



Memorandum

TO: PARKS & RECREATION
COMMISSION

FROM: Albert Balagso

**SUBJECT: PARKLAND DEDICATION AND
PARK IMPACT ORDINANCES
IN-LIEU FEES ADJUSTMENTS**

DATE: 01-27-10

Approved

Date

RECOMMENDATION

Accept this report regarding the new Schedule of Parkland Fees charged pursuant to Chapters 14.25 (“Park Impact Ordinance”) and 19.38 (“Parkland Dedication Ordinance”) and recommend to the City Council to adopt a resolution setting forth the new Schedule of Parkland Fees to reflect the 2008 Residential Land Value Study, with the exception of fees for North San Jose and Downtown to remain the same, to be effective on May 1, 2010.

OUTCOME

Acceptance of this memorandum and adoption of a new in-lieu fees resolution will enable the City to collect parkland in-lieu fees that reflect the land values from the latest land value survey that was completed for the year 2008. The net effect of this resolution will result in six of the 14 zones remaining unchanged, six additional zones having a reduction in fees to reflect declining property values, and two zones with recommended increases immediately entering into deferment and therefore remaining unchanged.

Through the first half of the 2009-2010 fiscal year, the City has collected nine in-lieu fees totaling \$140,150. This is far below normal. Deferring the implementation of fee increases would provide an incentive to development activity. This deferment would only be in effect until March 1, 2011, or until staff receives the 2009 Residential Land Value Study and returns to Council.

BACKGROUND

The City of San Jose enacted the Parkland Dedication Ordinance (“PDO”)¹ in 1988 to help meet the demand for new neighborhoods and community parkland generated by the development of new residential subdivisions. The City’s PDO is consistent with the State’s Quimby Act

¹ San Jose Municipal Code Chapter 19.38

(Government Code Section 66477). In 1992, the City Council adopted the Park Impact Ordinance (“PIO”)², which is similar to the PDO, but applies to new non-subdivided residential projects such as apartment buildings.

Under the PDO and PIO, housing developers are required to dedicate land, improve parkland, and/or pay a parkland fee in lieu of land dedication for neighborhood and community parks. The amount of land to be dedicated is three acres for every 1,000 new residents added to the City by the new housing development. The number of new residents depends on the number and type of dwelling residential units included in the development. The most recent available Federal census data, when available, is used to determine the number of residents per dwelling unit.

Parkland fees may be paid in-lieu of the land dedication requirement. The amount of fees to be paid in lieu of land dedication are established by resolution of the City Council and calculated based on the type of dwelling units and the land value per an annual land value study. For projects of 50 units or less, the City can only require the associated in-lieu fees from developers.

The Parkland Fee adjustment recommended in this memorandum is based on the Residential Land Value Study prepared by Diaz, Diaz & Boyd, Inc. a Real Property Valuation and Consultation Company. Key milestones in the process to annually adjust the fees based on land values include:

- In March 1998, the first report was completed for the study of residential land values in the City of San José and various identified neighborhood charged pursuant to the Park Impact Ordinance and Parkland Dedication Ordinance. This report incorporated the original 1997 study and has been updated annually since it was first completed.
- In January 2007, as part of a comprehensive update of the Park Impact and Parkland Dedication Ordinances, City Council directed that any future fee adjustments to the Schedule of Parkland Fees should be brought to the Parks and Recreation Commission (PRC) and Neighborhood Services and Education (NSE) Committee, and then to City Council on an annual basis.
- In December 2007 and September 2008, City Council approved a new Schedule of Parkland Fees to reflect the 2006 and 2007 Residential Land Value Studies (Resolution Nos. 74152 and 74608 respectively) pursuant to PDO and PIO of the San Jose Municipal Code.

ANALYSIS

The 2008 Residential Land Value Study (2008 Study) prepared by Diaz, Diaz & Boyd, Inc. (Real Property Valuation and Consultation) was completed on August 31, 2009. The recently completed 2008 Residential Land Value Study indicates that 2008 land values range from a low

² San Jose Municipal Code Chapter 14.25

of \$25.00 per square foot in Zone 3 (Evergreen) to a high of \$120.00 per square foot in Zone 9 (Downtown). A map showing Multiple Listing zones is provided as Attachment A.

Land values in six of the 14 Multi-Listing zones in San José have gone down from last year: Zone 3 (Evergreen), Zone 4 (Alum Rock), Zone 5 (Berryessa), Zone 7 (Alviso), Zone 10 (Willow Glen) and Zone 14 (Cambrian). The decrease in land values ranged from a 7% decrease in Willow Glen to a 43% decrease in Alviso.

Typical land values in six zones remain unchanged from 2007: Zone 2 (Santa Teresa), Zone 8 (Santa Clara), Zone 11 (South San José), Zone 12 (Blossom Valley), Zone 13 (Almaden Valley) and Zone 15/18 (West San José).

