

# Development Impact Fee and In-Lieu Fees Study

---

CITY OF SAN MATEO, CA

**matrix**   
consulting group

April 2021

# Table of Contents

---

<b>1. Introduction and Executive Summary</b>	<b>1</b>
<b>2. Legal Framework</b>	<b>9</b>
<b>3. Projected Growth and Development</b>	<b>12</b>
<b>4. Childcare Impact Fee</b>	<b>15</b>
<b>5. Parks Impact Fee</b>	<b>24</b>
<b>6. Transportation Impact Fee</b>	<b>33</b>
<b>7. Public Art In-Lieu</b>	<b>42</b>
<b>8. Tree Replacement / Landscape In-Lieu Fees</b>	<b>46</b>
<b>9. Parking In-Lieu Fee</b>	<b>49</b>
<b>Appendix A: Transportation Project List</b>	

# 1. Introduction and Executive Summary

The report, which follows, presents the results of the Development Impact Fee and In-Lieu Fee Study conducted by the Matrix Consulting Group for the City of San Mateo.

## 1 PROJECT BACKGROUND AND SCOPE OF WORK

The Matrix Consulting Group was retained by the City of San Mateo to Childcare, Public Art, Tree Replacement, and Parks and Recreation Impact Fees. Additionally, the City internally updated its Parking In-Lieu fee and is also internally working on evaluating its Transportation Impact Fee and wanted to include that as part of the impact fee analysis. Childcare impact fees have not been reevaluated since 2003 but have been increased annually. Cultural Arts in Lieu Fee has not been evaluated since 2001 and has not been changed. The Parks Impact Fee was last evaluated in 2012 and has been increased annually. The Transportation Impact Fee has not been updated or increased since 2008.

The scope of services of this study is to review and validate the growth and development assumptions for the City of San Mateo, as well as determine the proportionate share of the impact that should be borne by future development. Impact fees within the state of California are governed by the Mitigation Fee Act (AB1600) (Gov. Code §66000 et seq.), which requires demonstrating the reasonable relationship that exists between the development activity and the proposed benefit. The results of this study allow the City to ensure that there is still a nexus between future development and its proportionate impact on City infrastructure as well as update the fee amounts to be more reflective of that impact.

## 2 GENERAL PROJECT APPROACH AND METHODOLOGY

There are two typical methodologies utilized to calculate impact fees – service level standards and specific facility projections. For the purposes of this analysis the project team has utilized the more commonly accepted and recognized service level standards approach.

The service level standard approach is based on the creation and recognition of existing service level standards provided by the jurisdiction to the users of its services (residents, employees, students, etc.). As there is new development and growth in the community, there is the potential for the service level standard to decline if appropriate measures are not taken to retain that service level standard. Therefore, the service level standard calculates the impact of each individual on the city's infrastructure and applies it to future individuals and growth. If there is an increase in the service population, there would be a corresponding impact on infrastructure, and thereby a nexus for collection of impact fees.

However, if there is no increased population or use of those services, impact fees would not be justifiable or applicable.

For the purposes of calculating impact fees associated with Childcare, Cultural Arts, Parks, and Transportation, the project team reviewed a variety of data elements from the state, regional organizations, county, and city staff. The following points highlight the data reviewed through the course of this analysis:

- **Ordinances:** The project team reviewed the City's ordinances to ensure that there was the legal authority to assess and increase current impact fees.
- **General Plan, Facilities Assessment, Department Master Plans, and CIP Plans:** Data was reviewed from a variety of city specific documents regarding the potential growth in the community, the goals for the city and the departments, as well as future capital projects.
- **Growth and Projection Data:** Population, household, dwelling units, and employment information for current and future years was obtained from the U.S. Census Bureau, the Association of Bay Area Governments (ABAG) and internal City General Plan projection documents.
- **Service Level Standards:** Information such as childcare spaces, public art needs, and parks needs were collected, reviewed, and applied for calculation regarding future impacts.
- **Revenues and Expenses:** Revenue collected for impact fees was reviewed to ensure compliance with reporting practices as well as to calculate an administrative overhead percentage. Expense information was reviewed for cost estimates for infrastructure as well as overhead allocation to the impact fees.

The above elements were utilized to develop and calculate the updated impact fees related to Childcare, Cultural Arts, Parks, and Transportation Impact Fee.

### 3 SUMMARY OF RESULTS

Based upon the results of this analysis, the project team has calculated updated or new impact fees for Childcare, Public Art, Parks, Tree In-Lieu, Parking In-Lieu, and Transportation. The impact and in-lieu fees have been grouped together based upon the city department(s) that manage each fee. Childcare and Public Art are managed by Community Development, Parks Impact / In-Lieu and Tree In-Lieu fees are overseen by Parks and Recreation, and Parking In-Lieu and Transportation Impact fees are managed by Public Works. As outlined in the Mitigation Fee Act, proportional costs associated with future infrastructure impacts, along with administrative overhead, were used to calculate

the full cost of the impact fees presented. The following subsections show the results of the updated impact fees calculated for the City for each of these areas.

## 1 Childcare Impact Fee

The Childcare Impact Fee for the City of San Mateo was developed and implemented in 2004 to help mitigate the impact of new development upon the need for future childcare space needs. The City has increased these fees annually based upon a CPI factor. The City's current impact fees are only assessed on commercial projects greater than 10,000 sq. ft. In order to ensure there is appropriate proportionately of childcare needs, the impact fee was expanded to include residential impacts as well as all new commercial projects, regardless of size of the commercial project. Through the course of this analysis, the impact fees were evaluated based upon the current projected impacts between 2020 and 2040. The following table compares the city's current fees to the full cost fee calculated through this study, the resulting surplus / (deficit), and the cost recovery:

**Table 1: Childcare Impact Fees – Current vs. Full Cost**

Category	Current Fee	Full Cost Fee	Surplus / (Deficit) Per Unit	Cost Recovery %
<b>Residential (per dwelling unit)</b>				
Single Family		\$4,308		
Multi-Family		\$3,107		
<b>Commercial / Non-Residential (per square foot)</b>				
Commercial / Retail	\$1.08	\$0.36	\$0.72	300%
Hotel / Visitor	\$1.08	\$0.13	\$0.95	831%
Office / R&D	\$1.08	\$0.62	\$0.46	174%
Industrial	\$1.08	\$0.20	\$0.88	540%

As the City does not currently charge for residential projects, there is no associated surplus or deficit or cost recovery that can be calculated. For non-residential projects, while all fee categories show an over-recovery, it is important to remember that the full cost fees will be assessed on all new commercial projects. This indicates that even though on a per unit basis the fee will be reduced, due to its larger applicability it will be able to generate the proportionate amount of revenue needed from commercial development. The full cost fee calculated through this study represents the maximum fee that the City can charge and is inclusive of the administrative fee allowable under the Mitigation Fee Act.

## 2 Public Arts In-Lieu Impact Fee

The City of San Mateo similar to other surrounding jurisdictions charges an in-lieu fee associated with the need for public art for large development projects (those valued at greater than \$3 million). This fee was implemented in 2003 and has not been changed since its implementation. The fee is an in-lieu fee, so the developer has the option to either contribute their own public art or pay the city to install and maintain a public art

project. Through the course of this study, the project team evaluated the projects done in the last several years to determine the cost needed for public art projects. The following table compares the city's current fees to the defensible fee calculated through this study, the resulting surplus / (deficit), and the cost recovery:

**Table 2: Public Art In-Lieu Fees – Current vs. Full Cost**

Category	Current Fee	Full Cost Fee	Surplus / (Deficit) Per Unit	Cost Recovery %
Art in Public Places Fee	0.50%	1.19%	(0.69%)	42%

The defensible in-lieu fee amount calculated through this study for the Public Art in-Lieu fee is 1.19% of the project valuation. This represents a cost recovery level of 42% compared to the city's current in-lieu fee. The full cost fee calculated through this study represents the maximum amount that the City can set for its in-lieu fee.

### 3 Tree Replacement Fees

Similar to the Public Art In-Lieu Fee, the project team also calculated an updated tree replacement fee. The city has two different tree replacement fees – heritage trees and landscape in-lieu fee. Both of these fees are only assessed if the developer is unable to install or plant a tree. In that situation, the developer pays to the city the amount associated with one landscape unit or one heritage tree to ensure that any impacts can be offset by the City. The following table compares the City's current fees to the full cost calculated through this study:

**Table 3: Tree Replacement Fees – Current vs. Full Cost**

Category	Current Fee	Full Cost Fee	Surplus / (Deficit) Per Unit	Cost Recovery %
Heritage Tree Replacement	\$475	\$740	(\$265)	64%
Landscape In-Lieu	\$321	\$483	(\$162)	66%

As the table indicates, the City is under-recovering for both of its tree-replacement fees. These fees are annually updated but do not always take into account the changes in the cost associated with the actual tree purchasing costs. The full cost represents the maximum amount the City can charge to recover for appropriate impacts.

### 4 Parks and Recreation Impact Fee

The City currently has two different Parks and Recreation Impact Fees – Quimby and Impact Fee. The Quimby fee is only assessed on subdivided projects and the Impact fee is on all residential projects. The Quimby and the Impact Fees currently charged by the City have been updated annually based upon the Quimby fee calculation associated with the Fair Market Value of an Acre and average residential density. Through the course of this study, it was determined that there are more than just land acquisition costs

associated with impacts of new development a more comprehensive Parks and Recreation Impact Fee is needed to account for recreation facilities as well as future growth due to non-residential or commercial growth within the city. The following table compares the City's current fee to the full cost calculated through this study:

**Table 4: Parks and Recreation Impact Fees – Current vs. Full Cost**

Category	Current Fee	Full Cost Fee	Surplus / (Deficit) Per Unit	Cost Recovery %
<b>Residential (per dwelling unit)</b>				
Single-Family	\$26,973	\$38,676	(\$11,703)	70%
Multi-Family 2-4 units	\$16,906	\$35,595	(\$18,689)	47%
Multi-Family 5+ units	\$19,470	\$26,832	(\$7,362)	73%
Mobile Homes	\$18,995	\$22,954	(\$3,959)	83%
<b>Commercial / Non-Residential (per square foot)</b>				
Commercial / Retail		\$2.72		
Hotel / Visitor		\$1.00		
Office / R&D		\$4.62		
Industrial		\$1.50		

The City's proposed Parks and Recreation Impact fees would result in the elimination of the Quimby Fee (only charged on subdivision projects) to streamline the applicability of the impact fee and the expansion of the current fee to proportionately apply between residential and non-residential / commercial growth.

## 5 Parking In-Lieu Fee

The City adopted a Parking In-Lieu fee in 2020 at \$50,000. This fee was adopted through a study session with council. As part of this study, the project team reviewed the analysis conducted by City staff and incorporated it into the larger impact fee and in-lieu analysis for documentation purposes. City staff calculated the \$50,000 based upon the average cost to build a parking space in the larger bay area region. This fee is in line with many of the other surrounding jurisdictions. Additionally, similar to Public Art and Tree Replacement, this fee is an in-lieu fee and only charged if a developer is unable to meet the parking requirements. Also, this fee is geographically specific and is limited to the Central Parking Improvement District, where there is the greatest impact associated with parking needs.

## 6 Citywide Transportation Impact Fee

The City currently charges a citywide transportation impact fee. The City last did an interim update to this fee in 2017, and as part of this study, it was determined that another interim update should occur to the fee to be in compliance with the Mitigation Fee Act. The City is in the process of going through a general plan update and once that update has been completed it is recommended that a thorough deficiency analysis and

transportation impact fee update be conducted. The following table compares the city's current fee to the full cost fee calculated through this study:

**Table 5: Citywide Transportation Impact Fees – Current vs. Full Cost**

Category	Current Fee	Full Cost Fee	Surplus / (Deficit) Per Unit	Cost Recovery %
<b>Residential (per dwelling unit)</b>				
Single-Family	\$4,761	\$6,255	(\$1,494)	76%
Multi-Family	\$2,922	\$3,159	(\$237)	92%
<b>Commercial / Non-Residential (per square foot)</b>				
Industrial	\$2.85	\$4.18	(\$1.33)	68%
Retail	\$8.19	\$25.26	(\$17.07)	32%
Office	\$4.37	\$7.62	(\$3.25)	57%
Hotel – per room	New	\$3,978	N / A	N / A
Institution	New	\$3.25	N / A	N / A

As the table indicates, the City is under-recovering for all of its transportation impact fee categories, with the largest under-recovery on a cost recovery basis associated with retail projects, and the highest cost recovery associated with multi-family dwelling units.

