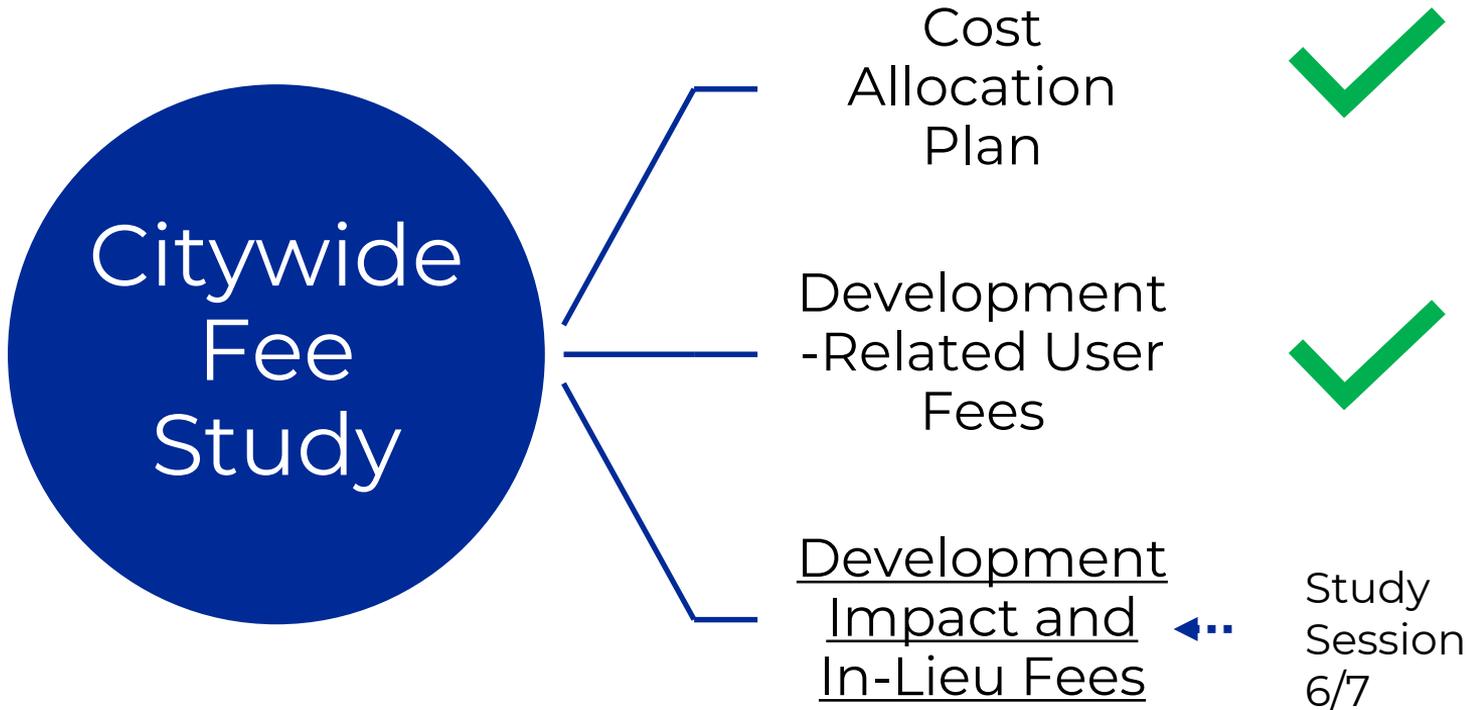


OVERVIEW OF DEVELOPMENT IMPACT AND IN-LIEU FEE STUDIES

CITY COUNCIL MEETING
June 7, 2021



CITYWIDE STUDY OF DEVELOPMENT-RELATED FEES



IMPACT AND IN-LIEU FEES STUDIED

Fee	Type	Fee	Type
Wastewater Treatment Plant Phase II Expansion Fee	Impact	Parks and Landscape Resources (Park Impact and In-Lieu Fees)	Impact and In-Lieu
South Trunk Area Sewer Improvement Fee	Impact	Art in Public Places	In-Lieu
Transportation Improvement Fee	Impact	Tree Replacement and Landscape In-Lieu	In-Lieu
Childcare Development Fee	Impact		

Below Market Housing Fee, Central Parking Improvement District Per Space In-Lieu Fee, Commercial Linkage Fee not studied through this process but included in fee comparisons, where appropriate

IMPACT FEE METHODOLOGY OVERVIEW

Impact Fees: Can only be utilized to fund infrastructure and capital-related costs for the City. No operating costs can be funded through impact fees.

