



**CITY OF PACIFICA
OPEN SPACE & PARKLAND ADVISORY COMMITTEE
March 16, 2022, 6:00 – 7:30 P.M.
Pacifica Community Center – Auditorium (In-person meeting)
540 Crespi Drive, Pacifica, CA 94044**

CALL TO ORDER:

ADMINISTRATIVE BUSINESS: *(5 minutes)*

Approval of Order of Agenda

Approval of Minutes of February 16, 2022 (distributed to OSPAC with Agenda)

PUBLIC COMMUNICATIONS:

Oral Communications:

This portion of the agenda is available to the public to address the Committee on any issue within the subject matter jurisdiction of the Committee that is not on the agenda (3 minutes per speaker).

INFORMATIONAL ITEMS: *(5 minutes)*

- 1. Update by GGNRA/GGNPC**
- 2. Update by City Council Liaison**

STAFF COMMUNICATIONS: *(5 minutes)*

- 3. Development project updates**

DISCUSSION ITEMS:

- 4. Review and approve draft proclamation for 2022 Preservation Award nominee Kathy Kellerman.**
(10 minutes)
- 5. Funding Subcommittee to report out on progress.** *(25 minutes)*

COMMITTEE COMMUNICATIONS: *(10 minutes)*

- 6. Committee Communications:**

ADJOURNMENT

***Please note that timeframes were provided at the request of the Committee Chair and are meant to provide guidance and not limitations.*

THE CITY OF PACIFICA WILL PROVIDE SPECIAL ASSISTANCE FOR DISABLED CITIZENS UPON AT LEAST 24 HOUR ADVANCE NOTICE TO THE CITY MANAGER'S OFFICE (738-7301). IF YOU NEED SIGN LANGUAGE ASSISTANCE OR WRITTEN MATERIAL PRINTED IN A LARGER FONT OR TAPED, ADVANCED NOTICE IS NECESSARY. ALL MEETING ROOMS ARE ACCESSIBLE TO THE DISABLED.



**CITY OF PACIFICA
OPEN SPACE & PARKLAND ADVISORY COMMITTEE**

February 16, 2022, 6:00 – 7:30 P.M.

Action Minutes

Virtual Meeting via Zoom Link

In attendance was Chair Patton, Vice Chair Arnos, Shoemaker, Lancelle, Natesan, and Johnson. Sullivan and Read were absent. Council Liaison Mayor Mary Bier and Staff Liaison Bonny O'Connor were also present.

CALL TO ORDER: *Chair Patton* called the meeting to order at 6:00pm.

ADMINISTRATIVE BUSINESS:

Approval of Order of Agenda. Unanimously approved.

Approval of Minutes of January 19, 2022. Unanimously approved as amended to include reference of the conservation easement and open house in item 4 of January 19 action minutes. Chair Arnos has requested more details in the minutes when reviewing development projects.

PUBLIC COMMUNICATIONS: Carl Nicolari, PBR Commissioner, introduced himself to the Committee and announce that he will be a liaison to OSPAC.

INFORMATIONAL ITEMS:

- 1. Update by GGNRA/GGNPC.** *Sue Gardner, GGNPC* provided an update on GGNRA meeting to discuss Mori Point topic, the bathroom at Mori Point has been fixed, and the Links Summer High School program is occurring this year. *Patton* asked for a contact for the maintenance costs.
- 2. Update by City Council Liaison.** *Mayor Bier* provided an update on the General Plan Draft EIR extension, Notice of Availability for Quarry Reclamation Draft EIR, Bike and Pedestrian Plan going to CCAG, Democrats meeting on Saturday. *Shoemaker* wants to know the staff time it took to transform to the final document. *Arnos* is wondering how the public is going to know about the progress of the meetings and is wondering if minutes are prepared, where they can be found. *Natesan* supports Arnos comments about the GGNRA meetings and General Plan Draft EIR extension.

STAFF COMMUNICATIONS:

- 3. Development project updates and report out regarding potential extension of the General Plan and Sharp Park Specific Plan Draft EIR comment period.** *O'Connor* repeated the General Plan Draft EIR extension and GGNRA meeting updates. *O'Connor* also announced the resignation of OSPAC member Paul Durkee and project updates for Pacifica Highlands (OSTF parcel 20), the Bowl property (OSTF parcel 2), and quarry property (OSTF parcel 11).

DISCUSSION ITEMS:

- 4. Review 2022 Preservation Award nominations, vote for an awardee, and establish a subcommittee to prepare proclamation.** No verbal nominations were added. *Kathy Kellerman* was voted as the awardee. *Patton* and *Natesan* are the subcommittee members to prepare proclamation. No public comments.
- 5. Funding Subcommittee to report out on progress.** *Johnson* researched GoFundMe to fund open space preservation. *Shoemaker* discussed meeting with John Keener and his general information gathering efforts. *Patton* reported on her meeting with the City Manager regarding his experience with Mid-Pen. *Patton*

reported out for *Read*'s effort his conversation with Marti Tedesco, Chief Marketing Officer of the Peninsula Open Space Trust (POST) and who provided contact information, guidance, and support. Patton would like to write letter to POST to inform them of the parcels in the Open Space Task Force Report. *Arnos* identifies that property owners may want to donate land for tax breaks. *Lancelle* suggests learning more about the OSTF report property owners. *Sue Digre* voiced support of reaching out to landowners. Unanimously approved allowing subcommittee to send letter to POST.

