

MEMORANDUM

Finance and Administrative Services Department

DATE: November 7, 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

VIA: Kimbra McCarthy, City Manager

SUBJECT: Fiscal Year 2022-23 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, North Bayshore Development Impact Fees for Transportation, Sewer, and Water (NBS Development Impact Fees) (including transportation, water, and sewer), Water Development Impact Fee, and Sewer Development Impact Fee. CGC Section 66001(d)(1) requires local agencies to make findings with respect to fees and investment earnings remaining unexpended, whether committed or uncommitted, for the fifth year following receipt of the first fee deposited and every five years thereafter.

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

ANALYSIS

1. *Citywide Transportation Impact Fund*

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

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

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

<u>Type</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
Single-Family, attached or detached (net new dwelling unit)	\$5,364	\$6,120
Multi-Family (net new dwelling unit)	\$3,004	\$3,428
Hotels and Motels (net new guest room)	\$3,317	\$3,785
Service and Retail Commercial (SF, net new floor area)	\$5.72	\$6.53
Office, R&D, Industrial (SF, net new floor area)	\$5.72	\$6.53
Low Trip-Generating Uses (a.m. and p.m. peak-hour trips)	\$3,100	\$3,537

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

Beginning Balance, July 1, 2022		\$869,051
Citywide Transportation Impact Fees	\$1,089,604	
Investment Earnings	<u>48,358</u>	
Total Unaudited Revenues		\$1,137,962
Total Unaudited Expenditures		-0-
Unexpended/Available Balance, June 30, 2023		<u>\$2,007,013</u>

During Fiscal Year 2022-23, there were \$1.1 million in fees deposited, \$48,358 in investment earnings, and no expenditures. As of June 30, 2023, there is an unexpended/available balance of \$2.0 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 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 Citywide Transportation Impact (CTI) Fees.

	Total Project Cost	FY 2022-23 CTI Expenditures	Life to Date (LTD) CTI Expenditures	Total CTI Funding	% of Project Funded by CTI Fee
20-21 Street Resurfacing/ Slurry Seal (21-01)	\$3,783	\$131	\$267	\$156	4.1%

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

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

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

No CTI Fees were expended during Fiscal Year 2022-23.

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

No refunds were made from this fund.

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

The first Citywide Transportation Impact Fee was deposited June 10, 2019 and, in accordance with CGC Section 66001(d)(1), the City is required to make all findings as of June 30, 2024, the end of the fifth year following deposit of the first fee into the Citywide Transportation Impact Fund.

2. *Housing Impact Fund*

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

On January 8, 2002, the Council adopted Ordinance 01.02, amending Chapter 36 of the City Code, allowing for a nonresidential HI Fee to be imposed on all net new gross floor area for nonresidential development projects on a per-square-foot basis. The fee was adopted by resolution on October 30, 2001, with an effective date of January 14, 2002, and is adjusted annually based on the Consumer Price Index for the San Francisco-Oakland-San Jose area for the previous year. The HI fees and any investment earnings shall be used to increase and improve the supply of affordable housing to moderate- and lower-income households.

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

<u>Type</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>
Commercial/Entertainment/Hotel/Retail		
First 25,000 SF	\$1.65/net SF	\$2.00/net SF
25,000+ SF	\$3.27/net SF	\$3.50/net SF
High-Tech/Industrial/Office		
First 10,000 SF	\$15.28/net SF	\$16.00/net SF
10,000+ SF	\$30.57/net SF	\$33.00/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, 2022		\$41,244,721
Housing Impact Fees	\$5,000,000	
Capital Project Refunds	1,606,272	
Investment Earnings	1,106,554	
Other Revenue	<u>123,361</u>	
Total Unaudited Revenues		7,836,187
Total Unaudited Expenditures		<u>(5,947,010)</u>
Unexpended Balance		43,133,898
Reserved by City Council for		
Affordable Housing Projects:		<u>(25,194,860)</u>
Available Balance, June 30, 2023		<u>\$17,939,038</u>

During Fiscal Year 2022-23, there were \$5.0 million in fees deposited, \$1.6 million of capital project refunds, \$1.1 million of investment earnings, \$123,361 of other revenue, and \$5.9 million in expenditures, which includes \$5.0 million transfer to the Local Housing Trust

Fund. As of June 30, 2023, there is an unexpended balance of \$43.1 million, \$25.2 million of which has been reserved for the projects below:

Charities Housing project at 1265 Montecito Avenue—\$15.2 million

Danco Communities project at 96 West El Camino Real—\$8.0 million

Mountain View Lot 12 project—\$2.0 million

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 Housing Impact (HI) Fees.

