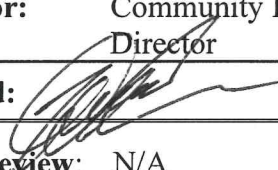


**CITY COUNCIL
AGENDA REPORT**



**CITY OF MILLBRAE
621 Magnolia Avenue
Millbrae, CA 94030**

SUBJECT: Consideration of a Resolution Accepting the Annual Report on the Receipt and Use of Development Impact Fees for the Year Ending June 30, 2021 ATTACHMENTS: 1. Resolution Exhibit A: Annual Report	Report No. 6753
	Agenda Item: 7
	For Agenda of: November 9, 2021
	Department: Community Development
	Originator: Darcy Smith, Community Development Director
	Approved: 
Budget Action: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Finance Review: N/A	

REPORT TYPE: ☒ ACTION ☐ INFORMATIONAL

ITEM TYPE: ☒ CONSENT ☐ PUBLIC HEARING ☐ EXISTING BUSINESS ☐ NEW BUSINESS

RECOMMENDATION:

Staff recommends that the City Council adopt a Resolution accepting the annual report on the receipt and use of development impact fees for the year ending June 30, 2021.

BACKGROUND:

The legal requirements for enacting development impact fees are set forth in Government Code §§ 66000-66025 (Mitigation Fee Act) and are commonly referred to as AB 1600 requirements, after the legislation that first enacted them. These fees are assessed upon new development projects to fully or partially offset the costs of public capital facilities and infrastructure that is needed to serve new demand created by development projects. All new construction in the City of Millbrae is required to pay Development Impact Fees. Fees collected under the Mitigation Fee Act are to be collected for capital facility and infrastructure improvements only, used to fund facility needs created by new development rather than existing deficiencies, and the fees are to be based on a rational nexus between new development and the costs of the capital facilities and infrastructure needed to accommodate such development as documented in the nexus studies. These fees do not pay for operation and maintenance of capital facilities, or city staffing costs.

The Mitigation Fee Act requires that local agencies provide an accounting of impact fees imposed on development projects on an annual basis. This "Annual Report" must be reviewed and accepted by the City Council at a regularly scheduled public meeting. Notice of the time and place of the meeting is required be mailed at least 15 days prior to the meeting to any interested party who files a written request with the local agency. No such requests were made at the time of this report. As of the date this report was finalized, City staff did not receive any such request.

The Annual Report (Exhibit A to Attachment 1) presents the revenues, expenditures, and fund balances for the impact fees subject to AB 1600 requirements. These include Citywide and MSASP Development

Impact Fees. This Annual Report includes revenues collected and expenditures incurred from July 1, 2020 to June 30, 2021.

The current Developer Impact Fees are shown in the table below:

Table 1: Summary of Citywide and MSASP Development Impact Fees, Effective July 1, 2021			
Land Use	Citywide Total¹	MSASP Total (except Retail 1 & 2, Office 1 and Res 4)²	MSASP Total (for only Retail 1 & 2, Office 1 and Res 4)²
<i><u>Residential (Fees per Dwelling Unit)</u></i>			
Single Family	\$66,041.02		
Multifamily	\$48,318.42	\$50,745.57	\$50,865.79
<i><u>Non-Residential (Fees per 1,000 Building Square Feet)</u></i>			
Commercial	\$8,663.80	\$52,380.79	\$53,560.36
Office	\$4,379.87	\$12,281.07	\$12,371.81
Industrial	\$1,482.07	\$5,524.77	\$5,524.77
<i><u>(Fees per Hotel Room)</u></i>			
Hotel	\$1,627.01	\$7,534.94	\$7,534.94
1. Citywide Fees Effective 1/1-12/31/2021 2. MSASP Fees Effective 7/1/2021-6/30/2022 All fees are indexed on 1/1 or 7/1 pursuant to the Ordinances The City applies the current fees in effect at the time of payment of any fees.			

