
Review of Park and Recreation Development Impact Fee Update

City of Santa Clara
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Prepared by:



Development & Financial Advisory

Background

Development & Financial Advisory (“DFA”) was retained by the Building Industry Association of the Bay Area (“BIA”) to conduct an evaluation of the City of Santa Clara (“City”) Park and Recreation Facilities Development Impact Fees (“Park Fees”).

With more than 60 years of combined experience, the DFA team of advisors has successfully advised clients throughout California with preparation and advisory of nexus-based studies and analyses. Experience includes the preparation of public infrastructure financing plans, park and recreation facility nexus analysis and funding programs, large and small-scale development impact fee credit and reimbursement agreements as well as providing litigation support and expert witness testimony on nexus related matters.

Contents of the Report

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1. Scope of Work

The scope of work comprised of the review and evaluation of the City Park and Recreation Facilities Fees and relevant supporting documents. Included in the review and evaluation was an assessment of consistency among the nexus assumptions, the Park and Recreation Land ordinance, City general plan and City parkland inventory, and the Facility Condition Assessment Report prepared by Kitchell CEM. In addition, DFA evaluated specific methodologies and assumptions utilized in the City nexus analysis, and the Kitchell Report.

2. Information and Source Documents

Based on accessible public information, including City agenda documents, City website and other online research, the following documents and information were collected and reviewed.

- i) City Park and Recreation Facilities Development Impact Fee Study, June 25, 2014 (“2014 Nexus Study”)
- ii) Facility Condition Assessment Report, Dated February 21, 2018. (“Kitchell Report”)
- iii) City Council Resolution Establishing the Parkland In-Lieu Fee for 2018-19 (“Park Fee Update Resolution”)

3. Evaluation and Findings of Report

2018 Fee Update for FY18-19: The City Council updated the park impact fee for FY18-19 with the Park Fee Update Resolution. This update uses the 2014 Nexus Study to justify the park fees and updates it with values taken from the Kitchell Report. This approach of incorporating cost estimates from the facility

condition assessment report into the previous nexus report is erroneous and potentially invalidates the City’s proposed adoption of 2018-19 park fees due to the misguided use of information extracted from the Kitchell Report. This approach contradicts the nexus methodology adopted by City Council when the 2014 Nexus Study was approved. As described below, the reasons for this are as follows:

- 1) **Existing Inventory Methodology vs Total Replacement Cost:** The 2014 Nexus Study identifies the ‘Existing Inventory Methodology’ as the methodology used to determine the level of funding required from new development. The 2014 Nexus study outlines which current City facilities comprise the existing inventory and defines how they are valued. From the 2014 Nexus Study:

“To comply with the findings required under the law, facility standards must not burden new development with any cost associated with facility deficiencies attributable to existing development”

To this end, the 2014 Nexus Study identifies an inventory of existing parks and their corresponding park facility values based on the then-current City of Santa Clara Public Entity Property Insurance Program (PEPIP). The Kitchell Report however is a Facility Condition Assessment, with a defined purpose as follows:

- Inventory all Parks and Recreation Assets in the City’s Enterprise Asset Management System/Geographic Information System for use in a work order system;
- Assess asset conditions;
- Identify current deficiencies of the assets inventoried;
- Determine the costs of repair and/or replacement of the current deficiencies;
- Forecast anticipated future necessary renewals and costs for site systems over a 20-year life cycle;
- Assist the City in preventive maintenance planning; and
- Use in the Department’s Capital Improvement Project (CIP) budget planning.

The Kitchell Report defines Total Replacement Cost as follows, “the total cost to remove and replace the existing park or building in-kind”. It goes on, “the total replacement cost encompasses all aspects of a facility including those assets that are not expected to reach the end of their useful life within the next 20 years.”

