



## REGULAR MEETING AGENDA

**Date:** 01/16/2018  
**Time:** 7:00 p.m.  
**City Council Chambers**  
**701 Laurel St., Menlo Park, CA 94025**

## EARLY STAFF REPORT RELEASE NOTICE

Pursuant to California Government Code §66006(b)(2), the following staff report is being released at least 15 days in advance of the regular City Council meeting agenda packet:

1. Transmittal of the annual report on the status of the transportation impact, storm drainage, recreation in-lieu, below market rate housing in-lieu, and building construction road impact fees collected as of June 30, 2017 ([Staff Report# 18-001-CC](#))

This notice is posted in accordance with Government Code §54954.2(a) or §54956. Members of the public can view electronic agendas and staff reports by accessing the City website at [menlopark.org/agenda](http://menlopark.org/agenda) and can receive email notification of agenda and staff report postings by subscribing to the "Notify Me" service at [menlopark.org/notifyme](http://menlopark.org/notifyme). Agendas and staff reports may also be obtained by contacting the City Clerk's Office at 650-330-6620. (Posted 12/27/2017)



## STAFF REPORT

**City Council Meeting Date:** 1/16/2018  
**Staff Report Number:** 18-001-CC

**Consent Calendar:** **Review of the annual report on the status of the transportation impact, storm drainage, recreation in-lieu, below market rate housing in-lieu, and building construction road impact fees collected as of June 30, 2017, and make findings regarding funds collected but not expended**

### Recommendation

Staff recommends the City Council review the annual report on the status of the transportation impact, storm drainage, recreation in-lieu, below market rate housing and building construction road impact fees. Staff also recommends that the City Council make the following findings regarding funds collected but not expended:

1. Transportation impact fees, storm drainage fees, recreation in lieu fees, below market rate housing in-lieu, and building construction road impact fees are collected to mitigate direct and indirect impacts from development.
2. These funds are expended in a timely manner to fund continued improvements to public facilities related to the increased demand on the facilities resulting from development.
3. There is a reasonable relationship between these impact fees and their purpose.
4. These impact fees continue to be required to fund applicable improvements, and as such, these fees will continue to be collected and deposited into the appropriate funds for utilization solely for their intended purpose.

### Policy Issues

This report does not represent any change to existing City policy and affirms the City's intention to continue to charge these impact fees to fund projects and programs that mitigate the direct and indirect impact of development in the City of Menlo Park.

### Background

Cities and counties often charge fees on new development to fund public improvements to mitigate the impact of development activity. These fees are commonly known as development impact fees. In 1989, the state Legislature passed Assembly Bill 1600, which added Sections 66000 et seq. to the California Government Code, commonly known as the Mitigation Fee Act.

As required by law, these fees are segregated from the General Fund and accounted for in special revenue funds. Government Code Section 66001 requires that the City make available to the public information regarding development impact fees for each fund within 180 days after the end of each fiscal year:

- A brief description of the fee and the fund into which the fee was deposited

- The amount of the fee
- The associated fund’s beginning and ending balances for the fiscal year
- The total amount of fees collected and interest earned
- Identification of each public improvement on which impact fees were expended and the amount of expenditure on each improvement, including the total percentage of the cost of the public improvement that was funded with impact fees;
- Identification of the approximate date by which construction of a public improvement will commence if the local agency determined that sufficient funds have been collected to complete financing on an incomplete public improvement and the public improvement remains incomplete
- A description of each interfund transfer or loan made from an account or fund

Further, Government Code Section 66000 et. seq. also requires that findings describing the continuing need for impact fees be made every five years specifying the intended use of any unexpended impact fees, regardless of whether the fees are committed or uncommitted. Failure to make such findings subjects the City to going through a refunding procedure. This report meets the requirements to comply with the Mitigation Fee Act.

**Analysis**

Transportation Impact Fees

Due to growth and development in San Mateo County and the City of Menlo Park, increased pressure has been put on the transportation system. Early in fiscal year 2009-10, the City concluded a transportation impact fee study, which enabled staff to recommend an update to the existing fees and create a more systematic way for applying the fees. As a result, a new fee structure was put in place effective December 6, 2009, with the passing of an ordinance that added Chapter 13.26 to the municipal code. This fee structure is identified in Table 1 below and included in the 2016 City’s Master Fee Schedule.