Level of Standard Methodology: Regional Growth projections (ABAG 2040) were utilized to estimate the infrastructure needs to maintain the City's existing level of standard and service for its key service areas – Parks, Childcare, Transportation.

City Growth: Capital project plans and other city-related master plans or annual reports were reviewed to ensure that results were reflective of city's estimated growth.

Type of Development: Dwelling units was utilized for residential and square footage for commercial development to reflect the relationship between the impact and the projected growth in the city.

Admin Fee: Added a fee to recover administrative costs with impact fee reporting requirements.

LEGAL REGULATIONS

Impact Fees are governed by **AB1600 and the Mitigation Fee Act**, which requires impact fees meet five (5) key nexus requirements:

1. **Purpose of Fee** – why the fee is being collected.
2. **Use of Fee Revenue** – what the fee will be used towards.
3. **Benefit Relationship** – clear relationship between impact fee applied and the type of development.
4. **Impact Relationship** – need for impact fee and relationship to type of development on which it is applied.
5. **Proportionality** - impact fee must be based upon the share of new development’s impact on the city’s infrastructure needs.

The nexus analysis conducted demonstrates how each impact fee studied can meet the required nexus criteria.

TREE REPLACEMENT AND LANDSCAPE IN-LIEU

Tree Replacement Fee (Street or Heritage Trees)	
Fee Components	Amount
Labor	\$595
Material (24" Box Tree)	\$145
Total	\$740

Landscape In-Lieu (Non-Heritage Trees)	
Fee Components	Amount
Labor	\$393
Material (15 Gallon Tree)	\$90
Total	\$483

Adopted with FY21-22 Master Fee Schedule and Effective 7/1/2021

ART IN PUBLIC PLACES FEE

Applicability: Applies to all commercial and multi-family projects with a building permit valuation \geq \$3M

Overview: Developer can provide art on premises subject to approval of City and Civic Art Commission, pay into the Art in Public Places Fund, or some combination assuming the value equals the in-lieu fee amount.

Current Fee	.5% of valuation
Full Cost Fee	1.19% of valuation
Key Cost Assumptions	<ul style="list-style-type: none"> Average Annual Value of Public Art: <u>\$1.55M</u> Average Annual Value of Art Master Plan: <u>\$8,000</u>

PARK IMPACT AND PARK IN-LIEU FEES

The City currently charges two park fees on residential projects depending on whether or not there is a subdivision of land:

Park In-Lieu (Quimby Fee)		Park Impact Fee	
Applicability	Residential projects where land is subdivided	Applicability	All other residential projects
Allowable Uses	Primarily land acquisition	Allowable Uses	Capital-related expenses (land, facilities, equipment)
The amounts of the two fees are the same and based on the cost of an acre of land in San Mateo.			

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CONSOLIDATED PARK IMPACT FEE

Applicability: All projects

Allowable Uses: Revenue could be used for capital-related expenses pertaining to parks and recreation, including land, facilities, and equipment

Costs Included: The cost of land and the capital improvement costs from the City's project list were factored into the fee

Benefits:

- Eliminates need for standalone fee for projects requiring subdivision of land
- Allows City to capture capital improvement costs driven by future development
- City can still provide credit to developers for on-site facilities

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CONSOLIDATED PARK IMPACT FEE

Land Use	Current Fee	Full Cost
Residential (per dwelling unit)		
Single Family	\$26,973	\$38,676
Multi-Family (2-4 units)	\$16,906	\$35,595
Multi-Family (5+ units)	\$19,470	\$26,832
Mobile Homes	\$18,995	\$22,954
Commercial / Non-Residential (per square foot)		
Commercial / Retail	N/A	\$2.72
Hotel	N/A	\$1.00
Office	N/A	\$4.62
Industrial	N/A	\$1.50

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CHILDCARE DEVELOPMENT FEE

Applicability: Applies to all commercial developments greater than 10,000 sq. ft. in size

