



**CITY OF PALO ALTO
CITY COUNCIL
Special Meeting
Monday, February 05, 2024
Council Chambers & Hybrid
5:30 PM**

Agenda Item

3. Review and Acceptance of Annual Report on Development Impact Fees for Fiscal Year 2023 and Adoption of a Resolution Making Statutory Findings for Certain Funds. CEQA status - Not a Project.



CITY OF
**PALO
ALTO**

City Council Staff Report

From: City Manager

Report Type: CONSENT CALENDAR

Lead Department: Administrative Services

Meeting Date: February 5, 2024

Report #:2308-1858

TITLE

Review and Acceptance of Annual Report on Development Impact Fees for Fiscal Year 2023 and Adoption of a Resolution Making Statutory Findings for Certain Funds. CEQA status - Not a Project.

RECOMMENDATION

Staff recommends that the City Council review and accept the Annual Report on Development Impact Fees for the period ending June 30, 2023 (Attachment A) and adopt the resolution making statutory findings for certain development impact fee funds (Attachment B).

EXECUTIVE SUMMARY

This report contains information on the City of Palo Alto's Development Impact Fees for the Fiscal Year (FY) 2022-23. This report meets the annual reporting requirements in Government Code section 66006.

BACKGROUND

Local agencies commonly impose fees on development projects to help offset the costs of funding the public facilities impacted by those developments. These fees are known as development impact fees. State law (Government Code section 66000 et seq. or "the Mitigation Fee Act") requires local agencies that impose development impact fees to prepare an annual report providing specific information about those fees.

Within 180 days after the close of the fiscal year, the agency that collected the fees must make available to the public the following information regarding each fund or account:

- Brief description of the type of fee in the fund.
- Amount of the fee.
- Beginning and ending balance in the fund.

- Amount of fees collected, and interest earned.
- Identification of each public improvement on which fees were expended and the amount of the expenditure on each improvement, including the total percentage of the cost of the public improvement that was funded with fees.
- Identification of an approximate date by which the construction of a public improvement will commence, if the local agency determines that sufficient funds have been collected to complete financing on an incomplete public improvement.
- Description of each interfund transfer or loan made from the account or fund, including the public improvement on which the loaned funds 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.
- Amount of any refunds made due to inability to expend fees within the required time frame.

The Mitigation Fee Act further requires that the City Council review the annual report at its first regularly scheduled public meeting not less than 15 days after the information is made available to the public.

In addition to the annual reporting requirement, the Mitigation Fee Act requires, for the fifth fiscal year following the first deposit into the fund and every five years thereafter, that the City Council make findings with respect to any portion of the fee(s) remaining unexpended, whether committed or uncommitted. The findings must:

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

If the agency no longer needs the funds for the purposes collected, or if the agency fails to make required findings, or to perform certain administrative tasks prescribed, the agency may be required to undertake a refunding process as set forth in the statute.

ANALYSIS

Annual Report (Government Code section 66006)

The annual report for FY 2023 is included as Attachment A. Staff published the report on the City's website on December 29, 2023. The report contains the statutorily required information for the following fees:

- Stanford Research Park/El Camino Real traffic impact fees (PAMC Ch. 16.45): Fee for new nonresidential development in the Stanford Research Park/El Camino Real Service Commercial zone, to fund capacity improvements at eight intersections. The City ceased collecting effective fiscal year 2020.
- San Antonio/West Bayshore Area traffic impact fees (PAMC Ch. 16.46): Fee for new nonresidential development in the San Antonio/West Bayshore area to fund capacity improvements at four intersections. The City ceased collecting effective fiscal year 2020.
- Housing impact fees imposed on commercial developments (PAMC Ch. 16.65): Fee on commercial and industrial development to contribute to offset the demand that new jobs create for low income and moderate-income in the City.
- General Government facilities: (PAMH Ch. 16.58) – Fee on residential and non-residential development to fund facilities associated with municipal administration.
- Parks, Community Centers, and Libraries impact fees (PAMC Ch. 16.58): Fee on new residential and non-residential development to provide community facility funds for parks, community centers, libraries, public safety, and general government.
- Residential (Rental) impact fees (PAMC Ch. 16.65) Fee on rental residential developments (including mixed use with rental housing) to offset the demand that new market-rate rental housing creates for low and moderate-income housing in the City.
- Charleston-Arastradero Corridor pedestrian and bicyclist safety fees (PAMC Ch. 16.60): Fee on new development and re-development within the Charleston-Arastradero Corridor to provide for pedestrian and bicyclist improvements.
- Citywide Transportation impact fees (PAMC Ch 16.59): Fee on development in all parts of the City to fund transportation projects and programs to reduce congestion.
- New Public Safety facilities (PAMH Ch. 16.58): Fee on residential and non-residential development to fund police and fire facilities, including fire apparatus and vehicles.
- University Avenue Parking In-Lieu Fund (PAMC Ch. 16.57): Fees collected from non-residential development within the University Avenue Parking Assessment District, in lieu of providing the required number of parking spaces.
- Residential housing in-lieu fees (PAMC Ch. 16.65): Fee on residential developments in-lieu of providing required below-market rate units to low- and moderate-income households.

