

City of San Carlos

Development Impact Fees and In-Lieu Fees – Annual Report Fiscal Year Ended June 30, 2024

This Administrative Report serves as the City's annual report on development impact fees, as required by Government Code Section 66000-66008, and on park in-lieu fees, as required by Government Code Section 66477. This report also includes the City's other fees not governed by these specific Government Code sections.

Development Impact Fees

The City of San Carlos assesses several development impact fees – Traffic Impact Fee, Park Facility Development Fee, Commercial Linkage Fee, Sewer Capacity Charge, Childcare Development Impact Fee, and the Silicon Valley Clean Water (SVCW) Sewer Connection Pass-through Fee.

Local governments often charge fees as a condition of approval for development projects to fund public improvements to compensate for the demands that the developments have on public infrastructure. These fees are commonly known as development impact fees. In 1989, the State Legislature passed Assembly Bill 1600 (AB 1600), which added Sections 66000 et seq. to the California Government Code, commonly known as the Mitigation Fee Act. As required by law, these fees are segregated and accounted for in a separate fund. Per AB1600, each fee collected to mitigate a specific impact must be spent within five years of collection. If the fee is held over this five-year period due to specific circumstances or insufficient collection for the need improvements, the City Council must take specific findings to continue holding the fees, otherwise, the fees are subject to refund. For the FY 2023-24 ended June 30, 2024, none of the impact fees collected by the city have been held for a period greater than five years. Government Code Section 66001 requires the city to make available to the public certain information regarding these fees for each fund within 180 days after the end of each fiscal year.

In-Lieu Fees

In-lieu fees are fees that are also collected by the city instead of requiring developers to provide or construct specified improvements or amenities with their projects. The City of San Carlos assesses a few in-lieu fees – Park Land Dedication In-Lieu Fee, Affordable Housing In-Lieu Fee, and Parking In-Lieu Fee.

This report summarizes the following information for each of the development impact fee programs and in-lieu fees, categorized by the funds in which the fees are collected:

- A brief description of the fee program
- A schedule of fees, where applicable, or reference to it in the City's Municipal Code
- Beginning and Ending fund balances of the fee program
- Total fees collected and the interest earned, if applicable
- Disbursement information

The table below shows the summary of the development impact and in-lieu fees for Fiscal Year 2023-24:

	Traffic Impact Fee (Fund 25)	Child Care Development In-Lieu Fee (Fund 26)	Park Land Dedication In- Lieu Fee / Park Facility Dev Fee (Fund 27)	Housing in-Lieu Fee / Commercial Linkage Fee (Fund 29)	Parking in-Lieu Fee (Fund 28)	Sewer Capacity Charge (Fund 6)	Sewer Connection Fee Pass- Through (Fund 6)
Beginning Fund Balance	\$ 2,685,997	\$ -	\$ 1,053,022	\$ 12,123,575	\$ 245,375	\$ -	\$ 309,821
Revenues							
Interest	140,694	56,972	48,684	163,964	11,825	-	-
Fees	992,344	1,033,530	34,914	4,212,420	-	1,289,901	207,331
Total Revenues	1,133,038	1,090,502	83,598	4,376,384	11,825	1,289,901	207,331
Expenditures							
Expenditures	2,454,085	-	222,397	13,293,500	23,504	1,289,901	-
Total Expenditures	2,454,085	-	222,397	13,293,500	23,504	1,289,901	-
Revenues over (under)							
Expenditures	(1,321,047)	1,090,502	(138,799)	(8,917,116)	(11,679)	-	207,331
Fund Balance June 30	\$ 1,364,950	\$ 1,090,502	\$ 914,223	\$ 3,206,459	\$ 233,696	\$ -	\$ 517,152

Fund 25

Traffic Impact Fee

City of San Carlos Municipal Code Chapter 8.50 establishes a Traffic Impact Fee to fund transportation improvements to help accommodate new residents and businesses brought to San Carlos as a result of new development projects. The Traffic Impact Fee is accounted for in the General Capital Project Fund (0025) restricted account.

