u>
Single-Family, attached or detached (net new dwelling unit)	\$6,120	\$6,126
Multi-Family (net new dwelling unit)	\$3,428	\$3,431
Hotels and Motels (net new guest room)	\$3,785	\$3,789
Service and Retail Commercial (SF, net new floor area)	\$6.53	\$6.54
Office, R&D, Industrial (SF, net new floor area)	\$6.53	\$6.54
Low Trip-Generating Uses (a.m. and p.m. peak-hour trips)	\$3,537	\$3,541

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

Beginning Balance, July 1, 2023		\$2,007,013
Citywide Transportation Impact Fees	\$80,295	
Investment Earnings	<u>52,939</u>	
Total Unaudited Revenues		133,234
Total Unaudited Expenditures		<u>-0-</u>
Unexpended/Available Balance, June 30, 2024		<u>\$2,140,247</u>

During Fiscal Year 2023-24, there were \$80,295 in fees deposited, \$52,939 in investment earnings, and no expenditures. As of June 30, 2024, there is an unexpended/available balance of approximately \$2.1 million. 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 2023-24—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.

	Total Project Cost	FY 2023-24 Expenditures	Life to Date (LTD) Expenditures	Total CTI Funding	% of Project Funded by CTI Fee
20-21 Street Resurfacing/ Slurry Seal (21-01)	\$2,983	\$2,276	\$2,543	\$156	5.2%

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 was completed in 2024 and accepted by Council in May 2024. Expenditures in the project to date are for project management, design, and construction.

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

No CTI Fees were expended during Fiscal Year 2023-24.

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. As of June 30, 2024, this fund has the unexpended balance of approximately \$2.1 million. The City is required to make its next five-year finding as of June 30, 2029.

(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 certain transportation improvements required to serve new development within the City.

- (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 the City will contribute an additional burden on the existing street system. The Santa Clara County Congestion Management Program sets performance standards for arterial and regional streets and sets requirements for multi-modal improvements that are required to offset impacts to those streets. The City is required to comply with the Congestion Management Program, which is operated by the Santa Clara Valley Transportation Authority (VTA). Improvements to the existing multi-modal transportation systems in the City are needed both to mitigate the cumulative impacts of new development and to accommodate future development by maintaining the appropriate level of services on streets and intersections or providing offsetting transit, pedestrian, and bicycle improvements to meet Congestion Management Plan Program requirements. The fee is based upon the evidence that new development generates additional residents, employees, and structures which, in turn, place an additional cumulative burden upon the local transportation system and should be expected to pay a share of the new infrastructure improvements.

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

The current unexpended/available balance of approximately \$2.1 million in the CTI Fund will be programmed into future transportation-related 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 funds will be deposited into a new capital improvement project when approved and appropriated by Council.

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 2023-24</u>	<u>FY 2024-25</u>
Commercial/Entertainment/Hotel/Retail		
First 25,000 SF	\$2.00/net SF	\$2.10/net SF
25,000+ SF	\$3.50/net SF	\$3.60/net SF
High-Tech/Industrial/Office		
First 10,000 SF	\$16.00/net SF	\$16.50/net SF
10,000+ SF	\$33.00/net SF	\$34.00/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, 2023		\$43,133,898
Housing Impact Fees	\$ 24,185	
Loan Repayment from Housing Developers	1,101,500	
Investment Earnings	1,448,254	
Other Revenue	<u>147,733</u>	
Total Unaudited Revenues		2,721,672
Total Unaudited Expenditures		<u>(5,773,830)</u>
Unexpended Balance		40,081,740
Reserved by City Council for		
Affordable Housing Projects:		<u>(18,908,896)</u>
Available Balance, June 30, 2024		<u>\$21,172,844</u>

During Fiscal Year 2023-24, there were \$24,185 in fees deposited, \$1.1 million of loan repayments received, \$1.4 million of investment earnings, \$147,733 of other revenue, and \$5.8 million in expenditures. As of June 30, 2024, there is an unexpended balance of \$40.1 million, \$18.9 million of which has been reserved for the projects below, resulting in an available balance of approximately \$21.2 million:

Charities Housing project at 1265 Montecito Avenue—\$9.9 million

Danco Communities project at 96 West El Camino Real—\$7.1 million

Mountain View Lot 12 project—\$1.9 million

Identification of Each Public Improvement on Which Fees Were Expended in Fiscal Year 2023-24—CGC Section 66006(b)(1)(E) (dollars in thousands):

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

	Total Project Cost	FY 2023-24 HI Expenditures	Life to Date (LTD) HI Expenditures	Total HI Funding	% of Project Funded by HI Fee
1265 Montecito Avenue	\$80,240	\$5,354	\$6,109	\$16,000	20.0%
Administration of HI Program and Fees ⁽¹⁾	N/A	420	N/A	N/A	100.0%
		<u>\$5,774</u>	<u>\$6,109</u>	<u>\$16,000</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 1265 Montecito Avenue project is currently under construction. The developer anticipates completing construction in September 2025 with 100% lease-up occurring in March 2026. During Fiscal Year 2023-24, the developer repaid the predevelopment loan of \$1.1 million as a requirement of their bank as part of construction closing. This became part of the permanent loan and was drawn at closing.

