



CITY COUNCIL AGENDA REPORT

MEETING DATE: August 4, 2015

ITEM NUMBER: PH-1

SUBJECT: PROPOSED 2015 UPDATE TO THE PARK IN-LIEU IMPACT FEES (PARK FEES)

DATE: JULY 29, 2015

PRESENTATION BY: DANIEL INLOES, AICP, ASSOCIATE PLANNER

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RECOMMENDATIONS:

Adopt attached Ordinance and Resolution to:

- 1) Give first reading to the Ordinance to institute new park fees for apartment projects (multi-family residences, renter);
- 2) Adopt resolution to update the City's parkland impact fees for residential subdivisions and apartments, including the corresponding formula.

--OR--

- 1) Provide direction to staff regarding the park fee update and continue the meeting to a future specified date.

Development Type	Current Fees	Fees Based on Existing Formula	Park Fee Alternative 1: Park Expenditure Trends: Based on 10-year Historic Trends in Park Expenditures	Park Fee Alternative 2: Costa Mesa Housing Trends: Based on 10-year Historic Trends in Housing Development
Single-Family Residence	\$13,572	\$29,713.50	\$11,285	\$18,006
Condominiums - Multi-Family Residence, Owner	\$13,829	\$23,110.50	\$8,777	\$14,005
Apartments less than 50 units - Multi-Family Residence, Renter	No Fee	No Fee	\$10,598	\$14,005
Apartments 50 units or more - Multi-Family Residence, Renter	No Fee	No Fee	\$10,598	\$5,057

BACKGROUND:

The proposal is an update to the City of Costa Mesa's park in-lieu impact fee, ("park fee"). California Government Code Section 66477, the Quimby Act, and section 66000 authorizes the legislative body of the City to allow the payment of park fees for recreation purposes for these specified residential projects. These new fees will ensure a fair fee assessment per development type while also reflecting the current cost of parkland acquisition and construction for:

- Single Family Residences;
- Multi-family Residences (Owner);
- Apartments 50 units or less;
- Apartments 50 units or more.

Quimby Act of 1975

The municipal responsibility to set aside parkland and open space for its residents is additionally burdened by future development, and therefore Cities have been authorized since the passage of the 1975 Quimby Act to pass ordinances that require developers to set aside land, donate conservation easements, or pay fees for park acquisition or improvements.

AB 1600 of 1987

This bill allowed for development impact fees to defray all or a portion of the cost of public facilities related to new development projects. Since apartment developments do not require a subdivision, new fees for apartments are not secured by Quimby; however, apartments do place additional burdens on the City's public open space. The City has a General Plan goal of 4.26 acres of park space per 1,000 people; therefore, apartments may be assessed a fair and proportionate park fee through AB 1600. It is this additional fee and its methodology which requires an ordinance to be established.

Current Park Fees

The current park fees were adopted in May of 2005 and only apply to residential projects requiring a subdivision and do not apply to apartments.

The City Council approved the park fees for new residential subdivisions at \$13,572 for single family homes per unit and \$13,829 for multi-family homes per unit. The current park fee only applies to new subdivided residential projects and not apartments.

Existing 2015 Park Fees	
Single Family Residence per Unit	\$13,572
Multi-Family Residence per Unit	\$13,829

Using the current park fees formula with the updated cost of land, people per household averages, and our general plan goal, the fees would be \$29,713.50 for a single-family residence, \$23,110.50 for a multi-family owner residence, and no fee for apartments since they are not subdivided. These fees would be thousands of dollars over any other

park impact fee in the county and would hamper immediate development within the City. Due to this alternative park fees and their associated methodology was investigated.

The Planning Commission provided feedback on Park Fee Alternative #1. Subsequent to the Planning Commission meeting, staff further developed Park Fee Alternative #2 to address some issues that were raised at the meeting. (Attachment 4, PC staff report and minutes).

ANALYSIS:

Objectives of Updated Park Fee Program

Following are the objectives of the park fees update:

- To establish apartment categories. The park fees would apply to all major forms of residential development within the City including apartments.
- To update the persons per household factor based on current demographic information.
- To update the per–unit-cost per development type.
- To update the parkland acquisition cost and construction cost based on historic park funding trends, development trends within the City, and future park acquisition goals.

