



CITY COUNCIL AGENDA REPORT

MEETING DATE: MARCH 15, 2005

ITEM NUMBER:

SUBJECT: PARK IN-LIEU IMPACT FEE ADJUSTMENTS
DATE: MARCH 1, 2005
FROM: PLANNING DIVISION/DEVELOPMENT SERVICES DEPARTMENT
PRESENTATION BY: CLAIRE L. FLYNN, AICP, SENIOR PLANNER
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RECOMMENDATION

Provide direction regarding park impact fee adjustments.

BACKGROUND

On July 7, 1998, City Council last adjusted the park impact fees for new residential subdivisions to \$5,481.72 for single-family homes and \$4,829.09 for multi-family homes. These fees are paid in-lieu of parkland dedication requirements. The park fees help fund the City's acquisition or improvement of park land to meet the park and recreational demands of new residential development. By State law, these funds cannot be used to maintain or operate parks (e.g. fund recreational programs or staff).

The City applies park fees to the following types of residential projects:

- New common-interest condominium subdivisions
- New single-family "detached" subdivisions
- New townhouse "attached" subdivisions

If the City adopts a Mixed-Use Development Overlay zone, park fees could also be applied to:

- New Live/work units
- New residential units in mixed-use developments

The City is prohibited by State Law from applying park fees to the following types of residential projects:

- New apartments
- Conversion of apartments to condominiums which are more than five years old (unless new additional units are added)
- Granny units and accessory apartments
- Single-family home remodels or additions

ANALYSIS

Fee Calculations and Population Density Standards

The methodology used to calculate park land dedications and park impact fees is set forth by the State.

- Methodology based on Quimby Act provisions for the Subdivision Map Act. The City's Subdivision Ordinance (Article 5 of Chapter XI [Subdivisions] of Title 13 of the Municipal Code) establishes procedures for obtaining park land dedications or assessing and collecting park impact fees from residential subdivisions. These provisions are in conformance with the Quimby Act provisions of the State Subdivision Map Act, which enables local governments to impose these requirements. These requirements are also based on the assumption that the City will acquire or improve new park land to fulfill the park and recreational needs of the new residents, through land dedications within their subdivision or by the acquisition or improvement of park land through the park fees.
- Park land-to-population ratio established by 2000 General Plan. General Plan Policy OSR-1A.1 establishes the park land-to-population ratio of 4.26 acres per 1,000 population. Any adjustment to this rate requires a General Plan amendment.
- Population density standard based on 2000 U.S. Census. Since the last update, demographic trends resulted in changes in the average household size of residential units. The 2000 Census provides the most current population density standards: 2.66 persons per owner-occupied unit and 2.71 persons per renter-occupied unit. For this analysis, owner-occupied unit refers to single-family residences and renter-occupied units to multi-family residences.
- Park land acquisition costs based on 2004 Appraisal. Pursuant to the Quimby Act and the Municipal Code, an appraisal determined the fair market value of a neighborhood park (Heller Park) and community park (Fairview Park). Heller Park is located in the Eastside, and Fairview Park is located on the City's western edge. This report was prepared by Netzer & Associates at a cost of \$4,500 to the City (attached under separate cover).

As shown in the table below, there is notable range between the park land acquisition cost per square foot for each park (\$15.00/sf versus \$40.00/sf). Compared to Heller Park, the appraiser believed that the market value of Fairview Park would be toward the lower end of the market value range based on comparable sales data. The Municipal Code requires park fees to reflect the average fair market value of community and neighborhood park land in the community which is \$27.50/sq.ft. (Article 5, Park and Recreation Dedications, Section 13-256 of the Costa Mesa Municipal Code).

	Fair Market Value	Size	Cost per sq.ft.
Heller Park	\$4,540,000	2.61 acres	\$40.00 per sq.ft.
Fairview Park	\$135,000,000	208.51 acres	\$15.00 per sq.ft.
Average Fair Market Value:			\$27.50 per sq.ft.

An excerpt of the appraisal report is provided as Attachment 2. The complete report is available for review at the public counter of the Development Services Department in City Hall.

Adjusted Park Impact Fees

The table below calculates the maximum park land dedication/park impact fees using the 2004 Appraisal Report and 2000 Census data:

Single-Family Residential		
1,000 persons / 2.66 persons per single-family residence ¹		376 units
4.26 acres x 43,560 sq.ft. per acre ³		185,566 sq.ft.
185,566 sq.ft. / 376 units:	Land Dedication Requirement	494 sq.ft. per unit
494 sq.ft. per unit x \$27.50 ⁴ :	Park Impact Fee	\$ 13,574 per unit
Multi-Family Residential		
1,000 persons / 2.71 persons per unit per renter-occupied unit ²		369 units
4.26 acres x 43,560 sq.ft. per acre ³		185,566 sq.ft.
185,566 sq.ft. / 369 units:	Land Dedication Requirement	503 sq.ft. per unit
503 sq.ft. per unit x \$27.50 ⁴ :	Park Impact Fee	\$ 13,829 per unit
NOTES:		
¹ 2000 U.S. Census (owner-occupied rate assumed).		
² 2000 U.S. Census (renter-occupied rate assumed).		
³ Costa Mesa 2000 General Plan.		
⁴ Average Fair Market Value of neighborhood and community parks.		