Development Impact Fees are segregated from the General Fund and from other funds or accounts containing fees collected for other purposes in accordance with accounting standards. Interest earned on each fee is deposited into the fund or account and used only for the purposes for which the fee was collected. Each local agency is required, within 180 days after the last day of each fiscal year, to make available to the public the following information regarding each development impact fee fund or account (Government Code §§ 66006):

1. Description of the type of fee in the fund;
2. Amount of the fee;
3. Beginning and ending balance for the fiscal year;
4. Amount of fees collected, and interest earned;
5. Identification of each public improvement on which fees were expended and the amount of the expenditure on each improvement;
6. 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;
7. 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; and

8. Amount of any refunds made due to inability to expend fees within the required time frame.

ANALYSIS:

The development impact fees covered by the Mitigation Fee Act requirements are documented in Exhibit A to Attachment 1 for the reporting period.

Citywide Development Impact Fees

On June 9, 2020 the City Council adopted Ordinance No. 777 adding to the Millbrae Municipal Code Article XXXI of Chapter 10.05.3100 et seq. "Development Impact Fees" and adopted Resolution No. 20-35 Adopting Development Impact Fees. The citywide Development Impact Fees were effective on August 8, 2020, and are subject to annual indexing every January 1. Projects within the MSASP area are also subject to these fees.

There are six types of Citywide Development Impact Fees: a library fee, a general government facilities fee, a recreation services fee, a public safety fee, a park acquisition and facilities fee, and a mobility fee.

- *Library.* The purpose of the Library Fee is to fund new library facilities or improvements to existing library facilities to maintain the City's existing level of service. New residential and nonresidential development will bring additional residents, workers, and visitors to the City, increasing the demand on existing library facilities. The Library Fee is based on the cost per capita of the library assets necessary to provide the current level of service.
- *General Government Facilities.* The General Government Facilities Fee will be used to fund new general governmental facilities or improvements to existing general governmental facilities that are not covered by another impact fee to maintain the City's existing level of service. An increase in residential and non-residential development generates additional residents and workers that increase the need for government facilities to maintain the City's existing level of service.
- *Recreation Service.* The Recreation Services fee is to fund new development's share of planned new recreation facilities or improvements to existing recreation facilities. New residential and nonresidential development will bring additional residents, workers, and visitors to the City, increasing the demand on existing recreation facilities. The Recreation Services Fee will generate revenue to fund new development's share of planned Recreation Center, and other improvements.

Public Safety. The Public Safety Fee is to fund new public safety facilities or improvements to existing public safety facilities to maintain the City's existing level of service. New residential and nonresidential development will bring additional residents, workers, and visitors to the City, increasing the demand on existing public safety facilities. The Public Safety Fee will generate revenue to fund new public safety facilities or improvements to existing public safety facilities to maintain the City's existing level of service. Development within the MSASP area is already subject to a fee that includes a public safety component. Projects in the MSASP area are required to pay the Citywide Public Safety Fee and with the portion of the MSASP fee paid credited towards the total fee payment.

- *Park Acquisition and Facilities.* The fee is to fund park acquisition and new park facilities or improvements to existing park facilities to maintain the City's existing level of service. New residential and nonresidential development will bring additional residents, workers, and visitors to

the City, increasing the demand on existing park facilities. The Park Acquisition and Facilities Fee will generate revenue to fund acquisition of parks and new park facilities or improvements to existing park facilities to maintain the City's existing level of service. An increase in residential and non-residential development generates additional residents and workers that increase the need for park facilities to maintain the City's existing level of service. The City also requires dedication of parkland in connection with subdivision maps, and as part of the MSASP impact fee. Projects that pay this fee will receive a credit based on other park fees paid or land dedicated to the City as part of a subdivision.

Mobility. The purpose of the Mobility Fee is to fund new development's share of planned pedestrian and bicycle improvements. New residential and nonresidential development will bring additional residents, workers, and visitors to the City, increasing the demand on existing mobility facilities. The Mobility Fee will generate revenue to fund the new mobility facilities or improvements to existing mobility facilities detailed in the Fee Study. The Mobility Fee is based on new development's share of the planned mobility improvements stated in the Fee Study as determined by the trip generation rate of the new development. Development within the MSASP area is already subject to a fee that includes a transportation component. Projects in the MSASP area will receive a credit against the Mobility Fee. Projects within a half mile of a transit stop are also eligible for a discount on this fee.

