



# City of Sunnyvale

## Agenda Item-No Attachments (PDF)

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### REPORT TO COUNCIL

#### **SUBJECT**

Adopt a Resolution to Amend Annual Fee Resolution to update FY 2014/15 Park Dedication In-Lieu Fee Land Valuation

#### **BACKGROUND**

The Sunnyvale Municipal Code requires that annually the Director of Community Development determine the value of land for park-dedication in-lieu fees for City Council adoption in the fee resolution. Staff commissioned an appraisal report to assess the fair market value of residential land; however the report was not available when the remaining fees were considered by the City Council in June 2014. The park dedication in-lieu fee land value was last adjusted in 2011 when the rate was set at \$69 per square foot. From 2008-2011 the fair market value of land for park dedication in-lieu fees was set at \$96 per square foot. As necessary, it is appropriate to raise the fee which would allow the purchase of land for park purposes to reflect the cost of land in the community.

#### **EXISTING POLICY**

Sunnyvale Municipal Code (SMC) has two chapters regarding the requirements for park land dedication (or in-lieu fees): Chapter 18.10. *Parks and Open Space Dedication* in Title 18 (Subdivisions); and, Chapter 19.74. *Park Dedication Fees for Rental Housing Projects* in Title 19 (Zoning) which state:

Annually, on a fiscal year basis, the director of community development shall determine the fair market value for an acre of land in the city. The fair market value amount shall be included in the fee resolution adopted by the city council.

Traditionally, the land value has been published showing the value for a square foot of land which, if multiplied by 43,560, provides the value for an acre.

#### **ENVIRONMENTAL REVIEW**

N/A

#### **DISCUSSION**

##### **Background**

Staff has commissioned an appraisal report from Valbridge Property Advisors/ Hulberg Associates, Inc., for the purposes of establishing the fair market value of land for park dedication in-lieu fees. The appraiser identified 11 residential property transactions and has included information on the size of property and the selling price of the land. The appraiser included adjustments to reflect factors such as entitlements and current market conditions so that a current range of values for

unentitled land could be determined.

From 2008 to 2011 the land values adopted for park dedication in-lieu fees was \$96 per square foot. In 2011 the value of residential land dropped dramatically. In setting the park dedication in-lieu fees for FY 2011-2012, staff initially recommended a land value of \$75 per square foot-the development community raised concerns. Staff returned to the City Council with additional information on land values. The development community requested Council drop the high and low rates. Staff recommended against dropping these values and recommended a 5 percent additional value for “park ready” property. Council adopted the weighted land values without elimination of high or low and without the surcharge and set the fee at \$69 per square foot.

In 2012, the City was involved in a lawsuit concerning park dedication and fees and no new value was considered for that year. Last year (FY 2013/14), staff commissioned an appraisal report and the average weighted land values were essentially the same as the valuation that had been approved several years before; no adjustment was recommended.

### **Methodology**

Since 2000 staff has recommended park dedication in-lieu fees to the City Council based on a weighted average of land values. A review of various methodologies was presented to the City Council in 2011; and the Council essentially confirmed the past practice by adopting a weighted average of representative land sales.

### **Policy Options for Setting Park Dedication In-Lieu Fee Land Valuation**

Three methodologies for establishing the park dedication in-lieu fee land value are described below.

Option #1: Straight Average. This methodology considers all eleven properties in the appraisal report. The land values per square foot of land for each property are averaged. All per square foot values have equal weight, regardless of the size of the property. This approach can be combined with Option #3.

Option #2: Weighted Average. This methodology also considers all eleven properties included in the appraisal report adding together all of the sales prices and dividing by total land area. This approach gives more weight to larger properties and less weight to smaller properties. This approach can be combined with Option #3.

Option #3: Average with sites removed. This methodology would combine with either #1 (straight) or #2 (weighted) by eliminating sites from the average. Criteria for elimination could include: removing the high and low values; or removing sites unsuitable as a city park site. This approach needs to be paired with Option 1 or 2.