## 7 Summary

This report details the calculations for each of the impact fees, as well as validates the nexus that exists between the full cost identified and the proportionate impact of new development.

## 4 IMPLEMENTATION

The impact fees calculated through this study are representative of the full cost associated with the proportionate share and impact of new development within the City. City staff, management, and Council can utilize the information in this report to determine if new development should bear the full cost of their proportionate impact, or if this share should be reduced for development incentivization or other policy considerations and factors. The following subsections discuss the key aspects for impact fee implementation and updates, which includes: collection of fees, annual reporting requirements, refunds / credits / appeals, and annual updates.

### 1 Collection of Impact Fees

Section 66007 of the California Government Code outlines when impact fees should be paid for residential, multi-family, and commercial occupancies. Impact fees for Residential projects should be assessed and paid upon the date of final inspection or issuance of certificate of occupancy. For Multi-family and Commercial projects, fees can be paid in phases, at the completion of each phase's final inspections.

Alternatively, the City has the option to collect impact fees prior to final inspection. This is only applicable if the City already has funds earmarked for specific projects that are in the vicinity of or are directly impacted by the proposed development. Typically, these fees should be collected at the building phase, and based upon the actual build out (dwelling units and square footage).

## **2 Annual Impact Fee Reporting Requirements**

Section 66006 of the California Government Code dictates that once per year, within 6 months of the close of the fiscal year, the City must make available to the public detailed information regarding impact fees. This detailed information, should at a minimum include:

- Impact Fee name / type
- Beginning and Ending balance of the account or fund.
- Amount of fees collected in the fiscal year being reported on and the total interest earned.
- Identification of project(s) on which the funds are being earmarked for.
- Identification of the approximate date on which the projects would commence.
- Identification of any interfund loans or transfers related to capital projects, and the amount of the transfer.
- Amount of any refunds or allocations made on behalf of the impact fee funds.

The above reports must be submitted and reviewed by City Council, within 15 days of being posted publicly.

## **3 Refunds / Credits / Appeals / Waivers**

Section 66001 requires that every five years, the City must make findings regarding the utilization of the impact fee revenue and / or proposed utilization of it within five years of collection. If such findings are not made within five years of impact fee collection, the City must refund the monies to the developer.

As part of the adoption of the impact fee resolution, the City may choose to also identify circumstances or instances in which a developer could obtain credits, exemptions, or appeal fees. Fee credits are typically obtained in the case of redevelopment, for example, if a developer was to redevelop an existing 10 multi-unit complex into a 15 multi-unit complex, the developer retains credit for the 10 existing units and only pays impact fees on the 5 new units being added. This credit is only provided if the existing facility had already paid into impact fees. If the existing development had not paid any impact fees, there would be no credit applicable.

Impact fee resolution may also include a discussion regarding fee exemptions. If a development project is determined to have no documented impact on the facilities for which the impact fees are being imposed (through a CEQA or other type of review document), then the project may be exempt from impact fees. The exemptions must not be granted by right and should be reviewed by City staff and Council to ensure that they are warranted and appropriate.

Any reductions in impact fees, or waivers or appeals regarding impact fees, would have to be determined by city staff and council and would be granted depending upon the nature and proportion of the impact of the future / proposed development on future infrastructure needs. Depending upon the nature of the project and its documented impacts, there might be a more in-depth process necessary to ensure that all impact fees collected are fair, proportionate, and in compliance with AB1600 and the Mitigation Fee Act.

#### **4 Annual Increases**

The City's current ordinances governing the impact fees provide the City with the ability to increase impact fees annually based upon either a Consumer Price Index (CPI) or Construction Cost Index (CCI). Typically, it is recommended that impact fees be updated based upon the CCI, as those are more reflective of actual infrastructure costs. Therefore, it is recommended that the City should consider updating all existing ordinances and resolutions for current and future impact fees to be annually increased in-line with CCI increases. This ensures that increases in construction costs are included in the impact fees and proportionate share is passed onto new development.

The annual increase is not meant to be an infinite increase in fees. Per the Mitigation Fee Act, the nexus for the impact fees should be reevaluated every five years to ensure that there is still an appropriate correlation between the current fee being charged and proposed development within the City.

## 2. Legal Framework

---

Impact Fees are a mechanism for new development to pay for their proportionate share of impact upon City owned facilities and infrastructure. The following subsections discuss the State's requirements for impact fees and the City's legal authority for assessing these fees.

### 1 STATE LEGAL AUTHORITY

Development Impact Fees are governed by Government Code Section 66000 et seq., known as the Mitigation Fee Act, which specifies that there needs to be a nexus between the collection of fees and the new residential and non-residential development within a City's service area. It also states that this revenue can only be used to expand current or purchase new facilities, infrastructure, and equipment. It does not allow for revenue to be used for staffing, maintenance, or other operational costs.

The Mitigation Fee Act, or AB1600, requires that there be certain findings that have to be met in order for there to be a reasonable relationship or nexus between the new development and the need for new facilities or infrastructure. The following points highlight each of the key finding requirements:

- **Purpose of Fee:** The specific types of facilities, infrastructure, equipment, and projects for which the impact fee will be utilized. It is important to note it cannot be utilized for operational purposes.
- **Use of Fee Revenue:** The revenue collected from the impact fees can only be used to fund specific facility expansions, infrastructure improvements, or to purchase new equipment.
- **Benefit Relationship:** The benefit relationship requires that the use of the impact fee revenue and the type of development project upon which it is imposed is reasonable.
- **Impact Relationship:** In order to establish an impact relationship there needs to be a clear and reasonable relationship between the need for the public facility or infrastructure and the type of development project upon which the fee is imposed.
- **Proportionality:** The proportionality requirement states that the impact fee established must be directly related to the proportionate impact of the type of development project.

For each of the impact fees evaluated through this study, the individual chapter will discuss how the fee is able to meet the nexus criteria identified.

## 2 CITY LEGAL AUTHORITY FOR IMPACT FEES

The City of San Mateo has the legal authority to charge for the impact fees identified as these fees are referenced in the municipal code or were adopted via resolution. The following table summarizes for the City's impact fees the relevant municipal code and key factors:

**Table 6: City Municipal Code Information on Impact Fees**

Impact / In-Lieu Fee	Municipal Code / Resolution	Last Studied	Annual Increase Factor
WWTP Phase II Expansion Fee	Site Sewer Study	2006	Yes
Transportation Improvement Fee	Chapter 27.13	2008	Yes
South Trunk Area sewer Improvement Fee	Section 3.54.060	2018	Yes
Central Parking Improvement District per Space In-Lieu Fee	Section 27.64.100	2020	Yes
Art in Public Places	Section 23.60	2005	No
Tree Replacement	Chapter 13.35	2007	No
Landscape In-Lieu	Chapter 27.71.150	2009	Yes
Parks and Landscape Resources	Chapter 26.64	2013	Yes
	Chapter 13.05.70	2007	Yes
Childcare Development Fee	Resolution No. 34	2004	Yes
Commercial Linkage	Chapter 23.61	2016	Yes
Below Market Housing Fee	Resolution No. 121	2019	Yes

As outlined in the table above, the City has the authority to charge for all of its current impact fees. The majority of the impact or in-lieu fees have not been evaluated for more than 5 years. This study does not provide a nexus analysis for the WWTP Phase II Expansion Fee, South Trunk Area Sewer Improvement Fee, Central Parking Improvement District, Commercial Linkage, and Below Market Housing Fee.

The WWTP Expansion fee is based upon a Site Sewer Study conducted specific to the wastewater treatment plan and is a predetermined amount based upon the study and until all funds are collected. The Sewer Improvement Fee was last updated in 2018, and another update was conducted concurrently with this analysis in 2021.

The Central Parking Improvement District was last updated in 2020 based upon council resolution. The fee is limited to the Central Parking Improvement District area and is only applicable to any new parking space needs that are generated based upon development. The current fee in place was developed based upon extensive research and calculation of current parking infrastructure costs within the City of San Mateo.

The Commercial Linkage Fee is currently being updated based upon a regional analysis for San Mateo, as these fees are based upon the need for development of housing throughout the County and Bay Area.

The fees being evaluated or included in this nexus analysis are: Art in Public Places, Tree Replacement, Landscape In-Lieu, Parks and Landscape Resources and Childcare Development Fees. For the Parks and Landscape and Childcare fees there will need to be a required ordinance change as the proposed impact fees include different components – non-residential for Parks and residential for Childcare to more accurately apportion the impacts of future development.

Lastly, as can be seen the City has a practice of annually increasing its impact fees. However, these impact fees are typically increased based upon the Consumer Price Index (CPI) factor, which is used for the general user fees. It is recommended that the City continue following the best practice of annual increases but change the factor to the Construction Cost Index (CCI) rather than CPI. The CCI is a more accurate reflection of material and infrastructure costs, which are the primary basis for impact and in-lieu fees.

### 3. Projected Growth and Development

The primary criteria for determining the projected impact of new development for impact fees is the amount of projected increase to the City's population (residential and commercial). These projections then form the basis of impact fee calculations. In order to calculate the projected growth and development, as well as density requirements, the project team reviewed the following sources of data:

- **Association of Bay Area Governments (ABAG):** Data from ABAG was utilized for 2020 and 2040 Estimates regarding total number of residential populations within the City.
- **General Plan, Facilities Plans, Regional Plans, and City Projections:** Projection information based upon city and regional documents was utilized for cost calculation and assumptions. General Plan and facilities master plan information was used to estimate future dwelling units, square footage growth, employment information, as well as facility needs. Regional plans were utilized for childcare projection needs within the community.
- **US Census Bureau:** The Census Bureau's American Community Survey (ACS) information was used to calculate residential densities.

The information from these sources was utilized to calculate the projected increase in population as well as resulting population densities. The following subsections discuss the population projections calculated and the population densities used to calculate the impact fees.

#### 1 POPULATION PROJECTIONS

The basis for impact fees is predicated on sufficient population growth that results in a meaningful impact on city infrastructure. The following table shows data published by ABAG for the current residential and employment population, 2040 estimates, and associated increases for the City of San Mateo:

**Table 7: ABAG Population Projections through 2040**

<b>Category</b>	<b>2020 Estimates</b>	<b>2040 Estimates</b>	<b>Total Projected Increase</b>
Residential Population	109,670	133,005	23,335
Employee Population	62,570	68,010	5,440

As the table indicates, ABAG is projecting that the residential population in San Mateo will increase by approximately 23,300 and employment population by 5,400.

The numbers noted in this table were used as the basis for all of the proportionate impact calculations through this study, with employment information utilized for calculations associated with non-residential projected growth.

## 2 POPULATION DENSITIES

In addition to the population projection information, the other set of data that is consistently utilized in the calculations is the density associated with residential and non-residential categories. The following subsections discuss the population density assumptions utilized in the calculation of all impact fees in this report.

### 1 Residential Population Density

Residential development can be extremely diverse ranging from single family to multi-family. Depending upon the impact fee category, the City of San Mateo either captures the diversity by splitting into two different categories: single family and multi-family or into four different categories: Single Family, 2-4 units, 5+ Units, and Mobile Home. Due to population fluctuations and variation in dwelling unit assumptions from year to year, residential density was recalculated for this impact analysis, incorporating more current information rather than relying upon recent nexus analyses. As such, the project team utilized information from the American Community Survey (ACS)<sup>1</sup> regarding the total population per dwelling unit type and the total number of dwelling units to come up with the resulting average population density per unit for San Mateo. The following table shows this calculation:

**Table 8: Residential Population Density**

Category	Total Population	Total # of Units	Population / Unit (Avg. Density)
Single-Family	64,430	21,144	3.05
2-4 units	6,383	2,276	2.80
5+ Units	31,806	15,045	2.11
Mobile Home	85	47	1.81
<b>Multi-Family Composite</b>	<b>38,274</b>	<b>17,368</b>	<b>2.20</b>

The total population for each density category was divided by the associated number of dwelling units in order to determine the average population per density type. The average density per unit is multiplied by the cost per capita calculation to derive the base impact fee. For certain fee categories, only the single-family and multi-family densities are utilized and for other categories (Parks Impact Fees – the more detailed densities are utilized).