6. **Discuss assigning liaisons to other City Committees and Commissions.** *Arnos* believes this will benefit relationship building. *Shoemaker* would like to volunteer to the EDC. *Sue Digre* agreed that participation in the EDC and PB&C is appropriate. Unanimously approved Shoemaker as the EDC liaison.
7. **Provide feedback on future in-person meeting location options.** *Natesan* votes for community center and council chambers. *Arnos* would like to consider meeting in the libraries and not return to Police Station. No public comments.
8. **Discuss OSPAC's review process of development permit application, lessons learned.** *Patton* was expecting more of a presentation from the Applicant, leaving the pressure on the Committee to be prepared. *Natesan* agreed with Patton regarding the applicant's presentation, suggested a standard set of questions to provide the applicant. *Shoemaker* believes the applicant should be selling OSPAC. *Johnson* supports the structure. *O'Connor* reminded committee this review step is voluntary, suggested not to try to make applicants commit to suggestions in meetings. *Arnos* supports being prepared by visiting the site and reviewing materials.

COMMITTEE COMMUNICATIONS:

9. **Committee Communications:** *Shoemaker* discussed his research on the OSTF report parcels status and he would like to agendize it in the future. *Patton* provided an update on her council outreach on the OSPAC resolution update. *Johnson* informed the group that Pacifica was featured on This American Life podcast.

ADJOURNMENT Adjourned at 8:01 PM

PACIFICA OPEN SPACE AND PARKLAND ADVISORY COMMITTEE

PRESERVATION AWARD 2022

WHEREAS, Kathy Kellerman made significant contributions to the preservation and protection of Pacifica's Open Spaces and natural resources to the benefit of Pacifica's residents and surrounding communities for present and future generations through her advocacy, service, public education, and community organizing; and

WHEREAS, Kathy Kellerman has been a dynamic force as an open space advocate and preservationist, not only on the Pacifica Land Trust (PLT) Board, but for many of Pacifica's environmental groups; and

WHEREAS, Kathy Kellerman started her community service career in Pacifica by volunteering to lead native plant landscaping at Ocean Shore school, and was active in the Environmental Action Team and supported the Oceans Week program. These activities led to work for the local habitat restoration company Go Native, which fostered her involvement in many coast-side restoration efforts, and

WHEREAS, Kathy Kellerman spearheaded the PLT's Restoration and Trails project on the Pedro Point Headlands (PPH), and was instrumental at every phase, from the writing of the grant proposals to serving as Project Manager for the various phases of work. She worked with the hired consultants to steer the project through the complex Coastal Development Permit process. She oversaw the trail improvements from start to finish; and

WHEREAS, Kathy Kellerman used her considerable scientific knowledge and skills to establish a temporary native plant nursery and work with the volunteer PPH Stewards to grow the plants for Pedro Point Headlands, and then directed the revegetation efforts; and

WHEREAS, Elsewhere in Pacifica, Kathy Kellerman volunteered with such groups as the California Native Plant Society, the Pacifica Gardens, the Pacific Beach Coalition, Friends of San Pedro Valley Park, and the San Pedro Creek Watershed Coalition; and

WHEREAS, For many years Kathy Kellerman grew innumerable native plants for the restoration of Pedro Point Headlands, Pacifica State Beach, and the Rockaway-Linda Mar section of the California Coastal Trail; and

WHEREAS, Kathy Kellerman also supplied native plants for sale at fundraisers for Pacifica Land Trust and Pacifica Gardens, allowing homeowners to purchase native plants, support these important local organizations, and transform yards into native habitats, thereby effectively expanding Pacifica's natural areas; and

WHEREAS, Kathy Kellerman served on an advisory committee with the California Coastal Conservancy to help design the new segment of the California Coastal Trail that will complete the "gap" between the Pedro Point neighborhood and the Devil's Slide Trail; and

WHEREAS, Kathy Kellerman helped organize and host several public workshops on the improvements for the PPH and Coastal trails. She also shared her vast knowledge of the natural world in several interesting and informative talks on various topics; and

NOW, THEREFORE, LET IT BE PROCLAIMED, that we, the Open Space and Parkland Advisory Committee of the City of Pacifica do hereby declare Kathy Kellerman to be the recipient of the 2022 Pacifica Open Space Preservation Award.

Done, this X day of 2022

OSPAC Chair



CITY OF PACIFICA
Open Space and Park Land Advisory Committee

Scenic Pacifica
Incorporated Nov. 22, 1957

March 8, 2022

Ms. Marti Tedesco
Chief Market Officer
Peninsula Open Space Trust (POST)
222 High Street
Palo Alto, CA 94301

Re: Potential Open Space Properties in Pacifica

Dear Ms. Tedesco:

The purpose of this letter is to follow up with a conversation you had with Open Space and Parkland Advisory Committee (OSPAC) member and Open Space Funding Subcommittee member, Aaron Read, regarding Open Space properties in Pacifica. As you may already know, citizens of the City of Pacifica undertook an inventory of vacant parcels in and around the city limits which were thought to be suitable for Open Space preservation. The inventory of parcels were developed into the Open Space Task Force (OSTF) Report, which was received and accepted by Pacifica's City Council on November 14, 1988. A copy of the report may be found on OSPAC's city webpage here: *Background* - <https://www.cityofpacifica.org/civicax/filebank/blobdload.aspx?blobid=2697> and here: *Index and Description of parcels* - <https://www.cityofpacifica.org/civicax/filebank/blobdload.aspx?blobid=2696>.