This past year (FY 2013/14) land values increased significantly. The 11 properties (see Attachment 1) in the appraisal report range in value from \$59 per square foot to \$142 per square foot. The following table shows the resulting land values for each of the three options above (Option #3 is paired with Option #1). More detail on the sites and various calculations is available in Attachment 1.

|                                  |             |
|----------------------------------|-------------|
| <b>OPTION 1</b>                  | <b>\$77</b> |
| (Weighted Values-all properties) |             |

**OPTION 2** **\$91**  
(Average Values-all properties)

**OPTION 3** **\$96**  
(Weighted Value excluding land  
determined unsuitable for park)

The largest property had the lowest per square foot purchase price; this same property is a Superfund site. Staff has already informed the property owner and the City Council that, based on existing policy, the site is not suitable for a public park. Staff recommends excluding this value from the weighted average calculation which results in a weighted land value of \$96 per square foot (Option 3)

As a point of information, a calculation excluding the high and low values is presented in Attachment 1, which results in an average weighted value of about \$92 per square foot of land. While Staff recommends maintaining the same methodology for establishing the land value as used in 2011 (Option 2), which is to include the high and low values, staff does not believe the Superfund site should be included to calculate land value.

#### **Park Dedication In-Lieu Fees per Dwelling Unit**

The land dedication requirement has increased slightly each year from a standard of 1.25 acres per 1,000 population to 5.0 acres per thousand population. The final land dedication adjustment became effective on July 1, 2014. The examples below show only projects with last year's park dedication rate and this year's park dedication rate and compare the current land value and the staff recommended land value.

#### **APPROXIMATE FEE PER DWELLING UNIT**

|                                     | CURRENT FEE<br><b>\$69.00/sf</b><br>Applications<br>Before<br>07/01/2014 | PROPOSED FEE<br><b>\$96.00/sf</b><br>Applications Before<br>07/01/2014 | PROPOSED FEE<br><b>\$96.00/sf</b><br>Applications After<br>>7/1/2014 |
|-------------------------------------|--|--|--|
| Low density residential             | \$35,100   | \$48,900   | \$57,500   |
| Low-medium density residential      | \$32,000   | \$44,400   | \$52,300   |
| Medium and High density residential | \$23,000   | \$32,000   | \$37,700   |

Attachment 2 provides more detailed scenarios.

#### **FISCAL IMPACT**

An increase in the value of land will result in higher Park Dedication fees, but there will be a transition to the new fee over the course of this fiscal year. The new land value becomes effective 60 days after

Council approval. The land value used to calculate the Park Dedication fee is determined at the time of final map approval for ownership housing units and at the time a complete building permit application is submitted for a rental project. Therefore, a project will be calculated at the old rate if a complete building permit application is submitted before the new rate becomes effective. Revenue projections for the Park Dedication Fund's long term financial plan will be updated for the FY 2015-16 Recommended Budget.

### **PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

### **ALTERNATIVES**

1. Adopt a Resolution Amending the Annual Fee Resolution setting the Park Land Valuation for FY 2014/15 at \$96 per square foot (Attachment 3)
2. Adopt a Resolution Amending the Annual Fee Resolution setting the Park Land Valuation for FY 2014/15 at a different value.
3. Make no changes to the current land value of \$69 per square foot.

### **STAFF RECOMMENDATION**

Alternative 1: Adopt a Resolution Amending the Annual Fee Resolution setting the Park Land Valuation for FY 2014/15 at \$96 per square foot.

Prepared by: Trudi Ryan, Planning Officer

Reviewed by: Hanson Hom, Director, Community Development

Reviewed by: Grace K. Leung, Director, Finance

Reviewed by: Robert A. Walker, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

### **ATTACHMENTS**

1. Park Land Values and Calculations
2. Example Park Dedication In-lieu Fees
3. Resolution Amending the Annual Fee Resolution to update the Park Dedication In-Lieu Fee Land Valuation for FY 2014/15