Table 1: Excerpt from 2016 Master Fee Schedule		
Land use	Unit	2017 fee amount
Office	sq.ft.	\$4.80
Research and development	sq.ft.	\$3.45
Manufacturing	sq.ft.	\$2.36
Warehousing	sq.ft.	\$1.04
Restaurant	sq.ft.	\$4.80
Retail	sq.ft.	\$4.80
Single-family	units	\$3,252.51
Multifamily	units	\$1,996.40
Hotel	per room	\$1,899.74
Medical office	sq.ft.	\$11.14
Childcare	sq.ft.	\$4.80
Secondary dwelling unit	units	\$740.28

For fiscal year 2016-17, the City received total revenue of \$1,565,803 primarily from traffic impact fees and interest income. For the same period, the City expended \$385,171 on projects eligible for funding under this revenue source and made a transfer of \$1,217,348 of non-traffic impact fees from the fund. Accordingly, net revenue for the year totaled (\$9,029) and the ending balance as of June 30, 2017, is \$3,671,623. Of this amount, all funds are available for use to meet current or planned projects eligible for this funding source. In the next five fiscal years, it is planned that the City will require \$2,344,317 from transportation impact fees to finance needed infrastructure projects. As such, there exists a continued need for this fee. Detail of current year and historical financials as well as current year project expenditures are available in Attachment A.

#### Storm Drainage Fees

The storm drainage fee, which commenced before 1989, is levied to mitigate City storm drainage impacts either directly or indirectly resulting from development projects. The fees are charged for property development as shown in the 2016 City's Master Fee Schedule:

Storm drainage connection fees:

- Single family – per lot \$450.00
- Multiple family – per unit \$150.00
- Industrial and Commercial – per square foot of impervious area \$ 0.24

For fiscal year 2016-17, the City received total revenue of \$3,891, primarily from storm drainage fees and interest income. For the same period, the City did not expend any resources on projects eligible for funding under this revenue source. Accordingly, net revenue for the year for the year totaled \$3,891 and the ending balance as of June 30, 2017, is \$176,446. Of this amount, all funds are available for use to meet current or planned projects eligible for this funding source. In the next five fiscal years, it is planned that the City will require \$200,000 from storm drainage fees to finance needed infrastructure projects. As such, there exists a continued need for this fee. Detail of current year and historical financials as well as current year project expenditures are available in Attachment B.

#### Recreation In-Lieu Fees

The recreation in-lieu fee, which commenced before 1989, is collected from developers to improve and expand recreation facilities in-lieu of providing new on-site facilities. The fee is charged on new residential development as shown in the 2016 City's Master Fee Schedule:

- Single Family (RE and R-1): 0.013 (Multiplied by number of units and by market value of acreage to be subdivided)
- Multiple Family Development (R-2, R-3, RLU and PD): 0.008 (Multiplied by number of units and by market value of acreage to be subdivided)

For fiscal year 2016-17, the City received total revenue of \$70,433, primarily from recreation in-lieu fees and interest income. For the same period, the City expended \$199,611 on projects eligible for funding under this revenue source. Accordingly, net revenue for the year for the year totaled \$(129,178) and the ending balance as of June 30, 2017, is \$1,167,732. Of this amount, all funds are available for use to meet current or planned projects eligible for this funding source. In the next five fiscal years, it is planned that the City will require \$1,113,498 from recreation in-lieu fees to finance needed infrastructure projects. As such, there exists a continued need for this fee. Detail of current year and historical financials as well as current year project expenditures are available in Attachment C.