While progress has been made, most notably with POST's assistance with the Mori Point Acquisition to the Golden Gate National Recreation Area back in 2002, the pressure to develop Pacifica's remaining Open Space is greater than ever. Members of the subcommittee believe there are several properties in the OSTF Report which would interest POST to further their goals and interests. We would enjoy meeting with POST and our local land trust partner, the Pacifica Land Trust about these properties and others contained in the OPTF Report at your earliest convenience. My e-mail address is pattona@ci.pacificaca.us.

We look forward to speaking with you soon.

Sincerely,

Arlene Patton
OSPAC Chair

Cc: John Keener, President
Pacifica Land Trust

O'Connor, Bonny

From: Patton, Arlene
Sent: Wednesday, March 9, 2022 2:19 PM
To: O'Connor, Bonny
Subject: Recent City Council Items of Interest to Open Space Acquisition and Maintenance: Park Impact Fees and
Attachments: Park Impact Fees 2-14-22.pdf; Vision 2025.pdf

Hello OSPAC,

I want to bring to both the Funding Subcommittee as well as the greater Committee's attention recent City Council agenda items which can affect Open Space.

Both items were presented at the February 14th City Council meeting. I did not attend the meeting but have included links to the minutes from those City Council items.

The first item is a recommendation to increase park impact fees. I encourage you to read the whole report. The importance to Open Space is that park impact fees can be used for open space acquisition or capital improvements or dedication of land can be used in lieu of park impact fees. It's important to note that impact fees by law can only be used for capital improvements and not maintenance. The staff report is attached. The resolution, the proposed fees and City Council minutes can be found here:

[Resolution to Update the Park Development Impact Fee and Ordinance Establishing Updated Impact Fees and Quimby Act Dedication Requirements and In Lieu Fees - City of Pacifica, California \(iqm2.com\)](#)

If you skip to the last page of the minutes towards the very end of the discussion is a reference to trails and to OSPAC.

The second item of interest is the agenda item called Vision 2025. This is an item which describes an upcoming shortfall in the City's budget and options of how to close it. Attached is the staff report. One of the items of consideration is raising the sales tax rate within the City of Pacifica which is one of the options the Funding subcommittee has mentioned as a way of providing a stream of income for both acquisition as well as maintenance of City-owned Open Space. The minutes can be found here:

[Vision 2025 & Beyond – Fiscal Sustainability Analysis, Potential Revenue Options, and Ballot Measure Analysis & Communications Services - City of Pacifica, California \(iqm2.com\)](#)

The bottom line is that the City will explore hiring a consulting firm to poll citizens about their opinions about different types of taxes and what those revenues should support. Funding Open Space acquisition and maintenance could be part of that polling process.



**CITY OF PACIFICA
COUNCIL AGENDA SUMMARY REPORT**

2/14/2022

SUBJECT:

Resolution to Update the Park Development Impact Fee and Ordinance Establishing Updated Impact Fees and Quimby Act Dedication Requirements and In Lieu Fees

RECOMMENDED ACTION:

Move to:

1. Adopt resolution to update the Park Development Impact Fee within the City of Pacifica; and
2. Move to Introduce by title only and waive first reading of an “Ordinance of the City Council of the City of Pacifica, California repealing Chapter 19 of the Pacifica Municipal Code and replacing it with Chapter 19 (Park Facilities Impact Fee); repealing Section 10-1.803 (Park Land Dedication) of the Pacifica Municipal Code and replacing it with Section 10-1.803 (Park Land Dedication) to establish updated Impact Fees and Quimby Act dedication requirements and in lieu fees imposed on New Development in the City of Pacifica”; and finding the Ordinance exempt under the California Environmental Quality Act (“CEQA”).

STAFF CONTACT:

Sam Bautista, P.E., Deputy Director of Public Works
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Tina Wehrmeister, Assistant City Manager/Planning Director
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Lisa Petersen, P.E., Director of Public Works
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(650) 738-3767

BACKGROUND/DISCUSSION:

The City of Pacifica has a park impact fee program to ensure that new development pays the capital costs associated with growth. In the case of parks, these impacts fees would apply to the most common development type in Pacifica currently - incremental growth associated with additions and new single-family homes. The proposed fee update would also apply to other types of new development including multi-family housing and subdivisions.

Pacifica’s park impact fees were last adopted in 2012 (Attachment “A”) and need to be updated to reflect service demand and incorporate best available information. Currently, park impact fees generate an average of \$150,352 per year which is not sufficient to maintain the City’s existing level of service for park facilities and serve future growth.

In California, local governments can impose two types of development impact fees for funding

parcs and recreational facilities. Under the Quimby Act (Government Code § 66477), 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. To fund the construction of new park and recreational facilities, local governments may also impose an AB1600 Park Impact Fees by following the guidelines set forth by the Mitigation Fee Act (Government Code § 66000). On March 26, 2012, City Council adopted Resolution No. 09-2012 establishing the need for a Parkland Dedication In-Lieu Fee (Quimby Act) and Park Facilities Impact Fee, within the City of Pacifica (Attachment "A"). The City prepared a Park Facilities Impact Fee Study to establish the nexus between the imposition of new citywide Park Impact Fees and the estimated reasonable cost of providing the service for which the fee is charged. The Park Impact Fee program is designed to ensure that new development subject to the City's Quimby program pays their fair of the cost of land acquisition for parks (in order to maintain the City's existing ratio of parks-to-population) and their fair share of the cost of development of new parks, trails and open space.

