



DATE: December 17, 2019

TO: Mayor and City Council

FROM: Development Services Director

SUBJECT: Introduction of an Ordinance Revising the City's Park Impact Fees and Chapter 10, Article 16 of the Hayward Municipal Code

RECOMMENDATION

That the Council:

- Holds a public hearing to obtain input on proposed amendments to Chapter 10, Article 16 of the Hayward Municipal Code and the adoption of updated park impact fees;
- Introduces an ordinance (Attachments II and III) amending Chapter 10, Article 16 of the Hayward Municipal Code regarding obligations for parks and recreation for developers, and
- Adopts a resolution (Attachment IV) adopting Park Impact Fees.

SUMMARY

The attached nexus study (Attachment V), prepared by Community Attributes, Inc. (CAI), shows the maximum allowable park impact fees that could be assessed on different development types within the City of Hayward. Based on the nexus study, research regarding impact and permitting fees in neighboring jurisdictions, and feedback from the City Council, the Hayward Area Recreation and Park District (HARD) Board of Directors, Council Economic Development Committee (CEDC), and representatives from the development community, staff recommends the following changes to the City of Hayward's park impact fees and Chapter 10, Article 16 of the Hayward Municipal Code:

- Assess park impact fees by bedroom count for residential dwelling units, ranging from \$3,091 for studios and eligible ADUs up to \$21,211 for a unit with four or more bedrooms.
- Assess park impact fees on industrial development at a rate of \$0.55 per square foot.
- Expand exemptions for park impact fees to include all 100 percent affordable projects (affordable to households up to 120 percent of the Area Median Income) by non-profit developers.
- Reduce park impact fees by 50 percent for 100 percent affordable projects by for-profit developers and for affordable units that are built on-site.

- With consultation with HARD, allow credit toward a project's park impact fee obligations for land dedication and/or private park and recreation facilities that exceed code requirements and are publicly accessible.

BACKGROUND

In May 2018, the City entered into a contract with CAI to conduct a comprehensive nexus-study for park impact fees to align with current economic and development activities within Hayward. The nexus study, which calculates the maximum park impact fees for different development types that would be legally defensible based on respective impacts to the parks and recreation system as well as land acquisition and development costs, is included as Attachment V.

Staff presented the results of the nexus study to the Council Economic Development Committee (CEDC),¹ at a joint City Council/HARD Board work session,² and at a stakeholder meeting with active developers in Hayward. Based on the feedback received along with research on comparable permitting and impact fees in neighboring jurisdictions, staff presented the following recommendations to the City Council at a work session on October 15, 2019:³

- Assess park impact fees on residential development only.
- Calculate fees by bedroom count rather than by product type.
- Reduce park fees below the maximum allowable, ranging from approximately \$3,100 for studios and ADUs to \$21,500 for units with four or more bedrooms.
- Expand the range of affordable projects and units that would be exempt from park fees, including allowing exemptions for all 100 percent affordable projects by non-profit developers and a 50 percent reduction in fees for 100 percent affordable projects by for-profit developers and for any affordable units that are built on-site.
- Consider additional credits that could be counted toward park fee requirements, such as trails and open space, and relaxing or eliminating the specific size requirements for required amenities.

Council supported all of staff's recommendations, though they expressed a desire to see park fees increased to be closer to the maximum allowable within the next few years. Council also supported assessing a small fee on industrial development, but not on other types of non-residential development.

¹<https://hayward.legistar.com/LegislationDetail.aspx?ID=3937516&GUID=6C808068-7305-42DC-B7ED-510C04E2BB0A&Options=&Search=>

²<https://hayward.legistar.com/LegislationDetail.aspx?ID=3985845&GUID=8BB7EBC6-CE27-45AD-9E05-FC8CA953C375&Options=&Search=>

³<https://hayward.legistar.com/LegislationDetail.aspx?ID=4165485&GUID=F11CC4E1-B46B-4C5D-9146-540702F4328A>

Based on Council direction, staff prepared updated park impact fees and revisions to Chapter 10, Article 16 of the Hayward Municipal Code, which were presented to the HARD Board of Directors on November 18, 2019.⁴ The Board unanimously recommended that the City Council adopt the revised Park Impact Fees and related revisions to Chapter 10, Article 16 of the Hayward Municipal Code. In addition, the Board expressed support for the Council adopting a specific phasing schedule that would provide detail as to when increases in the Park Impact Fees would occur. The Board's preference is that fees would be increased to the maximum allowable over a three-year period.