And in the interest of transparency, the report includes also includes information for the following funds, although the Mitigation Fee Act's reporting requirements do not apply:

- Residential housing in-lieu fees (PAMC Ch. 16.65): Fee on residential developments in-lieu of providing required below-market rate units to low-and moderate-income households.
- Public Art Fund (PAMC Ch. 16.61): Fees imposed on new commercial developments (including mixed use projects), including new construction, remodels, additions and reconstruction that (i) have a floor area of 10,000 sq. ft. or more, and (ii) have a value of \$200,000 or more, exclusive of costs for architecture, design, engineering, and required studies; and all new residential projects of five or more units to fund art for private developments.
- Parkland Dedication (CA Government Code Section 66477-Quimby Act): Fees on parkland dedication imposed on new residential and non-residential development.
- Water and Wastewater Collection (California Government Code Section 66000): Capacity fees charged to developers that are adding load to the water and sewer systems effective July 1,2005.

Five-Year Findings (Government Code section 66001)

Five of the development impact fees imposed by City are due for the additional five-year findings in FY2022-23. These proposed findings are contained in Attachment B.

- The Stanford Research Park/ El Camino Fund has an unexpended balance of \$1,220,842 that was collected prior to FY 2023.
- The San Antonio/West Bayshore Fund has an unexpended balance of \$407,697 that was collected prior to FY 2023.
- The Commercial Housing Impact Fee Fund has an unexpended balance of \$2,228,048 that was collected as of FY 2023.
- The Citywide Transportation Fund has an unexpended balance of \$1,622,961 that was collected as of FY 2023.
- The University Avenue Parking In-Lieu Fund has an unexpended balance of \$15,664,946 that was collected in FY 2023 and prior.

FISCAL/RESOURCE IMPACT

There is no direct fiscal impact associated with the review and acceptance of the annual report (Attachment A). The various fee funds are reviewed annually for any unallocated or unexpended balances as part of the development of the City's five-year capital improvement plan.

If the council does not adopt the proposed resolution (Attachment B) making the five-year findings, then City may be required undertake the refund procedures described in Government Code section 66001(e). The total potential refund across the five development impact fees at issue is \$21,144,494.

STAKEHOLDER ENGAGEMENT

This report has been prepared by the Accounting Division in Administrative Services and reviewed by partner departments including the City Attorney's Office and the Planning and Development Services Department.

ENVIRONMENTAL REVIEW

Council action on this item is not a project as defined by the California Environmental Quality Act (CEQA) in that the report and findings required by the Mitigation Fee Act is a government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. CEQA Guidelines section 15378(b)(4).

ATTACHMENTS

- | | |
|---------------|---|
| Attachment A: | FY 2023 Development Impact Fee Report Use of Fee Summary |
| Attachment B: | Resolution of the Council of the City of Palo Alto Accepting the Development Impact Fee Report for the Period Ending June 30, 2023 and Making Findings Regarding the Continuing Need for Development Impact Fees Collected but Not Expended |

APPROVED BY:

Kiely Nose, Assistant City Manager/Administrative Services Director

**City of Palo Alto
Development Impact Fee Report
for Period Ending June 30, 2023**

	Stanford Research Park/El Camino Real Transportation Impact Fee	San Antonio/West Bayshore Area Transportation Impact Fee
Description of the Type of Fee	Traffic impact fees imposed on new non-residential development in the Stanford Research Park/El Camino Real CS zone to fund improvements at eight identified intersections. (PAMC 16.45)	Traffic impact fees imposed on new non-residential development in the San Antonio/West Bayshore Areas to fund capacity improvements at four identified intersections. (PAMC 16.46)
Amount of the Fee	\$12.85 per square foot; City ceased collecting effective FY 2020	\$2.65 per square foot; City ceased collecting effective FY 2020
Fund Balance July 1, 2022	1,147,182	407,407
FY 2023 Activity		
Revenues		
Interest Earnings	24,157	8,625
Unrealized Gain/(Loss) Investments	49,503	(8,335)
Total Revenues	73,660	290
Expenditures	0	0
Total Expenditures	0	0
Ending Balance June 30, 2023	1,220,842	407,697
Reserves	0	0
Total Reserves	0	0
Net Funds Available	1,220,842	407,697

**City of Palo Alto
Development Impact Fee Report
for Period Ending June 30, 2023**

	Commercial Housing Impact Fee	General Government Facility Development Fee
Description of the Type of Fee	Fees imposed on commercial and industrial development to offset the demand that new jobs create for low and moderate-income housing in the City; fees collected support various levels of affordable housing projects. (PAMC 16.65)	Fees imposed on residential and non-residential development to fund facilities associated with municipal administration. (PAMC 16.58)
Amount of the Fee	Hotel / Retail / Other Non-Residential: \$24.97 per sq. ft. Office/R&D: \$74.01 per sq. ft.	Residential: Single family \$1,600 per unit Multi-family \$1,279 per unit (ADUs under 750 sq. ft. exempt); Non-residential: Commercial \$892 per 1,000 sq. ft. or fraction thereof Industrial \$300 per 1,000 sq. ft. or fraction thereof Office/Institutional \$1,192 per 1,000 sq. ft. or fraction thereof
Fund Balance July 1, 2022	27,113,503	111,930
FY 2023 Activity		
Revenues		
Fees Collected	0	11,592
Interest Earnings	73,411	2,504
Unrealized Gain/(Loss) Investments	(115,201)	(4,861)
Total Revenues	(41,790)	9,235
Expenditures		
Salaries and Benefit	(36,872)	0
Liability Insurance	(1,230)	0
Total Expenditures	(38,102)	0
Ending Balance June 30, 2023	27,033,611	121,165
Reserves		
Notes Receivable (see detail below)	(23,629,563)	0
Reappropriations	(1,176,000)	0
Total Reserves	(24,805,563)	0
Net Funds Available	2,228,048	121,165

Notes Receivable Detail:
\$1,290,000 for 2811 Alma; \$4,137,254 for 801 Alma;
\$7,700,000 for Buena Vista Mobile Home Park; \$10,502,309
Wilton Court

**City of Palo Alto
Development Impact Fee Report
for Period Ending June 30, 2023**

	Community Facilities Parks Development Fee	Community Facilities Community Centers Development Fee
Description of the Type of Fee	Fees imposed on new residential and non-residential development approved after Jan 28, 2002 for Parks. (PAMC 16.58)	Fees imposed on new residential and non-residential development approved after Jan 28, 2002 for Community Centers. (PAMC 16.58)
Amount of the Fee	Residential: Single family \$62,039.67 per unit. (ADUs under 750 sq ft exempt) Non-residential: Commercial/Industrial \$18,190 per net new 1,000 sq ft; Hotel/Motel \$3,100 per 1,000 sq ft.	Residential: Single family \$4795.06 per unit. (ADUs under 750 sq ft exempt); Multi-Family \$3,547.13 per unit Non-residential: Commercial/Industrial \$1410 per 1,000 sq ft; Hotel/Motel \$240 per 1,000 sq ft.
Fund Balance July 1, 2022	3,810,535	739,193
FY 2023 Activity		
Revenues		
Fees Collected	439,967	34,559
Interest Earnings	63,760	16,041
Unrealized Gain/(Loss) Investments	7,825	(18,174)
Total Revenues	511,552	32,426
Expenditures		
Operating Transfer to Capital Projects Fund	(2,650,333)	0
Total Expenditures	(2,650,333)	0
Ending Balance June 30, 2023	1,671,754	771,619
Reserves	0	
Total Reserves	0	0
Net Funds Available	1,671,754	771,619