Quimby Act Fee

Local governments in California provide a critical role in the effort to set aside parkland and open space for recreational purposes. Cities and counties have been authorized since the passage of the 1975 Quimby Act to pass ordinances requiring that developers set aside land, donate conservation easements, or pay fees for park improvements. Revenues generated through the Quimby Act cannot be used for the operation and maintenance of park facilities. The goal of the Quimby Act was to require developers to help mitigate the impacts of growth from new development. The Quimby Act gives authority for passage of land dedication ordinances only to cities and counties. The Quimby Act only applies to residential subdivision developments. The fees must be paid and land conveyed directly to the local public agencies that provide park and recreation services communitywide. The fee is based on the cost of land in the community and the City's current park service standards, which exceeds five (5) park acres per one thousand (1,000) residents standard.

Park Impact Fee

An impact fee is a fee that is imposed by a local government on a new or proposed development project to pay for all or a portion of the costs of providing public services to the new development. Impact fees are a charge on new development to help fund and pay for the construction or needed expansion of offsite capital improvements. Projects subject to this fee include new single-family homes and additions, two of the most common development types in Pacifica. A park impact fee is based on maintaining the current level of park service for a community, cost of land, and anticipated population growth.

DISCUSSION:

According to the population projections provided by the Association of Bay Area Governments (ABAG) and current population estimates, the City will grow to a total of 39,890 residents by 2040. In order to maintain the City's existing ratio of parks-to-population, development impact fees are needed to fund new development's share of the cost of park and recreational facilities. The fee levels do not depend on the growth projections. The projections are used to estimate fee revenue. The fees are driven by the cost of parks and the existing parkland standards. The goal of this effort is to ensure there is adequate funding to acquire land, build new parks, and improve existing parks to meet the demand of the increased population.

Currently, the City imposes the Quimby Act and Mitigation Fee Act Fees depending on the type of development. Technically, there are three park-related fees:

- A Quimby Act Fee in-lieu of land dedication. This fee is payable by residential development occurring in subdivisions.

- A Mitigation Fee Act Fee for land acquisition. This fee is payable by residential development not occurring in subdivisions.
- A Mitigation Fee Act Fee for parkland improvements. This fee is payable by all residential development.

A development project pays either the Quimby Act Fee in-lieu of land dedication, or the Mitigation Fee Act Fee for land acquisition, not both. The Quimby and Mitigation Fee Act land-related fees are the exact same amount, and everyone pays the Mitigation Fee Act improvements fee, therefore, the total fee is the same for everyone. The nuance is that those subject to Quimby can dedicate the land instead of paying the fee, in which case, they would still be responsible for the Mitigation Fee Act improvement fee.

These fees are a funding source for park improvements in Pacifica. Recently, the fees have been used to fund a portion of the construction of Community Center Park and Fairmont Park, in which the footprint of the play structures were increased in both parks. It is anticipated that a portion of funding used to install new expanded play structures at Imperial Park, Skyridge Park, Marvilla Park and Brighton Park will be provided by these fees. Without these fees, there would be no continuing money source for new or major improvements to Pacifica’s parks, athletic fields, and open space. The City plans to use park facilities fee revenue to purchase parkland or construct improvements to add to the system of park and recreation facilities that serves new development. The City may only use impact fee revenue to provide facilities and intensify usage of existing facilities needed to serve new development. Fee revenue collected under the Quimby Act can also be used to rehabilitate park facilities, in addition to acquiring new parkland.

It is good practice to analyze and periodically update impact fees, and the City contracted with Willdan Financial Services to assist with the update (Attachment “B”). These fees are calculated based on cost of parkland (per acre) and cost of park improvement (per acre). In 2012, the costs of parkland and park improvements were \$150,000 (per acre) and \$411,000 (per acre), respectively. In December 2021, the costs of parkland and park improvements were \$1,545,000 (per acre) and \$1,350,000 (per acre), respectively. These increased costs result in higher calculated fees. The following table shows the current, updated Park Facilities Impact, and remodel/add bedroom fees:

Bedrooms	Current Park Facilities Impact Fee	Updated Park Facilities Impact Fee	Remodel/Add Bedroom
0	\$0	\$20,522	
1	\$3,702	\$24,066	\$3,544
2	\$5,181	\$36,764	\$12,698
3	\$6,416	\$44,589	\$7,825
4	\$7,897	\$50,938	\$6,349
5	\$9,130	\$58,910	\$7,972
Additional Bedroom	+\$1,481	+\$7,972	\$7,972

Bedroom Calculation

All fees are calculated based on the average number of people living in a dwelling unit in Pacifica. Occupant density assumptions ensure a reasonable relationship between the size of a development project, the increase in service population associated with the project, and the amount of the fee. Persons per bedroom assumptions ensure a reasonable relationship between the size of a dwelling unit and the residents, and therefore demand for public facilities. For residential development, the fee is based on the number of bedrooms in each additional housing unit, so the fee schedule must convert service population estimates to these measures

of bedrooms per dwelling unit and number of dwelling units in the project. The conversion is done with average household size factors that vary by bedrooms proposed in the dwelling unit and are established from the 2019 American Housing Survey, which estimates the persons per bedroom. The occupant densities are factors taken into consideration when calculating the fees. (Refer to Attachment “B”, Occupant Densities, Page 6) For residential remodels or bedroom additions, the fee is incremental. For example, if a homeowner wants to add a bedroom to their existing three-bedroom home, the homeowner would pay \$6,349.

Staff recommends updating the new Park Development Impact Fee as shown in the table above. Should the City Council agree with the increased fee, staff recommends adopting the attached resolution to increase the fee and include it in the Fiscal Year 2021-22 Master Fee Schedule. Staff also recommends City Council consider including a construction cost escalation factor similar to other City fees (e.g., the Engineering News Record Construction Cost Index (CCI) for the San Francisco Bay Area) and adjust it automatically on an annual basis.