Types of Residential Developments Subject to Park Fee

The updated fee program is intended to account for all types of new residential development, including apartments.

Residential Development Subject to Park Fees

Residential Projects subject To Park Impact Fees	Residential Projects exempt from Park Impact Fees
<ul style="list-style-type: none"> • New common-interest condominium • New single-family “detached” subdivisions • New townhouse “attached” subdivisions • New condominiums in mixed-use developments • New condo conversions increasing units • New apartments* 	<ul style="list-style-type: none"> • Conversion of apartments to condominiums without changing the unit count.** • Granny units and accessory apartments • Single-family home remodels or additions • Multi-family remodels or additions

**Note: A new category for Apartments is being proposed in the Updated Park Impact Fee Program.*

***Note: Additional units will be subject to a fee for new apartment conversions resulting in an increase in units.*

Eligible Expenditures for the Park Fee

All park fees for all types of residential development will meet the same Quimby Act requirement as to the eligible expenditures of park fee funds. The fees will be used only for the purpose of developing new or rehabilitating existing neighborhood or community parks or potential school district properties based on a specified formula that meet the State Law requirements.

New Methodology to be Adopted

State law requires that new parkland impact fees be adopted and that the fee schedule be set pursuant to Council conducting a public hearing and approving an ordinance. A

general methodology for calculating park fees is described in the Quimby Act, but AB 1600 also allows Cities to adopt their own methodology granted that; the purpose and use of the fee is identified, there is a reasonable relationship between the fee's use and the type of development on which the fee is to be imposed, there is a reasonable relationship between the need of the public facility and the type of development project on which the fee is imposed, the fee is proportionate to the cost of the associated use. Within Article 5 of Chapter XI of Title 13 of the City's Municipal Code the procedures for obtaining park land dedications or assessing and collecting park fees are established. Because this section strictly applies to new residential subdivisions and not apartments, an ordinance is required to be adopted to allow application of park fees to rental projects and a resolution to institute all updated and established fees.

PROPOSED PARK FEES ALTERNATIVES

David Taussig & Associates, Inc. and Stanley R. Hoffman Associates were contracted by the City to assist in the park fee update process and assist in developing park impact fees that would meet AB 1600 benefit requirements. The following summary table provides park fee alternatives for Council to consider in the adoption of new park fees:

Development Type	Existing Fees	Fees with Updated Rates but same Quimby Formula	Park Fee Alternative 1: Park Expenditure Trends: Based on 10-year Historic Trends in Park Expenditures	Park Fee Alternative 2: Costa Mesa Housing Trends: Based on 10-year Historic Trends in Housing Development
Single-Family Residence	\$13,572	\$29,713.50	\$11,285	\$18,006
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PARK FEE ALTERNATIVE #1: Based on Historic Park Fee Expenditures

**Park Fee Methodology
Based on Park Fee Expenditure Trends Over the past 10 years**

Cost per Acre = $390,000 + .2238(2,500,000) = 949,500$						
Single-Family Residential						
$\frac{949500}{1}$	cost	$\frac{4.26}{1000}$	acre	$\frac{2.79}{1}$	people unit	\$11,285.19 per unit
Multi-Family Owner Residential						
$\frac{949500}{1}$	cost	$\frac{4.26}{1000}$	acre	$\frac{2.17}{1}$	people unit	\$8,777.37 per unit
Apartments						
$\frac{949500}{1}$	cost	$\frac{4.26}{1000}$	acre	$\frac{2.62}{1}$	people unit	\$10,597.56 per unit

Methodology for Per Unit Cost

- **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 people. Any adjustment to this rate requires a General Plan amendment.
- **Population density standard based on the US Census.** Since the last update, demographic trends resulted in changes in the average household size of the various types of residential units within the City. This data was gathered by Stanley Hoffman & Associates from the 2013 ACS 5-year estimates from the US Census.