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):

During Fiscal Year 2023-24, a \$1.1 million loan repayment was made to this fund from the project listed below and referenced in CGC Section 66006(b)(1)(F) above:

Charities Housing Project at 1265 Montecito Avenue

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, 2028. However, the City is providing information as of June 30, 2024 regarding the

unexpended balance of approximately \$21.2 million. As previously mentioned, for ease of reporting after the initial five-year finding and transparency, 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, which is currently under construction, as well as affordable developments in the City’s pipeline, including Parking Lot 12, the former VTA Park and Ride Lot at 87 East Evelyn Avenue and Pioneer Way and 96 West El Camino Real.

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

A reasonable relationship exists between the 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).

<u>1265 Montecito Avenue</u>	
\$16.00	City of Mountain View HI Funds
8.50	County of Santa Clara Measure A
36.77	Tax Credit Equity
12.60	Conventional Loan
5.10	Deferred Developer Fee
<u>1.27</u>	Deferred Interest from City and County
<u>\$80.24</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 1265 Montecito Avenue project is under construction and will be managed by Charities Housing. This project was approved through the City's Notice of Funding Availability (NOFA) process and funded by the City's 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 have signed loan agreements with the developer and are disbursing loan proceeds by reimbursing the developer during the construction phase. The development was approved by the City Council on December 6, 2022.

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, Assembly Bill (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 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, 2023		\$3,353,939
Rental Housing Impact Fees	\$ -0-	
Investment Earnings	<u>77,322</u>	
Total Unaudited Revenues		77,322
Total Unaudited Expenditures		<u>748,490</u>
Unexpended Balance		2,682,771
Reserved by City Council for Affordable Housing Projects:		<u>(130,148)</u>
Available Balance, June 30, 2024		<u>\$2,552,623</u>

During Fiscal Year 2023-24, there were \$77,322 of investment earnings, \$748,490 of expenditures for the Crestview Hotel Conversion Project, and \$130,148 reserved for housing projects. As of June 30, 2024, there is an unexpended balance of \$2.7 million, \$130,148 of which is reserved for the Crestview Hotel Conversion Project, resulting in an available balance of approximately \$2.6 million.

Identification of Each Public Improvement on Which Fees were Expended in Fiscal Year 2023-24—CGC Section 66006(b)(1)(E):

No RHI Fees were expended on public improvements during Fiscal Year 2023-24.

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, 2028. However, the City is providing information as of June 30, 2024 regarding the unexpended balance of \$2.7 million. As previously mentioned, for ease of reporting after the initial five-year finding and transparency, 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).

Crestview Hotel

\$7.42	CDBG/HOME
0.88	City of Mountain View RHI Funds
<u>0.75</u>	Other Federal Grants
<u>\$9.05</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 Crestview Hotel project (now called The Heartwood) is being developed by Jamboree Housing. On January 26, 2021, the City of Mountain View partnered with the County of Santa Clara to convert the Crestview Hotel into residential units to meet various housing needs and priorities, serving extremely low- and low-income households. This project was funded by the City’s Community Development Block Grant (CDBG) and HOME funds, the County of Santa Clara Measure A funds, and the California Department of Housing and Community Development Project Homekey funds. The City sources of funding have been reserved for this project by the City Council. All outside funding sources have signed loan and regulatory agreements with the developer and have disbursed loan proceeds by reimbursing the developer during the rehabilitation process. The project received its Temporary Certificate of Occupancy in August 2024.

4. *In-Lieu Parking Funds*

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 2023-24</u>	<u>FY 2024-25</u>
In-Lieu Parking Fee:			
	New Construction (per space)	\$64,472	\$64,475
	Change of Use (per space)	\$32,237	\$32,237

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

Beginning Balance, July 1, 2023		\$8,413,895
In-Lieu Parking Fees	\$ -0-	
Investment Earnings	<u>240,306</u>	
Total Unaudited Revenues		240,306
Total Unaudited Expenditures		<u>-0-</u>
Unexpended/Available Balance, June 30, 2024		<u>\$8,654,201</u>

During Fiscal Year 2023-24, there were no fees deposited, \$240,306 in investment earnings, and no expenditures. As of June 30, 2024, there is an unexpended/available balance of approximately \$8.7 million. A parking-related capital project, Lot 5 Parking Structure, Study and Preliminary Design, Project 23-33, was fully 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 2023-24—CGC Section 66006(b)(1)(E) (dollars in thousands):

The table below shows active project(s) that have been partially or fully funded by In-Lieu Parking Fees. There were no expenditures in Fiscal Year 2023-24.