**City of Palo Alto
Development Impact Fee Report
for Period Ending June 30, 2023**

	Community Facilities Library Development Fee	Residential Housing Impact Fee
Description of the Type of Fee	Fees imposed on new residential and non-residential development approved after January 28, 2002 for Libraries. (PAMC 16.58)	Fees imposed on all rental residential developments (including mixed-use with rental housing) to offset the demand that the new market-rate rental housing creates for low-income and moderate-income housing in the City. (PAMC 16.65)
Amount of the Fee	Residential: Single family \$2,857.80 per unit; Multi-family \$2,113.37 per unit (ADUs under 750 sq ft exempt) Non-residential: Commercial/industrial \$840 per net new 1,000 sq ft. Hotel/Motel \$140 per net new 1,000 sq ft.	Single and Multi-Family: \$24.52 per sq. ft. apartment (rentals)
Fund Balance July 1, 2022	931,093	1,057,616
FY 2023 Activity		
Revenues		
Fees Collected	20,398	0
Interest Earnings	12,949	22,402
Unrealized Gain/(Loss) Investments	(20,398)	(29,041)
Total Revenues	12,948	(6,639)
Expenditures	0	
Total Expenditures	0	0
Ending Balance June 30, 2023	944,041	1,050,978
Reserves		
Reserve for Reappropriations	0	(600,000)
Total Reserves	0	(600,000)
Net Funds Available	944,041	450,978

City of Palo Alto
Development Impact Fee Report
for Period Ending June 30, 2023

	Charleston-Arastradero Corridor Pedestrian and Bicyclist Safety Impact Fee	Citywide Transportation Impact Fee
Description of the Type of Fee	Fees collected from new development and redevelopment within the Charleston-Arastradero Corridor to provide for pedestrian and bicyclist safety improvements. (PAMC 16.60)	Transportation impact fees imposed on new development in all parts of the City to fund congestion reduction projects. (PAMC 16.59)
Amount of the Fee	Residential: \$1,599 per residential unit Commercial: \$0.46 per sq ft (ADUs exempt)	\$9,266 each; per net new PM peak hour trip
Fund Balance July 1, 2022	34,904	1,999,269
FY 2023 Activity		
Revenues		
Interest Earnings	474	37,798
Unrealized Gain/(Loss) Investments	794	(19,106)
Total Revenues	1,268	18,692
Expenditures		
Operating Transfer to Capital Projects Fund	(35,000)	(395,000)
Total Expenditures	(35,000)	(395,000)
Ending Balance June 30, 2023	1,172	1,622,961
Reserves	0	
Total Reserves	0	0
Net Funds Available	1,172	1,622,961

**City of Palo Alto
Development Impact Fee Report
for Period Ending June 30, 2023**

	Public Safety Facility Development Fee	University Avenue Non-Residential Development Parking In-Lieu Fee
Description of the Type of Fee	Fees imposed on residential and non-residential development to fund police and fire facilities (including fire apparatus and vehicles) (PAMC 16.58)	Fees collected from non-residential development within the University Avenue Parking Assessment District area in lieu of providing the required number of parking spaces. (PAMC 16.57)
Amount of the Fee	Residential: Single family \$1,269 per unit; Multi-family \$1,015 per unit Nonresidential: Commercial \$709 per 1,000 sq. ft. or fraction thereof; Industrial \$237 per 1,000 sq. ft. or fraction thereof; Office/Institutional \$946 per 1,000 sq ft or fraction thereof.	\$124,275.00 per space
Fund Balance July 1, 2022	87,770	6,019,034
FY 2023 Activity		
Revenues		
Fees Collected	9,194	10,066,275
Interest Earnings	1,965	226,347
Unrealized Gain/(Loss) Investments	(3,837)	(554,310)
Total Revenues	7,323	9,738,312
Expenditures		
Operating Transfer to Capital Projects Fund	0	(92,400)
Total Expenditures	0	(92,400)
Ending Balance June 30, 2023	95,093	15,664,946
Reserves	0	0
Total Reserves	0	0
Net Funds Available	95,093	15,664,946