People Per Household by Dwelling Type			
Type of Dwelling	Number of Units	Number of People	People Per Household
Single Family	19,861	55,491	2.79
Multi-Family Owner	1,138	2,469	2.17
Multi-Family Renter	18,349	48,125	2.62

- Park land acquisition & construction costs based on 2014 study by David Taussig & Associates, Inc.** For purposes of determining land costs an analysis of multiple park acquisitions and developments within our region were gathered and assessed to determine the fair market value of park land acquisition and construction. This methodology was utilized because there were few recent comparable land sales to analyze specifically in regards to infill parks which are the most likely park acquisitions the City can make moving forward.

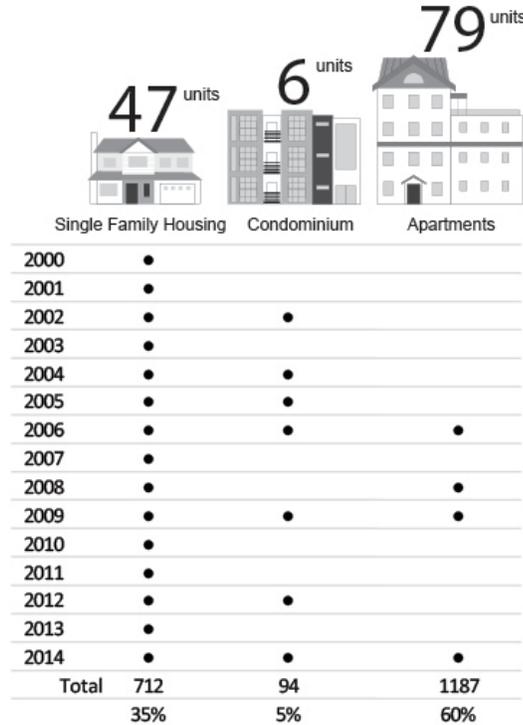
David Taussig & Associates, Inc. reviewed land sales price data for eight (8) properties sold within the City since 2003. The weighted average sales price based on such review was \$2,500,000.00 per acre, whereas the cost of construction or upgrades on existing park space is estimated at \$390,000.00. The total cost of acquiring and constructing park space would be \$2,890,000.00 per acre.

Park Fee Expenditures in the Past 10 (Years 2005 – 2015)

Description	Date	Adjusted For Inflation (2014 Dollars)	Total Acres	Construction	Land Acquisition
Fairview, stairs and signage	2010	\$488,550	2.00	\$488,549.73	
Fairview, constructed wetlands	2013	\$5,589,220	45.00	\$5,589,220.33	
Joann Street Bicycle Trail	2011	\$1,262,934	2.00	\$1,262,934.40	
Wilson Park, picnic shelter	2014	\$45,000	0.05	\$45,000.00	
Del Mesa Park, new picnic shelter	2014	\$45,000	0.05	\$45,000.00	
Brentwood Park	2011	\$3,262,581	1.20		\$3,262,580.52
Brentwood Park Upgrades	2011	\$315,734	1.20	\$315,733.60	
Volcom Skate Park Dev	2006	\$1,761,429	1.25	\$1,761,428.57	
Angels Playground	2008	\$1,869,232	2.00	\$1,869,231.73	
Lions Park/Davis Field Baseball	2011	\$526,223	2.50	\$526,222.66	
Bark Park	2008	\$208,914	2.00	\$208,914.13	
Shalimar Park, new playground	2014	\$120,000	0.16	\$120,000.00	
Total		\$15,494,816	59.41	\$12,232,235.15	\$3,262,580.52

Due to the lack of land and priority to upgrading existing parks only 1.2 acres of land was acquired over the past ten years. This represents 22.38% of the 5.36 possible acres the City could have acquired. Therefore, having a cost per acre which includes the full cost of construction and only 22.38% of land acquisition is a reasonable approach. This comes out to \$949,500.00 per acre.

Average Units Developed Per Year
Based on Actual Units Developed over the last 15 years.



Source: CDR and DOF data from 2000 to 2015.