	Total Project Cost	FY 2023-24 Expenditures	Life to Date (LTD) Expenditures	Total ILP Funding	% of Project Funded by ILP Fee
Lot 5 Parking Structure, Study and Preliminary Design (23-33)	\$1,000	\$0	\$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 Fall 2026 and is expected to be completed in Summer 2029. Expenditures in the project to date are for project management and preliminary design.

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 In-Lieu Parking 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. However, the City is providing information as of June 30, 2024 regarding the unexpended balance of approximately \$8.7 million. As previously mentioned, for ease of reporting after the initial five-year finding and transparency, the City provides information on an annual basis.

- (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.

- (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. Since January 1, 2023 with Assembly Bill 2097, most development in the Downtown Parking District is not currently subject to minimum parking requirements and, thus, is not subject to payment of the fee.

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

The current unexpended balance of \$8,654,201 in the fund is committed for financing an increase in public parking capacity for the Hope Street development project pursuant to the May 25, 2017 Disposition and Development Agreement between the City and RGC Mountain View I, LLC.

- (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 pursuant to the May 25, 2017 Disposition and Development Agreement

between the City and RGC Mountain View I, LLC. This is anticipated to occur in Fiscal Year 2025-26.

5. *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 Schaaf & 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 2023-24 and the fees approved by the City Council for Fiscal Year 2024-25 are detailed below.

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

	<u>FY 2023-24</u>	<u>FY 2024-25</u>
Hotel:		
Transportation (Guest Rooms)	\$2,756	\$2,759
Water (Guest Rooms)	\$5,412	\$5,417
Sewer (Guest Rooms)	\$974	\$975
Office/R&D:		
Transportation (SF net new gross floor area)	\$30.93	\$30.96
Water (SF net new gross floor area)	\$8.74	\$8.75
Sewer (SF net new gross floor area)	\$1.63	\$1.63
Retail:		
Transportation (SF net new gross floor area)	\$3.23	\$3.23
Water (SF net new gross floor area)	\$0.01	\$0.01
Sewer (SF net new gross floor area)	\$1.08	\$1.08

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 is separate reporting 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, 2023		\$14,965,808
Transportation: North Bayshore Development Impact Fees	\$ -0-	
Capital Project Refunds	2,790,000	
Investment Earnings	<u>664,387</u>	
Total Unaudited Revenues		3,454,387
Total Unaudited Expenditures		<u>(14,627,000)</u>
Unexpended/Available Balance, June 30, 2024		\$ <u>3,793,195</u>

During Fiscal Year 2023-24, there were no fees deposited, \$2.8 million in capital project refunds, \$664,387 in investment earnings, and \$14.6 million in expenditures. As of June 30, 2024, there is an unexpended/available balance of approximately \$3.8 million. Transportation-related capital projects funded in Fiscal Year 2023-24 and 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 2023-24—CGC Section 66006(b)(1)(E) (dollars in thousands):

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

	Total Project Cost	FY 2023-24 Expenditures	LTD Expenditures	Total NBS—Transportation Funding	% of Project Funded by NBS—Transportation
Charleston Road Improvements Design (19-34)	\$46,501	\$ -0-	\$ -0-	\$12,475	26.8%
NB Shoreline Blvd/101 Off-Ramp Realignment, Design (19-59)	13,722	<u>567</u>	<u>2,688</u>	<u>12,785</u>	93.2%
TOTAL		<u>\$567</u>	<u>\$2,688</u>	<u>\$25,260</u>	

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

The Charleston Road Improvements, Design (19-34) project is funded by multiple sources, and for Fiscal Year 2023-24, \$12,475,000 from the NBS Development Impact Fund was provided, \$3,848,000 transferred from the Shoreline at 101 Ped/Bike Overcrossing, Construction (20-38) project.

The NB Shoreline Blvd/101 Off-Ramp Realignment, Design (19-59) project was previously fully funded from the NBS Development Impact Fund. For Fiscal Year 2023-24, additional funding of \$937,000 from the Shoreline Regional Park Community Fund and \$12,785,000 from the NBS Development Impact Fund was provided. Project design began in August 2019 and should be complete by fall 2025.

