

## **City of San Carlos**

### **Development Impact Fees and In-Lieu Fees – Annual Report Fiscal Year Ended June 30, 2022**

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 a number of development impact fees – Traffic Impact Fee, Park Facility Development Fee, Commercial Linkage Fee, Sewer Capacity Charge, 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 years' time 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 Fiscal Year 2021-22 ended June 30, 2022, 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 number of 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 2021-22:

	Traffic Impact Fee (Fund 25)	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)
<b>Beginning Fund Balance</b>	\$ 979,368	\$ 1,585,257	\$ 9,448,459	\$ 261,835	\$ -	\$ 120,766
<b>Revenues</b>						
Interest	(57,986)	(40,831)	(230,761)	(6,593)	-	-
Fees	542,358	721,518	4,310,269	-	1,424,311	267,584
<b>Total Revenues</b>	<b>484,372</b>	<b>680,687</b>	<b>4,079,508</b>	<b>(6,593)</b>	<b>1,424,311</b>	<b>267,584</b>
<b>Expenditures</b>						
Expenditures	-	209,982	1,927,689	14,144	1,424,311	57,451
<b>Total Expenditures</b>	<b>-</b>	<b>209,982</b>	<b>1,927,689</b>	<b>14,144</b>	<b>1,424,311</b>	<b>57,451</b>
Revenues over (under)						
Expenditures	484,372	470,705	2,151,819	(20,737)	-	210,133
<b>Fund Balance June 30</b>	<b>\$ 1,463,740</b>	<b>\$ 2,055,962</b>	<b>\$ 11,600,278</b>	<b>\$ 241,098</b>	<b>\$ -</b>	<b>\$ 330,899</b>

## 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	\$7,307.00	Per 1,000 Square Foot
Lab	\$3,113.00	Per 1,000 Square Foot
Manufacturing	\$4,257.00	Per 1,000 Square Foot
Warehouse	\$1,207.00	Per 1,000 Square Foot
Restaurant (High Turnover)	\$62,079.00	Per 1,000 Square Foot
Retail	\$24,209.00	Per 1,000 Square Foot
Single Family Residential	\$6,290.00	Per Dwelling Unit
Apartment	\$3,558.00	Per Dwelling Unit
Condominium	\$3,558.00	Per Dwelling Unit
Hotel	\$3,812.00	Per Room
Medical Office	\$21,985.00	Per 1,000 Square Foot

**Traffic Impact Fee Collection and Expenditure Schedule  
June 30, 2018 – June 30, 2022**

<b>Fiscal Year</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>% of Project funded by Fee to date</b>	<b>Commence Approximate Date</b>
<b>Beginning Fund Balance</b>	\$ 1,240,946	\$ 2,449,860	\$ 2,528,117	\$ 1,694,714	\$ 979,368		
<b>Revenues</b>							
Interest Earnings	28,801	48,725	70,043	451	(57,986)		
Impact Fees	2,030,113	79,532	233,761	512,067	542,358		
Transfer in							
<b>Total Revenues</b>	<b>2,058,914</b>	<b>128,257</b>	<b>303,804</b>	<b>512,518</b>	<b>484,372</b>		
<b>Expenditures</b>							
Holly St/101 Interchange Study	850,000	-	887,207	377,865	-	25.4%	
East San Carlos Ave Traffic Signal	-	-	-	-	-	100%	Completed
Traffic impact Fee Update	-	50,000	-	-	-	100%	Completed
Brittan Ave & Alameda de las Pulgas Widening	-	-	250,000	850,000	-	100%	2024
<b>Total Expenditures</b>	<b>850,000</b>	<b>50,000</b>	<b>1,137,207</b>	<b>1,227,865</b>	<b>-</b>		
Revenues over (under) Expenditures	1,208,914	78,257	(833,403)	(715,347)	484,372		
<b>Fund Balance June 30</b>	<b>\$ 2,449,860</b>	<b>\$ 2,528,117</b>	<b>\$ 1,694,714</b>	<b>\$ 979,368</b>	<b>\$ 1,463,740</b>		

The total ending balance as of the end of Fiscal Year 2021-22 was \$2,728,811 and no Traffic Impact Fees funds have been held longer than five years. The Brittan Avenue & Alameda de las Pulgas Widening project is 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 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 2021-22 = \$2,245 per bedroom

### Park Land Dedication In-Lieu Fee and Park Facility Development Fee Collection and Expenditures Schedule June 30, 2018 – June 30, 2022