Traffic Impact Fee Schedule

Category	Fee	Basis
Office	\$8,545.00	Per 1,000 Square Foot
Lab	\$3,641.00	Per 1,000 Square Foot
Manufacturing	\$4,978.00	Per 1,000 Square Foot
Warehouse	\$1,412.00	Per 1,000 Square Foot
Restaurant (High Turnover)	\$72,591.00	Per 1,000 Square Foot
Retail	\$28,308.00	Per 1,000 Square Foot
Single Family Residential	\$7,356.00	Per Dwelling Unit
Apartment	\$4,161.00	Per Dwelling Unit
Condominium	\$4,161.00	Per Dwelling Unit
Hotel	\$4,458.00	Per Room
Medical Office	\$25,708.00	Per 1,000 Square Foot

Traffic Impact Fee Collection and Expenditure Schedule
June 30, 2020 – June 30, 2024

Fiscal Year	2020	2021	2022	2023	2024	% of Project funded by Fee to date	Commence Approximate Date
Beginning Fund Balance	\$ 2,528,117	\$ 1,944,714	\$ 2,079,368	\$ 2,563,740	\$ 2,685,997		
Revenues							
Interest Earnings	70,043	451	(57,986)	29,030	140,694		
Impact Fees	233,761	512,067	542,358	93,227	992,344		
Transfer in							
Total Revenues	303,804	512,518	484,372	122,257	1,133,038		
Expenditures							
Holly St/101 Interchange Study	887,207	377,865	-	-		100.0%	Completed
San Carlos Ave Pedestrian Safety Improvements Phase III					2,401,150	36%	In progress
Brittan Avenue Sidewalk Improvements (Between Rogers Ave & Sunset Drive)					52,935	3%	In progress
Total Expenditures	887,207	377,865	-	-	2,454,085		
Revenues over (under) Expenditures	(583,403)	134,653	484,372	122,257	(1,321,047)		
Fund Balance June 30	\$ 1,944,714	\$ 2,079,368	\$ 2,563,740	\$ 2,685,997	\$ 1,364,950		

The total ending balance as of the end of Fiscal Year 2023-24 was \$1,364,950 and no Traffic Impact Fees funds have been held longer than five years. The San Carlos Ave Pedestrian Safety Improvements Phase III project and the Brittan Avenue Sidewalk Improvements (Between Rogers Ave & Sunset Drive) are currently identified in the capital improvement five-year plan as a recipient of funds. The City is continuing to collect fees for future projects.

Fund 26

Child Care Development In-Lieu Fee

On June 27th, 2022, the City Council introduced Ordinance 1585 adding Chapter 8.52 to the San Carlos Municipal Code, establishing a Childcare Development Impact Fee program for new nonresidential developments in the City. On August 22, 2022, the Council completed the second reading of Ordinance 1585, which became effective 30 days thereafter.

Child Care Development Fee Schedule

Office/Research & Development (R&D)	\$5.00 per sq.ft.
Retail	\$2.50 per sq.ft.
Hotel	\$1.60 per sq.ft.
Industrial	\$1.60 per sq.ft.

Child Care Development Fee Collection and Expenditure Schedule
June 30, 2020 – June 30, 2024

Fiscal Year	2020	2021	2022	2023	2024	% of Project funded by Fee to date	Commence Approximate Date
Beginning Fund Balance					\$ -		
Revenues							
Interest					56,972		
Childcare Development Fees					1,033,530		
Total Revenues					1,090,502		
Expenditures							
Total Expenditures	-	-	-	-	-		
Revenues over (over)							
Expenditures	-	-	-	-	1,090,502		
Fund Balance June 30	\$ -	\$ -	\$ -	\$ -	\$ 1,090,502		

The total ending balance as of the end of Fiscal Year 2023-24 was \$1,090,502 and no Child Care Development Fees funds have been held longer than five years. This in-lieu fee will continue to be collected to build the fund balance, and potential projects will be identified as the fund balance reaches an appropriate level. The Council has adopted a Child Care Grant Program with a \$250,000 annual funding amount beginning in FY 2024-25 that these funds will be used toward.