<sup>1</sup> ACS 5-Year Tables B25033 and B25032 were utilized to allow for smoothing across multiple years.

## 2 Non-Residential / Commercial Density

Similar to the residential density calculation, a calculation was performed for non-residential development within the City. The City utilizes four main commercial categories – Commercial / Retail<sup>2</sup>, Hotel / Visitor, Office / R&D, and Industrial. The City is currently working with its own internal consultant to update the General Plan. As part of that analysis, when conducting the employment projections for the City, the Traffic consultant utilized certain assumptions regarding the level of employment per square foot for different types of non-residential land uses. Therefore, for consistency purposes, the project team utilized the densities as provided by the consultant. The following table shows the density associated with each non-residential category type:

**Table 9: Employment Density**

Category	Density (Sq. Ft. per employee)
Commercial / Retail	550
Hotel / Visitor	1,500
Office / R&D	325 <sup>3</sup>
Industrial	1,000 <sup>4</sup>

The density (square footage per employee) is multiplied by the cost per capita calculation to derive the base impact fee.

The following chapters utilize the assumptions included in this section to help project the proportionate impact of new development on the City's existing and proposed infrastructure.

<sup>2</sup> Commercial / Retail is also meant to be an all-encompassing category that includes all types of non-office, non-hotel, and non-industrial projects and could include grocery stores, retail shops, strip malls, services (i.e., hair, nail, fitness), etc. The City has the ability to more clearly define this in its resolution associated with impact fees.

<sup>3</sup> The 325 sq. ft. is an average of the Tech Office (250 sq. ft.) and General Office / R&D (400 sq. ft.) to capture the variety of office space in the City.

<sup>4</sup> The 1,000 sq. ft. was calculated by taking the straight average between Light Industrial (750 sq. ft.) and Heavy Industrial (1,250 sq. ft.) as the City does not have a multitude of these businesses, therefore, a straight average was used.

## 4. Childcare Impact Fee

The City of San Mateo provides support to childcare centers within its city limits. The Childcare Impact fee is not a common impact fee, and the City is one of the few cities in the region that imposes this fee to help mitigate the impacts of new development as it relates to creating the demand for additional childcare facilities and needs. The City's current fee is only applied on commercial projects over 10,000 sq. ft. and is not applied to residential projects. Through this study, the project team evaluated the City's costs as it relates to impacts on both residential and non-residential population. The City currently supports several childcare facilities and are proposing the addition of new childcare facilities to help meet existing and future needs. The following subsections discuss the modifications proposed to the current impact fee, growth assumptions and standards utilized, cost assumptions and components, impact fee calculation, ability to meet the nexus criteria, and a comparative survey of childcare impact fees.

### 1 IMPACT FEE MODIFICATIONS

As aforementioned, the City's current impact fee adopted in 2004 is only applicable on non-residential / commercial projects greater than 10,000 sq. ft. The original nexus analysis conducted calculated impact fees for residential categories and specific per sq. ft. fees for non-residential categories (i.e., separate fees for commercial vs. office vs. hotel). However, only a singular fee was adopted, with the application criteria being non-residential projects greater than 10,000 sq. ft.

Through this study, the project team discussed the potential of expanding the City's current impact fee to be more reflective of growth and nexus assumptions by not only incorporating residential population projections, but also separating the non-residential categories by type of development. The separation by type of development more closely ties the relationship between new businesses in the City and its impact upon childcare.

Lastly, while the current fee is limited to non-residential projects greater than 10,000 sq. ft., the proposed impact fee would be applicable to all new development projects, as even small commercial projects (less than 10,000 sq. ft. such as shops or restaurants) can generate the need for more childcare in the City. Therefore, all new developments would be subject to this impact fee to ensure that every project is paying their fair and proportionate share for childcare demand.

### 2 GROWTH PROJECTIONS

The Childcare Impact Fee is based upon the existing and future demand of childcare needs for the City of San Mateo. The childcare demands for the City are generated from residents and employees working within the city limits. The childcare demand is typically

measured based upon the number of childcare spaces needed. These childcare spaces can be in City run and owned facilities, private facilities, or home-care facilities. The projected demand for existing residents and employees was sourced from the 2017 Childcare and Preschool Needs Assessment conducted for San Mateo County. Based upon the study and assumptions noted above, the following table shows the existing childcare spaces needed by residents and employees by childcare age category:

**Table 10: Estimated Childcare Demand – Number of Spaces**

Childcare Age Category	Residents	Employees	Total Demand
Birth to 1 or Infant	444	231	675
2 to 4 or Preschool	3,301	348	3,649
5 to 12 or School Age	3,351	0	3,351
<b>TOTAL</b>	<b>7,096</b>	<b>579</b>	<b>7,675</b>

As the table indicates, the total demand for current childcare spaces is approximately 7,675. The childcare spaces were utilized to calculate the current standard per resident and per employee. The following table shows the calculation of childcare spaces standard per resident and per employee:

**Table 11: Childcare – Current Standard Calculation**

Category	Total Childcare Space	2020 Estimated Population	Standard Per Capita
Resident	7,069	62,570	0.065
Employee	579	5,440	0.009

Based upon the current childcare space needs and population, the estimated standard per resident is 0.065 spaces or approximately 6.5 spaces per 100 residents and 0.009 spaces per employee or 0.9 spaces per existing 100 employees in the City.

This standard per capita was applied to the future projected residential and employment increases over the next 20 years to calculate the projected demand for childcare spaces by resident and employee, as well as overall future demand. The following table shows this future projection calculation:

**Table 12: Childcare – Future Projected Demand**

Category	Standard Per Capita	Projected Population Increase	Total Childcare Spaces
Resident	0.065	23,335	1,510
Employee	0.009	5,440	50
<b>TOTAL</b>			<b>1,560</b>

In order for the City to maintain its current standard of childcare space needs per resident and employee, there would be a need for an additional 1,560 childcare spaces over the next 20 years.

However, it is important to note that not all of these childcare spaces are expected to be met through traditional childcare facilities. Some of these needs are met through family members, informal daycare centers, and other non-traditional means of childcare. The traditional assumption is that only 50% of these projected spaces should be covered through Childcare Impact Fee Revenue. The following table shows the expected amount of childcare spaces to be funded.

**Table 13: Childcare – Projected Childcare Spaces to be Funded**

<u>Childcare Spaces Needed</u>	<u>% to Be Funded</u>	<u>Total Childcare Spaces Funded</u>
1,560	50%	780

Based upon the 50% standard, it is assumed that 780 additional childcare spaces should be funded through the Childcare Impact Fee.

### 3 COST ASSUMPTIONS AND COMPONENTS

The Childcare Impact Fee revenue is primarily used to fund the construction or expansion of existing and future childcare facilities. As the projections are based upon childcare spaces, the cost for the childcare facilities must be calculated on a per space basis. In 2016 Brion & Associates conducted an SMC Early Learning Facilities study that evaluated the estimated cost per childcare space based upon different childcare construction types. The following table shows the cost per childcare space based upon the type of childcare facility:

**Table 14: Childcare Cost Per Space by Type of Childcare Facility**

<u>Childcare Facility Type</u>	<u>Cost Per Childcare Space</u>
New Bldg Construction	\$43,183
New or Existing Commercial	\$53,800
Expanding Existing Centers	\$37,003
Portable Buildings	\$25,412
Employer-Based Centers	\$41,033

The cost per childcare space varies significantly depending on facility type, with a portable building costing \$25,412 per childcare space and a brand new or existing commercial building costing \$53,800. To determine the average cost per childcare space, the project team reviewed with City staff the proportion of childcare facilities expected to be utilized over the next five years<sup>5</sup> based upon each facility type. As the City does not necessarily keep track of facilities based upon the types noted above, staff chose to default to the proportion of childcare facilities utilized by San Mateo County in the Brion & Associates study. The following table shows by childcare facility type, the cost per space, the proportion of facilities, and the resulting cost per space:

<sup>5</sup> A time horizon of five years was utilized as mitigation fees are reviewed every five years and it is expected that after 5 years all of these assumptions would be reviewed and updated as needed.

**Table 15: Proportionate Cost per Childcare Space**

Childcare Facility Type	Cost Per Childcare Space	Facility Proportion	Proportionate Cost Per Space
New Bldg Construction	\$43,183	5%	\$2,159
New or Existing Commercial	\$53,800	40%	\$21,520
Expanding Existing Centers	\$37,003	40%	\$14,801
Portable Buildings	\$25,412	10%	\$2,541
Employer-Based Centers	\$41,033	5%	\$2,052
<b>TOTAL PROPORTIONATE COST PER CHILDCARE SPACE</b>			<b>\$43,073</b>

The resulting cost per childcare space is approximately \$43,073. The total cost per childcare space is applied to the projected childcare spaces to be funded to arrive at the total estimated cost for childcare facilities:

**Table 16: Estimated Childcare Future Facility Costs**

Category	Amount
Estimated Childcare Space Needs	780
Estimated Cost per Childcare Space	\$43,073
<b>TOTAL ESTIMATED FUTURE FACILITY COSTS</b>	<b>\$33,597,096</b>

In order to meet the city's estimated demand of funding 780 future childcare spaces, the facility costs would be approximately \$33.6 million.

Beyond estimating the future facility needs, the Mitigation Fee Act allows the City to charge an administrative fee to recover the costs associated with City staff to monitor and report upon the impact fees. The project team calculated the administrative fee based upon the total indirect costs allocated with the Childcare Impact Fee Fund from the FY21 Citywide Cost Allocation Plan and the two-year average revenue collected. The following table shows this calculation:

**Table 17: Childcare Admin Fee Calculation**

Category	Childcare Impact Fee Fund
Citywide Overhead – FY21 Cost Plan <sup>6</sup>	\$6,842
Impact Fee Revenue – 2 yr. average	\$479,328
<b>Admin Fee Rate</b>	<b>1.35%</b>

As the table indicates, the proposed administrative rate for the Childcare Impact fee is 1.35%. The current childcare fee calculation for the City does not include an administrative fee component.

<sup>6</sup> The cost allocation plan allocated approximately \$11,575 to 59-3100, of which the Childcare Impact Fee is a sub-program. Based upon 3 year history of revenue collected, approximately 56% of those costs were considered to be associated with the Childcare Impact Fund.

## 4 IMPACT FEE CALCULATION

The \$33.6 million in projected future facility costs for Childcare needs is inclusive of residents and employees. The proportion of future childcare needs between residents and employees was utilized to allocate the costs between residential and commercial growth. The following table shows the calculation for residents and employees:

**Table 18: Childcare Cost Allocation Between Residents and Employees**

Category	Future Childcare Space Need	Proportion	Estimated Childcare Facility Cost	Total Allocated Cost
Resident	1,510	97%	\$33,597,096	\$32,520,266
Employee	50	3%	\$33,597,096	\$1,076,830

Due to approximately 97% of the future childcare space needs being related to residents, approximately \$32.5 million of the \$33.6 million is associated with residents.

The total allocated costs to residents and employees is then converted into a cost per capita based upon the projected population increase. The following table shows the cost per capita calculation for residents and employees:

**Table 19: Childcare Cost Allocation Between Residents and Employees**

Category	Total Allocated Cost	Projected Population Increase	Cost Per Capita
Resident	\$32,520,266	23,335	\$1,394
Employee	\$1,076,830	5,440	\$198

The cost per capita is \$1,394 for residents compared to \$198 for employees. It is expected that the cost would be significantly higher for residents as they have the larger proportion of childcare demands that need to be met. The cost per capita for residents and employees was converted into an impact fee based upon the density per unit. For residential properties, the density is per dwelling unit (du) and for commercial properties it is per square foot (sq. ft.). The following table shows this calculation:

**Table 20: Childcare Impact Fee Calculation**

Category	Cost Per Capita	Density / Unit	Impact Fee
<b>Residential (per dwelling unit)</b>			
Single-Family	\$1,394	3.05	<b>\$4,251 per du</b>
Multi-Family	\$1,394	2.20	<b>\$3,066 per du</b>
<b>Commercial / Non-Residential (per square foot)</b>			
Commercial / Retail	\$198	550	<b>\$0.36 per sq. ft.</b>
Hotel	\$198	1,500	<b>\$0.13 per sq. ft.</b>
Office	\$198	325	<b>\$0.61 per sq. ft.</b>
Industrial	\$198	1,000	<b>\$0.20 per sq. ft.</b>

The impact fees range from \$3,066 per dwelling unit for multi-family to \$4,251 for single-family dwellings. Among commercial properties the cost per square foot varies from a low of \$0.13 for hotels to a high of \$0.61 for Office Projects.