The City’s proposed application of replacing the adopted methodology with total replacement costs of all City buildings and parks, is not valid and contradicts both the existing methodology adopted in the 2014 Nexus Study as well as commonly acceptable applications of nexus law. By using the replacement cost estimates from the Kitchell Report, the City (i) ignores existing facility standards and thereby charges new development an excessive level of service compared to existing service levels and (ii) overburdens new development with a cost basis driven by asset replacement costs rather than existing inventory values – as defined by adopted methodology in the 2014 Nexus Study.

- 2) **Additional Issues with using Kitchell Report Values:** Beyond the inability of the 2014 Nexus Study to demonstrate a nexus between the Total Replacement Cost and new development, there are a number of additional issue which serve to show the degree to which the facility values in the Kitchell Report are inapplicable to the 2014 Nexus Study.

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- a. **Inconsistent values between Kitchell Report and Fee Update Resolution.** In Section 2. G. of the Park Fee Update Resolution, the City Council 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. This change is because the City replaced the analysis in Appendix A.1. of the Nexus study with the Kitchell Report. *Note while the Resolution uses a value of \$403,043,173; the draft of the report provided to DFA shows a total value of \$408,683,013.* DFA cannot determine which facilities were removed from this total, but the Park Fee Update Resolution clearly indicates the Kitchell Report dated February 21, 2018. Please see Figure 1 for a listing of the park values in the Kitchell Report.
- b. **Additional Facilities included in Kitchell Report:** Of the \$408,683,013 of Total Replacement costs identified in the Kitchell Report only of \$233,918,522 represents park facilities identified in the 2014 Nexus Study as existing inventory. This means the Fee Update Resolution further violates the 2014 Nexus Study by including items as existing inventory which were specifically excluded previously. Please see Figure 2 for this comparison. Examples of this include:
- i. The “Agnews Historic Park Clocktower, Mansion & Auditorium” valued at \$62,988,240
 - ii. The “Mission City Center for the Performing Arts” valued at \$40,462,347
- c. **Revenue from Sold Facilities:** Of the initial \$78.1mm of existing facilities in the 2014 Nexus Study, only about \$64mm are included in the Kitchell Report (these facilities were valued at \$233.9mm, per above). This means that:
- i. The City needs to account for offsetting revenue from sale of the Santa Clara Golf and Tennis Club and,
 - ii. This means the City is valuing, on average the same park facility inventory at 939% more than in 2014.
- d. **Revenue from Sold Vehicles:** The City did not update the vehicle / fleet costs between 2014 and 2018 but needs to account for offsetting revenue from sold vehicles.
- e. **No Value Given to Existing Capacity / Population Changes:** From 2014 to 2017, the City did not expand its park inventory, therefore, some current capacity must have been in the park system. If not, in 2018, the current City population should be used, and the park acreage per resident should be adjusted. The 2014 Nexus Study used the 2010 Census estimate of 116,468 residents, the 2016 estimate is 125,948. If large adjustments are made to other parts of the study, then updates to the population per acre of parkland should be made as well.

- f. **Several Parks in the 2014 Nexus Study not Owned by City:** At least three of park sites are do not appear to be owned by the City and if confirmed, should be removed from the existing park inventory:
- i. Elmer Johnson Field (5.1 Acres), Townsend Field (5.00 acres), and Washington Park Baseball Field (8.2 acres), are all owned by SCUSD. The City paid to build or repair these facilities and maintains them but SCUSD owns the land.
 - ii. Mission College Sports Complex (19.40 acres) may be owned by Mission College and not the City.

4. Conclusions and Recommendations

The City has presented the 2018 update as simple modification to the existing park values used in the 2014 Nexus Study, but those values are derived using (i) an entirely different methodology (as described in section 1 above), (ii) include several facilities which are not parks and are not identified in the 2014 Nexus Study as City park facilities, and (iii) are the “Total Replacement Cost” of current City facilities, some of which are in poor or critical condition. For these reasons, the fee should be paid under protest as this is not a valid way to update the City’s park fee Nexus Study, and the City should rescind this fee increase so as not to violate the AB1600 Nexus Requirements.