PARK FEE ALTERNATIVE #2: Based on Historic Costa Mesa Housing Trends

Park Fee Methodology

Based on Historic Housing Development Trends Over the past 10 years

Cost per Acre = 390,000 + .45 (2,500,000) = 1,515,000

Single-Family Residential

<u>1,515,000</u> cost	<u>4.26</u> acre	<u>2.79</u> people	
1 acre	1,000 people	1 unit	\$18,006.38

Multi-Family Owner Residential and Small Apartments

<u>1,515,000</u> cost	<u>4.26</u> acre	<u>2.17</u> people	
1 acre	1,000 people	1 unit	\$14,005.96

Cost per Acre = 390,000 + .11 (2,500,000) = 669,750

Large Apartment Projects

<u>669,750</u> cost	<u>4.26</u> acre	Uses an average people	
1 acre	1,000 people	per unit of 1.7723 for	
		large apartments.*	\$5,056.61

*This average was calculated by finding average people per unit for various apartment sizes and calculating one rate by using the average proportions for various apartments sizes in a typical developmet with 50 units of more.

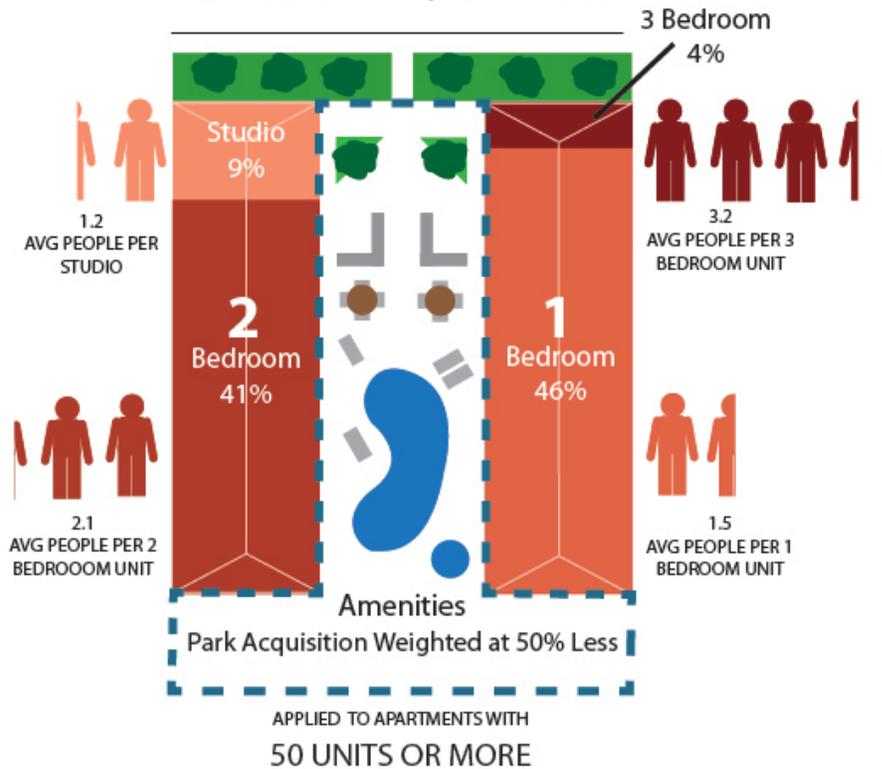
Previous park expenditures were hampered by only receiving funds from 40% of the overall units developed in the last 15 years and therefore limited the potential

projects that could be developed by this fund. This is shown in the infographic above. This graphic also confirms that if apartments are paying park fees in the future the potential fund overall will grow and perhaps will be sufficient for more opportunities for acquisition in the future. This alternative proposes to increase the weighting of the cost of acquisition to 45% for single family residences and multi-family projects. This provides further funding for park upgrades and acquisition but does not raise the fee much higher than the existing fees. Some of the high-end apartment projects (entitled or completed) are listed below.

Apartment Projects

Name	Address	Number of Units
Blue Sol (Occupied)	421 Bernard Street	113
Symphony Apartments	585 and 595 Anton Boulevard	393
Baker Street Apartments	125 Baker Street	240
Anton Midrise Residential	580 Anton Boulevard	250
Azulon (Occupied)	1500 Mesa Verde Drive	230

Data Used to Calculate the \$5,056.61 Park Fee for Apartments



Source: Percent Share calculated from data collected on 60 apartment complexes with 50 units or more within the City of Costa Mesa; Data from CoStar. Average people per unit type gathered from case study of recent apartment development in the City with less than 1 percent vacancy and more than 100 units: Blue Sol.