DISCUSSION

Based on direction received from the City Council at the October 15 work session and feedback from the HARD Board of Directors at their November 18 meeting, staff proposes the following changes to the City's park impact fees and Hayward Municipal Code, Chapter 10, Article 16, Property Developers – Obligations for Parks and Recreation.⁵ A redline version of the Ordinance incorporating the changes discussed below is included as Attachment II. A "clean" version of the Ordinance is included as Attachment III.

Park Impact Fees

As shown in Table 1, the nexus study calculated the maximum allowable park impact fees that could be assessed on different types of development based on their respective impacts to the City's parks and recreation facilities.

At the work session on October 15, Council directed staff to set park fees below the maximum allowable so that fees for residential development would range from approximately \$3,100 for studios and ADUs up to approximately \$21,500 for units with four or more bedrooms. Council's desired range in fees is achieved when the maximum allowable residential fees shown in Table 1 are reduced by 30 percent.⁶

⁴<https://hayward.novusagenda.com/agendapublic/MeetingView.aspx?MeetingID=222&MinutesMeetingID=69&doctype=Agenda>

⁵https://library.municode.com/ca/hayward/codes/municipal_code?nodeId=HAYWARD_MUNICIPAL_CODE_CH10P_LZOSU_ART16PRDEBLPARE

⁶ The maximum allowable fees presented to the City Council at the October 15 work session were based on a nexus study that assumed that park impact fees would be assessed on residential development only. Given Council's direction to also assess park impact fees on industrial development, the nexus study must calculate maximum allowable fees based on the assumption that both residential and non-residential development is charged. The nexus study attached as Attachment V does this. Because the maximum allowable fees for residential development are lower in the attached nexus study than they were in the nexus study calculated for residential development only, the proposed reduction in fees from the maximum allowable is also lower in order to maintain Council's desired fee range.

Council also directed staff to assess fees on industrial development, but no other types of non-residential development. This is due to the difficulty the City has experienced attracting commercial development in recent years, with the notable exception of industrial development, which has been flourishing. As a result, staff recommends assessing industrial development at a consistent 30 percent reduction from the maximum allowable.

Table 1: Maximum Allowable and Recommended Park Impact Fees

<i>Type of Development</i>	<i>Max. Allowable Fee</i>	<i>Recommended Fee</i>	<i>Percent reduction from Max. Allowable</i>
Residential			
0 Bedrooms/ADU	\$4,416	\$3,091	30%
1 Bedroom	\$6,915	\$4,841	30%
2 Bedrooms	\$12,474	\$8,732	30%
3 Bedrooms	\$21,784	\$15,249	30%
4+ Bedrooms	\$30,301	\$21,211	30%
Non-Residential			
Office/Other Commercial	\$7.88/sq. ft.	-	100%
Retail	\$9.72/sq. ft.	-	100%
Industrial	\$0.78/sq. ft.	\$0.55/sq. ft.	30%
Government	\$9.00/sq. ft.	-	100%
Education	\$2.87/sq. ft.	-	100%

The recommended fees are below the maximum allowable, and thus the revenue generated from park fees alone will not be enough to sustain the City of Hayward’s current level of service for parks and recreation facilities. However, staff feels that the recommended reductions are necessary given the limited financial feasibility of multifamily development, the difficulty the City has in attracting commercial development, and the impact fees of neighboring jurisdictions that the City competes with for new development. In addition, as shown in Attachment VI, the City’s current level of service is approximately 6.5 acres of parks and recreational facilities per 1,000 residents, which exceeds the General Plan parkland standard of 5.0 acres per 1,000 residents. While the recommended fees will likely result in a reduced level of service from current levels, the overall level of service will continue to surpass the General Plan standard throughout the planning horizon.

To help reduce the funding gap in the future, Council may consider future increases to the park impact fees, in support of the recommendation from the HARD Board of Directors. Table 2 shows options for what a phased increase could look like. Council may establish a set timeframe for phased increases, as suggested by the HARD Board, or they may elect to revisit options for future park fee increases after the City considers a new transportation impact fee, which is anticipated in 2020-2021.