Comparison of Existing and Adjusted Fees

The table below compares the existing and adjusted park fees. While the adjusted fees are 2.5 times greater than the existing fees, these adjustments represent the same percentage of the 2004 median home cost (about two percent) when compared to the 2000 median home cost.

Median Home Price	Single-Family Park Impact Fee	% of Home Price	Multi-Family Park Impact Fee	% of Home Price
Existing Park Impact Fee				
Year 2000 \$289,000	\$5,481.72	1.9 %	4,829.09	1.7%
Adjusted Park Impact Fee				
Year 2005 \$635,000	\$13,574	2.1 %	\$13,829	2.2%
Existing and Amended Park Fee: About 2% of average home price				

Comparative Park Impact Fees of Orange County Cities

The following table provides comparative park impact fees of other Orange County cities. Cities vary in their approach to calculating park impact fees, and demographic and housing characteristics also differ from city to city. Please note that this information does not include the date the last fee update occurred.

City	2005 Park Fee
City of Santa Ana	Varies, up to \$4,823 per unit
City of Fullerton	\$6,510
City of Newport Beach	\$6,894
City of San Clemente	\$6,823
City of Brea	\$6,945
City of Laguna Hills	\$7,700
City of Orange	\$8,894
City of Seal Beach	\$10,000
City of Huntington Beach	\$11,400
City of San Juan Capistrano	\$11,600
City of Irvine	Fee varies based on acreage value of land to be dedicated. May be as low as \$1,150 per acre of land dedication.

Policy Implications of Adjusted Park Impact Fees

The adjusted park impact fees would result in a significant increase over the current fee schedule. While the increases can be justified based on actual land appraisals and corresponding increases in residential home values, the changes raise important policy issues. In light of the following policy issues, staff is seeking Council direction regarding the adjustment of the current park impact fee schedule.

- *Failure to adjust fees may result in deficient parkland for future park demand.* Impacts to housing costs must also be viewed in light of other budget considerations. If the goal of Council is to have new development "pay its own way", then the park impact fees should be increased to account for the cost of acquiring new park land to support the new residents' demand for park and recreation facilities.
- *Increased fees may affect new housing construction.* The first issue relates to impact on the community's desire and Council's goal to increase the supply of ownership housing opportunities and to encourage mixed-use or and/or live/work units. Since park impact fees can only be collected for new residential subdivisions, the increased fees may discourage new ownership housing. However, these impacts may be mitigated by the very high demand for and desirability of these units in Costa Mesa. In other words, future homeowners may be willing to accept the increased costs in exchange for the ability to purchase a home in Costa Mesa.
- *Increased fee would affect mixed-use and live/work units.* A fee increase is more likely to affect mixed-use and live/work units, rather than new residential projects, because new homes are usually constructed on previously-developed residential properties and receive a credit for demolished units/homes. New mixed-use or live/work units would be developed on commercial or industrial properties and not receive park fee credits for existing residential units. As noted above, the high demand for these products types might temper the impact of the fee increase for interested buyers.
- *Increased fees may be passed on to the homeowner.* The second issue relates to the overall question of housing affordability. Increased costs, to some degree, may be passed on to the home buyer. Any increase in sales price will have a corresponding decrease in the number of families that can "afford" new homes. As stated above, this may not hinder higher income buyers; however, lower or moderate income buyers can be quickly priced out of the housing market. The net result may make it much more difficult for the City to meet its Housing Element goals for affordable housing units.

Implications of Adjusted Park Fees on Approved Residential Projects

The adjusted park fees will have varying effects on previously approved residential projects that do not have recorded subdivision maps.

- *Sakioka Lot 1 (southeast corner of Sunflower Avenue and Sakioka Drive)*: The Development Agreement locks in the park fees in effect at the time the agreement was adopted. However, as part of the agreement, the City negotiated a benefit that park impact fees must be paid even if developed into apartments. Therefore, if 1,000 apartments are built, the City will receive \$4,829,090 in park fees.
- *Daily Pilot property (330/340 W. Bay Street), Symphony Development (23rd and Orange Avenues), and Plaza Residences (1901 Newport Boulevard)*: The City approved all three projects with vesting tract maps which lock the park fees at the City's current rates. Therefore, the adjusted fees will not affect these projects.
- *2436 Newport Boulevard (10 units) and Instant Jungle property at 2100 Canyon Drive (18 units)*: These project applicants did not submit vesting tentative tract maps. Therefore, the adjusted fees would affect these projects.

