



## REGULAR MEETING AGENDA

**Date:** 12/4/2018  
**Time:** 7:00 p.m.  
**City Council Chambers**  
**701 Laurel St., Menlo Park, CA 94025**

## EARLY STAFF REPORT RELEASE NOTICE

Pursuant to the requirements of Cal. Gov't Code, the following staff report is being released at least 15 days in advance of the regular City Council meeting:

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, 2018, and make findings regarding funds collected but not expended ([Staff Report # 18-218-CC](#))

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 e-mail 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 11/19/2018)



## STAFF REPORT

**City Council Meeting Date:** 12/4/2018  
**Staff Report Number:** 18-218-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, 2018, 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 City Council adopt the following findings:

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 California Legislature passed Assembly Bill 1600 (AB1600), which added §§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 §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 §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 listed below and is included in the City's 2018 master fee schedule:

Transportation impact fee		
Land use	Unit	2018 fee amount*
Office	Sq.Ft.	\$ 4.87
Research and development	Sq.Ft.	3.5
Manufacturing	Sq.Ft.	2.4
Warehousing	Sq.Ft.	1.05
Restaurant	Sq.Ft.	4.87
Retail	Sq.Ft.	4.87
Single-family	Units	3301.3
Multifamily	Units	2026.34
Hotel	Per Room	1928.24
Medical office	Sq.Ft.	11.31
Child care	Sq.Ft.	4.87
Secondary dwelling unit	Units	751.39
<small>* As of July 31, 2017, ENR Construction Cost Index % change for San Francisco = 1.5                      Note: If land use is not one of the above, use this formula: \$3,268.05 x Total PM Peak Hour Trips</small>		

For fiscal year 2017-18, the City received total revenue of \$1,562,050 primarily from traffic impact fees and interest income. For the same period, the City expended \$405,915 on projects eligible for funding under this revenue source. Accordingly, net revenue for the year totaled \$1,156,135 and the ending balance as of June 30, 2018, is \$4,827,758. 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 \$15,863,637 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. Storm drainage connection fees are charged for property development as shown in the City’s 2018 Master Fee Schedule:

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

For fiscal year 2017-18, the City received total revenue of \$9,436, primarily from storm drainage fees and interest income. For the same period, the City expended \$17,402 on projects eligible for funding under this revenue source. Accordingly, net revenue for the year for the year totaled (\$7,966) and the ending balance as of June 30, 2018, is \$168,480. 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 \$250,000 from storm drainage fees to fund Willow Place Bridge Abutment Repairs and \$42,598 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 City's 2018 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)
- Multifamily 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 2017-18, the City received total revenue of \$2,656,158, primarily from recreation in-lieu fees and interest income. For the same period, the City expended \$78,341 on projects eligible for funding under this revenue source. Accordingly, net revenue for the year for the year totaled \$2,577,817 and the ending balance as of June 30, 2018, is \$3,745,549. 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 \$2,358,074 from recreation in-lieu fees to finance needed infrastructure projects. The Parks and Recreation Master Plan process will identify additional demand of these funds. 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:

- \$16.90 per square foot of net new gross floor area for most commercial uses
- \$9.17 per square foot of net new gross floor area for defined uses that generate fewer employees

For fiscal year 2017-18, the City received total revenue of \$6,235,008, primarily from below market rate housing in-lieu fees and interest income. For the same period, the City expended \$217,983 on projects eligible for funding under this revenue source. Accordingly, net revenue for the year totaled \$6,017,025 and the ending balance as of June 30, 2018, is \$24,669,685. Of this amount, \$15,808,095 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. A staff report was provided to City Council (Attachment F) on one funding opportunity, \$6,700,000, for 1317-1385 Willow Road; no formal action to fund this project. In addition, a more recent notice of funding availability was released October 25, 2018. Staff also anticipates the allocation of BMR funds, up to \$11,500,000, 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, 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 2018 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 2017-18, the City received total revenue of \$3,027,735, primarily from building construction road impact fees and interest income. For the same period, the City expended \$4,598,500 on projects eligible for funding under this revenue source. Accordingly, net revenue for the year totaled (\$1,570,766) and the ending balance as of June 30, 2018, is \$5,344,627. 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 \$17,978,493 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 2017-18 represented \$12,112,215.

