



July 13, 2018

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City of Santa Clara
1500 Warburton Avenue
Santa Clara, CA 95050

Transmitted by email

Re: Park and Recreational Land Ordinance - Adoption of 2018-19 Park In-Lieu Fee Schedule for New Residential Development

Dear Manuel,

On behalf of BIA Bay Area, thank you for scheduling the meetings over the last few weeks to discuss and receive feedback regarding Parks in lieu fee increases. The stakeholders meeting especially was very much appreciated. In the future, it should be the intent of the City to hold meetings with the development stakeholder community prior to taking any new or significantly increased fee increase to Council hearing.

Many important discussion points were covered by both the City and the home builders. We hope you'll value the stakeholder input as you form policy options. Proposed parks in lieu fee increases from 42% up to 47% are extremely difficult if not impossible for projects to incorporate on such short notice; the City would best serve its residents and businesses by adopting fees that increase in more rational and reasonable percentages.

An important point is that the fee increase unreasonably relies on a massive increase in the "improvements" line of the overall Parkland Dedication In Lieu Fee calculation. The City has presented the 2018 update as a simple modification to the existing park values used in the 2014 Nexus Study, but those values are derived using an entirely different methodology (existing inventory) than the 2018 fee proposal which relies on the Kitchell Report (total cost recovery).

In Section 2. G. of the City Council Resolution Establishing the Parkland In-Lieu Fee for 2018-19 the City replaced the value of the Improvements and Special Use Facilities of \$78,100,633 with a value of \$403,043,173. This drives the Improvements and Special Use Facilities Cost per Acre from \$319,000 to \$1,611,105 per acre, a 500% increase from 2014 to 2017. This is not a reasonable annual fee update.

BIA has offered a peer review study of the City proposal conducted by Development & Financial Advisory (DFA) that calls out several inconsistencies with the methodology employed in this action to raise Parks fees. We sincerely hope that you will seriously consider adopting recommendations put forward in that report, including:

- Update the Nexus Study using current “existing inventory values” methodology utilized in the 2014 Wildan Study. Use current PEP values for City Park Facilities, rather than the “total replacement cost” methodology used in the Kitchell Report;
- Eliminate from the inventory several facilities which are not parks and are not identified in the 2014 Nexus Study as City park facilities; including the Agnews Historic Clocktower, Auditorium and Mansion, the Mission Center for the Performing Arts, and the Mission College Sports Complex;
- Identify which park facilities are actually owned by the City, as nearly 40 acres of the 295 identified appear to be owned by other agencies including school districts;
- Update the City population from 116,468 to 125,948
- Update the person per household density factors assumed for single family (2.90) and multifamily (2.24)

The Tasman East Specific Plan development group has put forward to the City valid concerns regarding the Annual Land Appraisal by the Schmidt Prescott Group. BIA supports the TE group’s recommendation that the City order the appraiser to update the report based on standard appraisal practices that include adjustments to City fees, as well as utilizing a more objective approach when making adjustments for the different zip codes.

The bottom line is that onerous fee increases threaten the ability of developers to get projects to pencil. Careful consideration must be given to timing and amount of additional cost and fee burdens placed on new development; Santa Clara is proposing four new fees or significantly increased fees in the next few months.

Impact fees, restrictive land use regulations, infrastructure costs, and rising labor costs create serious impediments to addressing the housing affordability crisis the region is facing. It is critical that the City of Santa Clara continue to produce housing for all incomes. The City’s jobs/housing imbalance is a testament to the under production of housing to meet the demands of its robust economy.

BIA is looking forward to additional meetings to find a solution that is fair and reasonable for both the City and the development industry. Please feel free to contact me with any questions or comments.

Very truly yours,

Dennis Martin
BIA Government Affairs