ALTERNATIVES CONSIDERED

Council has the following alternatives available for consideration. In addition to these alternatives, Council also has the option to retain the current fee schedule since the City is not required to increase the fee or even collect one. The State Subdivision Map Act/Quimby Act simply legislates a methodology capping the maximum fee a City may impose. A comparative table of park impact fees follows the alternatives section for reference.

1. *Direct staff to use current methodology to adjust park fees.* Using the current methodology, the adjusted park impact fees are: \$13,574 per single-family residence and \$13,829 per multi-family residence. The methodology used in calculating these fees is based on the maximum allowed by the Subdivision Map Act, as implemented by our Municipal Code. The park impact fees would only apply to new residential subdivisions.
2. *Direct staff to initiate a Zoning Code Amendment to allow calculation of park impact fees using a lower rate.* Any change to the methodology of calculating park impact fees requires a Zoning Code amendment. Council could decide that it would be more appropriate to use the lowest appraised parkland value from the 2004 Appraisal Report (\$15.00/sq.ft.). The adjusted fees would be \$7,404 for single-family units and \$7,543 for multiple-family units. Since this methodology is not defined in the Zoning Code, the City would need to enact an Ordinance amending the Code prior to adoption of an adjusted park impact fee.
3. *Direct staff to initiate General Plan Amendment to reduce parkland-to-population standard.* The Quimby Act establishes a maximum parkland-to-population ratio of

3 acres per 1,000 population, "unless the amount of neighborhood and community parkland within a community already exceeds that number." Since this case existed at the time of adoption of the 1990 General Plan, the General Plan then included Policy OSR-1A, which set Costa Mesa's standard at 4.26 acres per 1,000 population and includes Fairview Park and the Farm Sports Complex. County-owned Talbert Nature Reserve is not included. If Council is interested in reducing the maximum fee increase, the parkland-to-population ratio could be reduced to the 3-acre standard. Under this alternative, the adjusted fees would be \$9,559 for single-family units and \$9,739 for multiple-family units.

Description	Single-Family Residential	Multi-Family Residential	% Change Compared to Existing Fee (Approx.)
Current Park Impact Fees	\$5,481.72	\$4,829.09	
<u>Alternative 1: Adopt Adjusted Fees</u> Average Fair Market Value of \$27.50/sf	\$13,574	\$13,829	2.5 times greater than existing fee
<u>Alternative 2: Zoning Code Amendment</u> Fairview Park Fair Market Value of \$15.00/sf	\$7,404	\$7,543	1.5 times greater than existing fee
<u>Alternative 3: General Plan Amendment</u> Adjust the General Plan's parkland-to-population ratio from 4.26 acres/1,000 persons to 3.0 acres/1,000 persons.	\$9,559	\$9,739	2 times greater than existing fee

Regardless of the alternative chosen, Council may also decide when the fees will be applied. According to State Law, the fees can be effective no sooner than 60 days after final Council action. However, Council could consider one or more of the following actions requiring that the park fees be:

- A) Applied/Not Applied to subdivisions which have been filed, yet pending Planning Commission approval.
- B) Applied/Not Applied to subdivisions that have Planning Commission approval but pending recordation.
- C) Effective over a specified time frame in phased increments. For example, the fee increase could occur in 25% increments over the next four years:

	Year 2005	Year 2006	Year 2007	Year 2008
Single-Family Unit	\$7,505	\$9,528	\$11,551	\$13,574
Multi-Family Unit	\$7,079	\$9,329	\$11,579	\$13,829

FISCAL REVIEW

The fee adjustments will update the dedication and fee requirements to reflect current census and market data.

LEGAL REVIEW

Legal review is not required at this time.

CONCLUSION

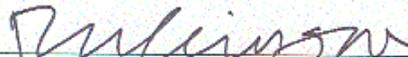
Changes to the park impact fee requirements reflect the following: (1) current average park land acquisition costs of residential land for neighborhood and community parks, and (2) 2000 Census population density standards. Pursuant to State law and the Municipal Code, the following amended park impact fees are: \$13,574 per single-family residence and \$13,829 per multi-family residence. The methodology used in calculating these fees is based on the Quimby Act provisions for the State Subdivision Map Act, and the park fees only apply to new residential subdivisions.



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Attachments: 1. 2004 Appraisal Report provided under separate cover

cc: City Manager
Assistant City Manager
City Attorney
Assistant City Attorney
Public Services Director
City Clerk
Staff (4)
File (2)

File: 031505ParkInLieu	Date: 030305	Time: 225p.m.
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