Overview: City collects \$1.08 per square foot on large commercial projects ($\geq 10,000$ sq. ft.) to offset demand project generates for childcare spaces

Key Components Reviewed:

- Existing Childcare Demand
- Projected Future Demand
- Construction Costs for Childcare Facilities
- Employees and Residents by Land Use

CHILDCARE DEVELOPMENT FEE

Land Use	Current Fee*	Full Cost
Residential (per dwelling unit)		
Single Family	N/A	\$4,308
Multi-Family	N/A	\$3,107
Commercial / Non-Residential (per square foot)		
Commercial	\$1.08	\$0.36
Office	\$1.08	\$0.62
Industrial	\$1.08	\$0.20
Hotel	\$1.08	\$0.13

*Current fee applies only to projects $\geq 10,000$ sq. ft.

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TRANSPORTATION IMPROVEMENT FEE

Applicability: Applies to residential uses as well as retail, office, and industrial uses

Overview: New development adds an additional burden on the City's transportation infrastructure, and revenue from this fee can be used to pay for transportation-related improvements that mitigate those impacts

Key Components Reviewed:

- Projected Future Growth (Residential and Commercial)
- Trip Rates by Land Use
- Employee and Resident Density by Land Use
- Transportation Improvement Project Listings

Additional Considerations: This is an interim update of the TIF, and a comprehensive review should be done once the General Plan Update is complete

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TRANSPORTATION IMPROVEMENT FEE

Land Use	Current Fee	Full Cost
Residential (per dwelling unit)		
Single Family	\$4,761	\$6,255
Multi-Family	\$2,922	\$3,159
Commercial / Non-Residential (per square foot)		
Industrial	\$2.85	\$4.18
Retail	\$8.19	\$25.26
Office	\$4.37	\$7.62
Institution	N/A	\$3.25
Hotel (per room)	N/A	\$3,978

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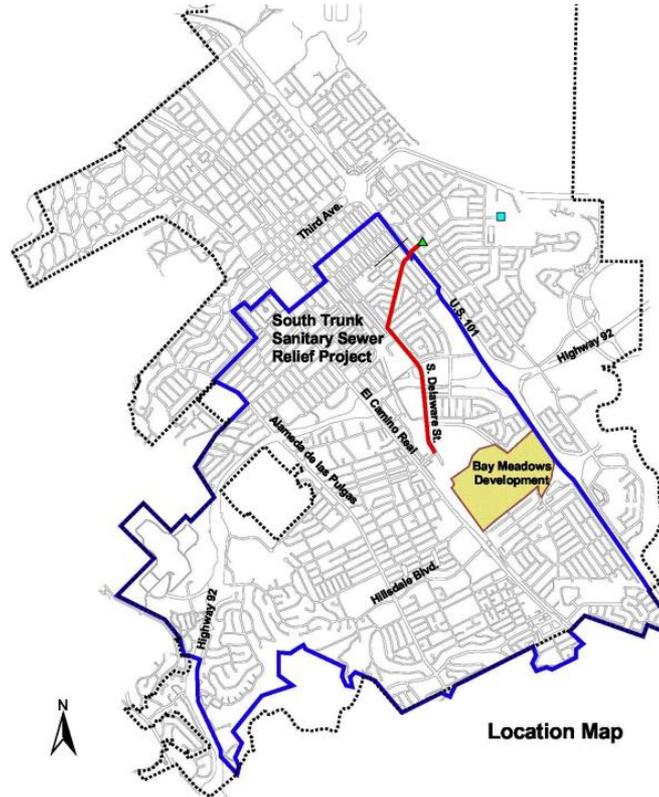
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SEWER FEES



Location Map

All projects pay:

- Wastewater Treatment Plan Phase II Expansion Fee
- Sewer Connection Fees

Projects in South Trunk Service Area (blue-bounded on map) also pay:

- South Trunk Sewer Improvement Fee

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Recommendation: Single set of wastewater capacity charges that apply across the City

Justification: The City's capital improvement plans and wastewater system have evolved in such a way that future infrastructure improvements will benefit the entire City rather than any one service area

Overview: Used average cost approach, which ensures new connections pay for their proportionate share of the average cost of facilities, both existing and planned, needed to meet the demands of the City's service area