The Shoreline at 101 Ped/Bike Overcrossing, Construction (20-38) project was adopted with the 2019-20 Capital Improvement Program (CIP) 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 and was temporarily on hold until spring/summer 2024 pending developer project application. For Fiscal Year 2023-24, the \$3,848,000 funding from the NBS Development Impact Fund was transferred to the Charleston Road Improvements, Design (19-34), project.

Landings Frontage Road (Landings to Permanente Creek), Project 22-28, was adopted with the Fiscal Year 2021-22 CIP 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). The project was on hold by the developer and during Fiscal Year 2023-24 was closed and funding returned to the original funding sources.

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

During Fiscal Year 2023-24, net \$14,627,000 Interfund Transfers were made to/from Capital Projects for the projects listed below and referenced in CGC Section 66006(b)(1)(F) above:

19-34—Charleston Road Improvements, Design Funding—\$12,475,000

19-59—NB Shoreline Blvd/101 Off-Ramp Realignment additional funding—\$6,000,000

20-38—Shoreline at 101 Ped/Bike Overcrossing transfer to CIP 19-34—\$3,848,000

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

During Fiscal Year 2023-24, a \$2,790,000 capital project refund was made to this fund from the project listed below and referenced in CGC Section 66006(b)(1)(F) above:

22-28—Landings Frontage Road (Landings to Permanente Creek)

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, 2024 regarding the unexpended balance of approximately \$3.8 million. As previously mentioned, for ease of reporting after the initial five-year finding and transparency, 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 approximately \$3.8 million 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, 2023		\$4,349,064
Water: North Bayshore Development Impact Fees	\$ -0-	
Capital Project Refunds	559,000	
Investment Earnings	<u>257,341</u>	
Total Unaudited Revenues		816,341
Total Unaudited Expenditures		<u>-0-</u>
Unexpended/Available Balance, June 30, 2024		<u>\$5,165,405</u>

During Fiscal Year 2023-24, there were no fees deposited, \$559,000 in capital project refunds, \$257,341 in investment earnings, and no expenditures. As of June 30, 2024, there is an unexpended/available balance of approximately \$5.2 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 2023-24—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 Fee.

	Total Project Cost	FY 2023-24 Expenditures	LTD Expenditures	Total NBS— Water Funding	% of Project Funded by NBS— Water
Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction (18-43)	\$22,402	\$108	\$3,277	\$3,414	15.2%
Water & Sewer Main Replacement 101 at Two Locations, Construction (20-41)	\$19,794	<u>6,764</u>	<u>12,524</u>	<u>3,412</u>	17.24%
Total		<u>\$6,872</u>	<u>\$15,801</u>	<u>\$6,826</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. In Fiscal Year 2023-24, \$2 million in additional NBS Development Impact—Water funds were transferred from the Water & Sewer Main Replacement 101 at Two Locations, Construction (20-41), project. 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 construction phase began in 2021 and is anticipated to be completed in 2025. Construction delays have occurred due to cancellation of a construction contract and phasing of project elements that caused additional design work.

The Water & Sewer Main Replacement 101 at Two Locations, Construction (20-41), project was adopted with the 2019-20 CIP 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. In Fiscal Year 2022-23 \$984,000 in additional NBS Development Impact—Water funds were transferred to this project for a total of \$5,971,000. In Fiscal Year 2023-24, NBS Development Impact—Water funding was reduced by \$2,559,000, \$2 million was transferred to the Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction (18-43), project, and \$559,000 was returned to the fund. 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 of the Macon Avenue water pipeline was completed and accepted by the City Council in December 2020. Construction of the water and sewer lines crossing U.S. 101 began March 2024 and is anticipated to be completed by the end of 2024.

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

During Fiscal Year 2023-24, a \$2,000,000 Interfund Transfer was made between Capital Projects for the project listed below and referenced in CGC Section 66006(b)(1)(F) above:

18-43—Shoreline Boulevard Interim Bus Lane and Utility Imp, Construction +\$2 million

20-41—Water & Sewer Main Replacement 101 at Two Locations, Construction -\$2 million

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

During Fiscal Year 2023-24, a \$559,000 capital project refund was made to this fund from the project listed below and referenced in CGC Section 66006(b)(1)(F) above:

20-41—Water & Sewer Main Replacement 101 at Two Locations, Construction

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 its next five-year required finding as of June 30, 2027. However, the City is providing information as of June 30, 2024 regarding the unexpended balance of approximately \$5.2 million. As previously mentioned, for ease of reporting after the initial five-year finding and transparency, 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 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 approximately \$5.2 million 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 (E) 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, 2023		\$ 833,562
Sewer: North Bayshore Development Impact Fees	\$ -0-	
Capital Project Refunds	132,000	
Investment Earnings	<u>42,827</u>	
Total Unaudited Revenues		174,827
Total Unaudited Expenditures		<u>-0-</u>
Unexpended/Available Balance, June 30, 2024		<u>\$1,008,389</u>

During Fiscal Year 2023-24, there were no fees deposited, \$132,000 in capital project refunds, \$42,827 in investment earnings, and no expenditures. As of June 30, 2024, there is an unexpended/available balance of approximately \$1.0 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 2023-24—CGC Section 66006(b)(1)(E) (dollars in thousands):

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

	Total Project <u>Cost</u>	FY 2023-24 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)	\$22,402	\$108	\$3,277	\$269	1.2%
Water and Sewer Main Replacement Crossing U.S. 101 (at South of Shoreline Boulevard and Macon Avenue), Construction (20-41)	19,794	<u>6,764</u>	<u>12,524</u>	<u>769</u>	3.9%
TOTAL		<u>\$6,872</u>	<u>\$15,801</u>	<u>\$1,038</u>	

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

Shoreline Boulevard Interim Bus Lane and Utility Improvements, Phase I Construction, Project 18-43, 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, Project 20-22, was adopted with the 2019-20 CIP and partially funded with \$132,000 from NBS Development Impact—Sewer funds. This project was closed in Fiscal Year 2023-24 and all funds returned to the respective funding sources.

Water and Sewer Main Replacement Crossing U.S. 101, Construction, Project 20-41, south of Shoreline Boulevard and Macon Avenue, was adopted with the 2019-20 CIP and is partially funded with \$769,000 from NBS Development Impact—Sewer funds. The status of this project is identified in the North Bayshore Development Impact—Water section of this report.

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):

During Fiscal Year 2023-24, a \$132,000 capital project refund was made to this fund from the project listed below and referenced in CGC Section 66006(b)(1)(F) above:

20-22—Miscellaneous Storm/Sanitary Sewer Main Replacement

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 its next five-year required finding as of June 30, 2027. However, the City is providing information as of June 30, 2024 regarding the unexpended balance of approximately \$1.0 million. As previously mentioned, for ease of reporting after the initial five-year finding and transparency, 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 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 \$1,008,389 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.

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, 2023		\$680,694
Sewer Development Impact Fees	\$44,895	
Investment Earnings	<u>16,931</u>	
Total Unaudited Revenues		61,826
Total Unaudited Expenditures		<u>673,000</u>
Unexpended/Available Balance, June 30, 2024		\$ <u>69,520</u>

During Fiscal Year 2023-24, there were \$44,895 in fees deposited, \$16,931 in investment earnings, and \$673,000 in expenditures. As of June 30, 2024, there is an unexpended/available balance of \$69,520.

Identification of Each Public Improvement on Which Fees Were Expended in Fiscal Year 2023-24—CGC Section 66006(b)(1)(E):

The table below (in thousands of dollars) shows active project(s) that have been partially or fully funded by Sewer Development Impact Fees.

	Total Project Cost	FY 2023-24 Expenditures	LTD Expenditures	Total Sewer DIF Funding	% of Project Funded by Sewer DIF
Downtown Utility Improvements, Design (22-41)	\$12,360	\$364	\$800	\$673	5.4%

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

Downtown Utility Improvements, Design, Project 22-41, was adopted with the 2021-22 CIP, and additional funding was provided in Fiscal Year 2023-24, including \$673,000 from Sewer Development Impact funds. This project will relocate City utilities within the Castro Grade Separation and Access Project footprint in two phases. Phase 1 will relocate a water transmission main within the Central Expressway/Moffett Boulevard intersection and West Evelyn Avenue just west of Castro Street. The future Phase 2 project will relocate water, sewer, and storm drain mains on Evelyn Avenue west of Franklin Street. Construction of Phase 1 is anticipated to begin in fall 2024 and be completed by the end of 2025.

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):

During Fiscal Year 2023-24, a \$673,000 Interfund Transfer was made for the project listed below and referenced in CGC Section 66006(b)(1)(F) above:

22-41—Downtown Utility Improvements, Design

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. As of June 30, 2024, this fund has the unexpended balance of \$69,590. The next reporting is due on June 30, 2029. As previously mentioned, for ease of reporting after the initial five-year finding and transparency, 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 \$69,590 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.

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.

GZ-DR/6/FIN
541-11-12-24M

cc: PWD(A), APWD—Au, SMA—Goedicke, SMA—Doan, CDD, EVM, HDD