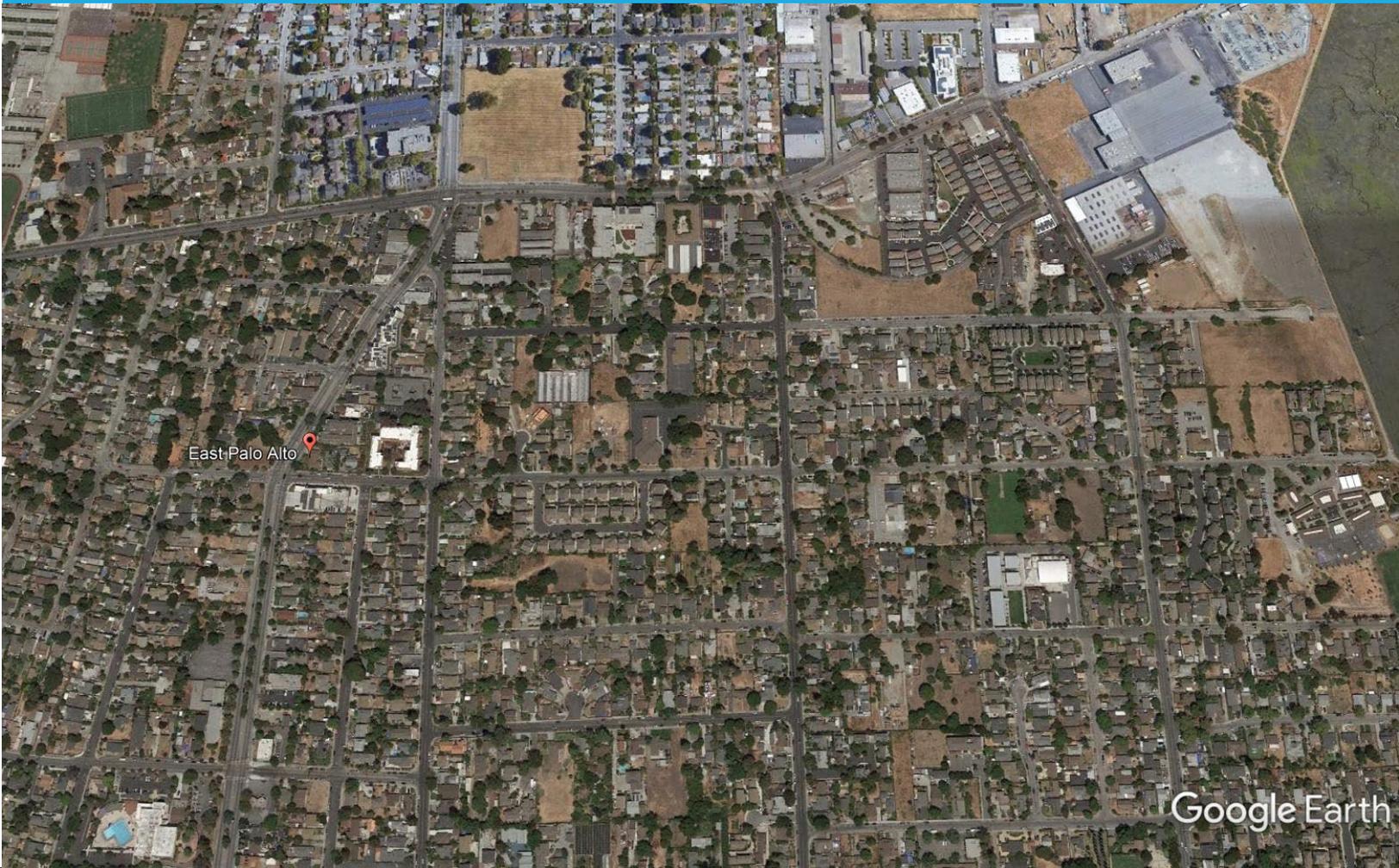


# City of East Palo Alto, CA



# Development Impact Fee Report

**Fiscal Year Ended June 30, 2019**

Revised 12-6-2019



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The Finance Department gratefully acknowledges  
the Annual Fee Reporting example of the City of  
Brentwood, Ca.