Table 2: Options for Fee Increases

<i>Type of Development</i>	<i>Proposed Fee (30% reduction)</i>	<i>Potential Future Fee Increases</i>		
		<i>Option #1 (20% reduction)</i>	<i>Option #2 (10% reduction)</i>	<i>Option #3 (Max. Allowable)</i>
Residential				
0 Bedrooms/ADU	\$3,091	\$3,533	\$3,974	\$4,416
1 Bedroom	\$4,841	\$5,532	\$6,224	\$6,915
2 Bedrooms	\$8,732	\$9,979	\$11,227	\$12,474
3 Bedrooms	\$15,249	\$17,427	\$19,606	\$21,784
4+ Bedrooms	\$21,211	\$24,241	\$27,271	\$30,301
Non-Residential				
Office/Other Commercial	-	-	-	-
Retail	-	-	-	-
Industrial	\$0.55/sq. ft.	\$0.62/sq. ft.	\$0.70/sq. ft.	\$0.78/sq. ft.
Government	-	-	-	-
Education	-	-	-	-

The Resolution for this item (Attachments IV) includes an annual adjustment factor that allows the adopted park impact fee to be increased based on the percentage change in the Engineering News-Record Construction Cost Index, San Francisco Area.

The Hayward Area Recreation and Park District provides park and recreation services for the City of Hayward as well as for the unincorporated communities of Castro Valley, San Lorenzo, Ashland, Cherryland, and Fairview. For the purposes of park fee collection, the City of Hayward constitutes one “neighborhood” within HARD’s jurisdiction. As a result, moving forward, all park fees will be collected into a single fund, which can be applied to new park and recreation facilities anywhere in the City.

Exemptions

Currently, the City exempts the following types of development from park impact fees:

- Senior housing that is owned or leased by a public agency
- Affordable rental housing (affordable to households earning up to 60 percent of the Area Median Income) owned by a non-profit
- Affordable ownership housing (affordable to households earning up to 95 percent of the Area Median Income) developed by public agency or non-profit
- Non-residential development

The revised ordinance expands these exemptions to include all 100 percent affordable residential projects (affordable to households earning up to 120 percent of the Area Median Income) developed by non-profit developers. In addition, it provides a 50 percent reduction in fees for 100 percent affordable projects by for-profit developers and for affordable units that are built on site.

Again, while any exemptions in fees will result in a lower level of service, staff deems these exemptions necessary given the extraordinary housing crisis our community and region are facing. In addition, the reduction in park impact fees for affordable units will incentivize developers to build required affordable units on site, which is a key priority of the City Council and Planning Commission.

Credits

Staff agrees with Council and the HARD Board of Directors that any credits toward park impact fee requirements must be for park or recreation space that exceeds code requirements and that is publicly accessible.

Currently, the Municipal Code provides credit for private park and recreational areas that equal at least 25 percent but not more than 50 percent of the total parkland dedication requirement for the development, or 2,400 square feet, whichever is greater.⁷ In addition, private park and recreational areas must include at least two of the following park amenities:

- Children’s play apparatus area
- Courtyard with decorative paving and seating
- Family picnic area and park-like areas with associated facilities
- Game court area
- Turf playfield
- Swimming pool
- Recreation center buildings
- Other amenities deemed suitable by the City with consultation with HARD

The revised ordinance relaxes the private park criteria by adding trails and linear parks to the list of qualifying recreational and park facilities. It also allows the Director of Development Services, in consultation with HARD, to waive minimum standards for individual amenities based on an articulable community benefit. Consultation with HARD will be required for any land dedication or publicly accessible private park space to be counted as credit towards a project’s park fee requirements. In addition, credit for private parkland that is publicly accessible can now be awarded for up to 75 percent of a project’s total parkland dedication requirement, at the discretion of the City, in consultation with HARD, to allow for further flexibility as to the type of parkland that is eligible to count toward this requirement.

ECONOMIC IMPACT

It is conceivable that increasing park impact fees would result in disincentives to developing in Hayward. However, as discussed in the staff report from the October 15 City Council work

⁷https://library.municode.com/ca/hayward/codes/municipal_code?nodeId=HAYWARD_MUNICIPAL_CODE_CH10PLZOSU_ART16PRDEBLPARE_S10-16.32CRPRREIM

session, the maximum allowable fees are generally in line with or in some cases, significantly less than similar fees being assessed in surrounding jurisdictions.⁸ As a result, staff does not anticipate a significant decline in development as a result of increased fees. Further, adequately funding the development of new parks to serve 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 impact fee schedule will provide increased revenues to directly meet the needs of the growing community by adequately funding park 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

If Council introduces the amendments to Chapter 10, Article 16 of the Hayward Municipal Code, the revised ordinance will be adopted at the January 21, 2020 regular Council meeting via a consent item and will become effective on February 20, 2020. If adopted by the Council, the park impact fees will also become effective on February 20, 2020.

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Approved by:



Kelly McAdoo, City Manager

⁸ <https://hayward.legistar.com/LegislationDetail.aspx?ID=4165485&GUID=F11CC4E1-B46B-4C5D-9146-540702F4328A>