



County of Santa Cruz

DEPARTMENT OF PARKS, OPEN SPACE & CULTURAL SERVICES

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JEFF GAFFNEY
DIRECTOR

Parks and Recreation Commission
County of Santa Cruz
979 17th Avenue
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SUBJECT: Park Dedication Fees and Ordinance Updates

Dear Commissioners,

Please see the following letter and attachments for your consideration.

Recommended Action(s):

Recommend the Board of Supervisors take the following actions:

1. Consider and approve in concept the attached ordinance including Park Land Dedication or Fees In Lieu Therof; Parks and Recreation Development Impact Fees; and Trails and Beach Access Dedication, Standards and Review; amending Santa Cruz County Code Chapter 15.01 and adding Chapters 15.03 and 15.05.
2. Schedule Second reading and final adoption of the ordinances
3. Hold a public hearing on proposed amendments to the Unified Fee Schedule;
4. Adopt Unified Fee Schedule updates

Executive Summary

The Parks Department recommends updates to the Park Dedication Fees including updating the underlying County ordinances, administrative changes to eliminate fee zones and districts, and updating the fees in the Unified Fee Schedule. The resulting restructuring of fees would result in complying with current State statute including the Mitigation Fee Act, aligning fees with General Plan requirements, and increasing social equity in how fees are applied.

Background

The County has required dedication of new parkland and/or payment of park in-lieu fees for new residential development since 1973, similar to other jurisdictions throughout California. These Park Dedication Fees are intended to allow the County Park system to grow proportionally to the increase in demand for park facilities created by new development. Park Dedication Fee requirements are codified in County Code Section 15.01.

There are two sections of California Code related to parkland dedication or in-lieu fees and park and recreation development impact fees:

1. The Quimby Act (Section 66477 of the California Government Code) requires residential projects that require approval of a tentative map or parcel map to either dedicate land, pay a fee in lieu of dedication, or both. The fees may be used to develop new or rehabilitate existing neighborhood or community parks or recreational facilities within the neighborhood that serves the project.
2. The Mitigation Fee Act (Section 66000 – 66008 of the California Government Code) permits local jurisdictions to adopt parks and recreation development impact fees on new development to fund the associated, additional costs of providing parks and recreation capital facilities.

The County's current Park Dedication Fee program is based on the provisions of the Quimby Act. Parkland dedication in-lieu fees are based on the cost of acquiring new parkland and developing park facilities, based on the market value of comparable land sales and park facility construction costs. As the market conditions fluctuate and the cost of acquiring parkland and construction change over the years, fees should be updated periodically to reflect this increase in costs. The structure and rates of the current Park Dedication Fees were last updated on June 25, 1998, by Board adoption of Resolution 301-98 revising the Unified Fee Schedule.

Park Dedication Fees are currently applied per residential bedroom in original developments and later additions, with a separate fee per bedroom for multi-family units and single-family units. Current fees, and a comparison to neighboring jurisdictions, are shown in the table below.

| | Fees | Fee for average single family home (3 bedrooms or 2,375 sq ft) | Year fee last updated |
|-------------------|--|--|-----------------------|
| Santa Cruz County | Zone 1: \$1,000 per single-family bedroom, \$750 per multi-family bedroom; Zone 2: \$800 per single-family bedroom, | \$2,400 | 1998 |

| | | | |
|-----------------------|---|----------|------|
| | \$600 per multi-family bedroom; Zone 3: \$578 per single-family bedroom, \$434 per multi-family bedroom | | |
| City of Santa Cruz | \$3.00 per square foot of each unit. | \$7,125 | 1994 |
| City of Watsonville | \$1,500 per bedroom for 1-2 bedroom unit; \$1,667 per bedroom for 3-bedroom unit; \$1,875 per bedroom for 4-bedroom unit; \$0.50 per square foot for commercial and industrial | \$5,001 | 2008 |
| City of Scotts Valley | R-MT-5 (mountain) - \$10,978/unit R-R-2.5 (rural) - \$10,978/ unit R-1-40(estate) - \$10,978/ unit R-1-20 (low density) - \$10,978/ unit R-1-10 (sf, detached) - \$10,978/ unit R-1-10 (sf, attached) - \$8,494/ unit R-M-6/R-M-8 (MF) - \$8,547/ unit R-H MF - \$5,487/ unit Mobile Homes and 2nd DU - \$5,706/ unit | \$10,794 | 2020 |
| City of Capitola | No fee | - | - |

Currently, fees are collected, accounted and disbursed within each of nineteen Park Dedication Districts, which cover the entire unincorporated County and include the County's fifteen Planning Areas, plus the four independent recreation and park districts in the County. There are also three fee "zones," which are groups of Park Dedication Districts which had similar land values at the time they began being used in 1982.