	<u>Total Project Cost</u>	<u>FY 2022-23 HI Expenditures</u>	<u>Life to Date (LTD) HI Expenditures</u>	<u>Total HI Funding</u>	<u>% of Project Funded by HI Fee</u>
Lease/Purchase of Evelyn Lot (19-69)	\$15,041	\$ 11,038	\$11,189	\$15,041	100.0%
Administration of HI Program and Fees ⁽¹⁾	N/A	<u>281</u> <u>\$11,319</u>	<u>N/A</u> <u>\$ 11,189</u>	<u>N/A</u> <u>\$15,041</u>	100.0%

⁽¹⁾ Administration costs are annual costs.

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

The City completed the purchase of the Evelyn Lot property in 2023.

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

During Fiscal Year 2022-23, a \$5 million transfer was made to the Local Housing Trust Fund.

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

During Fiscal Year 2022-23, a \$1.6 million capital project refund was made to this fund from the project listed below and referenced in CGC Section 66006(b)(1)(F) above:

19-69—Lease/Purchase of Evelyn Lot

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

The first HI Fee was deposited February 13, 2003 and, in accordance with CGC Section 66001(d)(1), the City is required to make its next five-year required finding as of June 30, 2023. As of June 30, 2023, this fund has the unexpended balance of \$17.9 million. The next reporting is due on June 30, 2028. As previously mentioned, for ease of reporting after the initial five-year finding, the City provides information on an annual basis.

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

The HI funds will be used to fund additional moderate- and lower-income housing in Mountain View, including the affordable housing project at 1265 Montecito Avenue, and eventually on affordable developments on Parking Lot 12 and the former VTA Park and Ride Lot on Evelyn Avenue and Pioneer Way 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).

1265 Montecito Avenue

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

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

The 1265 Montecito Avenue project will be developed and managed by Charities Housing. This project will be funded by the City's Housing Notice of Funding Availability (NOFA) (HI) funds and County of Santa Clara Measure A funds as well as low-income housing tax credits and a permanent loan. The HI funds detailed above have been deposited into the fund and were reserved for this project by the City Council. None of the outside funding sources will be deposited into the City's account. All outside funding sources will sign loan agreements with the developer and will disburse loan proceeds by reimbursing the developer during the construction phase. The development was approved by 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, 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, 2022		\$3,287,203
Rental Housing Impact Fees	\$ -0-	
Investment Earnings	<u>66,736</u>	
Total Unaudited Revenues		66,736
Total Unaudited Expenditures		<u>-0-</u>
Unexpended Balance		3,353,939
Reserved by City Council for Affordable Housing Projects:		<u>(888,000)</u>
Available Balance, June 30, 2023		<u>\$2,465,939</u>

During Fiscal Year 2022-23, there were \$66,736 of investment earnings, and \$888,000 reserved for housing projects. As of June 30, 2023, there is an unexpended balance of \$3.4 million, \$888,000 of which is reserved for the Crestview Hotel Conversion Project.

Identification of Each Public Improvement on Which Fees were Expended in Fiscal Year 2022-23—CGC Section 66006(b)(1)(E):

No RHI Fees were expended during Fiscal Year 2022-23.

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

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

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

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

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

No refunds were made from this fund.

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

The first RHI Fee was deposited February 12, 2013 and, in accordance with CGC Section 66001(d)(1), the City is required to make its next five-year required finding as of June 30, 2023. As of June 30, 2023, this fund has an unexpended balance of \$2.5 million. The next reporting is due June 30, 2028. As previously mentioned, for ease of reporting after the initial five-year finding, the City provides information on an annual basis.