The admin fee can sometimes be included as part of the full fee or a separate add on fee, for purposes of this analysis, the admin fee of 1.35% was applied to the impact fees calculated to determine the full cost impact fee for Childcare by category. The following table shows the full cost calculated.

**Table 21: Childcare Impact Fee Calculation Including Administrative Fee**

Category	Impact Fee	Admin Fee	Total Impact Fee
<b>Residential (per dwelling unit)</b>			
Single-Family	\$4,251	\$57	<b>\$4,308 per du</b>
Multi-Family	\$3,066	\$41	<b>\$3,107 per du</b>
<b>Commercial / Non-Residential (per square foot)</b>			
Commercial / Retail	\$0.36	\$0.005	<b>\$0.36 per sq. ft.</b>
Hotel	\$0.13	\$0.002	<b>\$0.13 per sq. ft.</b>
Office	\$0.61	\$0.008	<b>\$0.62 per sq. ft.</b>
Industrial	\$0.20	\$0.003	<b>\$0.20 per sq. ft.</b>

Incorporating the administrative fee enables the city to recover for the financial support and staff time associated with monitoring and reporting on the use of impact fee funds. The following table compares the City's current Childcare Impact Fees to the full cost impact fees, and the associated surplus / (deficit) per unit:

**Table 22: Current vs. Full Cost Childcare Impact Fees**

Category	Current Fee	Full Cost Fee	Surplus / (Deficit) Per Unit
<b>Residential (per dwelling unit)</b>			
Single-Family		\$4,308	
Multi-Family		\$3,107	
<b>Commercial / Non-Residential (per square foot)</b>			
Commercial / Retail	\$1.08	\$0.36	\$0.72
Hotel	\$1.08	\$0.13	\$0.95
Office	\$1.08	\$0.62	\$0.46
Industrial	\$1.08	\$0.20	\$0.88

The City currently does not charge any childcare impact fees for residential projects, or for commercial projects less than 10,000 sq. ft. Therefore, even though there is a surplus that is shown for all commercial categories, that surplus is not accurate as the full cost fee would be applicable to all sq. ft. not just projects greater than 10,000 sq. ft.

**4 NEXUS CRITERIA**

As discussed in the legal framework section, in order for an impact fee to be implemented it must meet all five of the nexus criteria as established per AB1600. The following table outlines each criterion point, and how the proposed Childcare Impact Fee meets the AB1600 criteria.

**Table 23: Childcare Impact Fees Nexus Criteria**

Criteria	Meet	Don't Meet
<b>Purpose of Fee</b>	The fee would be used to fund the development of new childcare facilities or expand existing childcare facilities.	
<b>Use of Fee Revenue</b>	The City has capital improvement plans that outline the utilization of this fee revenue for current and future years to help ensure that there is appropriate expansion and development of childcare facilities to meet current and future resident and employee needs.	
<b>Benefit Relationship</b>	The use of the impact fee revenue would be to develop new facilities or expand existing facilities, which would be directly proportional to the increased need for childcare spaces. The increase in residential population is related to the number of dwelling units and the impact fee would be applicable to dwelling units. The increase in employment is related to non-residential space and is applicable to square footage.	
<b>Impact Relationship</b>	Based upon the current childcare demand needs in the City, there is a standard level of childcare space needs per resident and employee. In order to maintain that standard, the addition of new residents and employees would require the need for additional childcare spaces.	
<b>Proportionality</b>	The proposed impact fee would be a flat fee per dwelling unit depending upon the density of the housing units to capture the residential impacts as the primary mechanism for addition of residential population to the City is through increased dwelling units. For employees the fee is based upon non-residential square footage as that is the primary mechanism associated with increases in employment within the City.	

As the table demonstrates, the City is able to meet all five of the criteria necessary to continue to charge a Childcare Impact Fee.

## 5 COMPARATIVE SURVEY

As part of this impact fee analysis, the project team conducted a comparative survey of surrounding jurisdictions. It is important to note that the comparative survey only includes the fees noted on jurisdiction's fee schedules and as such may not be reflective of recent updates or the full cost associated with those impact fees. Therefore, the comparative information should be viewed only as a way of assessing the market for impact fees in the region and not a reflection of the full cost associated with impact fees.

There are only two other jurisdictions in the greater bay area that charge a childcare impact fee – San Francisco and South San Francisco. The following table compares the city's current fee and proposed full cost fee for Childcare to these two jurisdictions, which charge a childcare impact fee:

**Table 24: Childcare Impact Fee Comparative Survey**

Fee Category / Jurisdiction	San Mateo – Current	San Mateo - Full Cost	San Francisco	SSF
<b>Residential</b>				
Single Family		\$4,308	\$1.14 per sq. ft.	\$3,463
Multi-Family		\$3,107	\$2.27 per sq. ft.	\$2,582
<b>Commercial / Non-Residential</b>				
Commercial – Per Sq. Ft	\$1.08 <sup>7</sup>	\$0.36	\$1.95 <sup>8</sup>	\$0.68
Office – Per Sq. Ft	\$1.08 <sup>8</sup>	\$0.62	\$1.95 <sup>9</sup>	\$1.26
Industrial – Per Sq. Ft	\$1.08 <sup>8</sup>	\$0.20	\$1.95 <sup>9</sup>	\$0.50
Hotel – Per Sq. Ft.	\$1.08 <sup>8</sup>	\$0.13	\$1.95 <sup>9</sup>	\$0.25

While the City of San Mateo does not currently charge residential projects, both San Francisco and South San Francisco do assess an impact fee to those categories. The City of San Francisco assesses residential projects a per square foot impact fee, as such a new single family home (2,500 sq. ft.) in the City would be assessed an impact fee of \$2,850 and in South San Francisco it would be assessed \$3,463. The City's proposed full cost impact fee of \$4,308 would be higher than both fees, but this fee represents the maximum fee that could be charged by the city.

In relation to commercial projects, the City of San Francisco is similar to San Mateo in that it only charges projects greater than 25,000 sq. ft., as such the fees assessed by San Francisco are significantly higher than San Mateo's current fee and South San Francisco's fee. The City of South San Francisco charges all applicable new development regardless of size, and San Mateo's full cost fees are less than the fees charged by South San Francisco.

<sup>7</sup> Only applicable to projects greater than 10,000 sq. ft.

<sup>8</sup> Only applicable to projects greater than 25,000 sq. ft.

DRAFT

## 5. Parks Impact Fee

The City of San Mateo currently assesses two different parks and recreation related impact fees – Quimby and Park and Recreation Impact Fee. The Quimby fee is for projects that require subdivision of land and was originally intended for providing additional open and park space in the City. It has evolved in recent years per the City to Code to also support developing new or rehabilitating existing park or recreational facilities. The Parks and Recreation Impact fee is applicable to all residential projects that are not single-family detached or additional / accessory dwelling units within the city and is currently assessed the same fee. Both of these fees are only applied on residential projects, with no fees assessed to commercial projects that have an impact upon the community. Through this study, the project team evaluated the City's costs as it relates to impacts on both residential and non-residential population increases. The following subsections discuss the modifications proposed to the current impact fees, growth assumptions and standards utilized, cost assumptions and components, impact fee calculation, ability to meet the nexus criteria, and a comparative survey of parks and recreation impact fees.

### 1 IMPACT FEE MODIFICATIONS

As discussed, the City currently assesses two different types of impact fees related to parks and recreation – Quimby and Parks and Recreation Impact Fee. The Quimby Fee is specific to parkland acreage and typically can only be used to purchase land necessary to meet the City's standard acreage per resident. The Parks and Recreation Impact Fee can be used for all capital-related purchases – land, facilities, and equipment related to parks and recreation.

The Quimby Fee is governed by the Quimby Act and is only applicable on projects that require land subdivision. Therefore, if a City is built out or has limited space available for parcel subdivisions, such as San Mateo, this fee is rarely charged. Additionally, it is based upon purchasing land space for additional parks or for open space in the City. The City has also utilized these funds for recreational facility upgrades and purchases. Through this study, the project team discussed the potential of modifying the City's current impact fees related to parks and recreation to be simplified, by eliminating the need for the Quimby Fee. The elimination of the Quimby Fee would require the City to repeal the Parkland Dedication fee outlined in Chapter 26.64.010 and create separate provisions for fee credits related to the new proposed impact fee.

The initial purpose of the Quimby Fee was to ensure that the City established a standard of certain number of acres per 1,000 residents and that the standard was maintained as there was greater growth and expansion. However, the fee can only be assessed on subdivided parcels, which greatly limits the city's ability to assess the fee and meet the initial intent of the Quimby fee. Therefore, it is being proposed that instead of having a

separate fee for residential projects that are not being subdivided to meet the City's existing standard, the requirement for the acreage can be incorporated into the Parks and Recreation Impact Fee.

In addition to the proposed modification related to the elimination of the Quimby Fee, the project team also worked with the Department to expand the current Parks and Recreation Impact Fee to include impacts associated with commercial (i.e., retail, hotel, office, industrial, etc.) projects, whose employees utilize the City of San Mateo's parks and its facilities. This expansion of the impact fee allows the City to better distribute its support among all residential and non-residential projects based upon their proportional impact upon the city's park infrastructure and park acreage growth.

## 2 GROWTH PROJECTIONS

The Parks and Recreation Impact Fee is based upon the future demand of parks and recreation facilities and acreage. The future demand is based upon the projected ABAG growth for the City. The City's current impact fee only accounts for residential growth; yet, as discussed, there is an impact associated with non-residential growth. However, the impact of the non-residential population is not the same as the residential population, therefore, we had to calculate the equivalency of employees (non-residents) to residential population. Employees would generally use recreation facilities and infrastructure significantly less than the residents in the city. The following table shows the current population for residents and employees, the proportionate weight based upon projected utilization of the park system, and the equivalent residential population:

**Table 25: Current Service Population**

Category	Existing Population	Weighting Factor	Equivalent Residential Population
Residents	109,670	100%	109,670
Employees	62,570	25% <sup>9</sup>	15,643
<b>TOTAL</b>			<b>125,313</b>

The total service population for the City is currently approximately 125,313 residents and employees. Similar to this methodology, the project team also calculated the future growth based upon the same weighting factor as calculating the existing residential population.

**Table 26: Projected Service Population**

Category	2040 ABAG Population	Weighting Factor	Equivalent Residential Population
Residents	133,005	100%	133,005
Employees	68,010	25%	17,003
<b>TOTAL</b>	<b>201,015</b>		<b>150,008</b>

<sup>9</sup> Assume that employees can utilize park for 3 out of 12 hours that park is open (7am-7pm or 8am -8pm).

The total projected service population for the City is 150,008 people by 2040. The projected population of 150,008 compared to the current population of 125,313, represents a growth of 20% in the next 20 years. This **20%** will serve as the basis upon which all proposed park improvement costs will be attributed to new development.

In addition to the proportion of new service population growth, the proposed Park and Recreation Impact Fee will also incorporate the acreage per 1,000 resident's standard that was part of the Quimby Fee calculation. The City's adopted standard per the municipal code is 2 acres per 1,000 residents. The City is currently at this standard, based upon total number of park acres and population. In order for the City to retain this standard as the residential population increases, the City will need to acquire additional park acreage. The following table shows the proportionate number of acres needed to account for new residential growth:

**Table 27: Proposed New Acres Needed Based Upon Acreage Standard**

<b>Category</b>	<b>Amount</b>
Current Acreage Standard – per resident	0.002 acres
Projected Residential Growth	23,335 residents
<b>Total New Acres Required</b>	<b>46.67 acres</b>

Based upon the standard of 0.002 acres per resident and growth of 23,335 residents over the next 20 years, the City will need to acquire an additional 46.67 acres to retain this standard.