#### Below Market Rate Housing In-Lieu Fee

The Below Market Rate (BMR) Housing program was established in 1987 to increase the housing supply for people who live and/or work in Menlo Park and have very low, low, or moderate incomes as defined by income limits set by San Mateo County. The primary objective of the fee is to create actual housing units rather than generate a capital fund however residential developers are permitted to pay an in-lieu fee if a project does not provide the following:

- All owner-occupied residential developments of five or more units are required to provide a BMR unit
- Residential developments of 10 to 19 units are required to provide 10 percent of the housing at below market rates
- Development projects of 20 units or more are required to provide 15 percent of the housing at below market rates

For new commercial developments equal to or greater than 10,000 square feet that generate employment opportunities, the in-lieu fee is established as follows:

- \$16.15 per square foot of net new gross floor area for most commercial uses
- \$8.76 per square foot of net new gross floor area for defined uses that generate fewer employees

For fiscal year 2016-17, the City received total revenue of \$1,949,900, primarily from below market rate housing in-lieu fees and interest income. For the same period, the City expended \$181,348 on projects eligible for funding under this revenue source. Accordingly, net revenue for the year for the year totaled \$1,768,552 and the ending balance as of June 30, 2017, is \$18,652,660. Of this amount, only \$9,828,674 is available for use to meet current or planned projects eligible for this funding source. The remaining fund balance reflects assets held as notes receivable (BMR loan programs) and real estate held for resale. Staff is currently negotiating with a developer on a project that will utilize a significant amount of the most recent NOFA. Staff also anticipates the allocation of BMR funds following the approval of the General Plan Update to leverage additional development of affordable housing within the plan area. It is estimated at this time that the abovementioned activities will exhaust and potentially exceed the current available fund balance. Detail of current year and historical financials as well as current year project expenditures are available in Attachment D.

#### Building Construction Road Impact Fees

The building construction impact fee that took effect in November 2005 was adopted to recover the cost of repairing damage to streets caused by construction-related vehicle traffic. On August 5, 2008, the City Council adopted a resolution extending this fee beyond the three-year sunset provision initially established. The fee is charged on the value of the construction project as shown in the 2016 Master Fee Schedule:

- The fee amounts to 0.58 percent of a construction project's value
- Residential alteration and repairs, as well as all projects under \$10,000, are exempt from the fee

For fiscal year 2016-17, the City received total revenue of \$3,095,422, primarily from building construction road impact fees and interest income. For the same period, the City expended \$346,171 on projects eligible for funding under this revenue source. Accordingly, net revenue for the year for the year totaled \$2,811,506 and the ending balance as of June 30, 2017, is \$6,915,393. Of this amount, all funds are available for use to meet current or planned projects eligible for this funding source. In the next five fiscal years, it is planned that the City will require \$12,221,669 from building construction road impact fees to finance needed infrastructure projects. As such, there exists a continued need for this fee. Detail of current year and historical financials as well as current year project expenditures are available in Attachment E.

#### **Impact on City Resources**

There is no impact on City resources resulting from this annual report, and this report meets the compliance requirements of the Mitigation Fee Act. Impact Fees collected in fiscal year 2016-17 represented \$6,552,001.

### **Environmental Review**

This report is not subject to the California Environmental Quality Act.

### **Public Notice**

Public notification to comply with the Mitigation Fee Act was achieved by posting the annual report December 27, 2017, more than 15 days before the meeting at which the City Council is anticipated to make required findings as outlined in the recommendation.

### **Attachments**

- A. Transportation Impact Fee Financial Report
- B. Storm Drainage Fee Financial Report
- C. Recreation In-Lieu Fee Financial Report
- D. Below Market Rate Housing In-Lieu Fee Financial Report
- E. Building Construction Road Impact Fee Financial Report

Report prepared by:

Dan Jacobson, Interim Finance and Budget Manager

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City of Menlo Park  
Transportation Impact Fee Financial Report

Transportation Impact Fees					
	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Beginning balance</b>	<b>\$2,918,467</b>	<b>\$2,688,103</b>	<b>\$3,962,481</b>	<b>\$4,783,010</b>	<b>\$3,680,652</b>
Developer fees	\$176,058	\$1,350,662	\$1,063,265	\$484,865	\$1,565,803
Interest earnings and other	\$117,738	\$167,797	\$68,016	\$671,669	\$27,687
Expenditures	(\$524,160)	(\$244,081)	(\$310,752)	(\$2,258,892)	(\$385,171)
Non-traffic impact fee transfer	\$0	\$0	\$0	\$0	(\$1,217,348)
<b>Ending balance</b>	<b>\$2,688,103</b>	<b>\$3,962,481</b>	<b>\$4,783,010</b>	<b>\$3,680,652</b>	<b>\$3,671,623</b>