Fund 27

Park Land Dedication In-Lieu Fee

Park In-Lieu Fees are assessed pursuant to the Quimby Act under Government Code Section 66447. Under the Quimby Act, local governments may require the dedication of land for parks or the payment of fees in-lieu of land dedication as a condition of subdivision map approval.

The Park Land Dedication In-Lieu Fee is collected and expended to purchase land, buy equipment, or construct improvements in neighborhood parks and recreation facilities serving such subdivisions. The fee is accounted for in the Park In-Lieu Fund (0027).

Calculation of Subdivision Park Land Dedication In-Lieu Fee

The Municipal Zoning Code section 17.32.030 requires new subdivisions to pay Park and Recreation land dedication fees in-lieu of land dedication: Fee = A x B x C

A = The acreage required per dwelling unit within the proposed subdivision for park and recreational facilities from this title (see Table 17.32.030), e.g. 0.00475

B = The number of dwelling units in the proposed subdivision, e.g. 18

C = The fair market value per acre of land in the proposed subdivision, e.g. \$18,708,871

Fee Example Calculation: Fee = (0.00475) x (18) x (\$18,708,871) = \$1,599,608.47

However, Code section 17.32.030 caps these fees at 50% of the highest in-lieu fee collected by the City for single-family residential subdivisions since March 1, 1976 (on an average, per dwelling basis). The highest fee collected for a single-family subdivision since 1976 was \$38,084.63 per unit (in 2016: 2 lot subdivision at 1985 Carmelita).

Park In-Lieu Fee = 50% x (\$38,084.63) = \$19,042.32 per unit

Total Fee = \$342,761.76 (\$19,042.32 x 18 units)

Park Facility Development Fee

Park Facility Development Fees are assessed pursuant to Law of the City of San Carlos (Ord. 1007 § 1 (part), 1988) per Municipal Code section 3.34. The fee is accounted for in the Park In-Lieu Fund (0027) and is used for the acquisition, development, renovation, and replacement of parks and recreational areas and their development, including equipment for recreational purposes.

The Park Facility Development Fee for Fiscal Year 2023-24 = \$2,692 per bedroom

Park Land Dedication In-Lieu Fee and Park Facility Development Fee Collection and Expenditures Schedule June 30, 2020 – June 30, 2024

Fiscal Year	2020	2021	2022	2023	2024	% of Project funded by Fee to date	Commence Approximate Date
Beginning Fund Balance	\$ 2,519,269	\$ 1,533,928	\$ 1,585,257	\$ 2,055,962	\$ 1,053,022		
Revenues							
Interest	40,565	321	(40,831)	18,948	48,684		
Park Facility Development Fees	149,647	194,212	150,248	95,455	34,914		
P&R Dedication in-Lieu Fees	114,254	152,388	571,270	342,762	-		
Total Revenues	304,466	346,921	680,687	457,164	83,598		
Expenditures							
Chilton Park Improvements	44,781	269,095	185,482	104		100%	Completed
Park Bathroom Replacement	1,200,000	-	-	-		100%	Completed
Highland Park Tennis Court Resurfacing		-	24,500	-		100%	Completed
Shade Structure Improvements	45,026	26,497	-	-		100%	Completed
Installation of New Sports Field Lighting at Flanagan and Stadium Fields	-	-	-	1,460,000		62%	In progress
North Crestview Park New Master Plan					145,049	36%	In progress
Parks Master Plan					3,052	0.5%	In progress
Trail Improvements, expansion and connections					74,296	9%	In progress
Total Expenditures	1,289,807	295,592	209,982	1,460,104	222,397		
Revenues over (under) Expenditures	(985,341)	51,329	470,705	(1,002,940)	(138,799)		
Fund Balance June 30	\$ 1,533,928	\$ 1,585,257	\$ 2,055,962	\$ 1,053,022	\$ 914,223		

The total ending balance as of the end of Fiscal Year 2023-24 was \$914,223 and no Park Facility Development Fees funds have been held longer than five years. This in-lieu fee will

continue to be collected to build the fund balance, and potential projects will be identified as the fund balance reaches an appropriate level.