### 3 COST ASSUMPTIONS AND COMPONENTS

The Parks and Recreation Impact Fee is primarily used to fund the acquisition of land, parks equipment, recreation center improvements, as well as general parks and recreation-related infrastructure costs. The proposed Parks and Recreation Impact fee is based upon two different types of costs – infrastructure improvements from the City's Capital Improvement Plan (CIP) and costs associated with acquiring acreage. The following table shows the two different types of cost components and cost calculated through this study:

**Table 28: Parks and Recreation Impact Fee Cost Types**

<b>Category</b>	<b>Amount</b>
Parks and Recreation CIP Costs <sup>10</sup>	\$367,710,000
Acreage Cost	\$228,165,616 <sup>11</sup>
<b>TOTAL</b>	<b>\$595,875,616</b>

<sup>10</sup> The CIP costs are based upon a 10 year project listing that includes improvements to different parks, play areas, as well as to the Central Park master Plan for the City. It is expected that these infrastructure improvements will be reviewed and updated every 5 yrs.

<sup>11</sup> The acreage cost is calculated based upon a \$4,888,914 fair market value per acre as noted in the City's FY20/21 Master Fee Schedule multiplied by the new proposed acres of 46.67 as calculated in Table 38.

The total cost of Parks and Recreation infrastructure and land acquisition costs are approximately \$596 million. It is important to note that not all \$596 million should be borne by new development as these proposed projects will also benefit existing residents. However, the new acreage cost, would be borne entirely by residential new development, as the only reason this new acreage is being required is due to expected residential growth within the City.

Beyond estimating the future facility needs, the Mitigation Fee Act allows the City to charge an administrative fee to recover the costs associated with City staff to monitor and report upon the impact fees. The project team calculated the administrative fee based upon the total indirect costs allocated to the Parks and Recreation Impact Fee Fund from the FY21 Citywide Cost Allocation Plan and the three-year average revenue collected. The following table shows this calculation:

**Table 29: Parks and Recreation Impact Fee – Admin Fee Calculation**

Category	Parks and Rec Impact Fee Fund
Citywide Overhead – FY21 Cost Plan	\$16,866
Impact Fee Revenue – 3 yr. average	\$1,948,129
<b>Admin Fee Rate</b>	<b>0.87%</b>

The proposed administrative rate for the Parks and Recreation Impact fee is 0.87%. The current parks and recreation impact fee calculation for the City does not include an administrative fee component.

#### 4 IMPACT FEE CALCULATION

The proposed Parks and Recreation impact fee incorporates the impact associated with both commercial and residential development, therefore, in order to allocate the costs between residents and employees, the proportion of future service population needs between residents and employees was utilized. The following table shows the calculation for residents and employees:

**Table 30: Parks and Recreation Proportion Calculation Between Residents and Employees**

Category	Projected Service Population	Proportion
Resident	133,005	89%
Employee	17,003	11%
<b>Total</b>	<b>150,008</b>	<b>100%</b>

Based upon the projected service population, approximately 89% of the future costs would be associated with residents and 11% would be for employees. However, not all costs will be allocable to employees, as previously discussed, the Acreage costs, which

is based upon the residential standard would only be borne by future residents and not future employees.

As outlined in the cost component section, the \$596 million is not fully allocable to new development. Therefore, the project team utilized the growth projections in this chapter to determine the proportional amount associated with new development. The following table breaks down these same costs and shows the proportional amount to be borne by new development:

**Table 31: Parks and Recreation Impact Costs to be Borne by New Development**

Category	Amount	Proportion	Total Cost
Parks and Recreation CIP Costs	\$367,710,000	20% <sup>12</sup>	\$73,542,000
Acreage Cost	\$228,165,616	100%	\$228,165,616
<b>TOTAL</b>	<b>\$595,875,616</b>		<b>\$301,707,616</b>

The total proposed parks and recreation infrastructure and land improvements to be borne by new development is approximately \$301.7 million. In these cost categories, the Parks and Recreation CIP costs are attributable to both residents and non-residents; however, as the acreage cost is based upon the standard per resident those costs are only attributable to future residents. The following table shows by cost category the total costs attributed to residents and employees:

**Table 32: Parks and Recreation Impact Costs Allocated Between Residents and Employees**

Category	Amount	Proportion	Total Cost
Parks and Recreation CIP Costs – Residents	\$73,542,000	89%	\$65,452,380
Park Acreage Cost – Residents Only	\$228,165,616	100%	\$228,165,616
<b>Subtotal Residents</b>			<b>\$293,617,996</b>
Parks and Recreation CIP Costs – Employees	\$73,542,000	11%	\$8,089,620
<b>Subtotal Employees</b>			<b>\$8,089,620</b>
<b>TOTAL</b>			<b>\$301,707,616</b>

Of the \$301.7 million to be borne by future development, approximately \$293.6 million would be allocated to residential growth and approximately \$8.1 million to non-residential or commercial growth. The total allocated costs to residents and employees is then converted into a cost per capita based upon the projected service population increase. The following table shows the cost per capita calculation for residents and employees:

**Table 33: Parks and Recreation Cost Allocation Between Residents and Employees**

Category	Total Allocated Cost	Projected Pop. Inc.	Cost Per Capita
Resident	\$293,617,996	23,335	\$12,583
Employee	\$8,089,620	5,440	\$1,487

<sup>12</sup> The 20% is based upon the projected increase in service population as calculated in the growth section of this chapter.

The cost per capita is \$12,583 for residents compared to \$1,487 for employees. It is expected that the cost would be significantly higher for residents as they have the larger use of the parks and recreation facilities, as well as the fact that they are the primary driver for maintaining the city's standard acreage per resident. The cost per capita for residents and employees was converted into an impact fee based upon the density per unit. For residential properties, the density is per dwelling unit (du) and for commercial properties it is per square foot (sq. ft.). The following table shows this calculation:

**Table 34: Parks and Recreation Impact Fee Calculation**

Category	Cost Per Capita	Density / Unit	Impact Fee
<b>Residential (per dwelling unit)</b>			
Single-Family	\$12,583	3.05	<b>\$38,342 per du</b>
Multi-Family 2-4 units	\$12,583	2.80	<b>\$35,288 per du</b>
Multi-Family 5+ units	\$12,583	2.11	<b>\$26,601 per du</b>
Mobile Homes	\$12,583	1.81	<b>\$22,756 per du</b>
<b>Commercial / Non-Residential (per square foot)</b>			
Commercial / Retail	\$1,487	550	<b>\$2.70 per sq. ft.</b>
Hotel	\$1,487	1,500	<b>\$0.99 per sq. ft.</b>
Office	\$1,487	325	<b>\$4.58 per sq. ft.</b>
Industrial	\$1,487	1,000	<b>\$1.49 per sq. ft.</b>

The impact fees range from \$22,756 per dwelling unit for mobile homes to \$38,242 for single-family dwellings. Among commercial properties the cost per square foot varies from a low of \$0.99 for hotels to a high of \$4.58 for Office Projects.

The admin fee of 0.87% was applied to the impact fees calculated to determine the full cost Parks and Recreation Impact Fee by category. The following table shows the full cost calculated.

**Table 35: Parks and Recreation Impact Fee Calculation Including Administrative Fee**

Category	Impact Fee	Admin Fee	Total Impact Fee
<b>Residential (per dwelling unit)</b>			
Single-Family	\$38,342	\$334	<b>\$38,676 per du</b>
Multi-Family 2-4 units	\$35,288	\$307	<b>\$35,595 per du</b>
Multi-Family 5+ units	\$26,601	\$231	<b>\$26,832 per du</b>
Mobile Homes	\$22,756	\$198	<b>\$22,954 per du</b>
<b>Commercial / Non-Residential (per square foot)</b>			
Commercial / Retail	\$2.70	\$0.02	<b>\$2.72 per sq. ft.</b>
Hotel	\$0.99	\$0.01	<b>\$1.00 per sq. ft.</b>
Office	\$4.58	\$0.04	<b>\$4.62 per sq. ft.</b>
Industrial	\$1.49	\$0.01	<b>\$1.50 per sq. ft.</b>

Incorporating the administrative fee enables the city to recover for the financial support and staff time associated with monitoring and reporting on the use of impact fee funds. The following table compares the City's current Parks and Recreation Impact Fees to the full cost impact fees, and the associated surplus / (deficit) per unit:

**Table 36: Current vs. Full Cost Parks and Recreation Impact Fees**

Category	Current Fee	Full Cost Fee	Surplus / (Deficit) Per Unit
<b>Residential (per dwelling unit)</b>			
Single-Family	\$26,973	\$38,676	(\$11,703)
Multi-Family 2-4 units	\$16,906	\$35,595	(\$18,689)
Multi-Family 5+ units	\$19,470	\$26,832	(\$7,362)
Mobile Homes	\$18,995	\$22,954	(\$3,959)
<b>Commercial / Non-Residential (per square foot)</b>			
Commercial / Retail		\$2.72	
Hotel		\$1.00	
Office		\$4.62	
Industrial		\$1.50	

The City is currently under-recovering for all residential impact fee categories, with the smallest deficit of \$3,900 associated with mobile homes and the largest deficit of \$18,700 per dwelling unit for 2-4 unit multi-family dwellings. The City currently does not charge any parks and recreation impact fees for commercial projects, as such there is no applicable deficit or surplus to be calculated.

#### 4 NEXUS CRITERIA

As discussed in the legal framework section, in order for an impact fee to be implemented it must meet all five of the nexus criteria as established by AB1600. The following table outlines each criterion point, and how the proposed Parks and Recreation Impact Fee meets the AB1600 criteria.

**Table 37: Parks and Recreation Impact Fees Nexus Criteria**

Criteria	Meet	Don't Meet
<b>Purpose of Fee</b>	The fee would be used to fund the development of new parks and recreation facilities, improving existing playground areas, and acquiring additional acreage to meet the City's established standard of 2 acres per 1,000 residents.	
<b>Use of Fee Revenue</b>	The City has capital improvement plans that outline the utilization of this fee revenue for current and future years to help ensure that there is appropriate expansion and development of parks and recreation facilities and areas to meet current and future resident and employee needs.	

Criteria	Meet	Don't Meet
<b>Benefit Relationship</b>	The use of the impact fee revenue would be to develop new facilities or expand or improve existing facilities, which would be directly proportional to the increased wear and tear and use of parks and recreation facilities as there is new residential and commercial growth in the City. The increase in residential population is related to the number of dwelling units and the impact fee would be applicable to dwelling units. The increase in employment is related to non-residential space and is applicable to square footage.	
<b>Impact Relationship</b>	Based upon the current and proposed parks and recreation facility needs in the City, the addition of new residents and employees would require the need for new facilities, new acreage, and expanded facilities.	
<b>Proportionality</b>	The proposed impact fee would be a flat fee per dwelling unit depending upon the density of the housing units to capture the residential impacts as the primary mechanism for addition of residential population to the City is through increased dwelling units. For employees the fee is based upon non-residential square footage as that is the primary mechanism associated with increases in employment within the City.	

As the table demonstrates, the City is able to meet all five of the criteria necessary to charge the proposed consolidated Parks and Recreation Impact Fee.