The threshold of 50 units was taken from the Zoning Code as a starting point for discussion. The Zoning Code already recognizes 50 units as a threshold for large developments. To account for the common space amenities and the complexities of

person per household ratios within apartments the information below was used to create an apartment park fee, for developments with a significant number of units, of \$5,056.61.

COMPARISON OF PARK FEES IN OTHER OC CITIES

The following table indicates park impact fees of other Orange County cities. Because cities vary in their approach to calculating park impact fees, and demographic and housing characteristics also differ from city to city, the following table is provided for reference purposes only and is not intended to be a direct comparison.

City	Park Fee (Per Unit)
City of Laguna Beach	\$4,580
City of Santa Ana	Varies; up to \$4,823
City of Seal Beach	\$5,000 to \$10,000
City of Anaheim	\$5,388 to \$6,936
City of Garden Grove	\$5,500
City of Tustin	\$5,931 to \$6,386
City of San Clemente	\$6,823
City of Newport Beach	Varies; \$6,894 to \$26,125
City of Brea	\$6,945
City of Fountain Valley	\$7,421
City of Laguna Hills	\$7,700
City of Orange	\$8,894
City of Seal Beach	\$10,000
City of Huntington Beach	No Subdivision: Detached \$11,540 Attached \$8,576 Subdivision: Detached \$17,857 Attached \$13,385
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.
City of Costa Mesa	\$13,572 to \$13,879

Automatic Adjustment of Park Fee based on Consumer Price Index Every Year

The current park fees have not been adjusted for ten years. The consultants propose that the park fee be increased on July 1st of each year, starting July 1, 2016, based on the change to the Los Angeles – Riverside-Orange County Consumer Price Index in comparison to the previous calendar year. This would adjust for escalation and allow for the City to update the park fees in 5 years as opposed to biennially as stated in the code.

New Park Fees to be applied for Pending Entitlement Projects

State law requires that the new fees shall not go into effect until **after 60 days** of Council adoption of the resolution. Park fees may be applied to all pending projects, including

rental projects. Staff recommends that the new park impact fees shall apply to any live/work or residential development project which meets any of the following criteria:

- (1) Any discretionary application for a live/work or residential development project which was approved by the final decision making body after the effective date of the resolution;
OR
- (2) Any pending ministerial application for a residential development project which was not subject to discretionary review and which was submitted into plan check after the effective date of the resolution; OR
- (3) Any previously-approved live/work or residential development project which has expired after the effective date of this resolution.

Note: If park fees are reduced, Council would need to direct staff to modify the resolution to reflect whether or not reduced fees will be applied retroactively to previously-approved projects.

LEGAL REVIEW:

The City Attorney's office has approved the attached resolution as to form.

ALTERNATIVES:

The City Council may select one of the following actions with the Park Fees;

- *Existing Fees:* Keep current park fees; however, Council may wish to add new park fees for apartments as identified in Alt #1 or Alt #2.
- *Park Fee Alternative #1:* Adopt this alternative based on trends in park fee expenditures.
- *Park Fee Alternative #2:* Adopt this alternative based on Costa Mesa housing trends.
- *Continue hearing:* Provide direction to staff to research and identify other alternatives.

The resolution would be modified to include the selected alternative and park fees.

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CONCLUSION:

The City's park fees have not been updated for over ten years. Council may select a methodology for calculating park fees and adopt new park fees. Important note: Staff recommends that the park fees be updated automatically every year based on the consumer price index and that the new park fees be applied to pending/future development projects that have not received zoning entitlements to date.

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Services

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Economic Development & Development
Director / Deputy CEO

- Attachments:
1. [Draft Council Ordinance](#)
 2. [Draft Council Resolution](#)
 3. [Redlined Version of Proposed Ordinance Changes](#)
 4. [Minutes from Planning Commission Meeting](#)
 5. [Justification Study by David Taussig & associates, Inc.](#)
 6. [Letter of Support from BIA](#)

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