Fund 28

Parking In-Lieu Fee

City of San Carlos Municipal Code Chapter 18.20 establishes a Parking In-Lieu fee to fund programs to reduce parking impacts including acquisition, development, and maintenance of parking facilities located in the parking assessment district; transportation system management projects (Ord. 1537 (Exh. C (part)), 2018; Ord. 1438 § 4 (Exh. A (part)), 2011); transit or paratransit passes, coupons, and tickets to be made available at a discount to employees and customers and to promote and support incentives for employee ride-sharing and transit use.

The full schedule defining the requirements for parking spaces can be found in Municipal Code section 18.20.040.

Parking In-Lieu Fee Collection and Expenditures Schedule June 30, 2020 – June 30, 2024

Fiscal Year	2020	2021	2022	2023	2024	% of Project funded by Fee to date	Commence Approximate Date
Beginning Fund Balance	\$ 40,023	\$ 187,939	\$ 261,835	\$ 241,097	\$ 245,375		
Revenues							
Interest	7,418	-	(6,593)	4,278	11,825		
Fees	143,488	76,169	-	-	-		
Total Revenues	150,906	76,169	(6,593)	4,278	11,825		
Expenditures							
Reconfiguration Public							
Parking Plaza	2,990	2,273	14,144	-	-	100% Completed	
Parking Occupancy Study	-	-	-	-	23,504	31% In progress	
Total Expenditures	2,990	2,273	14,144	-	23,504		
Revenues over (over)							
Expenditures	147,916	73,896	(20,737)	4,278	(11,679)		
Fund Balance June 30	\$ 187,939	\$ 261,835	\$ 241,097	\$ 245,375	\$ 233,696		

The total ending balance as of the end of Fiscal Year 2023-24 was \$233,696 and no Parking In-Lieu Fees have been held longer than five years. The balance remaining in this fund has been budgeted to be transferred and applied against project C1816 Parking Occupancy Study and project C2206 East Side Innovation District Parking Strategy in FY 2024-25.

Fund 29

Commercial Linkage Fee

The City of San Carlos Municipal Code Chapter 8.51 establishes a development impact fee for fund construction, acquisition, or financing of new existing multi-family affordable housing projects. The purpose of the Commercial Linkage Fee is to encourage the development and availability of housing affordable to a broad range of individuals and families with varying income levels within the city as mandated by State law, California Government Code Section 65580.

The Linkage Fee applies to commercial projects including changes in use, additions to floor area, and new developments as noted below.

Commercial Linkage Fee Schedule

Category	Fee
Retail, Restaurant, & Personal Service	\$ 5.00 per net new square foot
Hotel	\$10.00 per net new square foot
Office, Medical Office, Research & Development	\$20.00 per net new square foot

Affordable Housing In-Lieu Fee for Residential Development

Per Municipal Code section 18.16.030, for all residential ownership developments of five or more dwelling units, at least twenty percent of the total units shall be Below Market Rate ("BMR") units restricted for sale to and occupancy by low-income households unless the residential development is exempt under Section 18.16.040. For all residential rental developments of seven (7) or more dwelling units, at least fifteen percent (15%) of the total units shall be below market rate units restricted for rent to and occupancy by low and very low-income households unless the residential development is exempt under Section 18.16.040.

At least fifteen percent of the total units in a residential rental development shall be below market rate units, of which ten percent shall be affordable to very low-income households and five percent affordable to low-income households.

For a residential ownership development of one (1) dwelling unit, or for an addition of one thousand (1,000) square feet or more to an existing dwelling unit that may be sold individually, the builder shall pay an in-lieu fee or construct an accessory dwelling unit.

For a residential development that creates one (1) additional lot, or two (2) to six (6) rental dwelling units and/or lots, or two (2) to four (4) ownership dwelling units and/or lots, or for a residential development that triggers a decimal fraction of less than one-half (0.5), the builder shall pay an in lieu fee for the fractional unit requirement or build a below market rate unit affordable to a low-income household.