As a comparison, the following tables shows Park Impact Fees of cities on the Peninsula (based on a four-bedroom single family unit):

City	Park Impact Fee
Pacifica (existing)	\$5,887
Pacifica (updated)	\$50,938
Half Moon Bay	\$7,764
Millbrae	\$55,522
San Mateo	\$29,598
Sunnyvale	\$87,120

As stated earlier in the report, the Mitigation Fee Act, contained in Government Code 66000 et seq., permits the City to impose development impact fees on new development for the purposes of funding the public facilities necessary to serve that new development, and California Government Code section 66477 (the “Quimby Act”) allows cities to require the dedication of land or to impose a requirement of the payment of fees in lieu thereof, or a combination of both, for park or recreation purposes as a condition of approval of a tentative or parcel map. The City’s Municipal Code contains outdated provisions regarding the City’s Park Facilities Impact Fee and Quimby Act dedication requirements and in lieu fees. As such, staff is bringing the attached Ordinance (Attachment “C”) to amend the City’s existing Code provisions and bring them into compliance with new state laws. In the future, the Council would be able to update the fees or change the amount of the fees via resolution without needing to adopt another ordinance.

ALTERNATIVE ACTION:

Should the City Council not adopt the resolution updating the Park Development Impact Fee, the acquisition of parkland and/or the design and construction of public park improvements would be unfunded or underfunded.

RELATION TO CITY COUNCIL GOALS AND WORK PLAN:

The updated park in-lieu fee is consistent with the following Council adopted Goal:

- **Stewardship of City Infrastructure:** The updated park in-lieu fee would assist the City in acquiring parkland and/or fund the design and construction of public park improvements that would promote a healthy environment and activities for

residents and visitors.

FISCAL IMPACT:

Park in-lieu fees assist the City in providing adequate park facilities necessitated by new development. Staff's evaluation does not result in a budgetary impact.

ORIGINATED BY:

Engineering

ATTACHMENT LIST:

Attachment "A" - Resolution No. 09-2012 (PDF)

Attachment "B" - Park Development Impact Fee Update (PDF)

Attachment "C" - Quimby Act and Park Facilities Impact Fee Update Ordinance (DOCX)



RESOLUTION NO. 22-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PACIFICA SETTING UPDATED CHARGES FOR THE PARK FACILITIES IMPACT FEE (PACIFICA MUNICIPAL CODE CHAPTER 19) AND QUIMBY ACT PARKLAND DEDICATION REQUIREMENTS AND IN LIEU FEES IMPOSED ON NEW DEVELOPMENT IN THE CITY OF PACIFICA (PACIFICA MUNICIPAL CODE SECTION 10-1.803)

WHEREAS, the Pacifica Municipal Code (“PMC”) imposes upon new non-subdivision, residential development the requirement to pay a Park Facilities Impact Fee (PMC Ch. 19); and

WHEREAS, Section 10-1.803 of the PMC also imposes a parkland dedication or in-lieu fee requirement on subdivision developments, pursuant to Government Code section 66477 (“the Quimby Act”), to help defray the impact of development on neighborhood and community parklands (“Quimby Act Fee”); and

WHEREAS, Title 8, Chapter 19 of the PMC empowers the City Council to establish the amount of the Park Facilities Impact Fee by resolution in accordance with a nexus study that demonstrates the reasonable relationship between the fee’s use and the type of development project on which the fee will be imposed and that demonstrates the reasonable relationship between the need for Park Facilities and the type of development projects on which the fee will be imposed; and

WHEREAS, the City contracted with Willdan Financial Services to perform studies for a proposed park development fee update to address both the Quimby Act Fee and Park Facilities Impact Fee.

WHEREAS, Willdan Financial Services prepared and submitted a Park Development Impact Fee Update, dated December 21, 2021, attached to the staff report accompanying this resolution as Attachment “B” and incorporated by reference (“the Fee Report”); and

WHEREAS, the Fee Report (1) establishes a proposed amount and provides an evaluation of the need for an updated Park Facilities Impact Fee and establishes the nexus between the imposition of the new Park Facilities Impact Fee and the estimated reasonable cost of providing the service for which the fee is charged; and (2) establishes a proposed amount for a Quimby Act Fee and establishes the reasonable relationship between the imposition of the Quimby Act Fee and the use of the park and recreational facilities by the future inhabitants of the proposed subdivision; and

WHEREAS, the Fee Report substantiated the need for the update to the Park Facilities Impact Fee and the Quimby Act Fee; and

WHEREAS, the Fee Report identifies the City’s existing level of public parks service, identifies the proposed new level of service, and includes an explanation of why the new level of service is appropriate; and

WHEREAS, the Fee Report includes information that supports the City’s actions, as required by subdivision (a) of Section 66001; and

WHEREAS, the Fee Report reviewed the assumptions of the nexus study supporting the existing Park Facilities Impact Fee and Quimby Fee and evaluated the amount of fees collected under the existing fees; and

WHEREAS, the City annually adopts a Capital Improvement Program for the development and maintenance of parks; and

WHEREAS, the capital improvement plan indicates the approximate location, size, time of availability, and estimates of cost for all facilities or improvements to be financed with the fees; and

WHEREAS, the Fee Report was presented to the Council along with this resolution, and is hereby adopted by Council; and

WHEREAS, the City Council determined that the Fee Report complies with California Government Code section 66000 et seq.; and

WHEREAS, the City desires to rescind and repeal all prior resolutions setting charges, fees, or dedication requirements for the Park Facilities Impact Fee and the Quimby Act Fee, and replace them with the updated fees provided in **Exhibit 1**; and