**City of Palo Alto
Development Impact Fee Report
for Period Ending June 30, 2023**

	(INFORMATION ONLY) Residential Housing In-Lieu Fee	(INFORMATION ONLY) Parkland Dedication Fee
Description of the Type of Fee	This fee is not subject to AB1600 reporting requirements and is included only for information purposes. Fees collected from ownership residential developments of three or more units(including mixed used with ownership in housing) in-lieu of providing the required below-market rate unit(s) to low and moderate income households. (PAMC 16.65)	This fee is not subject to AB1600 reporting requirements and is included only for information purposes. Fees on parkland dedication imposed on new residential and non-residential development. Govt Code Sec. 66477 (Quimby Act)
Amount of the Fee	Single-family \$91.92 per sq. ft. single-family detached; \$61.28 per sq. ft. single-family attached. Multi-family \$61.29 per sq. ft. condos.	Single Family: \$75,076.89 per unit; Multi-Family: \$51,747.91 per unit. This applies only to residential projects that require a subdivision or parcel map. Land dedication is required for subdivisions resulting in more than 50 parcels. Parkland Dedication Fee -Land: Single Family: 531 sq. ft. per unit; Multi-Family: 366 sq. ft. per unit. When parkland dedication applies, park impact fees do not apply.
Fund Balance July 1, 2022	29,466,762	3,779,395
FY 2023 Activity		
Revenues		
Fees Collected	49,043	0
Interest Earnings	277,887	56,765
Unrealized Gain/(Loss) Investments	(118,885)	54,249
Total Revenues	208,045	111,014
Expenditures		
Salaries and Benefits	(36,872)	
Liability Insurance	(1,230)	
Program & Project Consultants	(316,136)	
Operating Transfer to Capital Projects Fund		(1,650,000)
Total Expenditures	(354,238)	(1,650,000)
Ending Balance June 30, 2023	29,320,569	2,240,408
Reserves		
Encumbrances	(5,746)	
Reappropriations	(3,000,000)	
Notes Receivable (details below):	(23,758,078)	
Total Reserves	(26,763,824)	0
Net Funds Available	2,556,745	2,240,408

Residential Housing In-Lieu Fund, Detail for Notes Receivable:

\$375,000 for 3053 Emerson; \$3,504,850 for Tree House Apts.; \$747,734 for Sheridan Apts.; \$2,285,026 for 801 Alma; \$848,386 for Palo Alto Housing Project; \$593,952 for 2811-2825 Alma St.; \$203,561 for Colorado Park Housing; \$149,968 for El Dorado Palace; \$6,800,000 for Buena Vista Mobile Home Park; \$8,249,601 for Wilton Ct.

**City of Palo Alto
Development Impact Fee Report
for Period Ending June 30, 2023**

(INFORMATION ONLY)		
	Public Art In-Lieu Fee	Water and Wastewater Collection Capacity Fee
Description of the Type of Fee	<p>This fee is not subject to AB1600 requirements and is included in this report only for information purposes. Fees imposed on new commercial developments (including mixed use projects), including new construction, remodels, additions and reconstruction that (i) have a floor area of 10,000 sq. ft. or more, and (ii) have a construction value of \$200,000, or more, exclusive of costs for architecture, design, engineering, and required studies; and all new residential projects of five or more units to fund public art for private developments. (PAMC 16.61)</p>	<p>The water and wastewater collection system capacity fees are used to buy into existing water distribution and wastewater collection systems and to recover the proportionate cost of system improvements required to serve the new customers of increased loads of existing customers. These are one-time fees paid before the water or wastewater services are upgraded or installed. Utility capacity fees received are placed in a special fund and used exclusively for water and sanitary sewer capital improvement projects.</p>
Amount of the Fee	<p>1% of first \$120.25 million construction valuation and 0.9% of construction valuation for valuation in excess of \$120.25 million</p>	<p>Water Capacity Fees: 5/8 in., 3/4 in E-Meter. \$3,750, 1 in. E-Meter \$6,250, 1 1/2 in. E-Meter \$18,850, 2 in. E-Meter \$31,250, 4 in. Compound Meter by est. \$125/FU (min. 5,000 FU) , 6 in. Compound Meter by est. \$125/FU (min. 7,000 FU)</p> <p>Fire Service Capacity Fees: 2 in. \$750, 4 in. \$8,425, 6 in. \$18,250, 8 in. \$30,950, 10in. \$48,110</p> <p>Sewer Capacity Charges: 4 in. connection with 5/8 in Water Meter (WM) \$5,250, 4 in connection. with 1-in WM \$10,500, 4 or 6 in. connection with 1-1/2 in WM \$31,668, 6 in. connection with 2 in. WM \$52,500, 6 in. and larger connection with 4 in. or larger WM by est. at \$210/FU</p>
Fund Balance July 1, 2022	1,925,710	
FY 2023 Activity		
Revenues		
Fees Collected	261,001	
Interest Earnings	42,512	
Unrealized Gain/(Loss) Investments	(48,425)	
Operating Transfer from General Fund	184,000	
Capacity Fees Collected - Water		131,275
Total Revenues	439,088	131,275
Expenditures		
Salaries and benefits	(255,040)	
Other Contract Services	(16,000)	
Liability Insurance	(2,324)	
Total Expenditures	(273,364)	
Ending Balance June 30, 2023	2,091,434	
Reserves		
Other Commitments/Appropriations	(40,000)	
Total Reserves	(40,000)	
Net Funds Available	2,051,434	

