



DATE: May 6, 2019

TO: Council Economic Development Committee

FROM: Development Services Director

SUBJECT: Park Nexus Study Fee Calculations

RECOMMENDATION

That the Council Economic Development Committee reviews and provides feedback and direction on the park impact fee calculations.

SUMMARY

The attached park impact fee calculations, prepared by Community Attributes, Inc., show the maximum allowable park in-lieu fees that could be assessed on different development types. Currently, park fees in Hayward are only imposed on residential development, in accordance with the Quimby Act. However, per the Mitigation Fee Act, the City has the option to also assess fees on non-residential development, as long as that fee bears a reasonable and proportionate relationship to the impact that the development creates on the parks system.

Two sets of park fee calculations are provided in the following attachments. One calculates the maximum allowable fees if they are assessed on both residential and non-residential development. The other calculates maximum allowable fees if they are assessed on residential development only.

From the Committee, staff would like direction on the following questions:

1. Should park impact fees be applied to non-residential development?
2. Should park impact fees be reduced below the maximum allowable for any types of development? If so, which types and how much?
3. Are there any types of development that should be exempt from park fees, such as accessory dwelling units (ADUs), affordable housing, senior housing, etc.?

BACKGROUND

In May 2018, the City entered into a contract with Community Attributes, Inc. (CAI) to conduct a comprehensive nexus-study for park dedication and in-lieu impact fees to align with current economic and development activities within Hayward. The last nexus study and fee schedule update occurred in 2003. Subsequently, park dedication and in-lieu fees have not kept pace with inflation and land values. Had a Consumer Price Index adjustment been made annually, Table 1 illustrates how the fees adopted in 2003 would have changed over time.

Table 1: Hypothetical Park In-Lieu Fees if Annual CPI Adjustment Had Been Made

Year	CPI	% Change	Park In-Lieu Fee		
			Single-Family Detached	Single-Family Attached	Multi-Family
2003	196.4		\$11,953	\$11,395	\$9,653
2004	198.8	1.2%	\$12,099	\$11,534	\$9,771
2005	202.7	2.0%	\$12,336	\$11,761	\$9,963
2006	209.2	3.2%	\$12,732	\$12,138	\$10,282
2007	216.048	3.3%	\$13,149	\$12,535	\$10,619
2008	222.767	3.1%	\$13,558	\$12,925	\$10,949
2009	224.395	0.7%	\$13,657	\$13,019	\$11,029
2010	227.469	1.4%	\$13,844	\$13,198	\$11,180
2011	233.390	2.6%	\$14,204	\$13,541	\$11,471
2012	239.650	2.7%	\$14,585	\$13,904	\$11,779
2013	245.023	2.2%	\$14,912	\$14,216	\$12,043
2014	251.985	2.8%	\$15,336	\$14,620	\$12,385
2015	258.572	2.6%	\$15,737	\$15,002	\$12,709
2016	266.344	3.0%	\$16,210	\$15,453	\$13,091
2017	274.924	3.2%	\$16,732	\$15,951	\$13,512
2018	285.550	3.9%	\$17,379	\$16,567	\$14,035

Source: Community Attributes, Inc.

A project kick-off meeting was held in October 2018. Participants included: City staff from Development Services, the City Manager's Office, and the Finance Department; HARD staff; and CAI staff. Based on the discussion at the kickoff meeting, CAI developed recommendations regarding the methodology for the nexus study and followed up with City and HARD staff during a conference call in December 2018 for additional guidance and input.

Since then, CAI has developed park impact fee calculations, which calculate the maximum fees for different development types that would be legally defensible based on land acquisition and development costs. These fee calculations are the subject of this staff report.

DISCUSSION

California State Law allows for two different types of fees that can be charged to new development to mitigate their impact on the parks and recreation system:

- The **Quimby Act** allows cities to require the dedication of land up to five acres per 1,000 population (depending on the current level of service). Quimby fees do not apply to all types of development and are limited to subdivisions of up to 50 parcels and other specific criteria.
- The **Mitigation Fee Act** allows cities to charge impact fees to all types of new development provided that the fee bears a reasonable and proportionate relationship to the impact that the development creates on the parks system.