- *Administration.* The Administration Fee amounting to 5% of each fee to cover legal, accounting, and other administration support as well administration cost including revenue collection, revenue and cost accounting, mandated public reporting, and fee justification analysis.

Millbrae Station Area Specific Plan Development Impact Fees

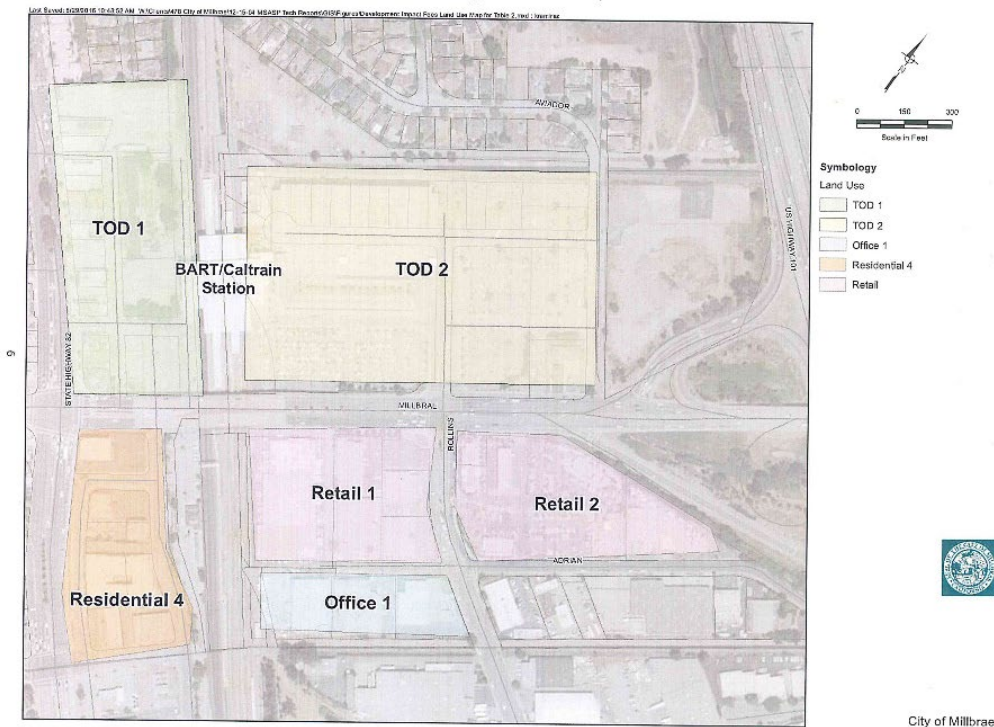
On February 28, 2017, the City Council adopted Ordinance No. 765 amending the Millbrae Municipal Code, Article XVIII of Chapter 10.05.1800 et seq., "Millbrae Station Area Specific Plan (MSASP) Development Impact Fee" and adopted Resolution No. 17-07 concerning Development Impact Fees for the Millbrae Station Area Specific Plan. The ordinance sets out a protocol for adopting impact fees, details when the fees will be paid, establishes exemptions and credits, implements procedures for appeals and refunds, and provides for reporting and accounting procedures. The associated Resolution sets the fee amounts. The updated MSASP Development Impact Fees were effective on April 17, 2017, and are subject to annual indexing every July 1. This fee was first established in 2000.

Development impact fees are established and imposed on the issuance of all building permits for development within the MSASP area to finance the cost of the following categories of facilities:

- *Sewer - Utilities infrastructure.* The fees will fund Rainfall Infiltration Inflow (RDII) and gravity main improvements needed to provide adequate sewage treatment services to the MSASP. The RDII improvements are required to serve the whole MSASP area, while an additional fee will only apply in the specific subareas of the MSASP which the gravity main improvements will serve.
- *Transportation - Traffic improvement measures.* This fee is intended to help maintain acceptable transportation operation in the Specific Plan Area, including for users of alternative modes. The Nexus Study stated that in combination with grant and other funding, fee revenue will be used to fund the required new transportation facility improvements including roadway and alternative mode facility improvements.