City of Palo Alto
FY 2023 Use of Fees Summary

Fee Fund	FY 2023 Expenditures (Actual)	FY 2023 Interfund Transfers	% of Total Project Cost	Construction Start Date
Stanford Research Park/El Camino Real Traffic Impact Fee	None in FY 2023	None in FY 2023	N/A	N/A
San Antonio/West Bayshore Traffic Impact Fee	None in FY 2023	None in FY 2023	36%	
Commercial Housing Impact Fee	Expended \$38,000 directly in the Commercial Housing Impact Fee Fund, related to staffing costs and internal costs to support housing grant work for Permanent Local Housing Allocation (PLHA) Entitlement Funding and Local Housing Trust Fund (LHRF).	None in FY 2023	N/A	N/A
General Government Facilities	None in FY 2023	None in FY 2023	N/A	N/A
Community Facilities - Parks Development Fee				
Boulware Park (PE-17005)	\$343,580 in Capital Project Fund	\$1,930,000 to Capital Project Fund	36%	Construction scheduled to commence summer 2024. Phase 1 construction began fall 2021.
Rinconada Park (PE-08001)	\$237,280 in Capital Project Fund	\$383,633 to Capital Project Fund	4%	
Park Restroom Installation (PG-19000)	\$143,530 in Capital Project Fund	\$336,700 to Capital Project Fund	36%	FY 2024, with additional projects beginning in FY 2026 and FY 2028
Community Facilities - Community Centers Development Fee	None in FY 2023	None in FY 2023	N/A	N/A
Community Facilities - Library Development Fee	None in FY 2023	None in FY 2023	N/A	N/A
Residential Housing Impact Fee				

City of Palo Alto
FY 2023 Use of Fees Summary

Fee Fund	FY 2023 Expenditures (Actual)	FY 2023 Interfund Transfers	% of Total Project Cost	Construction Start Date
	None in FY 2023	None in FY 2023	N/A	N/A
Charleston-Arastradero Corridor Pedestrian and Bicyclist Safety				
Charleston/Arastradero Corridor Project (PE-13011)	\$35,000 in Capital Project Fund	\$35,000 to Capital Project Fund	1%	Phases 1 and 2 began June 2018
Citywide Transportation				
Traffic Signal and Intelligent Transportation (PL-05030)	\$232,810 in Capital Project Fund	\$395,000 to Capital Projects Fund	42%	Project start was circa FY 2005. Fee funds used for ongoing upgrades to the City's comprehensive traffic management system, including traffic signal equipment and on-call traffic design/engineering services.
Public Safety Facility Development Fee				
	None in FY 2023	None in FY 2023	N/A	N/A
University Avenue Parking In-Lieu Fee				
New Downtown Parking Garage (PE-15007)	None in FY 2023	\$92,000 to Capital Project Fund	95%	Project currently in planning and design. Construction start date is TBD.
Residential Housing In-Lieu Fee Fund				
	Expended \$38,000 directly in the Residential Housing In-Lieu Fee Fund, related to staffing costs and internal costs to support housing grant work for PLHA and LHRF and Below Market Rate (BMR) administration.			
Parkland Dedication				
	None in FY 2023	None in FY 2023	N/A	N/A
Public Art Fund				
	None in FY 2023	None in FY 2023	N/A	N/A
Water and Wastewater Collection				
	None in FY 2023	None in FY 2023	N/A	N/A

Resolution No. _____

Resolution of the Council of the City of Palo Alto Accepting the Development
Impact Fee Report for the Period Ending June 30, 2023 and Making Findings
Regarding the Continuing Need for Development Impact Fees Collected but
Not Expended