The two zones that have gone up in value according to the study were Zone 7 (North San José) which went up in value by 14% (from \$70.00 per sq. ft in 2007 to \$80.00 per sq. ft. in 2008) and Zone 9 (Downtown) which went up in value by 71% (from \$70.00 per sq. ft in 2007 to \$120.00 per sq. ft. in 2008).

As indicated above, most changes were not significant. The exceptions are the significant increases in land value in Downtown San José, reflecting the high density sales in the area and the significant decrease (43%) in land value in Alviso.

Proposed Changes

City staff has developed the attached chart (Attachment B), which indicates the proposed fees be set at 100% of 2008 land values for all MLS zones, with the exception of North San Jose and Downtown/Central MLS. Since these are the only two areas where Parkland Fees would increase from last year, staff recommends keeping the Parkland Fees for these two areas the same and allow developers in these areas to continue to pay the current fee based on the 2007 land value study until staff comes back to Council to adjust the Parkland Fees. (Current fees are shown as Attachment C.) It is anticipated that staff will be back to Council later this year to set the Parkland Fees based on the 2009 land value study that should be effective on or about March 1, 2011.

There is a significant decrease in housing development throughout the City as a result of the continued economic downturn. The 2008 Residential Land Value Study indicated that builders have responded to the huge inventory of unsold homes by sharply cutting back on construction and that the National Association of Home Builders is projecting the construction of new homes and apartments to be the weakest performance since 1945. The Study further reported that “the homebuilders’ business outlook plunged to 14 on the housing market index in October 2009, an all time low.” (NOTE: “Index readings higher than 50 indicate positive sentiment about the market.”) Increasing the In-lieu fees in the North San José and the Downtown areas only serves to hamper the ability for builders to bounce back and resume construction activities in these two areas.

Through December 31, 2009, the first half of Fiscal Year 2009-2010, the PRNS Department has collected Parkland Fees for nine residential projects totaling \$140,150. This is a significant decline from Fiscal Year 2008-2009 where 42 projects paid fees for a total of \$10.3 million. Of the fees collected so far in Fiscal Year 2009-2010, two were collected in the Central/Downtown Area and none were collected in the North San Jose Area. By keeping the fees at current values in these areas until we go back to Council to set the fees based on the 2009 land values, we could provide an incentive to construction activity.

Staff is requesting the support of the PRC to advise the City Council to adopt a resolution to set the new Schedule of Parkland Fees as reflected in the attached chart to be effective on May 1, 2010. Staff is also requesting the Neighborhood Services and Education Committee's support for this recommendation at its February 11, 2010 meeting. In addition, staff has sent an e-mail notification of this committee meeting to all stakeholders involved in the previous adjustments to these fees.

Alternatives

Alternative #1: Adjust all fees to reflect the 2008 land values

Pros: Fees that are consistent with the value of land will be collected in the Downtown and North San José areas significantly increasing the City's ability to purchase land at closer to its current value.

Cons: No incentive to spur construction activity in the Downtown and North San José areas is provided and slow construction activity is likely to continue.

Reason for Not Recommending: This alternative is not consistent with the City's goal to encourage construction activity.