Fiscal Year	2018	2019	2020	2021	2022	% of Project funded by Fee to date	Commence Approximate Date
<b>Beginning Fund Balance</b>	\$ 2,392,932	\$ 1,852,477	\$ 2,519,269	\$ 1,533,928	\$ 1,585,257		
<b>Revenues</b>							
Interest	21,687	47,530	40,565	321	(40,831)		
Park Facility Development Fees	220,779	200,331	149,647	194,212	150,248		
P&R Dedication in-Lieu Fees	247,050	418,931	114,254	152,388	571,270		
<b>Total Revenues</b>	<b>489,516</b>	<b>666,792</b>	<b>304,466</b>	<b>346,921</b>	<b>680,687</b>		
<b>Expenditures</b>							
Burton Park Repairs	-	-	-	-	-	100%	Completed
Dog Park Construction	-	-	-	-	-	100%	Completed
Highland Park Play Area Safety Upgrade	1,003,899	-	-	-	-	100%	Completed
Park Bench Replacement	-	-	-	-	-	100%	Completed
Chilton Park Improvements	-	-	44,781	269,095	185,482	100%	Completed
Park Bathroom Replacement	-	-	1,200,000	-	-	100%	Completed
Highland Park Tennis Court Resurfacing	-	-	-	-	24,500	100%	Completed
Shade Structure Improvements	26,072	-	45,026	26,497	-	100%	Completed
<b>Total Expenditures</b>	<b>1,029,971</b>	<b>-</b>	<b>1,289,807</b>	<b>295,592</b>	<b>209,982</b>		
Revenues over (under) Expenditures	(540,455)	666,792	(985,341)	51,329	470,705		
<b>Fund Balance June 30</b>	<b>\$ 1,852,477</b>	<b>\$ 2,519,269</b>	<b>\$ 1,533,928</b>	<b>\$ 1,585,257</b>	<b>\$ 2,055,962</b>		

The total ending balance as of the end of Fiscal Year 2021-22 was \$2,055,962 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, 2018 – June 30, 2022

Fiscal Year	2018	2019	2020	2021	2022	% of Project funded by Fee to date	Commence Approximate Date
Beginning Fund Balance	\$ 18,344	\$ 19,627	\$ 40,023	\$ 187,939	\$ 261,835		
Revenues							
Interest	1,283	2,460	7,418	-	(6,593)		
Fees	-	17,936	143,488	76,169	-		
Total Revenues	1,283	20,396	150,906	76,169	(6,593)		
Expenditures							
Downtown Parking Management	-	-	-	-	-	78%	Completed
Reconfiguration Public Parking Plaza	-	-	2,990	2,273	14,144	100%	
Total Expenditures	-	-	2,990	2,273	14,144		
Revenues over (over) Expenditures	1,283	20,396	147,916	73,896	(20,737)		
Fund Balance June 30	\$ 19,627	\$ 40,023	\$ 187,939	\$ 261,835	\$ 241,098		

The total ending balance as of the end of Fiscal Year 2021-22 was \$331,174 and no Parking In-Lieu Fees have been held longer than five years. The fund balance including the longer than five years collected fees and continued collection of fees will be used to fund a consulting firm to conduct site surveys of Williams and Clark plazas to propose parking plaza reconfigurations to maximize pedestrian safety, parking spaces, and secure long term bike storage.

## 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.

<b>For Partial Fee based on Applicable Project Size:</b>						
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						
<b>A</b>	<b>B</b>	<b>D</b>	<b>F</b>	<b>G</b>	<b>H</b>	
<b>Total Units</b>	<b>BMR 20% Obligation</b>	<b>Low Units</b>	<b>Partial Low Unit Obligation</b>	<b>Incremental Partial Fee Obligation Per Avg. Sq. Ft.</b>	<b>Cumulative Project Partial Fee Obligation Per Avg. Sq. Ft.</b>	<b>Total Units</b>
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

<b>A</b>	<b>B</b>	<b>C</b>
<b>Total Units</b>	<b>Incremental Impact Fee Per Avg. Sq. Ft.</b>	<b>Cumulative Project Impact Fee Per Avg. Sq. Ft.</b>
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, 2018 – June 30, 2022