2016-17 Transportation Impact Fee Project Expenditures	
	Total expended
Sand Hill Road Signal Modification Project	\$153,333
Middle Avenue Caltrain Crossing	127,598
El Camino Real Crossings Improvements	\$85,273
Other projects	18,697
<b>Total</b>	<b>\$384,901</b>

Transportation Impact Fee Future Projects						
	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Crosswalk enhancements, bicycle lane gap closures, sign/stripping installations and other annual projects	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000	<b>\$375,000</b>
Middle Avenue Caltrain Crossing	\$92,970	\$0	\$0	\$0		<b>\$92,970</b>
Sand Hill Road Signal Interconnect	\$42,574	\$0	\$0	\$0	\$0	<b>\$42,574</b>
Middlefield Road, Ravenswood Avenue and Ringwood Avenue Traffic Signals Modification	\$332,575	\$345,000	\$350,000	\$350,000	\$350,000	<b>\$1,727,575</b>
Ravenswood Avenue/Caltrain Grade Separation	\$30,806					<b>\$30,806</b>
Other projects	\$75,392					<b>\$75,392</b>
<b>Total</b>	<b>\$649,317</b>	<b>\$420,000</b>	<b>\$425,000</b>	<b>\$425,000</b>	<b>\$425,000</b>	<b>\$2,344,317</b>

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City of Menlo Park  
Storm Drainage Impact Fee Financial Report

Storm Drainage Impact Fees					
Fiscal Year Activity	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Beginning balance</b>	<b>\$188,015</b>	<b>\$112,893</b>	<b>\$116,821</b>	<b>\$170,220</b>	<b>\$172,555</b>
Developer fees	\$5,945	\$4,495	\$52,160	\$783	\$2,250
Interest earnings and other	(\$94)	\$936	\$1,239	\$1,552	\$1,641
Expenditures	(\$80,973)	(\$1,503)	\$0	\$0	\$0
<b>Ending balance</b>	<b>\$112,893</b>	<b>\$116,821</b>	<b>\$170,220</b>	<b>\$172,555</b>	<b>\$176,446</b>

2016-17 Storm Drainage Impact Fee Fund Expenditures	
	Total expended
None	-
<b>Total</b>	<b>-</b>

Transportation Impact Fee Future Projects						
	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Green Infrastructure Plan	\$100,000	\$100,000	\$0	\$0	\$0	<b>\$200,000</b>
<b>Total</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$200,000</b>

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City of Menlo Park  
Recreation In-Lieu Impact Fee Financial Report

Recreation In-Lieu Impact Fees					
Fiscal Year Activity	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Beginning balance</b>	<b>\$470,092</b>	<b>\$1,164,504</b>	<b>\$1,382,656</b>	<b>\$1,428,915</b>	<b>\$1,296,910</b>
Developer fees	\$896,000	\$276,000	\$52,000	\$103,400	\$64,000
Interest Income/(Expense)	(\$1,588)	\$9,374	\$14,029	\$12,962	\$6,433
Expenditures	(\$200,000)	(\$67,222)	(\$19,770)	(\$248,367)	(\$199,611)
Prior year adjustments	\$0	\$0	\$0	\$0	\$0
<b>Ending balance</b>	<b>\$1,164,504</b>	<b>\$1,382,656</b>	<b>\$1,428,915</b>	<b>\$1,296,910</b>	<b>\$1,167,732</b>

2016-17 Recreation In-Lieu Impact Fee Expenditures	
	Total expended
Willow Oaks Park Improvements	\$72,596
Jack Lyle Park Restrooms Construction	\$50,029
Studies and planning projects	\$71,593
Other projects	\$5,392
<b>Total</b>	<b>\$199,610</b>