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

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

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

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

The Nexus Study demonstrates that a reasonable relationship exists between the need for affordable housing and the deleterious impacts of new market-rate rental housing development within the City. A reasonable relationship also exists between the fee’s use and the impacts of new market-rate rental housing development. Development of new rental housing results in more residents living in the City. The residents who move into new rental housing developments will increase the demand for services provided by the public and private sectors. Some of the public- and

private-sector employees needed to meet the needs of the new City residents earn incomes that only allow these employees to afford housing for moderate low-, very low-, and extremely low-income households. This type of affordable housing is in very short supply within Mountain View and other available housing subsidies are inadequate to meet the need created by new rental housing developments. The RHI Fee will be used to help increase the supply of affordable housing in the City to meet the increased need generated by new rental housing developments.

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

Crestview Hotel

\$7.4	CDBG/HOME
0.9	City of Mountain View RHI Funds
<u>0.8</u>	Federal Grants
<u>\$9.1</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 will be 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 will sign loan and regulatory agreements with the developer and will disburse loan proceeds by reimbursing the developer during the rehabilitation process. The project is expected to be completed by April 2024.

4. *North Bayshore Development Impact Funds*

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

The North Bayshore Precise Plan (NBPP), adopted November 25, 2014, identified significant transportation and water and sewer utility improvements necessary to accommodate the anticipated development. An important component of funding for the required infrastructure improvements to support this development is a development impact fee. Environmental Planning Systems prepared the City’s North Bayshore Development Impact

Fee Nexus Study, dated February 3, 2016, with technical assistance from Fehr+Peers (transportation consultants) and Shaaf & Wheeler (consulting civil engineers). On February 23, 2016, the City Council considered the North Bayshore Development Impact Fee Nexus Study and adopted the NBS Development Impact Fees with an effective date of April 23, 2016. The fees in effect during Fiscal Year 2022-23 and the fees approved by City Council for Fiscal Year 2023-24 are detailed below.

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

	<u>FY 2022-23</u>	<u>FY 2023-24</u>
Hotel:		
Transportation (Guest Rooms)	\$2,415	\$2,756
Water (Guest Rooms)	\$4,743	\$5,412
Sewer (Guest Rooms)	\$854	\$974
Office/R&D:		
Transportation (SF net new gross floor area)	\$27.11	\$30.93
Water (SF net new gross floor area)	\$7.66	\$8.74
Sewer (SF net new gross floor area)	\$1.43	\$1.63
Retail:		
Transportation (SF net new gross floor area)	\$2.83	\$3.23
Water (SF net new gross floor area)	\$0.01	\$0.01
Sewer (SF net new gross floor area)	\$0.95	\$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 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, 2022		\$14,741,366
Transportation: North Bayshore Development Impact Fees	\$ -0-	
Capital Project Refunds	32,429	
Investment Earnings	<u>577,013</u>	
Total Unaudited Revenues		609,442
Total Unaudited Expenditures		<u>(385,000)</u>
Unexpended/Available Balance, June 30, 2023		<u>\$14,965,808</u>

During Fiscal Year 2022-23, there were no fees deposited, \$32,429 in capital project refunds, \$155,782 in investment earnings, and \$385,000 in expenditures. As of June 30, 2023, there is an unexpended/available balance of \$15 million. Transportation-related capital projects previously funded by these fees are listed in the following section, and the funds will be expended over the life of the capital project.

Identification of Each Public Improvement on Which Fees Were Expended in Fiscal Year 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 North Bayshore Development Impact—Transportation Fees.

	<u>Total Project Cost</u>	<u>FY 2022-23 Expenditures</u>	<u>LTD Expenditures</u>	<u>Total NBS— Transportation Funding</u>	<u>% of Project Funded by NBS— Transportation</u>
Acquisition Plymouth Street Realignment (18-70)	\$28,540	\$69	\$28,540	\$13,370	46.8%
NB Shoreline Blvd/101 Off-Ramp Realignment, Design (19-59)	6,785	338	2,121	6,785	100.0%
Shoreline at 101 Ped/Bike Overcrossing, Construction (20-38)	17,917	-0-	-0-	3,848	21.5%
Landings Frontage Road (Landings to Permanente Creek)(22-28)	3,420	-0-	-0-	<u>2,790</u>	81.6%
TOTAL		<u>\$407</u>	<u>\$30,661</u>	<u>\$26,793</u>	

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

The Acquisition of Real Property for the Plymouth Street Realignment (18-70) project was approved as a midyear Fiscal Year 2017-18 Capital Improvement Project and partially funded with \$13,369,650 from the NBS Development Impact Fund. Negotiations began in summer 2017, and the Purchase and Sale Agreement was signed with Google LLC (Google) on February 14, 2018. Escrow closed on August 26, 2021 and the project was closed June 2023.