SEWER FEES

Land Use	Current Fee	Current Fee in South Trunk Service Area	Full Cost
Residential (per dwelling unit)			
Single Family	\$3,060	\$8,069	\$12,523
Multi-Family (per 2 bedroom unit)	\$1,991	\$5,747	\$10,436
Commercial / Non-Residential			
Hotel (per room)	\$1,500	\$4,004	\$6,262
All other Commercial/Institutional uses are based on wastewater strength and meter size (average daily flow)			

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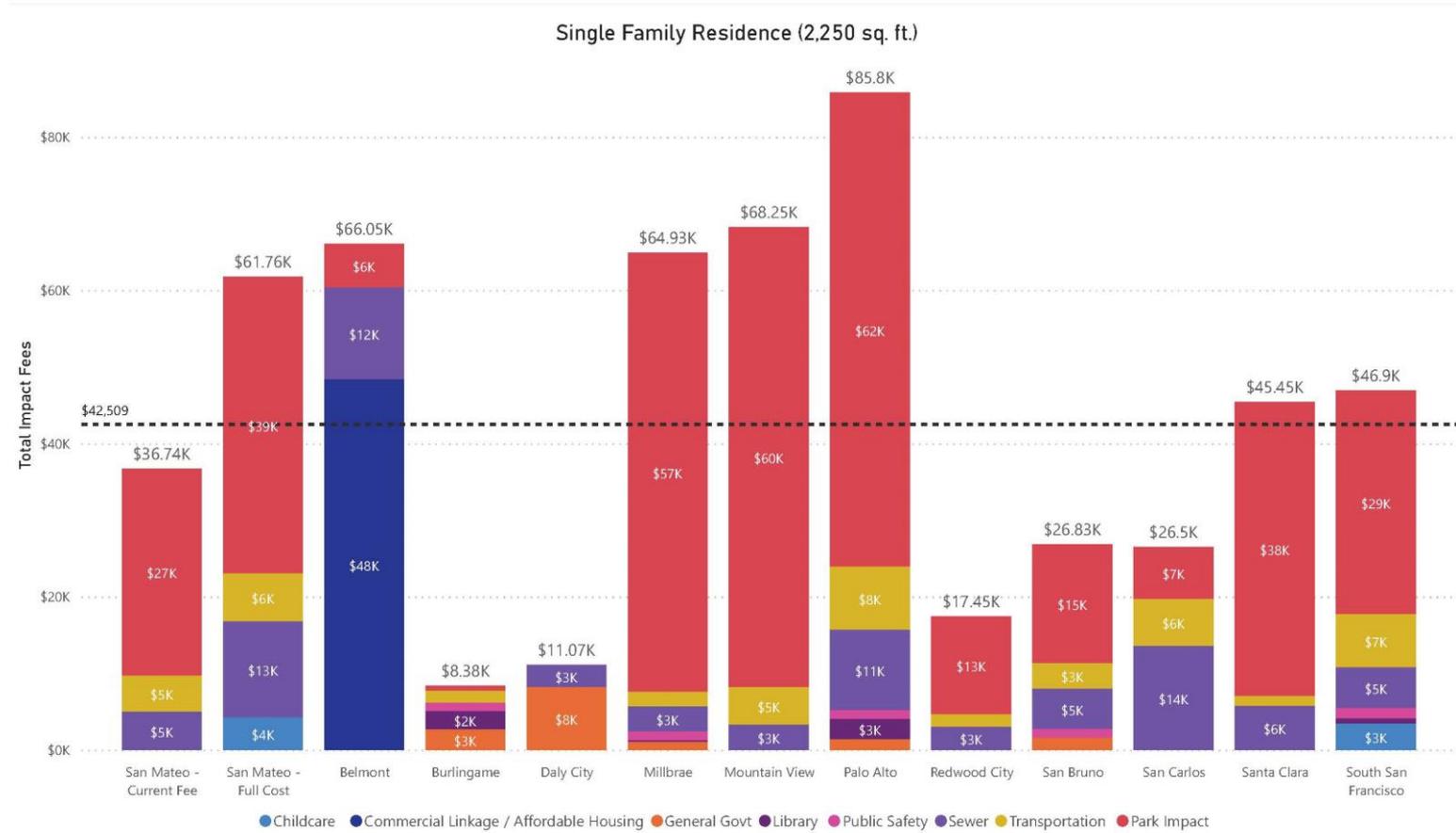