Fiscal Year	2018	2019	2020	2021	2022	% of Project funded by Fee to date	Commence Approximate Date
<b>Beginning Fund Balance</b>	\$ 2,527,381	\$ 4,206,124	\$ 6,698,196	\$ 8,114,932	\$ 9,448,459		
<b>Revenues</b>							
Interest	50,866	126,950	230,955	8,242	(230,761)		
Commercial Linkage Fees	-	2,374,290	-	1,943,280	4,004,180		
Affordable Housing in-Lieu Fees (BMR)	1,823,327	197,680	4,141,141	418,210	306,089		
<b>Total Revenues</b>	<b>1,874,193</b>	<b>2,698,920</b>	<b>4,372,096</b>	<b>2,369,732</b>	<b>4,079,508</b>		
<b>Expenditures</b>							
Regional Housing Contribution	96,003	93,000	105,000	154,500	157,600	100%	
Cherry Street BMR	19,749	25,373	2,768,175	1,056	398,296	25%	2023
Administrative & Overhead Expenses	79,698	88,475	75,470	121,986	129,509	100%	
Study Land Use and Regulatory Options	-	-	6,715	260,862	214,507	100%	
Low & Moderate Income Housing Unit	-	-	-	497,801	1,027,777	100%	
<b>Total Expenditures</b>	<b>195,450</b>	<b>206,848</b>	<b>2,955,360</b>	<b>1,036,205</b>	<b>1,927,689</b>		
Revenues over (less than) Expenditures	1,678,743	2,492,072	1,416,736	1,333,527	2,151,819		
<b>Fund Balance June 30</b>	<b>\$ 4,206,124</b>	<b>\$ 6,698,196</b>	<b>\$ 8,114,932</b>	<b>\$ 9,448,459</b>	<b>\$ 11,600,278</b>		

The total ending balance as of the end of Fiscal Year 2021-22 was \$11,600,278 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.

## 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	
<b>RESIDENTIAL</b> <i>Charge per residential dwelling unit</i>			
Single Family		\$12,263	
Multi-family (Includes Duplexes, Apartments, Condos & Cooperative Projects)		\$5,672	
<b>NON-RESIDENTIAL</b> <i>Charge per 100 gpd of estimated wastewater discharge</i>			
Commercial, Retail, Professional, Institutional & Industrial Users	100 gpd	\$6,454	Minimum charge for up to the 1st 100 gallons per day of estimated wastewater discharge
	1 gpd	\$65.00	Per each subsequent 1 gallon per day of estimated wastewater discharge

### Sewer Capacity Charge Collection and Expenditures Schedule June 30, 2018 – June 30, 2022

Fiscal Year	2018	2019	2020	2021	2022
<b>Beginning Fund Balance</b>	\$ -	\$ -	\$ -		
<b>Revenues</b>					
Sewer Capacity Fees	652,558	108,450	760,322	813,350	1,424,311
<b>Total Revenues</b>	<b>652,558</b>	<b>108,450</b>	<b>760,322</b>	<b>813,350</b>	<b>1,424,311</b>
<b>Expenditures</b>					
Sewer System Improvements	652,558	108,450	760,322	813,350	1,424,311
<b>Total Expenditures</b>	<b>652,558</b>	<b>108,450</b>	<b>760,322</b>	<b>813,350</b>	<b>1,424,311</b>
Revenues over (less than) Expenditures	-	-	-	-	-
<b>Fund Balance June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The total ending balance as of the end of Fiscal Year 2021-22 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.

### SVCW Sewer Connection Fee Pass-Through Schedule

SVCW Sewer Connection Fee Pass-Through	
Single Family Residence (190 gpd)	\$1,503
Multi-Family dwelling Unit (120 gpd)	\$949
Non-Residential (per each 100 gpd))	\$791

### Sewer Connection Fee Pass-Through Collection and Disbursement Schedule June 30, 2018 – June 30, 2022

Fiscal Year	2018	2019	2020	2021	2022
<b>Beginning Fund Balance</b>	<b>\$ 222,552</b>	<b>\$ 698,338</b>	<b>\$ 18,979</b>	<b>\$ 482,855</b>	<b>\$ 120,766</b>
<b>SVCW Sewer Connection Fee Pass Through</b>	475,786	18,979	482,855	120,766	267,584
<b>Disbursement to SVCW</b>	-	698,338	18,979	482,855	57,451
<b>Fund Balance June 30</b>	<b>\$ 698,338</b>	<b>\$ 18,979</b>	<b>\$ 482,855</b>	<b>\$ 120,766</b>	<b>\$ 330,899</b>

The total fund balance as of the end of Fiscal Year 2021-22 was \$330,899 and no Sewer Connection Fee funds have been held longer than five years. These funds are usually passed-through to SVCW before the end of December in the following fiscal year. The City will continue to collect the fee and make pass-through payments to SVCW.