## 5 COMPARATIVE SURVEY

As part of this impact fee analysis, the project team conducted a comparative survey of surrounding jurisdictions and if they charge a Parks and Recreation Impact Fee. It is important to note that the comparative survey only includes the fees noted on jurisdiction’s fee schedules and as such may not be reflective of recent updates or the full cost associated with those impact fees. Therefore, the comparative information should be viewed only as a way of assessing the market for impact fees in the region and not a reflection of the full cost associated with impact fees. The following table compares the city’s current and proposed full cost to other surveyed jurisdictions in the region, which charge a Parks and Recreation Impact Fee:

**Table 38: Parks and Recreation Impact Fee Comparative Survey**

Fee Category / Jurisdiction	San Mateo - Current	San Mateo - Full Cost	Redwood City	Santa Clara <sup>13</sup>	SSF <sup>14</sup>	San Carlos
<b>Residential</b>						
Single Family	\$26,973	\$38,676	\$12,733	\$36,044 -	\$29,124	\$2,245 per bedroom
Multi-Family 2-4 units	\$16,906	\$35,595	\$11,452	\$43,296 \$29,028	\$25,157	
Multi-Family 5+ units	\$19,470	\$26,832	\$11,128	-	\$21,358	
Mobile Homes	\$18,995	\$22,954		\$34,869	\$22,371	
<b>Commercial / Non-Residential</b>						
Commercial – Per Sq. Ft		\$2.72			\$1.26	
Office – Per Sq. Ft		\$4.62			\$2.96	
Industrial – Per Sq. Ft		\$1.50			\$1.40	
Hotel – Per Sq. Ft.		\$1.00			\$1.20	

The City of San Mateo's current fees are higher than Redwood City, lower than Santa Clara, and slightly less than the City of South San Francisco. The City's full cost fees calculated through this study are higher than Redwood City and South San Francisco, but lower or in alignment with the City of Santa Clara. The City of San Carlos only charges residential projects and charges on a per bedroom basis.

In relation to commercial projects, the City of South San Francisco is the only other surveyed jurisdiction in the region that charges non-residential parks and recreation impact fees. The City's proposed full cost parks and recreation non-residential impact fees are lower than those charged by South San Francisco, with the exception of the Office category, which has a higher rate at \$4.62 compared to the \$3.17 per sq. ft. in South San Francisco.

<sup>13</sup> The City of Santa Clara's fee varies based upon the zip code of the development.

<sup>14</sup> The City of South San Francisco (SSF) also includes an additional \$700 administrative fee.

## 6. Transportation Impact Fee

The City of San Mateo currently assesses a transportation impact fee on new residential and commercial development projects within the city. The impact fee accounts for transportation-related improvements – roadways, traffic signals, transportation master plans, etc. The City last updated this fee in 2017 and is interested in conducting another update to this fee as part of the larger development impact fee study. The City is in the midst of going through a general plan update and it is recommended that once the update is completed all fees based upon growth projections should be reviewed, including the transportation impact fee. The following subsections discuss the modifications proposed to the current impact fee, growth assumptions and standards utilized, cost assumptions and components, impact fee calculation, ability to meet the nexus criteria, and a comparative survey of transportation impact fees.

### 1 IMPACT FEE MODIFICATIONS

The City's current transportation impact fee is applicable to residential and commercial projects; however, within commercial projects it is only applicable to retail, office, and warehouse. The City is interested in expanding the current impact fee category for commercial to include hotels as well as institutions. This will enable the City to more proportionately and accurately assess the impacts of those new commercial developments upon transportation-related infrastructure.

### 2 GROWTH PROJECTIONS

The Transportation Impact Fee is based upon the future demand on transportation infrastructure due to new residents and employees moving into the City. The future demand is based upon the projected ABAG growth for the City. The project team calculated the projected increase in total population by taking the difference between 2040 Population and 2020 population and dividing it by the starting population (2020 population). The following table shows the current population for residents and employees, the 2040 projected growth and the resulting increase in population:

**Table 39: Projected Population Growth**

Category	2020 Population	2040 Population	Population Growth	% Increase (Growth)
Residents	109,670	133,005	23,335	21%
Employees	62,570	68,010	5,440	9%
<b>TOTAL POPULATION</b>	<b>172,240</b>	<b>201,015</b>	<b>28,775</b>	<b>17%</b>

Based upon the projected growth of 28,775 divided by the 172,240 current population (2020 population), the projected increase in growth is expected to be 17%. This 17% growth factor is used to allocate the associated project costs associated with the Transportation Impact Fee.

In addition to growth projections associated with overall new development compared to existing residents and employees in the city, the project team also analyzed the proportional impact of residential and commercial development on transportation infrastructure. In order to develop the proportional impact upon infrastructure, the project team utilized commercial and residential trip rate information, combined with growth projections for those categories to determine the weighting factors for residential and commercial growth. The following table shows by land use category, the trip rate (based upon ITE land use categories), the proportion of growth and the resulting trip rate ratio:

**Table 40: Projected Residential and Commercial Trip Rate Proportion**

Category	Trip Rate	Growth Proportion <sup>15</sup>	Resulting Trip Rate Ratio
Single-Family Residential	0.99 per dwelling unit	0%	0.00
Multi-Family Residential	0.50 per dwelling unit	100%	0.50
<b>Subtotal Residential</b>			<b>0.50</b>
Industrial	0.63 per 1,000 sq. ft.	0%	0.00
Retail	3.81 per 1,000 sq. ft.	17%	0.63
Office	1.15 per 1,000 sq. ft.	83%	0.96
Hotel	0.60 per hotel room	0%	0.00
Institution	0.49 per 1,000 sq. ft.	0%	0.00
<b>Subtotal Commercial</b>			<b>1.59</b>

The Trip Rate for each land use category was multiplied by the projected growth for that specific category to develop the resulting trip rate ratio. The resulting trip rate ratio was then summarized for each major category – 0.50 for Residential and 1.59 for commercial. The resulting trip rate ratio is then used as the weighting factor to determine the overall service population for each category. The following table takes the ABAG population growth projections (difference between 2040 and 2020 population from Table 39) and multiplies it by the weighting factor (the resulting trip rate ratio from Table 40) to calculate the weighted population and the split between commercial and residential (residential weighted population divided by total weighted population and same for commercial):

**Table 41: Proportion of Residential vs. Commercial Growth**

Category	Population Growth	Weight Factor	Weighted Population	% Split
Residential	23,335	0.50	11,668	57%
Commercial	5,440	1.59	8,650	43%
<b>TOTAL</b>	<b>28,775</b>		<b>20,318</b>	

<sup>15</sup> The projected growth is based upon converting population projections to dwelling units and square footage per employee based upon job sector.

As the table indicates the split between residential and commercial growth from a transportation impact perspective based upon trip rate and projected growth within the city is 57% for residential and 43% for commercial. This information is utilized to proportionately allocate the costs between residential and commercial development in a later section of this chapter.

In addition to developing the proportional amount of impact to be split between residential and commercial development, the project team also utilized the population projections to forecast the projected number of dwelling units and sq. ft. of development. The following table shows by category, the total projected population growth (from Table 41) multiplied by the density factor utilized (based upon the density standards discussed in Tables 8 and 9 of the report) to calculate the resulting number of dwelling units or sq. ft.:

**Table 42: Proportion of Residential vs. Commercial Growth**

Category	Population Growth	Density Factor	Total Projected Growth
Residential	23,335	2.2 persons per dwelling unit	10,607 DU (Dwelling Units)
Commercial	5,440	438 <sup>16</sup> sq. ft. per employee	2,380,000 sq. ft.

The 10,607 dwelling units and the 2.38 million sq. ft. are then further split within the different types of land uses based upon projected projects in the pipeline as well as ABAG growth projections. The total projected growth from Table 42 for residential and commercial was multiplied by the growth proportional projections from Table 40 to calculate the total specific projected growth for each land use type:

**Table 43: Projected Residential and Commercial Trip Rate proportion**

Land Use	Total Projected Growth	Growth Proportion <sup>17</sup>	Specific Growth
Single-Family Res.	10,607 DU	0%	0
Multi-Family Residential		100%	10,607 DU
Industrial	2,380,000 sq. ft.	0%	0
Retail		17%	404.6 per 1,000 sq. ft.
Office		83%	1,975.4 per 1,000 sq. ft.
Hotel		0%	0
Institution		0%	0

The total specific dwelling units and square footage for each land use type were then converted into projected trips for each major category based upon the ITE established trip rates (referenced in Table 40). The following table calculates by land use the total projected trips by taking the specific projected growth (Dwelling Units or Sq. Ft. from Table 43) and multiplying it by the trip rate (Table 40):

<sup>16</sup> Based upon the average of 550 and 325 sq. ft. per employee for the two most common types of commercial development within the City – Retail (550 sq. ft. per employee) and Office (325 sq. ft. per employee).

<sup>17</sup> The projected growth is based upon converting population projections to dwelling units and sq. ft. per employee based upon job sector.

**Table 44: Total Projected Trips**

Land Use	Specific Projected Units or Sq. Ft.	Trip Rate	Resulting Trips
Single-Family Residential	0	0.99	0.00
Multi-Family Residential	10,607 DU	0.50	5,303.5
<b>Subtotal Residential</b>			<b>5,303.5</b>
Industrial	0	0.63	0.00
Retail	404.6 sq. ft.	3.81	1,541.53
Office	1,975.4 sq. ft.	1.15	2,271.71
Hotel	0	0.60	0.00
Institution	0	0.49	0.00
<b>Subtotal Commercial</b>			<b>3,813.24</b>

Based upon the specific projected units or sq. ft. calculated in Table 44 multiplied by IT standard trip rates, the City is expected to increase its trips by 5,303.5 for residential and 3,813.24 for commercial over the next 20 years. These trip projections are utilized as the basis for the calculation of the impact fees.

### 3 COST ASSUMPTIONS AND COMPONENTS

The Transportation Impact Fee is used to fund transportation related improvements. City staff developed a comprehensive listing of transportation improvement projects that would benefit both existing and new development within the City. The detailed project listing is included as an appendix to this report. The following table lists by major project category, the total costs associated with the project:

**Table 45: Transportation Improvement Costs**

Category	Total Project Cost
Freeway & Interchange Improvements	\$306,467,481
Major Street Improvements	\$1,660,000
Intersection Improvements	\$696,872
Bicycle & Pedestrian Improvements	\$33,700,000
Traffic Modal Maintenance & Update	\$348,436
<b>TOTAL</b>	<b>\$342,827,788</b>

The total cost of Transportation Improvement infrastructure costs is approximately \$342 million. It is important to note that not all \$342 million should be borne by new development as these proposed projects will also benefit existing residents.

Beyond estimating the future improvement needs, the Mitigation Fee Act allows the City to charge an administrative fee to recover the costs associated with City staff to monitor and report upon the impact fees. As these services are primarily performed by staff in the Finance Department, the support for this function was captured through the City's Cost Allocation Plan process. The project team calculated the administrative fee by taking the

total indirect costs allocated to the Transportation Impact Fee Fund from the FY21 Citywide Cost Allocation Plan and dividing it by the three-year average revenue collected. The following table shows this calculation:

**Table 46: Transportation Impact Fee – Admin Fee Calculation**

Category	Transportation Impact Fee Fund
Citywide Overhead – FY21 Cost Plan	\$6,114
Impact Fee Revenue – 3 yr. average	\$1,704,117
<b>Admin Fee Rate</b>	<b>0.36%</b>

The proposed administrative rate for the Transportation Impact fee is 0.36%. The current transportation impact fee calculation for the City does not include an administrative fee component. It is recommended that the City consider adding this minimum fee component to recover the costs associated with administrative staff for generating annual revenue reports and reporting on the usage of impact fees.

#### 4 IMPACT FEE CALCULATION

While the Transportation Impact Fee is based upon the total transportation improvements within the City, the full \$342 million is not intended to be borne by new development. Therefore, the project team utilized the 17% growth projection (from Table 39), which correlates to overall projected growth in the city, to determine the proportional amount associated with new development. The following table multiplies the total project cost by new growth proportional amount to determine the cost to be borne by new development:

**Table 47: Transportation Impact Costs to be Borne by New Development**

Category	Total Project Cost	New Growth	New Development Cost
Freeway & Interchange Improvements	\$306,467,481	17%	\$52,099,472
Major Street Improvements	\$1,660,000	17%	\$282,200
Intersection Improvements	\$696,872	17%	\$118,468
Bicycle & Pedestrian Improvements	\$33,700,000	17%	\$5,729,000
Traffic Model Maintenance & Update	\$348,436	100% <sup>18</sup>	\$348,436
<b>TOTAL</b>	<b>\$342,827,788</b>		<b>\$58,577,576</b>

Of the \$342 million, only \$58.6 million is associated with new development. The cost associated with new development was then further allocated between residents and employees (commercial) based upon the weighted growth and trip factors previously calculated (Table 41). The following table multiplies the new development cost by residential and commercial development growth (calculated in Table 41) to determine the total allocated cost between residential and commercial projects:

<sup>18</sup> The update to the traffic model is only needed due to projected new development, as such it was determined that new development should bear 100% of the cost of that improvement.

