



# CITY COUNCIL AGENDA STATEMENT



August 7, 2018

File ID: 15-0546

## **TITLE**

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHULA VISTA AMENDING CHAPTER 16 (DEVELOPMENT AND IN-LIEU FEES) OF THE CITY'S MASTER FEE SCHEDULE RELATING TO CITYWIDE IN-LIEU FEES FOR PARKLAND DEVELOPMENT

## **RECOMMENDED ACTION**

Council adopt the resolution.

## **SUMMARY**

Chapter 17.10 of the Chula Vista Municipal Code (Parklands and Public Facilities) requires new development to provide 3 acres of parkland per 1,000 new residents added. This obligation may be met through either the direct provision of parklands, the payment of Parkland Acquisition and Development (PAD) in-lieu fees, or a combination thereof. With the implementation of Senate Bill 7 (SB7), the City of Chula Vista is now required to pay prevailing wages for public works projects. This requirement applies to parks and other public works constructed by developers on behalf of the City. In addition to new prevailing wage requirements, increasingly stringent water quality regulations and a tight regional construction labor market are driving up parkland development costs. Approval of the proposed resolution will increase the development component of the PAD fee to properly fund the construction of parks with prototypical amenities.

## **ENVIRONMENTAL REVIEW**

The Development Services Director has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a "Project" as defined under Section 15378 of the State CEQA Guidelines because the proposal consists of a fiscal action that will not result in a potentially significant impact on the environment. Therefore, pursuant to Section 15060(c)(3) of the State of CEQA Guidelines, the activity is not subject to CEQA. Thus, no Environmental review is required.

## **BOARD/COMMISSION/COMMITTEE RECOMMENDATION**

Not applicable.

## **DISCUSSION**

Chapter 17.10 of the Chula Vista Municipal Code details requirements for parkland dedication, park improvements, and the collection of Parkland Acquisition and Development (PAD) in-lieu fees from

developers of residential projects citywide. Commercial, industrial, and hotel/motel developments are not subject to the PAD fee. The PAD fee includes two components: a parkland acquisition fee to be paid in-lieu of land dedication, and a parkland development fee to construct park improvements. The parkland development fee is applied at the same rate citywide (as compared with the parkland acquisition fee which has two, geographically based rates). The proposed fee adjustments with this item relate only to the development component of the PAD fee. Chapter 16 of the City's Master Fee Schedule sets forth the PAD fee rates, and therefore must be amended by City Council resolution to implement the new fees.

The cost for development of a prototypical park was last updated in July 2004. Since that time, the fee program has been subject to annual inflationary increases to ensure that PAD development fees keep pace with construction cost increases. The current (adjusted for inflation) estimate of \$547,960 per acre provides for:

- Drainage systems
- Street improvements (*parks related*)
- Lighted parking lots
- Concrete circulation systems
- Security lighting
- Park fixtures (*drinking fountains, trash receptacles, bicycle racks, etc.*)
- Landscaping (*including disabled access surfacing*)
- Outdoor sports venues (*tennis courts, baseball/softball/soccer fields, basketball courts, skateboard and multi-wheel venues*)
- Irrigation systems
- Restrooms and storage
- Play areas (*tot lots, etc.*)
- Picnic shelters, tables, benches
- Utilities

Excluded are costs associated with construction of major recreation facilities such as community centers, gymnasiums, and public aquatic facilities. These are funded via the Major Recreation Facilities component of the Public Facilities Development Impact Fee.

#### Increasing Construction Costs

Three prototypical parks are currently under development, including Escaya, a 7.5-acre neighborhood park located in Otay Ranch Village 3; the 7.10-acre P-2 neighborhood park in Otay Ranch Village 2; and the 5.057-acre P-5 neighborhood park, also in Otay Ranch Village 2. On average, the cost estimates for these parks indicate a park development budget of \$750,000 per acre is required. This equates to a budget shortfall of 37% when compared with the current development fee of \$547,960 per acre. These significant budget shortfalls are the result of several factors, including the new prevailing wage law, increasingly stringent water quality regulations, and a tight regional construction labor market.

Right sizing the fee will allow the programming and facilities envisioned in the parks master plan to be constructed with each park. There are no changes proposed to the 3-acres per 1,000 population park requirement for new development.