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

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 is temporarily on hold until spring/summer 2024 pending developer project application.

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 is currently on hold by the developer.

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

During Fiscal Year 2022-23, a \$385,000 Interfund Transfer was made to Capital Projects for the project listed below and referenced in CGC Section 66006(b)(1)(F) above:

19-59—NB Shoreline Blvd/101 Off-Ramp Realignment

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

During Fiscal Year 2022-23, a \$32,429 capital project refund was made to this fund from the project listed below and referenced in CGC Section 66006(b)(1)(F) above:

18-70—Acquisition of Real Property for the Plymouth Street Realignment

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, 2023 regarding the unexpended balance of \$15 million. As previously mentioned, for ease of reporting after the initial five-year finding, the City provides information on an annual basis.

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

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

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

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

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

The current unexpended/available balance of \$15 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, 2022		\$5,100,525
Water: North Bayshore Development Impact Fees	\$ -0-	
Capital Project Refunds	2,885	
Investment Earnings	<u>229,654</u>	
Total Unaudited Revenues		232,539
Total Unaudited Expenditures		<u>(984,000)</u>
Unexpended/Available Balance, June 30, 2023		<u>\$4,349,064</u>

During Fiscal Year 2022-23, there were no fees deposited, \$2,885 in capital project refunds, \$229,654 in investment earnings, and \$984,000 in expenditures. As of June 30, 2023, there is an unexpended/available balance of \$4.3 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 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 North Bayshore Development Impact—Water Fee.

	<u>Total Project Cost</u>	<u>FY 2022-23 Expenditures</u>	<u>LTD Expenditures</u>	<u>Total NBS—Water Funding</u>	<u>% of Project Funded by NBS—Water</u>
Miscellaneous Water Main/Service Line Replacement (17-21)	\$3,509	\$582	\$3,509	\$ 28	0.6%
Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction (18-43)	\$16,402	684	3,118	1,414	8.6%
Water & Sewer Main Replacement 101 at Two Locations, Construction (20-41)	\$19,779	<u>3,949</u>	<u>5,760</u>	<u>5,971</u>	30.2%
Total		<u>\$5,215</u>	<u>\$12,387</u>	<u>\$7,413</u>	

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

The Annual Water Main/Service Line Replacement project (17-21) was adopted in Fiscal Year 2016-17. On March 9, 2021, the City Council approved transferring the balance of the 2020-21 Annual Water Main/Service Line Replacement project to this capital project, including the North Bayshore Development Impact—Water Fee funding of \$28,000. These funds were used to complete the Rock Street and Spring Street Water Main Replacement. Project design began in summer 2018 and was completed in spring 2021. Project construction began in November 2021 and was completed as of June 2023.

The Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction (18-43) project was approved with the Fiscal Year 2017-18 budget, and construction began in March 2021. The project will construct the interim reversible bus lane along with bicycle and pedestrian improvements along Shoreline Boulevard from Middlefield Road to Pear Avenue, including improvements to replace water and sewer mains along Shoreline Boulevard from Middlefield Road to south of U.S. 101. The construction phase is under way and estimated to be complete in 2024.

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. This project will construct the replacement of a new water and sewer main to cross under U.S. 101 south of Shoreline Boulevard as well as a new water main under U.S. 101 at Macon Avenue to improve water service reliability to North Bayshore. Construction for the Macon Avenue water pipeline began in May 2020 and was completed and accepted by the City Council in December 2020. Construction for the water and sewer lines crossing U.S. 101 is in the bidding phase and anticipated to be completed at 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 2022-23, a \$984,000 Interfund Transfer was made to Capital Projects for the project listed below and referenced in CGC Section 66006(b)(1)(F) above:

At two locations, Water and Sewer Main Replacement Crossing U.S. 101, Construction, Project 20-41.