**Table 48: Transportation Impact Costs Split Between Residential and Commercial**

Category	Total New Development Cost	Proportion	Total Allocated Cost
Residential	\$58,577,576	57%	\$33,389,218
Commercial		43%	\$25,188,358
<b>Total</b>			<b>\$58,577,576</b>

Of the \$58.6 million to be borne by future development, approximately \$33.4 million would be allocated to residential growth and approximately \$25.2 million to non-residential or commercial growth. The total allocated costs to residents and employees is then converted into a cost per trip by taking the total allocated cost from Table 48 and dividing it by the projected number of trips for each category (from Table 44). The following table shows based upon the major category, the total projected trips and the cost per trip:

**Table 49: Transportation Cost Per Trip Between Residential and Commercial**

Category	Total Allocated Cost	Projected Trips	Cost Per Trip
Residential	\$33,389,218	5,303.50	\$6,296
Commercial	\$25,188,358	3,791.16	\$6,606

The cost per trip is \$6,296 for residential compared to \$6,606 for commercial developments. The cost per trip is converted into the impact fee by multiplying it against the ITE established trip rate. The following table shows by land use type, the cost per trip, the trip rate, and the resulting impact fee:

**Table 50: Transportation Impact Fee Calculation**

Category	Cost Per Trip	Trip Rate	Transportation Impact Fee (TIF)
<b>Residential (per dwelling unit)</b>			
Single-Family	\$6,296	0.99	<b>\$6,233 per du</b>
Multi-Family	\$6,296	0.50	<b>\$3,148 per du</b>
<b>Commercial / Non-Residential (per 1,000 square foot)</b>			
Industrial	\$6,606	0.63	<b>\$4,161 per 1,000 sq. ft.</b>
Retail	\$6,606	3.81	<b>\$25,167 per 1,000 sq. ft.</b>
Office	\$6,606	1.15	<b>\$7,596 per 1,000 sq. ft.</b>
Hotel	\$6,606	0.60	<b>\$3,963 per room</b>
Institution	\$6,606	0.49	<b>\$3,237 per 1,000 sq. ft.</b>

As the ITE trip rates are based upon 1,000 sq. ft. for commercial / non-residential, the fees were calculated on a per 1,000 sq. ft. basis. The admin fee of 0.36% (Table 46) was then multiplied by the Transportation Impact Fee (Table 50) to determine the administrative fee component. The administrative fee component was then added to the baseline TIF (Table 50) to arrive at the full cost Transportation Impact Fee by category. For example, the 0.36% was multiplied by \$6,233 to arrive at \$22.44, the \$22.44 was then added to the baseline TIF of \$6,233 to calculate the full cost TIF of \$6,255. The following table shows by category, the TIF, the admin fee, and the resulting full cost TIF:

**Table 51: Transportation Impact Fee Calculation Including Administrative Fee**

Category	TIF	Admin Fee	Full Cost TIF
<b>Residential (per dwelling unit)</b>			
Single-Family	\$6,233	\$22.44	<b>\$6,255 per du</b>
Multi-Family	\$3,148	\$11.33	<b>\$3,159 per du</b>
<b>Commercial / Non-Residential (per 1,000 square foot)</b>			
Industrial	\$4,161	\$14.98	<b>\$4,176 per 1,000 sq. ft.</b>
Retail	\$25,167	\$90.60	<b>\$25,258 per 1,000 sq. ft.</b>
Office	\$7,596	\$27.35	<b>\$7,624 per 1,000 sq. ft.</b>
Hotel	\$3,963	\$14.27	<b>\$3,978 per room</b>
Institution	\$3,237	\$11.65	<b>\$3,248 per 1,000 sq. ft.</b>

Incorporating the administrative fee enables the city to recover for the financial support and staff time associated with monitoring and reporting on the use of impact fee funds. To provide some context to the full cost TIF and how it compares to existing fees, the following table compares the City's current Transportation Impact Fees to the full cost impact fees (converted to per sq. ft. for ease of application for commercial projects), and the associated surplus / (deficit) per unit:

**Table 52: Current vs. Full Cost Transportation Impact Fees**

Category	Current Fee	Full Cost	Surplus / (Deficit)
<b>Residential (per dwelling unit)</b>			
Single-Family	\$4,761	\$6,255	(\$1,494)
Multi-Family	\$2,922	\$3,159	(\$237)
<b>Commercial / Non-Residential (per square foot)</b>			
Industrial	\$2.85	\$4.18	(\$1.33)
Retail	\$8.19	\$25.26	(\$17.07)
Office	\$4.37	\$7.62	(\$3.25)
Hotel	New	\$3,978	N / A
Institution	New	\$3.25	N / A

The City is currently under-recovering for all transportation impact fee categories. The under-recovery ranges from a low of \$1.33 per sq. ft. for industrial development to a high of \$17.07 per square foot for retail development. The City currently does not charge a Transportation Impact Fee for hotel or institution commercial projects, as such there is no applicable deficit or surplus to be calculated.

## 4 NEXUS CRITERIA

As discussed in the legal framework chapter, in order for an impact fee to be implemented it must meet all five of the nexus criteria as established by AB1600. The following table

outlines each criterion point, and how the Transportation Impact Fee meets the AB1600 criteria.

**Table 53: Transportation Impact Fees Nexus Criteria**

Criteria	Meet	Don't Meet
<b>Purpose of Fee</b>	The fee would be used to fund the development of new transportation improvement measures and improve existing transportation-related needs.	
<b>Use of Fee Revenue</b>	The City has capital improvement plans and transportation specific plans that outline the utilization of this fee revenue for current and future years to help ensure that there is appropriate expansion and development of transportation-related measures to meet current and future resident and employee needs.	
<b>Benefit Relationship</b>	The use of the impact fee revenue would be to enhance existing roadways or add new traffic measures, which would be directly proportional to the increased wear and tear and use of city infrastructure as there is new residential and commercial growth in the City. The increase in residential population is related to the number of dwelling units and the impact fee would be applicable to dwelling units. The increase in employment is related to non-residential space and is applicable to square footage.	
<b>Impact Relationship</b>	Based upon the current transportation needs in the City, the addition of new residents and employees would require the need for upgraded use of roadways and facilities.	
<b>Proportionality</b>	The proposed impact fee would be a flat fee per dwelling unit depending upon the density of the housing units to capture the residential impacts, as the primary mechanism for addition of residential population to the City is through increased dwelling units. For employees the fee is based upon non-residential square footage as that is the primary mechanism associated with increases in employment within the City.	

As the table demonstrates, the City is able to meet all five of the criteria necessary to charge the proposed Transportation Impact Fee.

## 5 COMPARATIVE SURVEY

As part of this impact fee analysis, the project team conducted a comparative survey of surrounding jurisdictions charging Transportation Impact Fees. It is important to note that the comparative survey only includes the fees noted on jurisdiction’s fee schedules and as such may not be reflective of recent updates or the full cost associated with those impact fees. Therefore, the comparative information should be viewed only as a way of

assessing the market for impact fees in the region and not a reflection of the full cost associated with impact fees. The following table compares the city's current and proposed full cost to other surveyed jurisdictions in the region, which charge a Traffic Impact Fee:

**Table 54: Transportation Impact Fee Comparative Survey**

Fee Category / Jurisdiction	San Mateo – Current	San Mateo – Full Cost	Redwood City	Mountain View	San Carlos	SSF
<b>Residential (Per Dwelling unit)</b>						
Single Family	\$4,761	\$6,255	\$1,617	\$4,922	\$6,134	\$6,721
Multi-Family	\$2,922	\$3,159	\$992	\$2,756	\$3,470	\$3,873
<b>Commercial / Non-Residential (Per sq. ft.)</b>						
Industrial	\$2.85	\$4.18	\$1.55	\$5.25	\$1.18	\$13.15
Retail	\$8.19	\$25.26	\$15.33 <sup>19</sup>	\$5.25	\$23.61	\$25.42
Office	\$4.37	\$7.62	\$2.38	\$5.25	\$7.13	\$29.15
Hotel – per room	New	\$3,978	\$945	\$3,044	\$3,718	\$2,450
Institution	New	\$3.25	\$0.88			

As it relates to residential fees, the City's current fees are higher than Redwood City, in alignment with Mountain View, but lower than all other neighboring jurisdictions. The City's full cost Transportation Impact fees are in alignment with San Carlos and the City of South San Francisco.

Similar to residential impact fees, the City's non-residential fees are generally lower than surrounding jurisdictions, with the exception of Redwood City. The City's full cost fees are generally in alignment with other jurisdictions as it relates to the cost per square foot for retail, office, and per hotel room.

<sup>19</sup> Average of General Retail, Supermarket, Convenience Store, Bank, High Turnover Restaurant, and Fast Food to capture the similar types of businesses that would be covered under this fee.

## 7. Public Art In-Lieu

The City of San Mateo has been assessing a Public Art In-lieu fee since 2003. The primary purpose of this fee is to enable new development in the City to provide contribution to the City's Public Art to enhance the cultural aspect of its residents. The fee is currently assessed as a percentage of the project valuation. The City has an extremely robust Art in Public Places Program with a Civic Arts Committee that reviews all public art applications, as well as an annual Public Art Program report.

In-Lieu fees are different from impact fees in that the developer or applicant has the option to either improve or implement the infrastructure themselves or provide an off-setting cost to the City for that same impact. While these fees are different, there still needs to be a corresponding nexus between the fee being charged and the proposed impact upon the City. Therefore, the project team reviewed the City's current Art in Public Places program to determine if the current fee of 0.5% of project valuation was sufficient to meet the City's public art needs. The following subsections discuss the cost assumptions and components, in-lieu fee calculation, ability to meet the nexus criteria, and a comparative survey of public art in-lieu fees.

### 1 COST ASSUMPTIONS AND COMPONENTS

In order to determine the annual costs associated with public art, the project team reviewed the City's Art in Public Places annual reports for the last several years. The following table shows the value of art projects by year commissioned by the City under this in-lieu program, as well as the resulting four year average:

**Table 55: Value of Public Art by Year**

Year	Value of Public Art
2016 <sup>20</sup>	\$1,259,333
2017 <sup>10</sup>	\$1,259,333
2018 <sup>10</sup>	\$1,259,333
2019	\$2,420,853
<b>4 year Average</b>	<b>\$1,549,713</b>

In addition to the value of public art installed, the project team also discussed other types of costs that can be incorporated into the public art fee. Many impact and in-lieu fees are typically based upon a master plan. Therefore, the project team worked with the City's Management Analyst to determine the cost associated with a Public Art Master Plan. The purpose of this document would be to more clearly define the types of public art projects the City needs, where the need for public art is within the City, and target timelines for achieving those goals. This type of master plan is critical for ensuring that there are clearly

<sup>20</sup> The value of public art for 2016-2018 totaled approximately \$3,778,000. Therefore, it was annualized equally for each year.

defined goals, outcomes, and needs identified for Public Art in the City of San Mateo. These plans should be developed, reviewed, and updated frequently to ensure that public art in the City is meeting the evolving needs of the community and better able to represent current socio-cultural trends. This plan can also serve as a baseline for the Civic Arts Committee, allowing them to review public art projects in light of the needs outlined in the Art in Public Places Master Plan. The following table shows the annual estimated cost associated with the Art in Public Places Master Plan:

**Table 56: Art in Public Places Master Plan – Annual Cost**

Category	Cost
Total Art In Public Places Master Plan Cost	\$40,000
# of Applicable Years	5
<b>Annual Cost</b>	<b>\$8,000</b>

Combining the 4 year average annual cost of installed public art with the annual Art in Public Places Master Plan costs, results in the total costs associated with Public Art for the City. The following table shows this total cost:

**Table 57: Art in Public Places Master– Total Annual Cost**

Category	Cost
4 yr Avg Public Art Value	\$1,549,713
Annual Public Art Master Plan	\$8,000
<b>Total Annual Cost</b>	<b>\$1,557,713</b>

The total annual cost for Public Art within the City is approximately \$1.6 million.