- *Parks and recreation facilities.* The fee will fund the provision of additional parks and recreation land and facilities sufficient to maintain the City's existing service standards. Fee revenues will contribute funding towards the acquisition of parkland as well as the improvement of parkland/recreational facilities.
- *Public Safety.* The fee helps ensure there are sufficient fire facilities and equipment to serve new MSASP development. Fee revenues will be used to replace capital equipment as required, such as acquisition of new public safety vehicles, motorcycles, and associated equipment, and to provide upgrades to the Millbrae Fire Station #37.

MSASP Land Use Zones Map



Fee Reporting Summary

The beginning balance on July 1, 2020 was \$14,460,785.62, as shown in Table 2: Development Impact Fee Fiscal Report Summary, Fiscal Year 2020-21. A total of \$2,031,067.20 in payments were collected, all from the Gateway at Millbrae Station 80-unit affordable housing project that is currently under construction. No payment was made by this project for the mobility/transportation impact fee. This is because the developer qualified for a credit in the amount of the fee of \$163,106.40 to reimburse them for their construction of the multi-use trail along Aviador Avenue from Millbrae Avenue north to the Highline Canal. This is a transportation improvement that was identified in the feasibility report and nexus study for the establishment of the MSASP mobility/transportation impact fee.

The total interest earned for the fiscal year was \$143,138.24.

The City expended \$7,616,685 from the MSASP Parks Development Impact Fee fund on the construction of the new and expanded City Recreation Center to accommodate population increases as a result of new development. This project is currently in the construction phase and is anticipated to complete construction in Spring 2022.

The total fund balance at the end of the fiscal year was \$7,446,811.86.

Table 2: Development Impact Fee Fiscal Report Summary, Fiscal Year 2020-21					
Impact Fee Category	Fund Balance as of July 1, 2020	Total Collected FY 2020-21	Interest Earned FY 2020-21	Total Expenditures FY 2020-21	Total Fund Balance as of June 30, 2021
Citywide Library	-	-	-	-	-
Citywide General Gov. Facilities	-	-	-	-	-
Citywide Recreation Facilities	-	-	-	-	-
Citywide Public Safety	-	-	-	-	-
Citywide Park Acquisition and Facilities	-	-	-	-	-
Citywide Mobility Infrastructure	-	-	-	-	-
MSASP Public Safety	\$125,557.69	\$18,635.20	\$1,621.78	-	\$145,814.67
MSASP Parks	\$7,682,403.50	\$1,824,980.80	\$77,647.34	\$(7,616,685.00)	\$1,968,346.64
MSASP Mobility/ Transportation	\$2,430,394.66	-	\$30,269.37	-	\$2,460,664.03
MSASP Sewer	\$2,650,935.57	\$187,451.20	\$33,599.75	-	\$2,871,986.52
Total	\$12,889,219.42	\$2,031,067.20	\$143,138.24	\$(7,616,685.00)	\$7,446,811.86

During the next budget and Capital Improvement Plan (CIP) development process, staff will develop a projection for additional development impact fee revenue as well as recommending capital projects that can use development impact fees as a funding source.

There were no interfund transfers or loans made for these accounts or funds during the reporting fiscal year, nor were any refunds made due to inability to expend fees within the required time frame.

Affordable Housing In-Lieu Fees for Residential Development Projects and Commercial Linkage Impact Fees for Commercial Development Projects

The City of Millbrae City Council adopted a comprehensive affordable housing regulation policy package on July 13, 2021. New affordable housing impact fees were established by Resolution No. 21-50, which was effective on September 11, 2021. This report does not include those fees as they were not effective during the reporting period. The fiscal year 2021-2022 report will include those fees as collected.