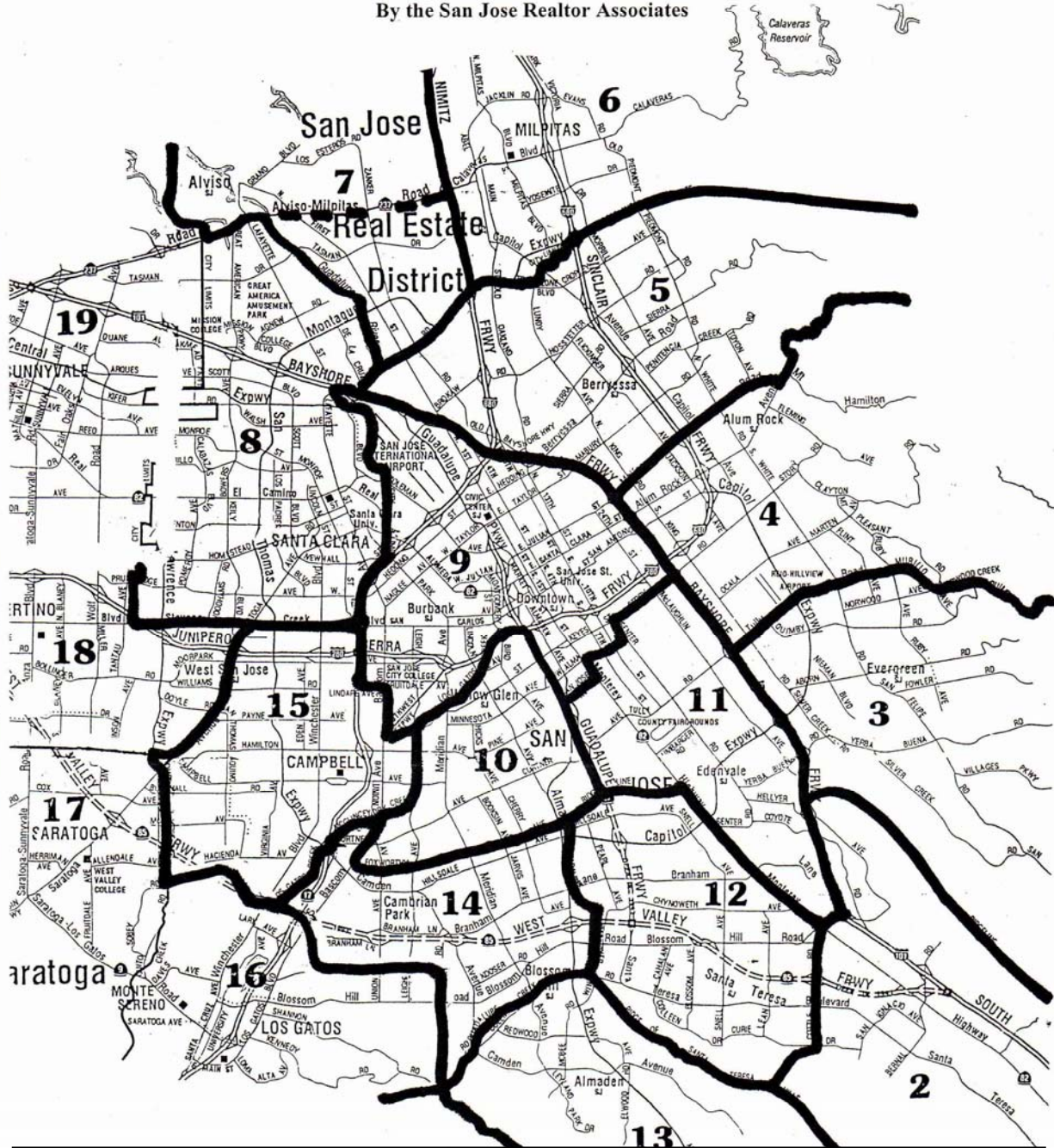
ALBERT BALAGSO
Director of Parks, Recreation and
Neighborhood Services

Attachments: A) Multiply Listing Service Zones
B) Proposed Fees
C) Current Fees

For questions please contact Matt Cano, PRNS Capital Division Manager, at 408-535-3580.

ATTACHMENT A

Multiply Listings Service Zones
By the San Jose Realtor Associates



PDO – PIO MAP

- | | | |
|-----------------------|---------------------|---------------------|
| 2 – Santa Teresa | 3 – Evergreen | 4 – Alum Rock |
| 5 – Berryessa | 7 – Alviso | 7 – North San Jose |
| 9 – Downtown | 10 – Willow Glen | 11 – South San Jose |
| 12 – Blossom Valley | 13 – Almaden Valley | 14 – Cambrian |
| 15/18 – West San Jose | | |

Attachment B PROPOSED FEES

Set at 2008 Land Values for all MLS Zones except Zones 7 (So) and 9 which are set at 2007 Land Values