Currently, the City of Hayward has Quimby Act parkland dedication and in-lieu fees only for new residential development. However, the park impact fee calculations contained in this report and the relevant attachments have been calculated following the requirements of the Mitigation Fee Act. This allows staff and decision-makers the ability to compare what the fees would be if the City continues to assess fees only on residential development, or if it opts to also assess fees on non-residential development.

Residential and Non-Residential Fee Calculations

Attachment II details the process for calculating maximum allowable park in-lieu fees if both residential *and* non-residential development are charged. While population and employment are both expected to grow in Hayward, they should not be counted equally because employees and visitors spend less time in Hayward than residents, and therefore they have less benefit from Hayward's parks. There is a well-established and widely-used technique for accounting for these differences in impact fees and it involves "equivalency." Appendix A of Attachment II describes equivalency and explains how the "equivalent population" coefficients were developed for this study of park impact fees. The results allow business to pay their proportionate share of parks for growth based on the "equivalent population" that nonresidential development generates.

Based on the analysis presented in Attachment II, Table 2 shows the maximum allowable park impact fees that could be assessed for different types of residential and non-residential development. Existing park fees for residential development are shown for comparison.

Table 2: Maximum Allowable Park Impact Fees, Calculated for Residential and Non-Residential Development

<i>Type of Development</i>	<i>Existing Fee</i>	<i>Maximum Allowable Fee</i>
Residential		
Single-Family ¹	\$11,953	\$20,056
Multifamily	\$9,653	\$16,415
Mobile Home and Other	\$9,653	\$13,280
Non-Residential		
Office/Other Commercial	-	\$7.88/sq. ft.
Retail	-	\$9.72/sq. ft.
Industrial	-	\$0.78/sq. ft.
Government	-	\$9.00/sq. ft.
Education	-	\$2.87/sq. ft.

Notes:

1. Attached single-family homes are assessed a fee of \$11,395.

Source: Community Attributes, Inc.

The City could decide to further break down residential park fees based on the number of bedrooms per unit. Based on data on the average number of persons per dwelling unit from the U.S. Census Bureau American Housing Survey, Table 3 shows the maximum allowable

park fees that could be assessed per unit based on bedroom count. Attachment III provides additional detail on this calculation.

Table 3: Maximum Allowable Park Impact Fees by Unit Size

<i>Unit by Bedroom Count</i>	<i>Maximum Allowable Fee</i>
0 Bedrooms	\$4,416
1 Bedroom	\$6,915
2 Bedrooms	\$12,474
3 Bedrooms	\$21,784
4 or more Bedrooms	\$30,301

Source: Community Attributes, Inc.

Residential-Only Fee Calculations

Attachments IV and V shows how the park fee calculations would differ if they continue to be assessed on residential development only. Table 4 provides a summary of the maximum allowable fees that would be legally defensible. Table 5 indicates a further breakdown of the fees, if they were assessed by bedroom count.

Table 4: Maximum Allowable Park Impact Fees, Calculated for Residential Development Only

<i>Type of Development</i>	<i>Existing Fee</i>	<i>Maximum Allowable Fee</i>
Residential		
Single-Family ¹	\$11,953	\$28,504
Multifamily	\$9,653	\$23,329
Mobile Home and Other	\$9,653	\$18,874

Notes:

1. Attached single-family homes are assessed a fee of \$11,395.

Source: Community Attributes, Inc.

Table 5: Maximum Allowable Park Impact Fees by Unit Size, Residential Only

<i>Unit by Bedroom Count</i>	<i>Maximum Allowable Fee</i>
0 Bedrooms	\$6,277
1 Bedroom	\$9,828
2 Bedrooms	\$17,728
3 Bedrooms	\$30,959
4 or more Bedrooms	\$43,065

Source: Community Attributes, Inc.

Fee Comparisons with Neighboring Jurisdictions

Attachment VI compares Hayward's current and maximum allowable park impact fees to comparable fees in other nearby jurisdictions, including Oakland, San Leandro, Union City, Fremont, Dublin, Pleasanton, Livermore, San Mateo, and Alameda County.

For residential development, Hayward's existing fees are among the lowest for all jurisdictions, especially given that most other jurisdictions assess fees for capital facilities, traffic, and/or fire, which Hayward does not. The maximum allowable park fees that Hayward could assess are generally average to below average compared to the other jurisdictions.