FISCAL IMPACT:

The annual AB 1600 report is a mandated reporting requirement provided to the City Council for informational purposes only. There is no direct fiscal impact by receiving the report and adopting the resolution.

COUNCIL ACTION:

Staff recommends that the City Council adopt a Resolution accepting the annual report on the receipt and use of development impact fees for the year ending June 30, 2021.

**CITY OF MILLBRAE, COUNTY OF SAN MATEO
STATE OF CALIFORNIA**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MILLBRAE ACCEPTING THE
ANNUAL REPORT ON RECEIPT AND USE OF
DEVELOPMENT IMPACT FEES FOR THE YEAR ENDING JUNE 30, 2021**

WHEREAS, pursuant to Section 66000 et seq. of the Government Code, the City is required to prepare and present an annual Development Impact Fees report for all impact fees and charges as defined by the Government Code; and

WHEREAS, the City collects Development Impact Fees upon development projects to fully or partially offset the costs of public facilities and infrastructure that are needed to serve demand created by that development project; and

WHEREAS, the City collects Development Impact Fees upon development projects to fully or partially offset the costs of public facilities and infrastructure that are needed to serve demand created by that development project. These include the Citywide and MSASP Development Impact Fees; and

WHEREAS, as shown in the Annual Report on Receipt and Use of Development Impact Fees for the Year Ending June 30, 2021, attached as Exhibit A, the beginning balance on July 1, 2020 was \$14,460,785.62. A total of \$2,031,067.20 in payments were collected, all from the Gateway at Millbrae Station 80-unit affordable housing project that is currently under construction. No payment was made by this project for the mobility/transportation impact fee. This is because the developer qualified for a credit in the amount of the fee of \$163,106.40 to reimburse them for their construction of the multi-use trail along Aviator Avenue from Millbrae Avenue north to the Highline Canal. This is a transportation improvement that was identified in the feasibility report and nexus study for the establishment of the MSASP mobility/transportation impact fee; and

WHEREAS, the total interest earned for the fiscal year was \$143,138.24; and

WHEREAS, the City expended \$7,616,685 from the MSASP Parks Development Impact Fee fund on the construction of the City Recreation Center to accommodate the impacts of new growth. This project is currently in the construction phase and is anticipated to complete construction in Spring 2022; and

WHEREAS, total fund balance at the end of the fiscal year was \$7,446,811.86; and

NOW, THEREFORE BE IT RESOLVED THAT THE CITY COUNCIL OF THE CITY OF MILLBRAE receives and accepts the Annual Report on Development Impact Fees for the Year Ending June 30, 2021.

REGULARLY PASSED AND ADOPTED this 9th day of November, 2021.

Mayor

ATTEST:

City Clerk

Exhibit A: Annual Report on Receipt and Use of Development Impact Fees for the Year Ending June 30, 2021

Development Impact Fee Report, Fiscal Year 2020-21					
Impact Fee Category	Fund Balance as of July 1, 2020	Total Collected FY20-21	Interest Earned FY20-21	Total Expenditures FY20-21	Total Fund Balance as of June 30, 2021
Citywide Library	-	-	-	-	-
Citywide General Gov. Facilities	-	-	-	-	-
Citywide Recreation Facilities	-	-	-	-	-
Citywide Public Safety	-	-	-	-	-
Citywide Park Acquisition and Facilities	-	-	-	-	-
Citywide Mobility Infrastructure	-	-	-	-	-
MSASP Public Safety	\$125,557.69	\$18,635.20	\$1,621.78	-	\$145,814.67
MSASP Parks	\$7,682,403.50	\$1,824,980.80	\$77,647.34	\$(7,616,685.00)	\$1,968,346.64
MSASP Mobility/ Transportation	\$2,430,394.66	-	\$30,269.37	-	\$2,460,664.03
MSASP Sewer	\$2,650,935.57	\$187,451.20	\$33,599.75	-	\$2,871,986.52
Total	\$12,889,219.42	\$2,031,067.20	\$143,138.24	\$(7,616,685.00)	\$7,446,811.86