R E C I T A L S

- A. Government Code Sections 66000 et seq., commonly known as the Mitigation Fee Act, regulates the imposition, collections, expenditure, and reporting of development impact fees; and
- B. Government Code Section 66006 requires that certain information be made available to the public regarding development impact fees on an annual basis; and
- C. Government Code Section 66001 requires the City Council to make findings describing the continuing need for impact fees every five years specifying the intended use of any unexpended impact fees; and
- D. The City of Palo Alto imposes various development impact fees, and has prepared the Development Impact Fee Report for the Period Ending June 30, 2023, which contains the information required by Government Code 66006 for these fees; and
- E. The City of Palo Alto also imposes in-lieu fees and dedication fees in connection with development projects and although the Mitigation Fee Act's requirements do not apply to these fees, the Development Impact Fee Report for the Period Ending June 30, 2023 includes information regarding those fees in its annual report in the interest of transparency.
- F. The Development Impact Fee Report for the Period Ending June 30, 2023 was published on the City of Palo Alto website on December 29, 2023.
- G. The City Council has read and considered the Development Impact Fee Report for the Period Ending June 30, 2023.

The Council of the City of Palo Alto RESOLVES as follows:

Section 1. The City Council accepts the Development Impact Fee Report for the Period Ending June 30, 2023 as required by Government Code 66006.

Section 2. Based on the Development Impact Fee Report for the Period Ending June 30, 2023, and the Schedule of Improvements and Expenditures attached as Exhibit 1 to this resolution, the City Council makes the following findings as required by Government Code Section 66001 with regard to fees collected but not expended for the following development impact fees:

Stanford Research Park/El Camino Real Traffic Impact Fee

- A. The purpose of this fee is to fund traffic-related improvements at eight designated intersections within the Stanford Research Park/El Camino Real CS zone.
- B. The fee is reasonably related to its purpose because the fee is imposed on new non-residential development, which is expected to generate an average of eighty percent of new commute period traffic at the designated intersections, and the amount of the fee is based upon the estimated cost of the capacity improvements at the designated intersections.
- C. The sources and amounts of funding anticipated for incomplete improvements is set forth in Exhibit 1 to this resolution.
- D. The approximate dates on which the funding is expected to be deposited into the appropriate account is set forth in Exhibit 1 to this resolution.

San Antonio/West Bayshore Area Traffic Impact Fee

- A. The purpose of this fee is to fund the cost of capital expenditures needed to provide operational improvements at certain intersections in the San Antonio/West Bayshore Area.
- B. This fee is reasonably related to its purpose because the fee is imposed on new development in the San Antonio/West Bayshore Area, and the San Antonio/West Bayshore Environmental Impact Report (EIR) showed that these improvements are necessary to mitigate the demonstrated significant traffic impacts of such new development.
- C. The sources and amounts of funding anticipated for incomplete improvements/facilities is set forth in Exhibit 1 to this resolution.
- D. The approximate dates on which the funding is expected to be deposited into the appropriate account is set forth in Exhibit 1 to this resolution.

Citywide Transportation Impact Fee

- A. The purpose of this impact fee is to fund the cost of citywide transportation enhancements, or public facilities and services that relieve citywide traffic congestion caused by new development projects.
- B. The fee is reasonably related to its purpose because the fee is imposed on development projects that cause traffic congestion on a citywide basis, calculated based on the additional traffic impacts attributable to the project, and fee funds are used only on eligible citywide transportation enhancements.
- C. The sources and amounts of funding anticipated for incomplete improvements/facilities is set forth in Exhibit 1 to this resolution.
- D. The approximate dates on which the funding is expected to be deposited into the appropriate account is set forth in Exhibit 1 to this resolution.

University Avenue Parking In-Lieu

- A. The purpose of this fee is to fund the cost of providing public parking facilities to serve nonresidential development within the University Avenue parking assessment district area that does not provide adequate new off-street parking spaces to satisfy the requirements of the zoning code.
- B. The fee is reasonably related to its purpose because the fees will be used for the construction of additional public parking spaces within the University Avenue parking assessment district area.
- C. The sources and amounts of funding anticipated for incomplete improvements/facilities is set forth in Exhibit 1 to this resolution.
- D. The approximate dates on which the funding is expected to be deposited into the appropriate account is set forth in Exhibit 1 to this resolution.

In addition to the estimated expenditures stated in Exhibit 1, the City has also allocated \$1.3 million of the unexpended fund balance for resolution of pending litigation (Hamilton and High, LLC, et al. v. City of Palo Alto, et al. Case No. 20CV366967, Superior Court of California, Santa Clara County).