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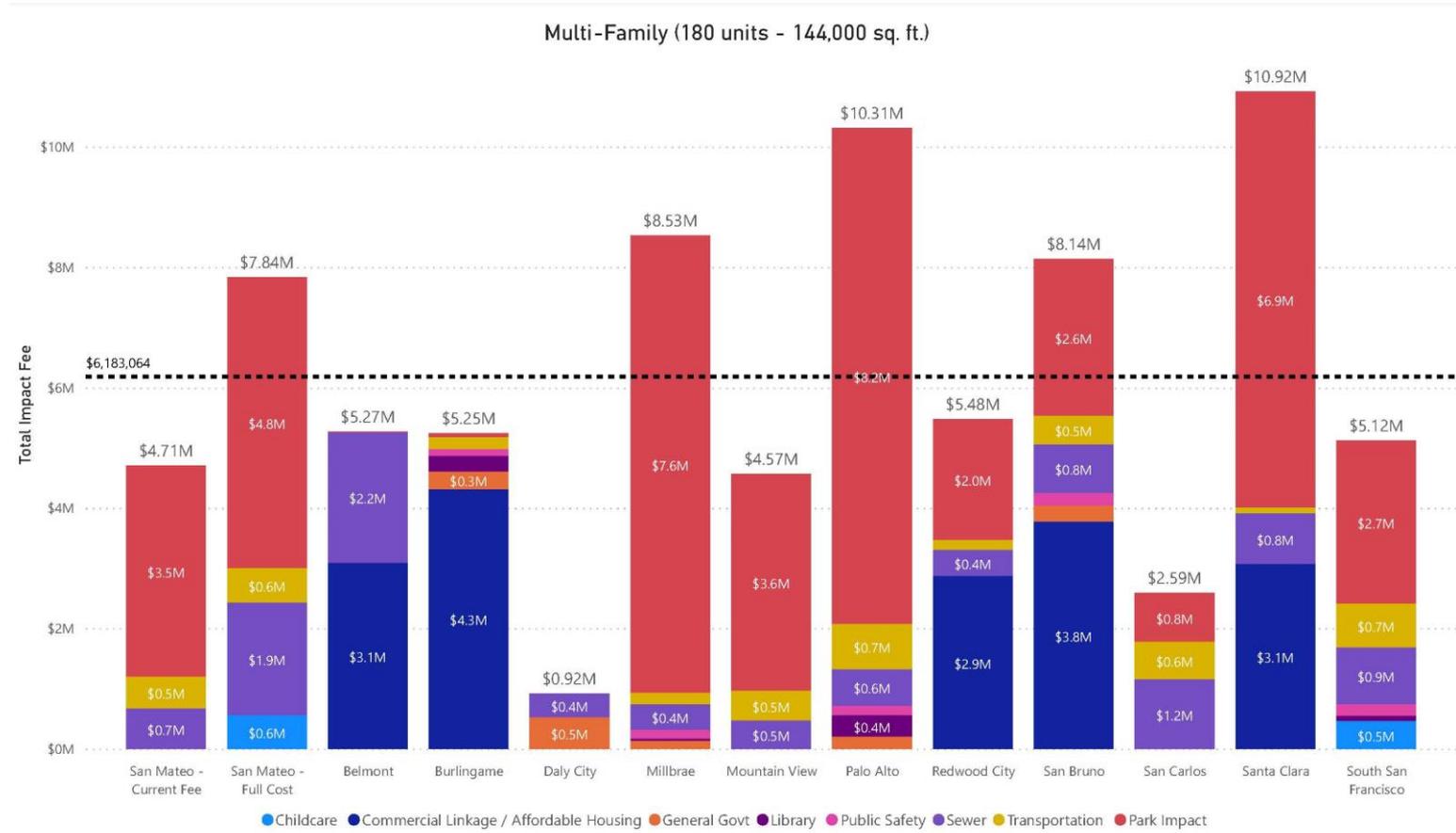
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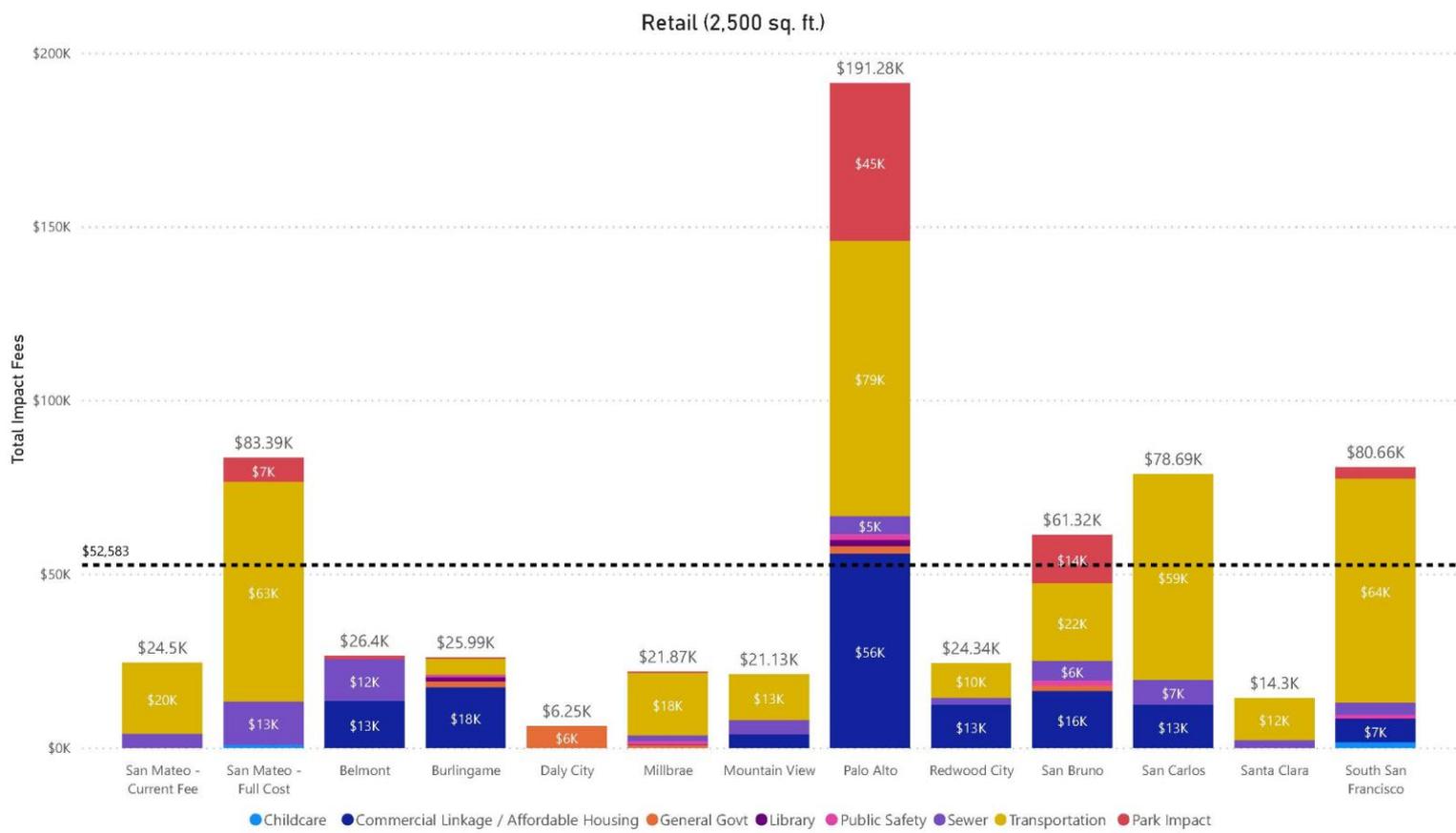
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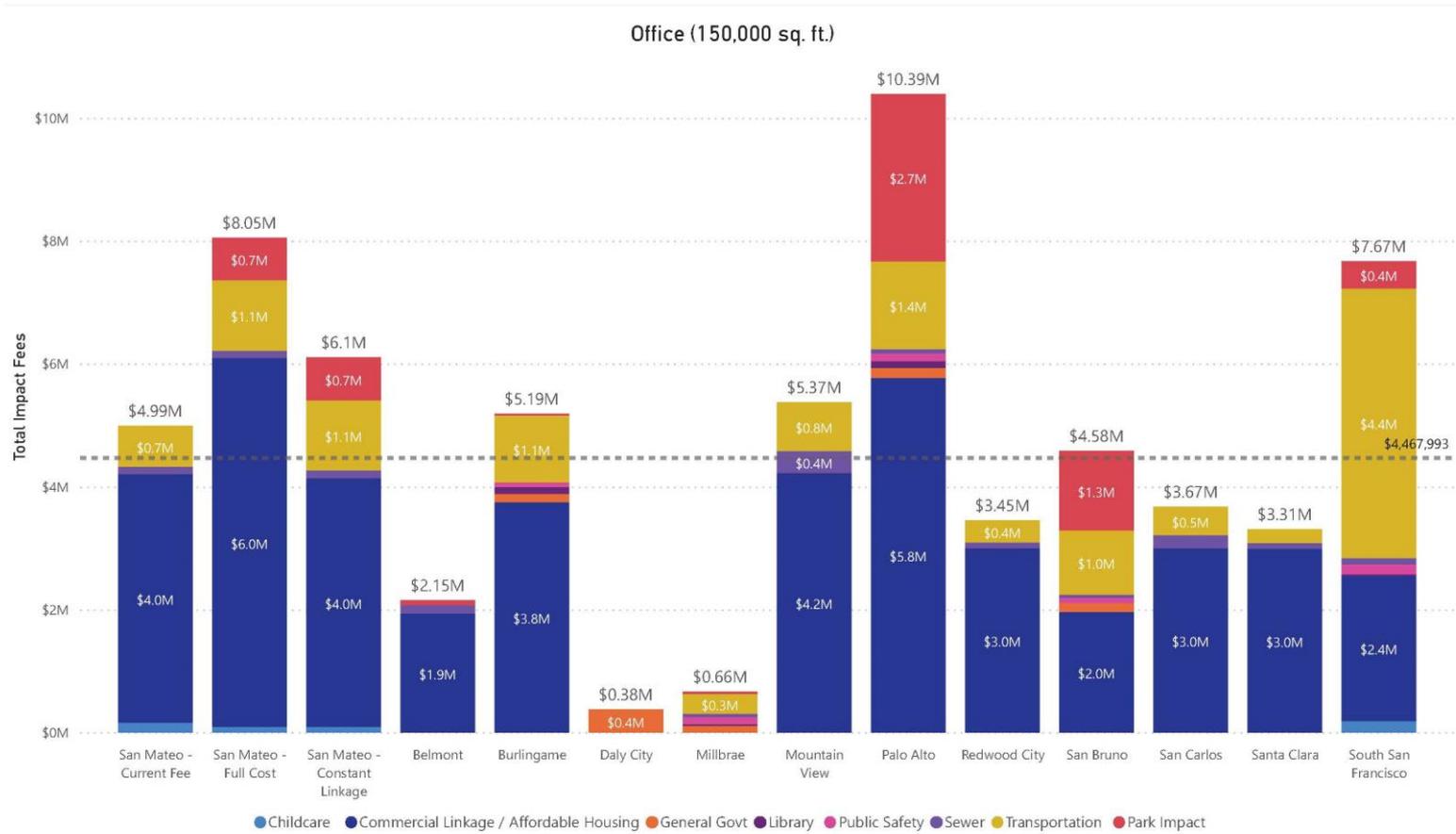
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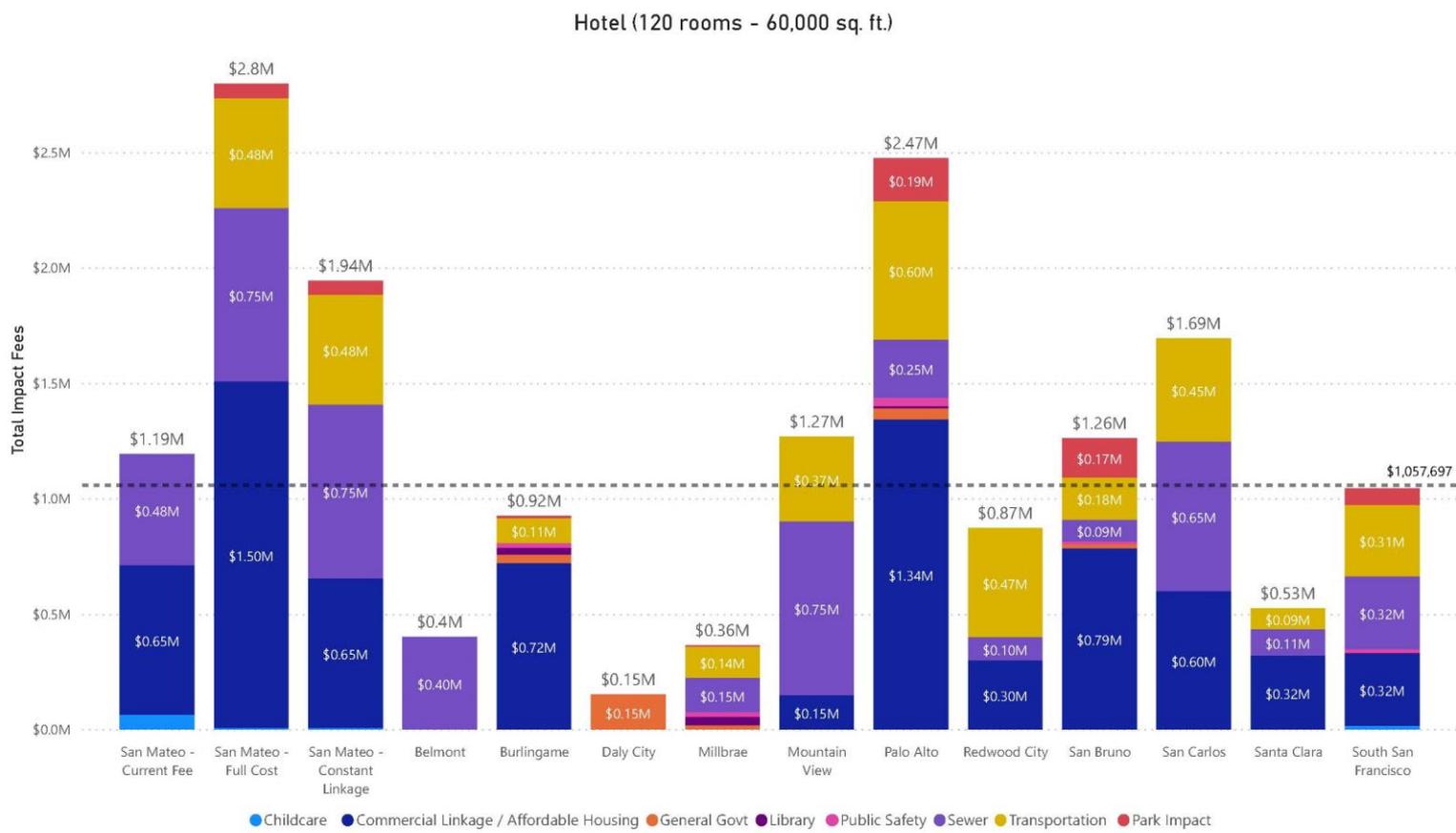
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DEVELOPER FEEDBACK

Staff held a virtual meeting with several members of the development community on 5/13 to present the high-level findings of the studies. Comments mostly focused on the following:

Timing of implementation: Staff received several questions about when these fees would be implemented and which existing projects would be allowed to pay current fees vs. the revised fees

Impact on multi-family housing: Developers raised questions about how fee changes could affect future multi-family developments, particularly the production of affordable units

Feasibility and jurisdictional comparisons: Staff also received questions about how San Mateo compared to surrounding jurisdictions, why we might be higher/lower, and how that could impact project feasibility

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GUIDANCE REQUESTED FROM COUNCIL

- 1. Is the Council comfortable with the proposed structural changes to the Park Impact/In-Lieu, Childcare Impact, and Sewer Fees?**
- 2. Does the Council wish to subsidize any of the fees presented tonight, either to achieve a specific policy aim or to maintain a fee structure aligned with peer jurisdictions?**
- 3. When would the Council like any changes to go into effect, and how should they apply to projects currently in the pipeline?**
- 4. Does the Council have any additional direction or concerns with the information presented in the nexus studies?**