Additionally, if the City is going to update their Park Nexus Study, the City needs to

- Use current PEPPIP values for City Park Facilities
- 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
- Update the City population from 116,468 to 125,948
- Identify any revenue from the sale assets such as vehicles and or the Santa Clara Golf and Tennis Club.

Figure 1: Updated Park Costs Adopted by City Council:

Park Name	In 2014 Nexus Study?	Cost in 2018 Update
Agnew Park	Yes	\$ 2,599,954.00
Agnews Historic Cemetary	Yes	\$ 1,952,839.00
Agnews Historic Park Clocktower, Mansion & Auditorium	No	\$ 62,988,240.00
Bowers Park	Yes	\$ 7,985,990.00
Bracher Park	Yes	\$ 1,544,543.00
Central Park - East	Yes	\$ 23,795,447.00
Central Park - West	Yes	\$ 6,211,578.00
City Plaza Park	Yes	\$ 614,380.00
Community Recreation Center	Yes	\$ 31,465,160.00
Civic Center Park	No	\$ 937,765.00
Earl R. Carmichael Park (Gymnastics Center)	Yes	\$ 8,206,192.00
Elmer Johnson Field	No	\$ 516,621.00
Everett Alvarez Jr. Park	Yes	\$ 1,659,520.00
Fairway Glen Park	No	\$ 1,613,055.00
Former Kaiser Hospital Site	Yes	\$ -
Fremont Park	No	\$ 518,591.00
Fuller Street Park	Yes	\$ 1,330,530.00
Geof Goodfellow Sesquicentennial Park	No	\$ 160,482.00
Henry Schmidt Park	Yes	\$ 5,936,200.00
Homeridge Park	Yes	\$ 1,458,076.00
International Swim Center	Yes	\$ 29,858,132.00
Jenny Strand Park	Yes	\$ 1,837,509.00
Larry J Marsalli Park	Yes	\$ 2,844,153.00
Lick Mill Park	Yes	\$ 8,727,244.00
Live Oak Park	Yes	\$ 1,914,760.00
Machado Park	Yes	\$ 2,743,204.00
Mary Gomez Park	Yes	\$ 8,720,015.00
Maywood Park	Yes	\$ 4,354,105.00
Memorial Cross Park	No	\$ 98,675.00
Mission City Center for the Performing Arts {Zero Acreage}	No	\$ 40,462,347.00
Mission City Memorial Park	Yes	\$ 14,681,258.00
Mission College Sports Complex	No	\$ 10,388,599.00
Montague Park	Yes	\$ 9,427,856.00
Montague Swim Center	Yes	\$ 5,652,344.00
Parkway Park	Yes	\$ 1,600,547.00
Raymond G Gamma Dog Park (Reed street)	No	\$ 377,960.00
Rotary Park	No	\$ 220,887.00
San Tomas Aquino Creek Trail	No	\$ 4,301,154.00
Santa Clara Senior Center	Yes	\$ 33,055,038.00
Santa Clara Youth Soccer Park	Yes	\$ 12,951,111.00
Skate Park	Yes	\$ 1,387,241.00
Steve Carli Park	Yes	\$ 2,683,243.00
Teen Center	Yes	\$ 9,561,295.00
Thamien Park	Yes	\$ 2,304,980.00
Thomas Barrett Park (BAREC)	No	\$ 1,129,456.00
Townsend Field	No	\$ 643,926.00
Ulistac Natural Area	No	\$ 306,362.00
Walter E. Schmidt Youth Activity Center	Yes	\$ 20,968,986.00
War Memorial Playground	Yes	\$ 1,203,302.00
Warburton Park and Pool	Yes	\$ 6,496,017.00
Washington Park Baseball Field	No	\$ 3,583,539.00
Westwood Oaks Park	Yes	\$ 2,702,605.00
Total Park Costs		\$408,683,013

Figure 2: Analysis of Parks Identified as Current Inventory in the 2014 Nexus Study