#### Senate Bill 7 Prevailing Wage Requirements

Adopted in October 2013, Senate Bill 7 (SB7) went into effect January 1, 2015. SB7 prohibits charter cities that do not comply with California prevailing wage law from receiving or using discretionary state funding

or financial assistance. In order to ensure continued receipt of state funds, charter cities like the City of Chula Vista now require the payment of prevailing wages for all public projects.

Proposed PAD Development Fee Increase

The current and proposed fee for all land uses are listed in the table below:

<b>Park Development Fees</b>	<b>Single Family DU</b>	<b>Multi-Family DU</b>	<b>Mobile Home</b>
Dwelling Units (DUs) per Park Acre	95	128	203
<b>Updated Development Cost per Acre</b>	<b>\$ 750,000</b>	<b>\$ 750,000</b>	<b>\$ 750,000</b>
Current Fee per DU	\$ 5,768	\$ 4,281	\$ 2,700
<b>Proposed Fee per DU</b>	<b>\$ 7,894</b>	<b>\$ 5,859</b>	<b>\$ 3,694</b>
<i>Fee Increase %</i>	<i>37%</i>	<i>37%</i>	<i>37%</i>

The development component of the PAD fee will continue to be subject to annual inflationary adjustment, as authorized in Section 17.10.110 of the CVMC. If the proposed fee increase is approved, the next inflationary update of the PAD development fee would occur in October 2018.

Developer Discussions

City staff and developers have extensively discussed the budgetary impacts of prevailing wage requirements on developer constructed public works since SB7 was signed into law in October of 2013. While the prevailing wage requirement for charter cities went into effect January 1, 2015, the three parks currently under development are the first prototypical parks to be designed in that time. The new park budget estimates submitted to the City by developers clearly indicate that current park development fees are insufficient to construct parks as planned. Recognizing the value of adequate and appropriate amenities in new parks, members of the development community have communicated their support for the proposed increase.

Next Steps

If approved, the new park development fee would be effective 60 days after the adoption of the resolution.

The Council will also be considering an update to the City’s Park & Recreation Master Plan document at tonight’s meeting. With the approval of this item and the Park & Recreation Master Plan update, staff will next begin developing a new citywide park development impact fee, which may ultimately replace the PAD fee. Any new proposed park fee program will reflect input from members of the development community and will be brought back to Council for consideration and possible approval.

**DECISION-MAKER CONFLICT**

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the 500-foot rule found in California Code of Regulations Title 2, section 18702.2(a)(11), is not applicable to this decision for purposes of determining a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov’t Code § 87100, et seq.).

Staff is not independently aware, and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

### **LINK TO STRATEGIC GOALS**

The City's Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. The proposed change to the park development fee addresses the Economic Vitality and Healthy Community goals as a sustainable fee structure will allow the City to continue to provide healthy places to recreate.

### **CURRENT-YEAR FISCAL IMPACT**

Assuming 1,000 multi-family dwelling units are subject to assessment of the PAD in-lieu fee over the course of the next year, this update would result in the collection of \$5,859,000 in PAD development fees, a net increase of \$1,578,000 over the \$4,280,000 collectible under the current rate. Revenues from the PAD fee increase will provide the funds necessary to construct the planned parks in the Otay Ranch and throughout the City. The revised fee will have a minimal effect on the funding for parks within projects which have already paid all or most of their PAD fee obligation.

For those development projects that will provide turnkey parks instead of paying the in-lieu fee, the City will not receive any additional PAD funds as a result of this action. Instead, this action will ensure that the development budgets for these parks are set at an appropriate level, and that the credits received by the developers for constructing the parks are aligned with what would have otherwise been their in-lieu fee obligation.

Approval of this item has no current fiscal year General Fund impact.

### **ONGOING FISCAL IMPACT**

Approval of the proposed resolution ensures a sustainable park development fee that supports the provision of appropriate park amenities for new residents as the City continues to grow.

Approval of this item has no ongoing General Fund impact.

### **ATTACHMENTS**

1. Prototypical Park Construction Cost Estimates

*Staff Contact: Tiffany Allen, Development Services Department*