#### **Environmental Review**

This action is not a project within the meaning of the California Environmental Quality Act (CEQA) Guidelines §§ 15378 and 15061(b)(3) as it is a minor change that will not result in any direct or indirect physical change in the environment.

#### **Public Notice**

Public notification to comply with the Mitigation Fee Act is achieved by posting the annual report November 19, 2018, 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
- F. Hyperlink: City Council Staff Report #17-138-CC – [menlopark.org/DocumentCenter/View/14879/H1---MidPen-1300-Block?bidId=](http://menlopark.org/DocumentCenter/View/14879/H1---MidPen-1300-Block?bidId=)

Report prepared by:

Dan Jacobson, Finance and Budget Manager

Staff Report #: 18-218-CC

Report approved by:  
Lenka Diaz, Administrative Services Director

**City of Menlo Park  
Transportation Impact Fee Financial Report**

Transportation Impact Fees	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Beginning 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>
Developer Fees	1,350,662	1,063,265	484,865	1,565,803	1,525,690
Interest earnings and other	167,797	68,016	671,669	27,687	36,360
Expenditures	(244,081)	(310,752)	(2,258,892)	(385,171)	(405,915)
Non-traffic impact fee transfer <sup>1</sup>	0	0	0	(1,217,348)	0
<b>Ending Balance</b>	<b>\$3,962,481</b>	<b>\$4,783,010</b>	<b>\$3,680,652</b>	<b>\$3,671,623</b>	<b>\$4,827,758</b>

2017-18 Traffic Impact Fee Project Expenditures:	Total Expended
Middle Avenue Caltrain Crossing Study	\$170,701
Transit Improvements	70,787
Sand Hill Road Signal Interconnect	42,150
Ravenswood Avenue/Caltrain Grade Separation	39,796
Other projects	38,070
Transportation Projects Minor	26,529
El Camino Real Crossings Improvements	17,883
<b>Total</b>	<b>\$405,915</b>

Traffic Impact Fee Future Projects	2018-19	2019-23	Total
Middle Avenue Caltrain crossing study design and construction	\$1,563,725	\$9,900,000	\$11,463,725
Traffic signals modifications	640,000	1,400,000	2,040,000
Pierce Road sidewalk and San Mateo Drive bike route installation	1,007,000		1,007,000
Haven Avenue streetscape improvement	708,993		708,993
El Camino Real crossings improvements	324,650		324,650
Willow Road transportation study	159,692		159,692
Transit improvements	84,577		84,577
Transportation projects (minor)	75,000		75,000
		<b>Total</b>	<b>\$15,863,637</b>

<sup>1</sup> At the recommendation of the City's auditor, monies in this fund which were not related to the impact fee were transferred to a new fund in Fiscal Year 2016-17.



**City of Menlo Park  
Storm Drainage Impact Fee Financial Report**

<b>Storm Drainage Impact Fees</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
<b>Beginning balance</b>	<b>\$112,893</b>	<b>\$116,821</b>	<b>\$170,220</b>	<b>\$172,555</b>	<b>\$176,446</b>
Developer fees	4,495	52,160	783	2,250	7,270
Interest income/(expense)	936	1,239	1,552	1,641	2,166
Expenditures	(1,503)	0	0	0	(17,402)
<b>Ending Balance</b>	<b>\$116,821</b>	<b>\$170,220</b>	<b>\$172,555</b>	<b>\$176,446</b>	<b>\$168,480</b>

<b>Storm Drainage Impact Fee Fund Expenditures</b>	<b>2017-18</b>
Green Infrastructure Plan	\$17,402

<b>Storm Drainage Impact Fee Future Projects</b>	<b>2018-19</b>	<b>2019-23</b>	<b>Total</b>
Willow Place bridge abutment repairs	\$0	\$250,000	\$250,000
Green Infrastructure Plan	42,598	-	42,598
		<b>Total</b>	<b>\$292,598</b>