Commercial Housing Impact Fee Fund

- A. The purpose of this fee is to offset the demand that new jobs create for low and moderate-income housing in the city as a result of commercial and industrial development by supporting below-market rate housing at various levels of affordability.
- B. The fee is reasonably related to its purpose because the fees are expended exclusively to provide housing affordable to very low income, lower income, and moderate income households in the city, consistent with the goals and policies contained in the City's housing element and for administration and compliance monitoring of the City's affordable housing program.
- C. The sources and amounts of funding anticipated for incomplete improvements/facilities is set forth in Exhibit 1 to this resolution.
- D. The approximate dates on which the funding is expected to be deposited into the appropriate account is set forth in Exhibit 1 to this resolution.

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SECTION 3. The Council finds that adoption of this resolution is not a project as defined by the California Environmental Quality Act (CEQA) in that it is a fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. CEQA Guidelines section 15378(b)(4).

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Chief Assistant City Attorney

City Manager

Director of Administrative Services

Exhibit 1

Schedule of Improvements and Expenditures

Improvement/Public Facility	Funding Source	Amount and Approximate Dates of Funding to be Deposited						Additional Funding Sources; Notes
		FY 2023 and Prior	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	
Traffic Signal and Intelligent Transportation Systems (PL-05053)	San Antonio/W. Bayshore Impact Fee Fund	\$ 900,000						Refer to City of Palo Alto FY 2024 Adopted Capital Budget, pp. 330-331
San Antonio/Charleston intersection improvements (PE-86070)	San Antonio/W. Bayshore Impact Fee Fund	\$ 900,000		\$ 400,000				Refer to City of Palo Alto FY 2024 Adopted Capital Budget, pp. 290-291
San Antonio Overpass (PE-86070)	San Antonio/W. Bayshore Impact Fee Fund	\$ 900,000						Refer to City of Palo Alto FY 2024 Adopted Capital Budget, pp. 290-291
Churchill Ave Enhanced Bikeway (PL-14000)	Citywide Traffic Impact Fee Fund	\$ 1,000,000						Refer to City of Palo Alto FY 2024 Adopted Capital Budget, pp. 304-305
Traffic Signal and Intelligent Transportation Systems (PL-05030)	Citywide Traffic Impact Fee Fund		\$ 395,000	\$ 395,000	\$ 395,000	\$ 395,000	\$ 395,000	Refer to City of Palo Alto FY 2024 Adopted Capital Budget, pp. 330-331
								Refer to City of Palo Alto FY 2024 Adopted Capital Budget, pp. 158-159. In December 2023, the City Council directed staff to resume work on the Downtown Parking Garage project in conjunction with the development of affordable housing on City-owned parking lots. Project budget, funding amounts and dates will be updated in the FY 2025-2029 Capital Improvement Program.
Downtown Parking Garage (PE-15007)	Downtown Parking In-Lieu Fee Fund	\$ 1,300,000	\$ 5,448,600					Affordable housing units managed by Alta Housing
2811 Alma Street	Commercial Housing Impact Fee	\$ 1,290,000						Affordable housing units managed by Eden Housing Management
801 Alma Street	Commercial Housing Impact Fee	\$ 4,137,254						
Buena Vista Mobile Home Park	Commercial Housing Impact Fee	\$ 7,700,000						Affordable housing units managed by Santa Clara County Housing Authority
Wilton Court	Commercial Housing Impact Fee	\$ 10,502,309						Affordable housing units managed by Alta Housing
Community Development Block Grant-additional eligible affordable housing units/affordable housing program expenditures	Commercial Housing Impact Fee		\$2,000,000					The Planning and Development Services Department will be releasing a notice of funding availability (NOFA) in February 2024 and remaining funding should be allocated in FY 2024; a minimum balance will be maintained to account for unrealized losses as these funds are invested until the time of disbursement.
Page Mill Road/Hanover Street Intersection Improvements	Stanford Research Park/El Camino Real Traffic Impact Fee	\$2,200,000						Project constructed in partnership with County of Santa Clara
Page Mill Road/El Camino Real Intersection Improvements	Stanford Research Park/El Camino Real Traffic Impact Fee				\$1,000,000			Project to be constructed in partnership with County of Santa Clara with tentative construction start in FY 2026
Traffic Signal and Intelligent Transportation Systems (PL-05030)	Stanford Research Park/El Camino Real Traffic Impact Fee			\$50,000	\$50,000	\$50,000	\$50,000	Funding amounts and dates will be updated in the FY 2025-2029 Capital Improvement Program.