# Development Impact Fee Report

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# Transmittal Letter

Honorable Mayor Lisa Gauthier  
Honorable Vice Mayor Regina Wallace Jones  
Members of the City Council  
Citizens of East Palo Alto, California

State law requires any local agency that imposes development impact fees to prepare an annual report providing specific information about those fees. As such, in accordance with the provisions of the California Government Code Section 66006 (b) and 66001 (d), as amended by Assembly Bill (AB) 518 and Senate Bill (SB) 1693, we submit the Development Impact Fee (DIF) Report for the City of East Palo Alto, California for the fiscal year (FY) ended June 30, 2019.

DIFs are charged by local governmental agencies in connection with the approval of development projects. The purpose of these fees is to defray all or a portion of the cost of public facilities related to the development project. The legal requirements for enactment of a DIF program are set forth in Government Code Sections §66000 - 66025 (the "Mitigation Fee Act"). The Mitigation Fee Act is commonly referred as "AB 1600".

Previously, the City primarily collected fees pursuant to redevelopment agency agreements or statutory development agreements or collected certain in-lieu fees considered zoning-related use restrictions; such fees and collections are not subject to AB 1600 reporting requirements. Since 2014, the City has adopted Affordable Housing Residential fees (2014), Affordable Housing Commercial Linkage fees (2016), and Water Capacity fees (2018). City also collected certain storm drainage fees pursuant to Ordinance 241 establishing requirements for street and drainage dedication and improvements. Subsequent to the current reporting period, the City adopted comprehensive fees related to storm drainage, transportation, parks, and public facilities. It is notable the City imposed a two-year water connection moratorium effectively halting development from July 2016 to August 2018.

State law requires the City prepare and make available to the public the DIF Report within 180 days after the last day of each fiscal year. The City Council must consider the acceptance of the annual report at a regularly scheduled public meeting. The information must be made available to the public no fewer than fifteen days prior to the meeting. This report was filed with the City Clerk's office and available for public review on December 2, 2019, and presented with noted amendments.

Respectfully submitted,



Brenda Olwin  
Finance Director

# Legal Requirements for Development Impact Fee Reporting

## California Government Code Section 66006(b)

California Government Code Section 66006 (b) defines the specific reporting requirements for local agencies that impose AB 1600 impact fees on new development. Annually, for each separate fund established for the collection and expenditure of impact fees, the local agency shall, within 180 days after the last day of each fiscal year, make available to the public the information shown below for the most recent fiscal year. The applicable page numbers for the location where each item can be found in the report are provided for reference.

- A brief description of the type of fee in the account or fund. (Page 4)
- The amount of the fee. (Page 5)
- The beginning and ending balance of the account or fund. (Page 6)
- The amount collected and interest earned. (Page 6)
- An identification of each public improvement on which fees were expended and the amount of expenditures on each improvement. (Page 7 & Page 9)
- An identification of an approximate date by which the construction of the public improvement will commence if the local agency determines adequate funds have been collected to complete financing on an incomplete public improvement.
  - Not applicable during FY 2018-19
- A description of each interfund transfer or loan made from the account or fund, including the public improvement on which the transferred or loaned fees will be expended, and, in the case of an interfund loan, the date on which the loan will be repaid and the rate of interest that the account or fund will receive on the loan.
  - Not applicable during FY 2018-19
- The amount of refunds made due to adequate funds being collected to complete financing on incomplete public improvements, and the amount of reallocation of funds made due to administrative costs of refunding unexpended revenues exceeding the amount to be refunded.
  - Not applicable during FY 2018-19

## **California Government Code Section 66001(d)**

For all funds established for the collection and expenditure of DIFs, California Government Code Section 66001 (d) has additional requirements. For the fifth fiscal year following the first deposit into the fund and every five years thereafter, the local agency shall make the following findings with respect to that portion of the fund remaining unexpended, whether committed or uncommitted:

- Identify the purpose to which the fee is to be put.
- Demonstrate a reasonable relationship between the fee and purpose for which it is charged.
- Identify all sources and amounts of funding anticipated to complete financing of incomplete improvements.
- Designate the approximate dates on which the funding is expected to be deposited into the appropriate account or fund.

As of June 30, 2019, the City has no DIF funds held past the fifth year of the first deposit, therefore no further reporting required.