WHEREAS, pursuant to Government Code sections 66016, 66016.5, 66018, and 6062a and the Pacifica Municipal Code, the City must adopt the updated Park Facilities Impact Fee only after notice and public hearing; and

WHEREAS, pursuant to Government Code section 6062a, a notice of a public hearing on the proposed fee schedule was published on February 2, 2022, and February 9, 2022, in the Pacifica Tribune, a newspaper of general circulation; and

WHEREAS, pursuant to Government Code sections 66016 and 66016.5, notice of the time and place of the meeting, including a general explanation of the matters to be considered and a statement that required data is available was mailed at least 30 days prior to the meeting to those members of the public who filed a written request with the City; and

WHEREAS, at least ten (10) days prior to the public hearing referenced above, the City made available for public inspection information required under government Code section 66000, *et. seq.*; and

NOW, THEREFORE, BE IT RESOLVED THAT the City Council of the City of Pacifica hereby rescinds and repeals all prior resolutions setting rates for the Park Facilities Impact Fee and the Quimby Act Fee and replaces them with the fees as shown in **Exhibit 1**, incorporated by this reference.

Section 1. Findings. The City Council finds and determines as follows:

- a) The above recitals are correct and are material to this Resolution and are incorporated into this Resolution as findings of the City Council.
- b) The fees proposed bear a reasonable relationship to the use of the park and recreational facilities by the future inhabitants of the new subdivisions.
- c) The Quimby Act Fee is calculated to fund acquisition of the same amount of land that would otherwise have been dedicated.

Section 2. Adoption of Fee Report. The City Council has approved and adopted the Fee Report and determined that it is consistent with the General Plan.

Section 3. Exemption. Pursuant to Government Code section 65852.2(f)(2), the Park Facilities Impact Fee shall not apply to accessory dwelling units of less than 750 square feet.

Section 4. Effective Date. In accordance with Government Code section 66017, this Resolution shall be in full force and effect 60 days after its adoption and shall be published or posted as required by law.

Section 5. Validity. The above recitations are true and correct, are material to the adoption of this Resolution, and are incorporated herein by reference.

Section 6. Environmental review. The City Council finds that this Resolution is not subject to the California Environmental Quality Act (“CEQA”). This action is not a project within the meaning of the CEQA Guidelines Section 15378 and 15061(b)(3) as it has no potential for physical effects on the environment because it involves an adoption of certain fees and/or charges imposed by the City, does not commit the City to any specific project, and said fees and/or charges are applicable to future development projects and/or activities, each of which future projects and/or activities will be fully evaluated in full compliance with CEQA when sufficient physical details regarding said projects and/or activities are available to permit meaningful CEQA review (see CEQA Guidelines, Section 15004(b)(1)). Pursuant to CEQA Guidelines section 15378(b)(4), the creation of government funding mechanisms which do not involve any commitment to any specific project which may cause significant effect on the environment, is not defined as a “project” under CEQA. Therefore, approval of the fees and/or charges is not a “project” for purposes of CEQA, pursuant to CEQA Guidelines, Section 15378(b)(4); and, even if considered a “project” under CEQA, is exempt from CEQA review pursuant to CEQA Guidelines Section 15061(b)(3) because it can be seen with certainty that there is no possibility that approval of the fees and/or charges may have a significant effect on the environment.

Section 7. Severability. Should any section, subsection, paragraph, sentence, clause, or phrase of this Resolution be declared unconstitutional or invalid for any reason, such declaration shall not affect the validity of the remaining portions of this Resolution.

The City Council hereby declares that it would have passed this and each section, subsection, phrase, or clause thereof irrespective of the fact that any one or more sections, subsections, phrase, or clauses be declared unconstitutional on their face or as applied.

Section 8. The City Clerk shall certify the adoption of this Resolution and shall cause a certified Resolution to be filed in the Office of the City Clerk.

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PASSED AND ADOPTED at a regular meeting of the City Council of the City of Pacifica, California, held on the 14th day of February 2022, by the following vote:

- AYES**, Councilmembers:
- NOES**, Councilmembers:
- ABSENT**, Councilmembers:
- ABSTAIN**, Councilmembers:

Mary Bier, Mayor

ATTEST:

APPROVED AS TO FORM:

Sarah Coffey, City Clerk

Michelle Kenyon, City Attorney

EXHIBIT 1

QUIMBY ACT AND PARK FACILITIES IMPACT FEE FEES

Parkland Dedication In-Lieu Fee (Quimby Act), May be increased by Council based on land cost

Bedrooms	FY 21-22
0	\$10,952
1	\$12,843
2	\$19,621
3	\$23,796
4	\$27,184
5	\$31,439
Each after Five	\$4,254

Park Facilities Impact Fee (Mitigation Fee Act), Increase annually per CCI

Bedrooms	FY 21-22
0	\$9,570
1	\$11,223
2	\$17,144
3	\$20,793
4	\$23,754
5	\$27,471
Each after Five	\$3,718



**CITY OF PACIFICA
COUNCIL AGENDA SUMMARY REPORT**

2/14/2022

SUBJECT:

Vision 2025 & Beyond – Fiscal Sustainability Analysis, Potential Revenue Options, and Ballot Measure Analysis & Communications Services

RECOMMENDED ACTION:

Receive, discuss, and provide direction to the City Manager on the updated 10 Year Financial Forecast and Options to Maintain the Current Level of City Services.