Park Name	Cost in 2014 Nexus Study	Total Replacement Cost in 2018 Update	Current Kitch 2018 Value	Percentage Increase
Agnew Park	\$ 257,890	\$ 2,599,954	\$ 2,093,736	812%
Agnews Historic Cemetary	\$ 129,818	\$ 1,952,839	\$ 1,952,483	1504%
Bowers Park	\$ 367,949	\$ 7,985,990	\$ 7,124,702	1936%
Bracher Park	\$ 273,101	\$ 1,544,543	\$ 1,502,958	550%
Central Park - East	\$ 1,644,630	\$ 23,795,447	\$ 20,566,642	1251%
Central Park - West	\$ 1,644,630	\$ 6,211,578	\$ 4,719,883	287%
City Plaza Park	\$ 162,062	\$ 614,380	\$ 575,729	355%
Community Recreation Center	\$ 15,070,384	\$ 31,465,160	\$ 30,438,220	202%
Earl R. Carmichael Park (Gymnastics Center)	\$ 432,007	\$ 8,206,192	\$ 7,566,681	1752%
Everett Alvarez Jr. Park	\$ 176,368	\$ 1,659,520	\$ 1,643,813	932%
Fuller Street Park	\$ 74,409	\$ 1,330,530	\$ 1,315,913	1768%
Henry Schmidt Park	\$ 459,381	\$ 5,936,200	\$ 5,324,613	1159%
Homeridge Park	\$ 183,197	\$ 1,458,076	\$ 898,303	490%
International Swim Center	\$ 9,258,413	\$ 29,858,132	\$ 5,431,861	59%
Jenny Strand Park	\$ 120,970	\$ 1,837,509	\$ 1,639,908	1356%
Larry J Marsalli Park	\$ 144,980	\$ 2,844,153	\$ 2,477,244	1709%
Lick Mill Park	\$ 889,577	\$ 8,727,244	\$ 8,065,259	907%
Live Oak Park	\$ 237,321	\$ 1,914,760	\$ 1,881,766	793%
Machado Park	\$ 322,144	\$ 2,743,204	\$ 2,105,481	654%
Mary Gomez Park	\$ 2,040,040	\$ 8,720,015	\$ 7,248,084	355%
Maywood Park	\$ 324,043	\$ 4,354,105	\$ 3,484,324	1075%
Mission City Memorial Park	\$ 1,525,971	\$ 14,681,258	\$ 12,734,630	835%
Montague Park	\$ 928,178	\$ 9,427,856	\$ 8,753,326	943%
Montague Swim Center	\$ 928,178	\$ 5,652,344	\$ 2,639,385	284%
Parkway Park	\$ 436,265	\$ 1,600,547	\$ 1,559,943	358%
Santa Clara Senior Center	\$ 14,894,873	\$ 33,055,038	\$ 32,311,359	217%
Santa Clara Youth Soccer Park	\$ 687,057	\$ 12,951,111	\$ 12,785,279	1861%
Skate Park	\$ 141,179	\$ 1,387,241	\$ 1,372,758	972%
Steve Carli Park	\$ 65,023	\$ 2,683,243	\$ 2,529,067	3889%
Teen Center	\$ 3,558,506	\$ 9,561,295	\$ 9,369,841	263%
Thamien Park	\$ 198,312	\$ 2,304,980	\$ 2,292,951	1156%
Walter E. Schmidt Youth Activity Center	\$ 5,572,728	\$ 20,968,986	\$ 20,516,512	368%
War Memorial Playground	\$ 172,474	\$ 1,203,302	\$ 1,200,296	696%
Warburton Park and Pool	\$ 1,061,964	\$ 6,496,017	\$ 5,836,638	550%
Westwood Oaks Park	\$ 340,680	\$ 2,702,605	\$ 1,958,934	575%
	\$ 64,724,700	\$ 280,435,354	\$ 233,918,522	939%