## **Capital Improvement Program (CIP)**

The State of California Government Code Section 66002 states that local agencies that have developed a fee program may adopt a CIP indicating the approximate location, size and timing of projects, plus an estimate for the cost of all facilities or improvements to be financed by fees. A formal CIP is recommended, at a minimum, as a five-year plan. The City produces a five-year CIP which helps to maintain and support the City's General Plan as well as identify infrastructure needed to accommodate the planned development.

## **Establishment of Reasonable Relationship - Nexus Requirement**

Since FY 2014-15, the City has adopted the following DIF:

Affordable Housing Residential - July 15, 2014

Affordable Housing Commercial Linkage - July 19, 2016

Water Capacity – July 31, 2018

Park and Trails, Transportation Infrastructure, Public Facilities, Storm Drainage – effective July 2, 2019

All fees were adopted following a Nexus Study demonstrating that the fees conform to AB 1600 requirements. Specifically, that there is a reasonable relationship between the infrastructure burdens of development growth and the amount of fee. For information regarding impact fees, including those adopted and effective on July 2, 2019 please refer to the City's website at: <http://www.ci.east-palo-alto.ca.us/index.aspx?nid=665>.

Adjustments to the fees shall be made annually in accordance with the Engineering News Record Construction Cost Index. The Fee Nexus studies set forth the relationships between contemplated

future development, facilities needed to serve future development and the estimated costs of those improvements based on the current General Plan for build-out. Comprehensive updates to the program are completed on an as-needed basis to ensure the program continues to reflect the appropriate fees in relation to updated costs.

## Description of Development Impact Fees

- **Water Capacity Fees**  
To recover the costs of water system infrastructure and water supply to ensure that future development pays its own way and does not place a burden on existing customers. To provide new or increased water system infrastructure capacity needs due to new or intensified development.
- **Affordable Housing Fee – Residential Development**  
To provide a share of the regional housing need, assist the City in meeting housing obligations and implement the Housing Element of the City's General Plan.
- **Affordable Housing Fee – Commercial Development**  
To enhance the public welfare by imposing a nonresidential development project Housing Impact Fee whereby developers of nonresidential development projects will mitigate the impacts of their projects on the need for affordable housing by contributing to the supply of housing for households with very low, low, and moderate incomes. Further, to implement the Housing Element by creating a mechanism to provide benefits to the community from new development in the form of affordable housing, thereby helping to meet the needs of all socioeconomic elements of the community as provided in the Housing Element.
- **Storm Drainage Fee**  
To provide critical infrastructure to prevent flooding of streets during rain events. Following the adoption of comprehensive development impact fees, including storm drainage fees, this fee program ended on July 2, 2019. It consisted of two components:
  - Project Contribution to the O'Connor Pump Station Improvement Project
  - Project Contribution to storm drainage improvement projects in the City per the East Palo Alto Street and Drainage Dedication and Improvement Ordinance (Ordinance 241).

# FY 2018-19 Fee Schedule

**TABLE 1. WATER CAPACITY FEE**

Residential		Non-Residential				
Single-Family / Townhouse <sup>1</sup>	Multi-family Housing <sup>1</sup>	3/4 Inch Meter	1 Inch Meter	1.5 Inch Meter	2 Inch Meter	Larger <sup>2</sup>
\$8,147	\$5,014	\$11,907	\$19,845	\$39,691	\$63,505	\$31.33

- 1. Fee Per Dwelling Unit
- 2. Fee Per Anticipated Gallon Per Day

**TABLE 2. AFFORDABLE HOUSING FEES**

Residential				Non-Residential	
Rental <sup>1</sup>	Single Family <sup>1</sup>	Townhome <sup>1</sup>	Condo (Inside RBD) <sup>1</sup>	Condo (Outside RBD) <sup>1</sup>	Commercial <sup>1</sup>
\$25.35	\$36.22	\$34.78	\$50.98	\$67.62	\$10.72

- 1. Fee Per Square Foot

**TABLE 3. STORM DRAINAGE FEE**

**\$145 per linear foot of street frontage**

# Fund Balances

## Statement of Revenues, Expenditures and Changes in Fund Balance

For Fiscal Year 2017-18 there was no change to fund balances for the City's current Development Impact Fee funds. No DIF funds received fee revenue or incurred expenditures. The Water Capacity Fee balance remains negative \$5,000,000 due to the FY 2017-18 acquisition of water rights for 1,000,000 gallons per day (1MGD) of guaranteed water supplied (ISG) under a Water Supply Agreement with the City and County of San Francisco.