MLS ZONE	AREA COVERED	100% OF COST/ SQUARE FOOT	FEE PER UNIT						
			SINGLE FAMILY DETACHED	SINGLE FAMILY ATTACHED	MULTI-FAMILY 2-4 UNITS	MULTI-FAMILY 5+	SINGLE RESIDENCY OCCUPANCY UNIT (SRO)	Secondary Residential Unit (Granny Unit) Maximum of 700 sq feet**	
			3.50	3.06	3.23	2.29	1.00	na	
<i>Number of Persons Per Unit- 2000 Census Data</i>									
<i>Number of Dwelling Units to create 1 acre of Raw Parkland</i>			96	109	104	146	336	na	
2	SANTA TERESA	\$ 35.00	\$ 15,850	\$ 14,000	\$ 14,650	\$ 10,450	\$ 4,550	\$ 2,275	
3	EVERGREEN	\$ 25.00	\$ 11,350	\$ 10,000	\$ 10,450	\$ 7,450	\$ 3,250	\$ 1,625	
4	ALUM ROCK	\$ 30.00	\$ 13,600	\$ 12,000	\$ 12,550	\$ 8,950	\$ 3,900	\$ 1,950	
5	BERRYESSA	\$ 35.00	\$ 15,850	\$ 14,000	\$ 14,650	\$ 10,450	\$ 4,550	\$ 2,275	
7	ALVISO (North of 237)	\$ 30.00	\$ 13,600	\$ 12,000	\$ 12,550	\$ 8,950	\$ 3,900	\$ 1,950	
7	NORTH SAN JOSE (So. of 237)	\$ 70.00	\$ 31,750*	\$ 27,950*	\$ 29,300*	\$ 20,850*	\$ 9,050*	\$ 4,525*	
8	SANTA CLARA	\$ 35.00	\$ 15,850	\$ 14,000	\$ 14,650	\$ 10,450	\$ 4,550	\$ 2,275	
9	DOWNTOWN	\$ 70.00	\$ 31,750*	\$ 27,950*	\$ 29,300*	\$ 20,850*	\$ 9,050*	\$ 4,525*	
10	WILLOW GLEN	\$ 70.00	\$ 31,750	\$ 27,950	\$ 29,300	\$ 20,850	\$ 9,050	\$ 4,525	
11	SOUTH SAN JOSE	\$ 35.00	\$ 15,850	\$ 14,000	\$ 14,650	\$ 10,450	\$ 4,550	\$ 2,275	
12	BLOSSOM VALLEY	\$ 35.00	\$ 15,850	\$ 14,000	\$ 14,650	\$ 10,450	\$ 4,550	\$ 2,275	
13	ALMADEN VALLEY	\$ 35.00	\$ 15,850	\$ 14,000	\$ 14,650	\$ 10,450	\$ 4,550	\$ 2,275	
14	CAMBRIAN	\$ 35.00	\$ 15,850	\$ 14,000	\$ 14,650	\$ 10,450	\$ 4,550	\$ 2,275	
15 & 18	WEST SAN JOSE	\$ 70.00	\$ 31,750	\$ 27,950	\$ 29,300	\$ 20,850	\$ 9,050	\$ 4,525	
9- DC	Downtown Core- East of Highway 237 High Rise Projects 12+ Stories		NA	NA	NA	\$ 8,950*	NA	NA	

* These fees are subject to provisions of Section 2 of Resolution No. 73587

** These fees are subject to Resolution No. 74314

ATTACHMENT C

FEE SET AT 100% OF 2007 LAND VALUES

MLS ZONE	AREA COVERED	100% OF COST/SQUARE FOOT	FEE PER UNIT					SECONDARY RESIDENTIAL UNIT (Granny Unit)**
			SINGLE FAMILY DETACHED	SINGLE FAMILY ATTACHED	MULTI-FAMILY 2-4	MULTI-FAMILY 5+	SINGLE RESIDENTIAL OCCUPANCY (SRO)	
<i>Number of Persons Per Unit</i>			3.50	3.06	3.23	2.29	1.00	0.50
2	SANTA TERESA	\$35.00	\$15,850	\$14,000	\$14,650	\$10,450	\$4,550	\$2,275
3	EVERGREEN	\$35.00	\$15,850	\$14,000	\$14,650	\$10,450	\$4,550	\$2,275
4	ALUM ROCK	\$35.00	\$15,850	\$14,000	\$14,650	\$10,450	\$4,550	\$2,275
5	BERRYESSA	\$40.00	\$18,150	\$16,000	\$16,750	\$11,900	\$5,200	\$2,600
7	ALVISO	\$70.00	\$31,750	\$27,950	\$29,300	\$20,850	\$9,050	\$4,525
7	NORTH SAN JOSE	\$70.00	\$31,750	\$27,950	\$29,300	\$20,850	\$9,050	\$4,525
8	SANTA CLARA IN SJ	\$35.00	\$15,850	\$14,000	\$14,650	\$10,450	\$4,550	\$2,275
9	DOWNTOWN	\$70.00	\$31,750	\$27,950	\$29,300	\$20,850	\$9,050	\$4,525
10	WILLOW GLEN	\$75.00	\$34,000	\$29,950	\$31,400	\$22,350	\$9,700	\$4,850
11	SOUTH SAN JOSE	\$35.00	\$15,850	\$14,000	\$14,650	\$10,450	\$4,550	\$2,275
12	BLOSSOM VALLEY	\$35.00	\$15,850	\$14,000	\$14,650	\$10,450	\$4,550	\$2,275
13	ALMADEN VALLEY	\$35.00	\$15,850	\$14,000	\$14,650	\$10,450	\$4,550	\$2,275
14	CAMBRIAN	\$40.00	\$18,150	\$16,000	\$16,750	\$11,900	\$5,200	\$2,600
15&18	WEST SAN JOSE	\$70.00	\$31,750	\$27,950	\$29,300	\$20,850	\$9,050	\$4,525
9-DC*	Downtown Core -East of Hwy 87 High Rise Projects 12+ Stories		na	na	na	na	na	na

*These fees are subject to provisions of Section 2 of Resolution No. 73587- Fees set at \$8,950 per High Rise Unit.

**These fees are subject to Resolution No. 74314- Fees set at 50% of SRO Unit