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

During Fiscal Year 2022-23, a \$2,885 capital project refund was made to this fund from the project listed below and referenced in CGC Section 66006(b)(1)(F) above:

17-21—Annual Water Main/Service Line Replacement

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

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

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

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

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

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

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

The current unexpended balance of \$4.4 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, 2022		\$1,535,711
Sewer: North Bayshore Development Impact Fees	\$ -0-	
Capital Project Refunds	27,358	
Investment Earnings	<u>39,493</u>	
Total Unaudited Revenues		66,851
Total Unaudited Expenditures		<u>(769,000)</u>
Unexpended/Available Balance, June 30, 2023		<u>\$833,562</u>

During Fiscal Year 2022-23, there were no fees deposited, \$27,358 in capital project refunds, \$39,493 in investment earnings, and \$769,000 in expenditures. As of June 30, 2023, there is an unexpended/available balance of \$833,562. 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 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 North Bayshore Development Impact—Sewer Fees.

	Total Project <u>Cost</u>	FY 2022-23 Expendi- <u>tures</u>	LTD Expendi- <u>tures</u>	Total NBS— Sewer <u>Funding</u>	% of Project Funded by NBS— <u>Sewer</u>
Shoreline Boulevard Interim Bus Lane and Utility Improvements, Construction (18-43)	\$16,402	\$684	\$3,118	\$269	1.6%
Miscellaneous Storm/ Sanitary Sewer Main Replacement (20-22)	1,649	-0-	-0-	132	8.0%
Water and Sewer Main Replacement Crossing U.S. 101 (at South of Shoreline Boulevard and Macon Avenue), Construction (20-41)	19,779	3,949	5,760	769	3.9%
Interceptor Force Trunk Rehab, Construction, Phase II (20-42)	3,410	<u>2,492</u>	<u>2,735</u>	<u>222</u>	6.5%
TOTAL		<u>\$7,125</u>	<u>\$11,613</u>	<u>\$1,392</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. The portion of the project funded by NBS Development Impact—Sewer funds will be proposed to be returned to the fund in the upcoming CIP budget process.

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.

Interceptor Force Trunk Rehab, Construction, Phase II, Project 20-42, was adopted with the 2019-20 CIP and was partially funded with \$222,000 from NBS Development Impact—Sewer funds. This project will rehabilitate approximately 1,090' of a 42" interceptor force trunk main just downstream of the Shoreline Sewage Pump Station and rehabilitate an existing manhole adjacent to Michaels at Shoreline Restaurant. Project construction began in fall 2021 and has been completed.

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

During Fiscal Year 2022-23, a \$769,000 transfer was made to Capital Projects for the Water and Sewer Main Replacement Crossing U.S. 101 (at South of Shoreline Boulevard and Macon Avenue), Construction (20-41), project.

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

No refunds were made from this fund.

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

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

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

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

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

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

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

The current unexpended balance of \$833,562 in the NBS Development Impact Fund—Sewer will be programmed into future sewer-related projects in the North Bayshore Area.

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

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

5. *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, 2022		\$466,020
Sewer Development Impact Fees	\$201,619	
Investment Earnings	<u>13,054</u>	
Total Unaudited Revenues		214,674
Total Unaudited Expenditures		<u>-0-</u>
Unexpended/Available Balance, June 30, 2023		<u>\$680,694</u>

During Fiscal Year 2022-23, there were \$201,619 in fees deposited, \$13,054 in investment earnings, and no expenditures. As of June 30, 2023, there is an unexpended/available balance of \$680,694.

Identification of Each Public Improvement on Which Fees Were Expended in Fiscal Year 2022-23—CGC Section 66006(b)(1)(E):

No Sewer Development Impact Fees were expended during Fiscal Year 2022-23 for sewer-related capital improvements.

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

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

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

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

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

No refunds were made from this fund.

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

The first Sewer Development Impact Fee was deposited November 14, 2013 and, in accordance with CGC Section 66001(d)(1), the City is required to make its next five-year required finding as of June 30, 2024. However, the City is providing information as of

June 30, 2023, regarding the unexpended balance of \$680,694. As previously mentioned, for ease of reporting after the initial five-year finding, the City provides information on an annual basis.

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

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

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

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

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

The current unexpended/available balance of \$680,694 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.

EY-GZ-DR/1/FIN
575-11-07-23M

cc: APWD—Arango, APWD—Au, APWD—Skinner, HD, SMA—Goedicke, SMA—Doan