## 2 IN-LIEU FEE CALCULATION

The Public Art In-Lieu Fee is calculated as a percentage of the project valuation. It is only applicable to certain projects – new development or major remodels and those projects that have a valuation of greater than \$3 million. Therefore, in order to calculate the in-lieu fee, the project team reviewed the total applicable valuation. The following table shows the total valuation for applicable projects for FY19 and FY20 and the resulting 2 year average valuation:

**Table 58: Valuation Calculation**

Fiscal Year (FY)	Valuation
FY19	\$131,975,780
FY20	\$130,823,399
<b>2 yr average</b>	<b>\$131,399,589</b>

A 2 year average for valuation was utilized in order to help smooth any volatility in the development activity within the City. There might be a year with major activity, and it may drop off the following year or vice versa, but utilizing an average enables the City to ensure that appropriate levels of activity are being captured. As the in-lieu fee is based upon a percentage of the project valuation, the total cost of \$1.6 million is divided by the 2 year average valuation to calculate the updated Public Art In-Lieu Fee. The following table shows this calculation:

**Table 59: Art in Public Places In-Lieu Fee Calculation**

<b>Category</b>	<b>Valuation</b>
Total Art in Public Places Annual cost	\$1,557,713
2 yr Applicable Project Valuation	\$131,399,589
<b>Art In Public Places In Lieu Fee</b>	<b>1.19%</b>

The full cost for the Public Art In-Lieu fee is approximately 1.19% of the project valuation. The following table compares the City's current Public Art In-Lieu Fees to the full cost impact fees, and the associated surplus / (deficit) per unit:

**Table 60: Art in Public Places In-Lieu Current Fee vs. Full Cost**

<b>Category</b>	<b>Current Fee</b>	<b>Full Cost</b>	<b>Surplus / (Deficit)</b>
Art in Public Places – In-Lieu Fee	0.50%	1.19%	(0.69%)

The City is currently under-recovering its Art in Public Places fee by approximately 0.69% of the project valuation for projects valued at more than \$3 million.

## 4 NEXUS CRITERIA

In-lieu fees are not subject to the same stringent nexus criteria as impact fees. However, there must be a proportionality and basis for the calculation of the in-lieu fee. The City's Public Art program is managed by the Civic Arts Committee, which ensures that any developments exceeding the minimum valuation threshold within the City is able to either install their own public art or provide the City with the appropriate funds to install public art. There is strict criteria that must be met, and any art installed through this process must be approved by the Civic Arts Committee to ensure it meets the city's intent for public art.

## 5 COMPARATIVE SURVEY

As part of this impact fee analysis, the project team conducted a comparative survey of surrounding jurisdictions. It is important to note that the comparative survey only includes the fees noted on jurisdiction's fee schedules and as such may not be reflective of recent

updates or the full cost associated with those impact fees. Therefore, the comparative information should be viewed only as a way of assessing the market for impact fees in the region and not a reflection of the full cost associated with impact fees. The following table compares the city's current fee and proposed full cost fee for Public Art In-Lieu to other surveyed jurisdictions in the region, which charge a Public Art In-Lieu fee:

**Table 61: Public Art In-lieu Fee Comparative Survey**

<b>Jurisdiction / Fee Amount</b>	<b>Fee Amount</b>
San Mateo - Current	0.5% of Valuation
San Mateo – Full Cost	1.19% of Valuation
Redwood City	1% of Valuation
San Bruno	5% of Bldg Permit Fee (Residential), 7% of Bldg permit fee Commercial
South San Francisco	1% of Valuation

As the table shows, several surveyed jurisdictions charge a public art in-lieu fee. Redwood City and South San Francisco both charge it as 1% of the project valuation, whereas San Bruno charges it as a percentage of the building permit fee. The City's current fee is lower than those of the comparable jurisdictions.

## 8. Tree Replacement / Landscape In-Lieu Fees

The City of San Mateo currently assesses two different types of tree replacement fees – Tree Replacement and Landscape In-Lieu Fee. Even though the second fee is called a Landscape In-Lieu Fee it is based upon landscape units, which within the municipal code are identified as trees. The City has updated these fees annually based upon increases to tree replacement costs. The following subsections discuss each of these tree replacement fees.

### 1 TREE REPLACEMENT FEE

The Tree Replacement Fee codified in the Municipal Code, Chapter 13.35 and Chapter 13.52 are in relation to replacing street trees or heritage trees based upon one 24” box size tree. The purpose of this code is to ensure that for any tree being removed there is either a tree that is replaced by the applicant or the developer or a fee paid to the City to ensure that the City can replace that tree.

The project team worked with the City’s Parks and Recreation Department and the Arborist to determine the cost associated with replacing one 24” box size tree. This cost includes the materials associated with the tree, as well as the labor associated with installing the tree. The following table breaks down the full cost associated with Tree Replacement or Tree In-Lieu Fee based upon the labor and material costs provided by the City Arborist:

**Table 62: Tree Replacement Calculation**

Category	Cost
Labor	\$595
Material (Tree)	\$145
<b>Total Replacement</b>	<b>\$740</b>

The full cost associated with Tree Replacement of a 24” box size tree is \$740. The following table compares the City’s current fee to the full cost fee calculated:

**Table 63: Current vs. Full Cost Tree Replacement Fees**

Category	Current Fee	Full Cost Fee	Surplus / (Deficit) Per Unit
Tree Replacement	\$475	\$740	(\$265)

As the table indicates, the City has a deficit of approximately \$265 per tree being replaced at its current fee.

As part of this in-lieu and impact fee analysis, the project team conducted a comparative survey of surrounding jurisdictions. The following table compares the city's current fee and proposed full cost fee for Tree Replacement to other surveyed jurisdictions in the region, which charge a Tree Replacement fee:

**Table 64: Tree Replacement Fee Comparative Survey**

Jurisdiction / Fee Amount	Fee Amount
San Mateo - Current	\$475
San Mateo – Full Cost	\$740
Mountain View	\$750
San Bruno	\$415
Santa Clara	\$588
South San Francisco	\$350

The City's current fee is in line with the surrounding jurisdictions but lower than Mountain View and Santa Clara. The City's full cost fee would be lower than Mountain View, but higher than all other comparable jurisdictions.

## 2 LANDSCAPE IN-LIEU FEE

The Landscape In-Lieu Fee is codified in the Municipal Code in Chapter 27.71.150 in relation to preservation of trees. The language in this section specifies that existing trees shall be replaced with new trees to equal the total removed landscape unit value. A Heritage Tree has a landscape unit value of 2 so its replacement tree size is 24" box size tree. For a regular tree, the landscape unit value of 1, per the code represents a 15 gallon tree.

Similar to the 24" box size tree, the project team collected information from the City's Arborist regarding the labor and material costs associated with replacing a 15 gallon tree. The following table breaks down the full cost associated with Tree Replacement or Tree In-Lieu Fee based upon the labor and material costs provided by the City Arborist:

**Table 65: Tree Replacement Calculation – Landscape Unit (15 gallon)**

Category	Cost
Labor	\$393
Material (Tree)	\$90
<b>Total Replacement</b>	<b>\$483</b>

The project team calculated the full cost associated with Tree Replacement of a 15 gallon tree to be \$483. The following table compares the City's current fee to the full cost fee calculated:

**Table 66: Current vs. Full Cost Landscape In-Lieu Fees**

<b>Category</b>	<b>Current Fee</b>	<b>Full Cost Fee</b>	<b>Surplus / (Deficit) Per Unit</b>
Tree Replacement	\$321	\$483	(\$162)

As the table indicates, the City has a deficit of approximately \$162 per tree being replaced at its current fee for the landscape unit-in lieu fee.

The landscape unit in-lieu fee is not assessed on all development projects and per the City code is only assessed if the developer or applicant is unable to meet City landscaping requirements. Only in that situation does the developer need to pay the city to offset its impact on the City's landscaping requirements.

Similar to the other in-lieu fees evaluated in this nexus analysis, this fee is not subject to the State Mitigation Fee Act. However, in the event that there are any changes in the future, the analysis in the report demonstrates that the cost for tree replacement for landscape in-lieu services is directly correlated to the tree as a landscape unit.

## 9. Parking In-Lieu Fee

The City of San Mateo currently charges a Parking In-Lieu Impact Fee in the Central Parking Improvement District. The City's municipal code Section 27.64.100 provides the City with the legal authority to impose a parking in-lieu fee. The purpose of this fee is that any development in this district of the City has to put in the requisite number of parking spaces, and if they are unable to put in those spaces a fee can be paid to the City to help offset the impact of the loss of parking. The City has the ability to then utilize these funds to construct parking garages or lots to help accommodate the need for additional parking.

The Public Works Department conducted an internal analysis to ensure that the City's current Parking In-Lieu Fee meets the established criteria. The most common methodology to evaluate the cost is to look at the construction costs associated with parking garages and parking lots. The City has not had any recent parking-related construction projects, as such it relied upon other recent calculations conducted in the larger Bay Area Region. The following table shows the total construction cost, the number of stalls or spaces, the cost per stall per space, and the average across the jurisdictions:

**Table 67: Cost Per Space Calculation**

Category	Palo Alto	SSF <sup>21</sup>	Berkeley	Average
Total Construction Cost	\$50,431,552	\$31,085,000	\$18,600,000	<b>\$33,372,184</b>
# of Stalls / Spaces	475	389	462	<b>442</b>
<b>Cost Per Stall / Space</b>	<b>\$106,171</b>	<b>\$79,910</b>	<b>\$40,260</b>	<b>\$75,503</b>

As the table indicates, the average cost per stall or space in the region varies from \$40,000 to \$106,000, with the average being \$75,500. The \$75,500 represents the full cost associated with replacing or installing a parking space within the City or the maximum fee. The City's current fee adopted in March 2020 of \$50,000, is within the range of the parking cost per space in the region and below the maximum fee of \$75,500 that could be charged utilizing the average.

As part of this analysis, the project team compared the City's current Parking In-Lieu cost to fees charged by other jurisdictions. The following table shows this comparison:

**Table 68: Parking In-Lieu Fee Comparative Survey**

Jurisdiction	Fee Amount – Per Space
San Mateo	\$50,000
Mountain View <sup>22</sup>	\$53,934
Palo Alto	\$106,171
San Bruno	\$60,000

<sup>21</sup> This represents the average construction costs for several different parking construction options for a Parking study conducted for the City of South San Francisco.

<sup>22</sup> There is also a fee of \$27,467 per space for Change of Use.

<b>Jurisdiction</b>	<b>Fee Amount – Per Space</b>
Redwood City	\$25,000
<b><i>Jurisdictional Average</i></b>	<b><i>\$61,276</i></b>

Based upon the results of the comparative survey, San Mateo's current fee of \$50,000 is less than the jurisdictional average of \$61,276. It is important to note that all of the jurisdictions surveyed only charge this fee within their downtown or central parking district similar to San Mateo and this is not a citywide fee.

The Parking In-Lieu Fee is an in-lieu fee and as such is not subject to the State Mitigation Fee Act. However, in an abundance of caution in the event that the law changes in the future, the City has analyzed the proposed fee for conformance with the Act and found that the fee is able to meet the basic requirements. The Parking In-Lieu fee is set proportionally based upon a per parking spot and is directly correlated to the need for providing additional parking spots and is only assessed if the developer or applicant is unable to meet those requirements as part of the development requirement. The City has a detailed ordinance, which outlines when and how this fee can be applied, including the fact that it is only applicable in the City's Central Parking Improvement District region.

### Appendix A: Transportation Improvement Project Listing

<b>Program</b>	<b>Projects</b>	<b>Total Project Cost</b>
Freeway & Interchange Improvements	SR 92/SR 82 Interchange Project Landscaping	\$2,322,906
	SR 92 Auxiliary Lanes Project	\$157,144,575
Major Street Improvement	US 101/Peninsula Avenue Interchange	\$147,000,000
	3rd/4th Avenue Widening	\$1,660,000.00
Intersection Improvements	El Camino Real/Crystal Springs SB Right-Turn Lane	\$348,436
	El Camino Real/20th Avenue SB Right-Turn Lane	\$348,436
Bicycle & Pedestrian Improvements	Bike Master Plan Improvements	\$33,700,000.00
	Complete Streets Plan	\$370,000.00
Traffic Models	Model Maintenance & Updates	\$348,436
<b>TOTAL PROJECT COSTS</b>		<b>\$342,872,788</b>