# Collection and Use

## Water Capacity Fee

### Statement of Revenues, Expenditures and Changes in Fund Balance

#### Last Five Fiscal Years

Description	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19
<b>Revenue</b>					
Fees	\$ -	\$ 91,458	\$ -	\$ -	\$ -
Interest	-	-	718	1,199	-
<b>Total Revenue</b>	\$ -	\$ 91,458	\$ 718	\$ 1,199	\$ -
<b>Expenditures<sup>1</sup></b>	\$ -	\$ -	\$ -	\$ 5,093,376	\$ -
Revenue Over (Under) Expenditures	\$ -	\$ 91,458	\$ 718	\$ (5,092,176)	\$ -
Fund Balance Beginning of Year	-	-	91,458	92,176	(5,000,000)
<b>Fund Balance End of Year</b>	\$ -	\$ 91,458	\$ 92,176	\$ (5,000,000)	\$ (5,000,000)

#### Five-Year Revenue Test Using First In First Out Method

Revenue Available After Expenses:	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19
Current Fiscal Year	\$ -	\$ 91,458	\$ 718	\$ -	\$ -
Prior Fiscal Year (2-yr Old Funds)	-	-	91,458	-	-
Prior Fiscal Year (3-yr Old Funds)	-	-	-	-	-
Prior Fiscal Year (4-yr Old Funds)	-	-	-	-	-
Prior Fiscal Year (5-yr Old Funds)	-	-	-	-	-
In Excess of Five Prior Fiscal Years	-	-	-	-	-
<b>Total Revenue Available</b>	\$ -	\$ 91,458	\$ 92,176	\$ -	\$ -

1. \$5,093,376 in expenditures represent:
  - a. \$5,056,925 in Capitalizable Expenses related to the SFPUC water supply purchase from Mountain View and internal costs incurred.
  - b. \$36,450.60 in Capitalizable Expenses related to the Gloria Way Well. In total, this project has expended \$4,017,916.

## **Affordable Housing Impact Fees**

### **Statement of Revenues, Expenditures and Changes in Fund Balance**

No Affordable Housing fees subject to AB 1600 reporting requirements have been collected or expenses incurred through the period ended June 30, 2019.

## Storm Drainage Fee

### Statement of Revenues, Expenditures and Changes in Fund Balance<sup>1</sup>

#### Last Five Fiscal Years

Description	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19
<b>Revenue</b>					
Fees	\$ -	\$ 48,140	\$ -	\$ -	\$ -
Interest	488	529	556	-	-
<b>Total Revenue</b>	<b>\$ 488</b>	<b>\$ 48,669</b>	<b>\$ 556</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Expenditures<sup>a</sup></b>					
	<b>\$ 60,000</b>	<b>\$ 28,000</b>	<b>\$ 44,431</b>	<b>\$ -</b>	<b>\$ -</b>
Revenue Over (Under) Expenditures	\$ (59,512)	\$ 20,669	\$ (43,874)	\$ -	\$ -
Fund Balance Beginning of Year	82,718	23,205	43,875	-	-
<b>Fund Balance End of Year</b>	<b>\$ 23,205</b>	<b>\$ 43,875</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

#### Five-Year Revenue Test Using First In First Out Method

Revenue Available After Expenses:	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19
Current Fiscal Year	\$ 488	\$ 43,875	\$ -	\$ -	\$ -
Prior Fiscal Year (2-yr Old Funds)	229	-	-	-	-
Prior Fiscal Year (3-yr Old Funds)	1,127	-	-	-	-
Prior Fiscal Year (4-yr Old Funds)	10,074	-	-	-	-
Prior Fiscal Year (5-yr Old Funds)	11,288	-	-	-	-
In Excess of Five Prior Fiscal Years	-	-	-	-	-
<b>Total Revenue Available</b>	<b>\$ 23,205</b>	<b>\$ 43,875</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

- a. \$132,431 in expenditures are related to the Runnymede Storm Drain Project, Phase II. In total, this project has expended \$1,701,953.

<sup>1</sup> Project allocations and assigned expenses for this fee have been adjusted from the original report posted December 2, 2019. These adjustments result in the same year end fund balance for Fiscal Year 2018-19.