STAFF CONTACT:

Kevin Woodhouse, City Manager
(650) 738-7409
kwoodhouse@pacificagov

INTRODUCTION:

The Vision 2025 & Beyond - Fiscal Sustainability Analysis, Potential Revenue Options and Ballot Measure Analysis and Communication Services was scheduled for presentation at the City Council meeting held on January 24, 2022. The staff report was published as part of the agenda and was ready to be presented to the Council when a technical issue with the live stream broadcast forced the early adjournment of the meeting. This staff report serves to continue this item, already in progress, at the February 14, 2022 City Council meeting with the same materials.

At the December 13, 2021, City Council meeting, staff presented an update to the City Council on the Vision 2025 & Beyond Strategic Financial Sustainability Study. This study, which was identified by the City Council as a priority beginning in Fiscal Year 2019-20, has the following Purpose Statement as refined by the City Council on October 12, 2020:

The Purpose of the Pacifica Vision 2025 & Beyond project is to tell Pacifica's story of the many priority infrastructure projects, and enhanced programs and services envisioned for Pacifica's mid to long-term future that are equitable and inclusive and will help all Pacificans thrive, and to articulate the City's financial opportunities, challenges, and strategies to achieve this vision and resiliency.

As presented in December 2021, the study includes these five components:

1. Financial Forecasting and Revenue Enhancement Strategies
2. Economic Opportunities Study
3. Pacifica Marketing Study & Marketing Plan
4. Public Engagement and Surveys
5. Public Information Final Report

At the December 2021 meeting, the Council received reports and focused on items II (Economic Opportunities Study) and III (Pacifica Marketing Study & Marketing Plan), provided input on the Statement of Work for the Economic Opportunities Study, and approved the City Manager's

recommendation to release a Request for Proposals for this component in January, 2022. At the same meeting, the City Council, together with the Economic Development Committee in a joint study session, provided feedback on the Pacifica Marketing Study prepared by Creative Digital Agency (CDA) and approved the City Manager's recommendation to develop an agreement with CDA for a 2-year marketing plan and return to City Council in early 2022 for consideration of approval of that agreement.

Since that meeting, Staff has continued work on these two components of Vision 2025 & Beyond. The Request for Proposals (RFP) for the Economic Opportunities Study has been updated to include the suggestions and additions from the City Council. The RFP has been issued on January 28, 2022 and proposals are due on March 7, 2022. The Shop Pacifica program continues to move ahead in its "soft launch" phase, with almost \$2,000 being added to date to the Pacifica economy through Gift Card purchases that are starting to be redeemed by recipients at merchants in Pacifica (15 signed up to date).

Finally, at the December 2021 meeting, staff reported that the City's Chief Fiscal Sustainability Officer had begun working with City Staff, HdL (the City's Revenue Consultant), and Financial Consultants, to refine a preliminary 10-Year Financial Forecast to return to the City Council in early 2022 to present the forecast, alongside an initial assessment of Revenue Enhancement Strategies (including voter-approved revenue measures) that might be feasible to help maintain, or enhance, the current level of City services, as well as fund Capital Projects and infrastructure needs in Pacifica.

Therefore, the purpose of tonight's Vision 2025 & Beyond discussion is to present the refinements of the preliminary 10-Year Financial Forecast to clearly communicate the City's fiscal sustainability challenges and to discuss a variety of potential revenue measures that have been preliminarily evaluated for their revenue-generating capacity. **The City Manager is seeking City Council direction about which potential revenue measures should advance to the next phase of feasibility assessment, including engagement of a consultant for ballot measure analysis and communications services.**

BACKGROUND:

Updated 10 Year Financial Forecast

During the 2021-22 Budget process, the City Council was presented with a 10 Year Financial Plan. That plan has been updated by the Chief Fiscal Sustainability Officer for tonight's Vision 2025 & Beyond discussion and is attached to this report as **Attachment A**.