For Partial Fee based on Applicable Project Size:						
Step 1: Find line for Total Units in project under Column A						
Step 2: Go to Column H for Partial Fee Obligation per square foot						
Step 3: Multiply figure in Column H by the actual average square feet per unit in project						
A	B	D	F	G	H	
Total Units	BMR 20% Obligation	Low Units	Partial Low Unit Obligation	Incremental Partial Fee Obligation Per Avg. Sq. Ft.	Cumulative Project Partial Fee Obligation Per Avg. Sq. Ft.	Total Units
1	0.20	0.00	0.20	4.22	4.22	
2	0.40	0.00	0.40	11.82	23.63	2
3	0.60	0.00	0.60	19.41	58.24	3
4	0.80	0.00	0.80	27.01	108.04	4
5	1.00	1.00	-	-	-	5
6	1.20	1.00	0.20	42.20	42.20	6
7	1.40	1.00	0.40	42.20	84.40	7
8	1.60	2.00	-	-	-	8
9	1.80	2.00	-	-	-	9
10	2.00	2.00	-	-	-	10
11	2.20	2.00	0.20	42.20	42.20	11
12	2.40	2.00	0.40	42.20	84.40	12

For residential rental developments, the following table applies:

For Total Project Impact Fee:

Step 1: Find line for Total Units in project under Column A

Step 2: Go to Column C for Total Fee Obligation per square foot

Step 3: Multiply figure in Column C by the average square feet per unit in project

A	B	C
Total Units	Incremental Impact Fee Per Avg. Sq. Ft.	Cumulative Project Impact Fee Per Avg. Sq. Ft.
1*	2.83	2.83
2	13.01	15.83
3	23.18	39.02
4	33.36	72.38
5	43.54	115.92
6	45.24	161.16

Commercial Linkage and Affordable Housing In-Lieu Fees deposited in the Housing In-Lieu Fund (0029) shall be used in accordance with the City's Housing Element, or subsequent plan adopted by the City Council to maintain or increase the quantity, quality, and variety of affordable housing units or assist other governmental entities, private organizations, or individuals to do so. Permissible uses include, but are not limited to, land acquisition, new construction, and other pursuits associated with providing affordable housing. It may also be used to cover reasonable administrative or overhead related expenses associated with the administration of the program.

Commercial Linkage and Affordable Housing In-Lieu Fees
Collection and Expenditures Schedule
June 30, 2020 – June 30, 2024

Fiscal Year	2020	2021	2022	2023	2024	% of Project funded by Fee to date	Commence Approximate Date
Beginning Fund Balance	\$ 6,698,196	\$ 8,114,932	\$ 9,448,459	\$ 12,098,079	\$ 12,123,575		
Revenues							
Interest	230,955	8,242	(230,761)	213,852	163,964		
Commercial Linkage Fees	-	1,943,280	4,004,180	264,684	4,134,120		
Affordable Housing in-Lieu Fees (BMR)	4,141,141	418,210	306,089	187,560	78,300		
Total Revenues	4,372,096	2,369,732	4,079,508	666,096	4,376,384		
Expenditures							
Regional Housing Contribution	105,000	154,500	157,600	132,300	168,800	100%	Annual
Cherry Street BMR	2,768,175	1,056	398,296	(73,378)	7,199	25%	In progress
Administrative & Overhead Expenses	75,470	121,986	129,509	952,194	340,441	100%	Annual
Study Land Use and Regulatory Options	6,715	260,862	214,507	339,114	-	100%	Completed
Low & Moderate Income Housing Units	-	497,801	529,976	(1,027,777)	-	100%	Units Sold
1232 Cherry Street Building Demolition	-	-	-	347	189,510	76%	In progress
817 Walnut St	-	-	-	310,000	-	100%	Completed
817 Walnut Oven Installation	-	-	-	7,800	114,700	61%	In progress
Affordable Housing Site Acquisition/Construction	-	-	-	-	12,472,850	18%	In progress
Total Expenditures	2,955,360	1,036,205	1,429,888	640,600	13,293,500		
Revenues over (less than) Expenditures	1,416,736	1,333,527	2,649,620	25,496	(8,917,116)		
Fund Balance June 30	\$ 8,114,932	\$ 9,448,459	\$ 12,098,079	\$ 12,123,575	\$ 3,206,459		