Park Dedication Fees are used to develop new or rehabilitate existing park and recreation facilities to serve new development and growth in the County. The Capital Improvement Program 2020-2021 identifies \$94,270,400 in unfunded identified parks projects that could serve increased population and park demand resulting in growth from new development.

As the County grows, the provision of adequate parks and green space in the community is crucial as parks provide a variety of community benefits. Parks provide opportunities for people of all ages to come together across economic and cultural divides, enjoy cultural offerings, and experience the outdoors. Parks support greater mental and physical health by providing community activities, relief from stress, and opportunities to be physically active. Parks and open space can also support functional ecosystems, biodiversity, and environmental health. In this community our parks, beaches, open spaces, arts and cultural offerings and recreational opportunities are an

important part of the local economy and why people love to live, visit, and do business in Santa Cruz County.

Parks and recreational opportunities are an important contributor to quality of life, or what makes a particular community a “great place to live.” According to the Gallup-Healthways Well-Being Index, Santa Cruz County was the community with the highest overall well-being in California, and the second highest in the Country in 2015-2016. Two of the five criteria for this study directly relate to the provision of public parks and programs and access to outdoors community spaces. Quality of life is a primary motivator for why people want to live, work and visit a particular place.

Analysis

As the County Parks system has grown, some issues with the Park Dedication Fee Ordinance, Fee Schedule and its implementation are apparent. These issues and recommended solutions are described in each section below.

Park Acreage Standard

The County’s General Plan and Local Coast Program (General Plan) includes standards for park acreage per 1,000 people, including a standard of at least 5 acres of parkland per 1,000 people in all parts of the unincorporated County. The recommended fee update is based on the standard of providing 5 acres per 1,000 new service population.

Currently, County Code Section 15.01.070 establishes a previous standard of 3 acres per 1,000 people, which is not consistent with the current General Plan. Revisions to this section of Code to make it consistent with the General Plan and to establish a standard of providing 5 acres of parkland per 1,000 service population are included in the recommended ordinance revision.

Parkland Dedication In-Lieu Fees and Parks and Recreation Development Impact Fees

The current Park Dedication Fee ordinance is for both acquisition of parkland and for development of new park facilities on parkland. In compliance with both the Mitigation Fee Act, and the Quimby Act, the recommended fee update includes two separate types of fees:

1. In-Lieu Fees: for residential subdivision projects that do not dedicate parkland, fees are in lieu of dedicating parkland under the Quimby Act
2. Impact Fees: for residential and non-residential development projects, impact fees are to fund associated additional costs of providing additional parks and recreation facilities under the Mitigation Fee Act

Fees by District and Zone

The County Parks system works as a network of parks that are used by all residents, workers and visitors in the County. According to a park user intercept survey (see attached Report) 87 percent of park visitors surveyed lived, worked or were staying somewhere in Santa Cruz County. However, 69 percent did not live, work or stay in the

same Park Dedication District as the park they were visiting. Survey data demonstrate that each County Park serves more than the Park Dedication District where it is located, and park visitors frequent parks throughout the County.

Grouping fees by nineteen districts results in less efficient and effective use of park impact fee revenues for parks projects than they would result if revenues were combined for the entire unincorporated County, excluding the four recreation districts. Currently, fee balances in each district often remain small enough that they are not sufficient to fund a new park or improvement. There may not be an opportunity to fund a new park in a given district. A park in another district may benefit that district but funds are restricted unnecessarily and cannot be used to the benefit of that district.

Having differing fee amounts set by zone creates an inequitable application of park fees. Currently, Park Dedication Fees for each district are calculated according to which “zone” the District belongs. Districts and zones were established by the Board of Supervisors in the Unified Fee Schedule. They have been grouped by different boundaries over the years, are administrative and established for accounting purposes only, and are not a requirement of the underlying County Ordinance or enabling State statute. In practice, the differing fees in differing “zones” reflect differences in land values that are related to average parcel size when they were created in 1982. Areas that had larger parcels had lower per square foot land values than areas with smaller parcels. These areas may have higher home values and at the same time have lower Park Dedication Fees, which has created inequity in how fees are applied. For example, the current Park Dedication fees for the Aptos Hills is \$578 per bedroom for single family, while in Pajaro Valley it is \$1,000 per bedroom. At the same time, parts of the Aptos Hills District have a median income of \$161,875, while parts of the Pajaro Valley District have a median income of \$57,553.¹ Further, since the park system works as a countywide network across districts, the impact fee system should reflect the average costs associated with acquiring and developing parkland throughout the unincorporated county, rather than where the residence is located.