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

Recreation In-Lieu Impact Fees	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Beginning 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>
Developer Fees	276,000	52,000	103,400	64,000	2,619,200
Interest Income/(Expense)	9,374	14,029	12,962	6,433	36,958
Expenditures	(67,222)	(19,770)	(248,367)	(199,611)	(78,341)
<b>Ending balance</b>	<b>\$1,382,656</b>	<b>\$1,428,915</b>	<b>\$1,296,910</b>	<b>\$1,167,732</b>	<b>\$3,745,549</b>

Recreation In-Lieu Fee Expenditures	2017-18
Jack Lyle Park Restrooms Construction	\$17,681
Willow Oaks Park improvements	22,977
Belle Haven Pool analysis and audit	26,131
Other projects	11,552
<b>Total</b>	<b>\$78,341</b>

Recreation In-Lieu Fee Future Projects	2018-19	2019-23	Total
Willow Oaks Park improvements	\$563,481	\$375,000	\$938,481
Civic Center Campus Improvements	0	600,000	600,000
Jack Lyle Park Restrooms Construction	449,593	0	449,593
Belle Haven Pool Master Plan implementation	0	370,000	370,000
Parks and Recreation Master Plan update	187,263	0	187,263
		<b>Total</b>	<b>\$2,545,337</b>

**City of Menlo Park**  
**Below Market Rate Housing Financial Report**

Below Market Rate Housing Special Fund	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Beginning balance</b>	<b>\$10,629,904</b>	<b>\$11,751,144</b>	<b>\$14,135,309</b>	<b>\$16,884,108</b>	<b>\$18,652,660</b>
Fiscal Year Activity					
Charges for Services	81,277	2,388,210	3,788,681	1,824,526	6,109,892
Use of Money and Property	114,817	178,194	149,505	125,374	125,117
Expenditures	(155,522)	(182,238)	(97,368)	(181,348)	(217,983)
Proceeds from the Sale of Assets	1,080,667	0	0	0	0
Prior period adjustment	0	0	(1,092,019)	0	0
<b>Ending balance</b>	<b>\$11,751,144</b>	<b>\$14,135,309</b>	<b>\$16,884,108</b>	<b>\$18,652,660</b>	<b>\$24,669,685</b>
Adjustment for notes and interest receivable	(\$3,747,401)	(\$6,170,550)	(\$9,106,832)	(\$8,823,986)	(\$8,861,591)
<b>Adjusted available balance</b>	<b>\$8,003,743</b>	<b>\$7,964,759</b>	<b>\$7,777,276</b>	<b>\$9,828,674</b>	<b>\$15,808,095</b>

Below Market Rate Housing Special Fund Expenditures	2017-18
<b>Project Expenditures:</b>	
Other expenditures	\$217,983
<b>Total Expenditures:</b>	<b>\$217,983</b>

Below Market Rate Housing Special Fund Future Projects	2018-19	2019-23	Total
1317-1385 Willow Road	\$6,700,000	\$0	\$6,700,000
2018 NOFA	0	11,500,000	11,500,000
		<b>Total</b>	<b>\$18,200,000</b>

**City of Menlo Park  
Construction Impact Fee Financial Report**

Construction Impact Fee Fund	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Beginning 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>
Developer Fees	1,725,457	1,584,408	1,821,534	3,095,422	2,976,022
Street Department Fees	0	0	0	0	0
Interest Income/(Expense)	16,069	39,390	40,396	62,254	51,713
Expenditures	(219,872)	(199,805)	(2,792,626)	(346,171)	(4,598,500)
Transfers			(14,140)		
<b>Ending balance</b>	<b>\$3,624,730</b>	<b>\$5,048,723</b>	<b>\$4,103,887</b>	<b>\$6,915,393</b>	<b>\$5,344,627</b>

Construction Impact Fee Fund Expenditures	2017-18
<b>Project Expenditures:</b>	
Street Resurfacing Project	\$4,477,107
Santa Cruz & Middle resurfacing	49,367
<b>Operating Expenditures:</b>	
Street Maintenance	72,026
<b>Total Expenditures:</b>	<b>\$4,598,500</b>

Construction Impact Fee Future Projects	2018-19	2019-23	Total
Street Resurfacing	\$3,244,291	\$8,000,000	\$15,465,960
Santa Cruz & Middle resurfacing	212,533	2,300,000	2,512,533
		<b>Total</b>	<b>\$17,978,493</b>