The total ending balance as of the end of Fiscal Year 2023-24 was \$3,206,459 and no Commercial Linkage and Affordable Housing In-Lieu Fees funds have been held longer than five years. The fund balance and continued collection of fees will be used to fund the acquisition of property on the north side of Cherry Street between Laurel and Walnut for potential assemblage with the adjacent property to create new, affordable rental housing. On June 26, 2023, the City Council approved Resolution 2023-085 authorizing the execution of a financing agreement to purchase property on 1800 El Camino Real and 1131-1133 Eaton Avenue for affordable housing. The property sale finalized in October 2023 which utilized \$12,472,850 in commercial linkage and affordable housing in-lieu funds.

Fund 6

Sewer Capacity Charge

San Carlos Municipal Code Chapter 13.04 establishes a sewer capacity charge to recover costs for the City's sewer system infrastructure and assets that provide benefit to the new or expanded connection. Water and sewer capacity charges are governed by California Government Code section 66013. The sewer capacity charge applies based on the estimated

increase in volume of wastewater discharge from each new or expanded connection and shall be adjusted annually based on the change in the Engineering News-Record Construction Cost Index (20-Cities Average) from the March 2016 Index. The fee is accounted for in the Sewer Enterprise Fund (0006).

Sewer Capacity Charge Schedule

	W	Sewer Capacity	
RESIDENTIAL <i>Charge per residential dwelling unit</i>			
Single Family		\$13,895	
Multi-family (Includes Duplexes, Apartments, Condos & Cooperative Projects)		\$6,427	
NON-RESIDENTIAL <i>Charge per 100 gpd of estimated wastewater discharge</i>			
Commercial, Retail, Professional, Institutional & Industrial Users	100 gpd	\$7,313	Minimum charge for up to the first 100 gallons per day of estimated wastewater discharge
	1 gpd	\$73.00	Per each subsequent 1 gallon per day of estimated wastewater discharge

Sewer Capacity Charge Collection and Expenditures Schedule June 30, 2020 – June 30, 2024

Fiscal Year	2020	2021	2022	2023	2024	% of Project funded by Fee to date	Commence Approximate Date
Beginning Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -		
Revenues							
Sewer Capacity Fees	760,322	813,350	1,424,311	207,778	1,289,901		
Total Revenues	760,322	813,350	1,424,311	207,778	1,289,901		
Expenditures							
Sewer System Improvements	760,322	813,350	1,424,311	207,778	1,289,901	32% Annual	
Total Expenditures	760,322	813,350	1,424,311	207,778	1,289,901		
Revenues over (less than) Expenditures	-	-	-	-	-		
Fund Balance June 30	\$ -	\$ -	\$ -	\$ -	\$ -		

The total ending balance as of the end of Fiscal Year 2023-24 was \$0. The fund balance and continued collection of sewer capacity charge will be used for improvement and expansion of sewer facilities, including the collection system, and any other purpose allowed by State and Federal law.

Sewer Connection Fee

In accordance with Municipal Code section 13.04.025 paragraph F, the City also collects the sewer connection fees adopted by Silicon Valley Clean Water ("SVCW") from new or expanded connections to the sewer system in conformance with the City's obligations under the Joint Powers of Authority Agreement between the City and SVCW. The current adopted rate is \$7.91 per gallon per day.

Sewer Connection Fee Pass-Through Collection and Disbursement Schedule June 30, 2020 – June 30, 2024

Fiscal Year	2020	2021	2022	2023	2024	% of Project funded by Fee to date	Commence Approximate Date
Beginning Fund Balance	\$ 18,979	\$ 482,855	\$ 120,766	\$ 267,583	\$ 309,821		
SVCW Sewer Connection Fee Pass Through	482,855	120,766	204,268	42,238	207,331	N/A - pass-through	
Disbursement to SVCW	18,979	482,855	57,451	-	-		
Fund Balance June 30	\$ 482,855	\$ 120,766	\$ 267,583	\$ 309,821	\$ 517,152		

The total fund balance as of the end of Fiscal Year 2023-24 was \$517,152 and no Sewer Connection Fee funds have been held longer than five years.