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MAY 24 2004

City of San Jose
Housing Department*Memorandum***TO:** HONORABLE MAYOR,
CITY COUNCIL**FROM:** Del D. Borgsdorf
Harry Mavrogenes**SUBJECT: SEE BELOW****DATE:** 05-21-04**Council District:** Citywide
SNI Area: All**SUBJECT: FOUR-MONTH EXTENSION OF PARKLAND IN-LIEU FEE VOUCHER PROGRAM AND SUSPENSION OF LOW-INCOME HOUSING EXEMPTION****REASON FOR ADDENDUM**

The suspension of the exemption of fees and the corresponding subsidy for payment of in-lieu fees by the Redevelopment Agency (Agency) for low-income units under the Parkland Dedication Ordinance (PDO) and Park Impact Ordinance (PIO) is scheduled to end on July 1, 2004. City Council action is necessary to adopt an ordinance amending the PDO and PIO to extend the suspension of fees and to extend the low-income voucher program for four months to allow city and agency staff the opportunity to complete a further analysis of the long-term fiscal and programmatic impacts of the program and in particular the ability of the agency to continue to provide payments. To continue the low-income voucher program with minimal interruption will require the City Council to consider the first reading of this ordinance change on May 25, 2004, and the second reading on June 8, 2004.

RECOMMENDATION

- (a) Approval of an ordinance by the City Council amending Chapters 14.25 (Park Impact Ordinance) and 19.38 (Parkland Dedication Ordinance) of the San José Municipal Code, in order to continue the suspension of the exemption for units affordable to low-income residents until November 1, 2004, and to extend the Parkland In-Lieu Fee Voucher Program for eligible low-income residential units.
- (b) Adoption of resolutions by the City Council and the Redevelopment Agency Board approving the Parkland In-Lieu Fee Voucher Program for the payment of subsidized parkland fees for low-income units by the Redevelopment Agency.

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BACKGROUND

In 1998, the City Council adopted comprehensive amendments to the PDO, Chapter 19.38 of the San José Municipal Code and to the PIO, Chapter 14.25 of the San José Municipal Code. Consistent with the State of California Quimby Act, both the PDO and PIO require developers of new residential projects to dedicate parkland, construct park improvements, and/or pay equivalent in-lieu fees for neighborhood and community-serving parks in accordance with the standard of a proportionate amount necessary to provide three acres per 1,000 residents.

The amendments to the PDO and PIO, among other things, suspended the exemptions for low-income residential units subject to affordability restrictions for a period of three years. The suspension was further extended June 2001, ending on July 1, 2004. Very low-income units are also included under the definition of "low-income" units for the purpose of this program.

Under the current Parkland In-Lieu Fee Voucher Program (voucher program), developers of such restricted units are issued a voucher from the City's Housing Department to present to the City's Building Division in-lieu of the payment of fees associated with the PDO and PIO. The City's Building Division in turn notifies PRNS of the voucher it has received. The Agency, upon being presented a billing by PRNS listing the vouchers that have been redeemed, then reimburses the Parks Trust Fund in the amount of the voucher.

The subsidy for payment of in-lieu fees by the Redevelopment Agency for low-income units has provided approximately \$12 million to the Park Trust Fund from its inception. Above and beyond that, an additional approximate \$9.4 million is outstanding from the Redevelopment Agency for current projects that have obtained building permits. The Housing Department estimates that another five projects with 458 units, having PDO fees estimated at \$3.89 million, will start construction between July and November 2004. The Redevelopment Agency has budgeted \$10 million in the current fiscal year from its December 2003 bond sale, but these funds are currently among the \$40 million of projects listed as deferred to 2004/2005. The extension will add another currently unfunded \$3.9 million to this obligation.

ANALYSIS

At the time of the PDO and PIO amendments, the City and the Agency determined that it was important to promote affordable housing goals, while providing adequate public parkland to serve new City residents, including residents of low-income residential units. Accordingly, the 1998 amendments suspended the exemption that had been in place for low and very low-income units. These amendments also made payment of the PDO and PIO fees available from the Agency through the previously described voucher program as a means to assure that the park and recreation needs of low and very low-income residents were addressed equitably.

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Under the current voucher program, an eligible low-income unit must be (1) subject to recorded affordability restrictions for a minimum period of 30 years; and (2) must be utilized by a "lower-income household" as defined under State law.

The four-month extension period is proposed to permit the Agency to analyze its ability to continue to underwrite this program in the future and analyze program impacts.

COST IMPLICATIONS

The action will provide for the continuation of the voucher program for an additional four months. Approximately \$9.4 million is outstanding for current projects that have obtained building permits. Approximately \$3.9 million in fees are expected to accrue between July 1 and November 1, 2004. It is estimated that the potential impact to the Agency for future voucher payments under the program could potentially be another \$15 million over the next two years. The actual amount will depend on the number of low-income units constructed by developers in the next three to five years. The future tax increment revenues may not be enough to support this program along with other obligations of the Agency.

PUBLIC OUTREACH

No public outreach has occurred specifically related to the proposed actions. However, in developing the *Greenprint: 20-Year Strategic Plan for Parks and Community Facilities and Programs* and during the Strong Neighborhoods Initiative planning process, numerous residents of the City have said that more and upgraded parks are needed.

COORDINATION

This memorandum has been coordinated with the Parks, Recreation, and Neighborhood Services Department, the Housing Department, the City Attorney's Office, and the General Counsel's Office.

CEQA

Not a Project.


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