For these reasons, restricting Park Dedication Fees to be disbursed only within the same Park Dedication District is unnecessarily limiting the ability of the Parks Department to invest in the parks that most need it and to respond to opportunities for expanding park facilities in all areas throughout the unincorporated County. The recommended fee update includes one fee schedule that would be applied throughout the unincorporated County, and would be collected, accounted or disbursed throughout the unincorporated County, excluding the four recreation districts. Fees within each of the four recreation districts will continue to be collected by the County and disbursed to that recreation district.

¹ California State Parks, Community FactFinder Report, accessed at <https://www.parksforcalifornia.org/communities> on January 7, 2021.

Fees for Visitor, Commercial and Industrial Development

Currently, Park Dedication Fees are charged to new residential and hotel development at the same rate, but are not collected on new commercial, retail, office, industrial or R&D development. According to the park user intercept survey completed by staff (see attached Report), people who work in Santa Cruz County use the County Parks system a similar amount as residents (1.1 times as much), and people staying in visitor accommodation use the County Parks 3.8 times as much as residents. As such, new development that increases the number of employees in the County, or the number of visitors staying in the County, will increase the demand for County Parks facilities. For this reason, the recommended ordinance revision includes changes to allow fees for nonresidential development, and the recommended fee update includes separate fees for commercial and office, industrial and R&D, and hotel development. Park Impact Fees for nonresidential development are based on average square foot per employee estimates per the calculations outlined in the Parkland Dedication In-Lieu Fee and Parks and Recreation Development Impact Fee Study (Report). Recommended fees per square foot of nonresidential development are recommended to be set at \$0 at this time to be sensitive to the current economic situation for commercial development in the context of the coronavirus pandemic. However, the ordinance revision allows these fees to be added by the Board through future updates to the Unified Fee Schedule.

Affordable Housing and Accessory Dwelling Unit Exceptions

Currently, park impact fees are not charged on deed-restricted affordable housing projects, to incentivize the development of much-needed affordable housing. The revised ordinance does not change the affordable housing exception. Additionally, accessory dwelling units smaller than 750 square feet will continue to be exempt from park impact fees.

Fees by Square Foot

Currently, in-lieu fees are calculated per new additional bedroom for residential structures. However, the County's Housing Advisory Commission (HAC) made the recommendation on May 2, 2018 that impact fee structures be modified to charge by square foot rather than per bedroom. The County's Child Care Fee is applied by square foot rather than by bedroom or unit. This is consistent with the State Housing and Community Development recommendation in order to provide incentives for building smaller units to improve market affordability. Applying fees by square foot would also increase equity because development of smaller homes would result in lower fees than development of larger homes. For these reasons, the impact fees in the recommended fee update are calculated by square footage rather than by unit or bedroom.

Accounting Consolidation and Loans

After the creation of one Park Dedication Fund for the unincorporated County, park impact fees collected in the unincorporated County, excluding the four recreation districts, would all be deposited into that one Fund. Existing fund balances in each of the 15 Park Dedication Funds by district will be combined into the one countywide Park Dedication Fund. Funds already designated for a particular Parks project by the Board of Supervisors will remain designated to that project.

Because of the misalignment between overall park system needs and the division of capital project acquisition and development funds into 15 separate funds, funds in one district fund have occasionally been loaned to another district fund, in order to complete a certain project. Currently, there are two loans outstanding.

In fiscal year 2006/07, \$150,000 was loaned from Skyline Park Dedication Fund to San Lorenzo Valley Park Dedication Fund for Highland Park Improvements. As part of the transition to one Park Dedication Fund in the unincorporated County, the existing loan between park dedication districts will be forgiven with no net change to the combined park dedication fund balance.

The other outstanding loan is also related to the San Lorenzo Valley Park Dedication Fund for the purchase of Quail Hollow Ranch County Park. In 1987, the County bought two regional parks, Quail Hollow Ranch and Polo Grounds, with bond funds. Each Park Dedication Fund was assigned a portion of the bond debt to pay back, based on the number of residential units per Park Dedication District. The bond debt has been paid. However, the San Lorenzo Valley Park Dedication Fund was unable to meet this debt obligation and began borrowing from the CERTS Reserve Fund to pay it. This created a debt owed by the San Lorenzo Valley Park Dedication Fund to the CERTS Reserve Fund. In 2015/16, the Board directed that General Fund monies be used to repay the debt to the CERTS Reserve Fund, with the result that the debt of the San Lorenzo Valley Park Dedication Fund is now owed to the General Fund. The current principal debt amount is \$462,939, as of June 30, 2020. Annual repayment amounts have fluctuated, dependent on the amount of park impact fees collected in San Lorenzo Valley Park Dedication District each year. The existing loan from the General Fund to the San Lorenzo Valley Park Dedication fund will be repaid through a repayment plan, using park dedication fee revenue, over the next 20 years, resulting in an annual payment of \$23,146.95 to the General Fund.