For non-residential development, Hayward and Union City are the only jurisdictions that do not currently charge impact fees for parks, capital facilities, traffic, or fire. As Attachment VI shows, the maximum allowable park fees that Hayward could assess on non-residential development varies depending on the type of development. For example, the maximum allowable fees for retail development would be above average compared to neighboring jurisdictions, and the highest for park fees alone. However, for industrial development, the maximum allowable fees would be among the lowest.

Questions for Discussion and Staff Recommendations

Staff is seeking direction from the CEDC on the following questions before moving forward with the Park Nexus Study. Staff's initial recommendations are also provided, as appropriate.

1. Should park impact fees be applied to non-residential development?

Staff recommends that park impact fees be assessed on both residential and non-residential development, in accordance with the Mitigation Fee Act. This would ensure that non-residential development shares the cost of parkland development and would result in reduced fees for residential development. As shown in Attachment VI, several neighboring jurisdictions assess park impact fees on non-residential development.

2. Should park impact fees be reduced below the maximum allowable for any types of development? If so, which types and how much?

If park impact fees are applied to non-residential development, the CEDC may consider recommending a reduction in fees for some non-residential development types below the maximum allowable. Consideration should be given by the CEDC to recent concerns about the constructability of both residential and non-residential projects due to significant construction cost increases in the Bay Area market. The CEDC may also want to consider reducing the fees below the maximum in consideration of other potential impact fees that the City may want to impose.

3. Are there any types of development that should be exempt from park fees, such as accessory dwelling units (ADUs), affordable housing, senior housing, etc.?

Per Section 10-16.11 of the Hayward Municipal Code, the following types of development are currently exempt from park impact fees:

- Housing for the elderly or disabled, when the development is either owned by a public agency or leased to a public agency for a period of at least twenty (20) years, and when the development complies with the definition of housing for the elderly or disabled as defined by the U. S. Department of Housing and Urban Development;
- Rental housing owned by a private non-profit corporation with rents which on the average remain affordable, for a period of at least thirty (30) years, to households with incomes of no more than sixty (60) percent of area median income, adjusted for household size, as defined by the State of California Department of Housing and Community Development. Developers of such rental housing shall enter into a regulatory agreement with the City to be approved by the City Council, which shall guarantee the term of affordability;
- Ownership housing developed by a public agency or private non-profit housing developer which is affordable to first-time homebuyers with incomes of no more than ninety-five (95) percent of area median income, adjusted for household size, as defined by the State of California Department of Housing and Community Development. Owners within such ownership developments shall be required to provide a right of first refusal to the City or its designee to purchase the units upon resale; and
- Commercial and industrial subdivisions

Staff recommends that the CEDC consider also exempting Accessory Dwelling Units (ADUs) from park impact fees to make this housing type more affordable to develop. The CEDC may also consider expanding the types of affordable housing and senior housing exempt from park impact fees.

ECONOMIC IMPACT

It is conceivable that increasing park in-lieu fees would result in disincentives to developing in Hayward. However, as noted in Attachment VI and the Discussion above, the maximum allowable fees are generally in line with or in some cases, significantly less than similar fees being assessed in surrounding jurisdictions. Further, adequately funding the development of new parks to serve new population growth could serve to attract additional new development, which would lead to positive economic impacts.

FISCAL IMPACT

The Park Nexus Study, of which this report is a part, was included in the Planning Division Fiscal Year 2018 operating budget. The City is responsible for 50 percent of the total contract fees, while HARD is responsible for the other 50 percent.

Recalibrating the park in-lieu fee schedule will provide increased revenues to directly meet the needs of the growing community by adequately funding fiscal projects managed by HARD.

STRATEGIC INITIATIVES

This agenda item supports the Complete Communities Strategic Initiative. The purpose of the Complete Communities initiative is to create and support structures, services, and amenities to provide inclusive and equitable access with the goal of becoming a thriving and promising place to live, work, and play for all. This item supports the following goal:

Goal 1: Improve quality of life for residents, business owners, and community members in all Hayward neighborhoods.

NEXT STEPS

Based on feedback from the Committee, staff will work with the Consultant to refine the analysis and recommendations before presenting to the City Council and HARD Board at a joint meeting on June 18.

Prepared by: Elizabeth Blanton, AICP, Associate Planner

Recommended by: Laura Simpson, AICP, Development Services Director

Approved by:



Kelly McAdoo, City Manager