Recreation In-Lieu Impact Fee Future Projects						
	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Belle Haven Pool Deck Lighting	\$0	\$370,000	\$0	\$0	\$0	<b>\$370,000</b>
Jack Lyle Park Restrooms Construction	\$11,957	\$0	\$0	\$0	\$0	<b>\$11,957</b>
Willow Oaks Park Improvements	\$103,074	\$0	\$0	\$0	\$0	<b>\$103,074</b>
Civic Center Campus Improvements	\$0	\$200,000	\$200,000	\$200,000	\$0	<b>\$600,000</b>
Other projects	\$28,467	\$0	\$0	\$0	\$0	<b>\$28,467</b>
<b>Total</b>	<b>\$143,498</b>	<b>\$570,000</b>	<b>\$200,000</b>	<b>\$200,000</b>	<b>\$0</b>	<b>\$1,113,498</b>

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Below Market Rate Housing Special Fund					
Fiscal Year Activity	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Beginning balance</b>	<b>\$10,947,253</b>	<b>\$10,629,904</b>	<b>\$11,751,144</b>	<b>\$14,135,309</b>	<b>\$16,884,108</b>
Charges for services	\$365,823	\$81,277	\$2,388,210	\$3,788,681	\$1,824,526
Use of money and property	\$21,241	\$114,817	\$178,194	\$149,505	\$125,374
Expenditures	(\$704,413)	(\$155,522)	(\$182,238)	(\$97,368)	(\$181,348)
Proceeds from the sale of assets	\$0	\$1,080,667	\$0	\$0	\$0
Prior period adjustment	\$0	\$0	\$0	(\$1,092,019)	\$0
<b>Ending balance</b>	<b>\$10,629,904</b>	<b>\$11,751,143</b>	<b>\$14,135,309</b>	<b>\$16,884,108</b>	<b>\$18,652,660</b>
Adjustment for notes and interest receivable	(\$3,961,913)	(\$3,747,401)	(\$6,170,550)	(\$9,106,832)	(\$8,823,986)
<b>Adjusted ending balance</b>	<b>\$6,667,991</b>	<b>\$8,003,742</b>	<b>\$7,964,759</b>	<b>\$7,777,276</b>	<b>\$9,828,674</b>

2016-17 Below Market Rate Housing Special Fund Expenditures	
	Total expended
<del>Neighborhood Stabilization Program</del>	<del>\$33,750</del>
Contract services	\$81,857
Other expenditures	\$147,598 99,491
<b>Total</b>	<b>\$181,348</b>

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City of Menlo Park  
Construction Impact Fee Financial Report

Construction Impact Fee Fund					
Fiscal Year Activity	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Beginning balance</b>	<b>\$2,619,567</b>	<b>\$2,103,076</b>	<b>\$3,624,730</b>	<b>\$5,048,723</b>	<b>\$4,103,887</b>
Developer fees	\$691,793	\$1,725,457	\$1,584,408	\$1,821,534	\$3,095,422
Street department fees	\$0	\$0	\$0	\$0	\$0
Interest income/(Expense)	(\$2,792)	\$16,069	\$39,390	\$40,396	\$62,254
Expenditures	(\$1,205,492)	(\$219,872)	(\$199,805)	(\$2,792,626)	(\$346,171)
Transfers				(\$14,140)	
<b>Ending balance</b>	<b>\$2,103,076</b>	<b>\$3,624,730</b>	<b>\$5,048,723</b>	<b>\$4,103,887</b>	<b>\$6,915,393</b>

2016-17 Construction Impact Fee Fund Expenditures	
	Total expended
Project expenditures	
Street Resurfacing Project	\$295,714
Operating expenditures	
Street maintenance	\$20,993
Other operating expenditures	\$29,464
<b>Total</b>	<b>\$346,171</b>

Construction Impact Fee Future Projects						
	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Street resurfacing	\$4,221,669	\$4,000,000	\$0	\$4,000,000	\$0	<b>\$12,221,669</b>
<b>Total</b>	<b>\$4,221,669</b>	<b>\$4,000,000</b>	<b>\$0</b>	<b>\$4,000,000</b>	<b>\$0</b>	<b>\$12,221,669</b>

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