Fee Rates

The maximum supported fees in the Park Dedication In-Lieu Fee and Parks and Recreation Development Impact Fee Study (Fee Study) represent the fees that would be adequate to provide the current park service standard with the current costs of acquiring and developing park land. However, these maximum supported fees are substantially higher than the current fees, which have not been increased since 1998, and would be a large increase if adopted in a single year. For example, the maximum fee supported according to the Fee Study for a new three-bedroom residence of average size of 2,375 sq ft would be \$9.05 per square foot or a total of \$21,493.75, while the current fee if located in Zone 1 would be \$3,000. This would be an increase of \$18,493.75 from existing rates.

To avoid a large fee increase, the proposed new fees are comparable to existing fees but incorporate the changes described in this letter and in the attached study. These changes are as close to the equivalent to the existing fees, based on averages, as is possible. Non-residential fees are proposed to be set at zero to reflect current fees and

not increase in the current economic conditions. Fees have been added for projects that do dedicate parkland, based on the cost of developing parkland, at the same percentage of the maximum fee as projects that do not dedicate parkland. The fee zones have been eliminated and the proposed fees are by square foot rather than bedroom. For these reasons, the proposed fees cannot be identical to existing in all cases and may represent an increase in some situations and a decrease in some situations.

The Park In-Lieu and Impact fee schedule must also be updated regularly to match inflation and resulting rising costs of acquiring parkland and developing park facilities. Since fees have not been updated since 1998, when inflation is taken into account, they are essentially lower now than they were in 1998 when they were last updated. As the cost of both land and park construction is likely to continue to increase, the Park fee schedule in the Unified Fee Schedule should also be increased annually based on the calculated construction cost index, such as the Engineering News Record. Furthermore, land acquisition costs, which are an important component of the total fee, and actual facility construction costs should be reviewed by the County at least every five years.

Parks Strategic Plan Elements

- 1.3 Accessible Facilities
- 1.5 Underserved Areas
- 2.3 Sustained Funding

Financial Projection

Park Dedication Fee revenues have averaged \$175,298 annually over the past 5 fiscal years, but with a distinct downward trend averaging 12.60% less each fiscal year. For this reason, projections are based on the last complete Fiscal Year 2019/20 and incorporate the 12.60% annual reduction, with total 2021/22 revenue projected at \$102,000 with no change in fee structure or rates.

With adoption of the updated fees, overall revenues from development are expected to remain about the same at \$102,000 in 2021/22, depending on the number, location, size and type of applicable projects.

Financial Impact

The 2021/22 revenue for parks capital projects is projected to remain approximately the same at about \$102,000.

County Strategic Plan Elements

- 2.B Community Development
- 4.A Outdoor Experience
- 5.B Community Vitality
- 6.C County Infrastructure
- 6.D Continuous Improvement

Regards,

A handwritten signature in blue ink, appearing to read "JGaffney".

Jeff Gaffney
Director of Parks, Open Space & Cultural Services

Attachments:

- a. [Parkland Dedication In-Lieu Fee and Parks and Recreation Development Impact Fee Study \(online\)](#)
- b. [Proposed Ordinance Amending Chapters 15.01 and Creating Chapters 15.03 and 15.05 of Santa Cruz County Code \(online\)](#)
- c. Proposed Park Dedication Fee Schedule

ATTACHMENT C: PROPOSED PARKLAND DEDICATION IN-LIEU FEE AND PARK IMPACT FEE SCHEDULE

| Parkland In-Lieu Fees | | Park Impact Fees | | | | | | |
|---|--------------------|---|--------------|--|--------------|--|---|---|
| Residential Subdivision Projects, per unit (Maximum supported fee: \$21,503) | | Residential – Projects that do not dedicate land or pay a fee in-lieu of land dedication, per SF of livable area (Maximum supported fee: \$9.05) | | Residential – Projects that dedicate land or pay an in-lieu fee, Per SF of livable area (Maximum supported fee: \$1.12) | | Retail, Restaurant and Office, per SF (Maximum supported fee: \$11.15 to \$13.01) | Hotel, Motel and Short-Term Rentals, per SF (Maximum Supported Fee: \$13.31) | Industrial and R&D, Per SF (Maximum Supported Fee: \$5.20) |
| Zoned Single Family | Zoned Multi-Family | Single Family | Multi-Family | Single Family | Multi-Family | | | |
| \$3,000.00 | \$2,250.00 | \$1.42 | \$1.06 | \$0.16 | \$0.12 | \$0 | \$0 | \$0 |