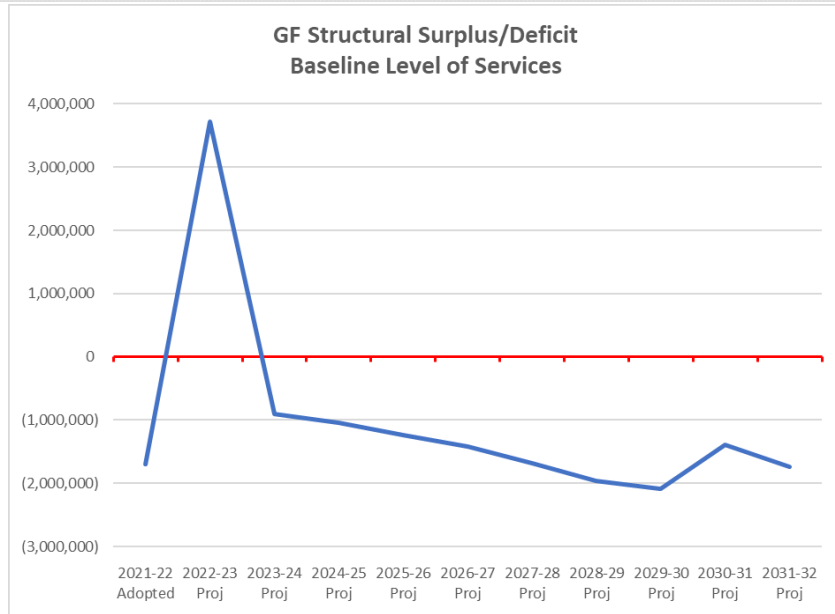
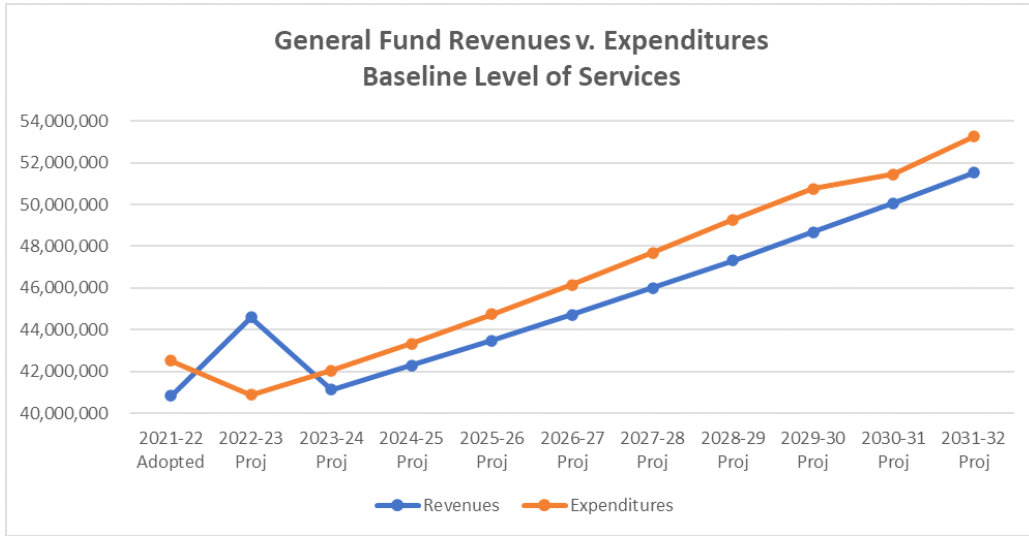
The updated plan considers current revenue and expenditure trends at the mid-year mark. It also adjusts for PERS Retirement and Year 2 labor union MOU expenses, removes limited-term positions in the budget, assumes annual debt service for the Civic Center Renovation project, does *not* assume any ongoing General Fund contribution towards the capital improvement program, and reflects a 14% increase in PERS unfunded liability from the prior year.

With these updates, the City's Operating Budget that covers ongoing services to the community will remain in balance during the current 2021-22 fiscal year and the upcoming 2022-23 fiscal year. This is in part due to the availability of American Recovery Plan Act (ARPA) funds that offset losses of City revenues during the Covid pandemic plus the payment of In Lieu Vehicle License Fees from the State. However, these funds will be spent by the end of the 2022-23 fiscal year resulting in a financial deficit in future years.

Projected Financial Deficit Starting in 2023-24 Fiscal Year

Starting in the third year of the financial forecast, the City will experience a shortfall in funds to maintain the current level of City Services. This shortfall is projected to be \$0.9 Million in 2023-

24, growing to \$1.1 Million the following year (2024-25) and reaches \$2.1 Million in FY 2029-30, as summarized in the charts and table below.



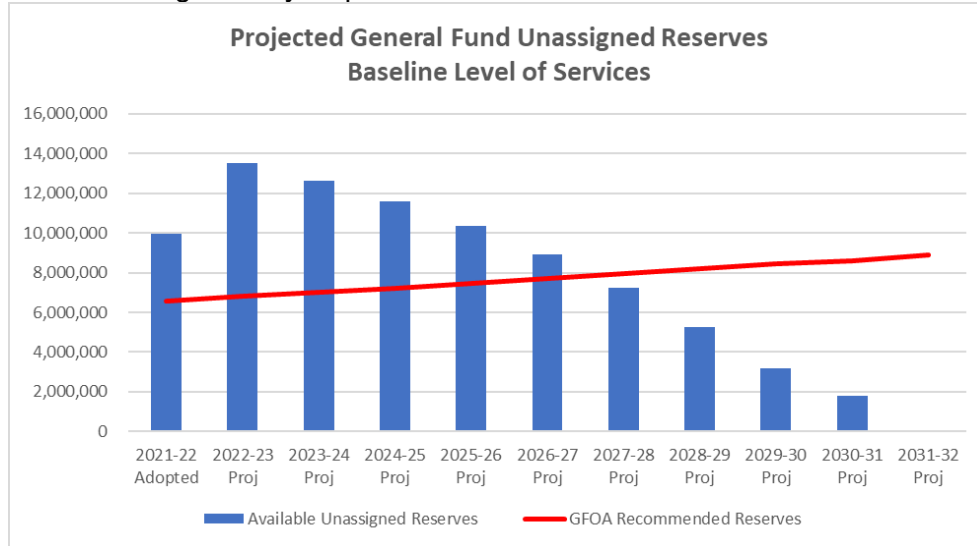
<u>Fiscal Year</u>	<u>Projected Deficit</u>
2023-24	905,502
2024-25	1,045,390
2025-26	1,238,878
2026-27	1,421,768
2027-28	1,688,929
2028-29	1,957,370
2029-30	2,082,106
2030-31	1,384,675
2031-32	1,742,239

Budget Deficit Impact on General Fund Reserves in Future Years

If the structural budget deficit beginning in the 2023-24 fiscal year remains unaddressed, the City’s unassigned General Fund Reserves will continue to shrink and eventually fall below the Government Finance Officers Association (GFOA) recommendation for government entities of

no less than two months of regular general fund operating expenditures.

Maintaining sufficient reserves is necessary for fiscal and operational sustainability, which becomes especially critical in the current uncertain economic situation. Therefore, staff always strives to go above the minimum recommendation for General Fund undesignated fund balance. The prospect of it falling below the minimum threshold guidelines presents a significant challenge to maintaining the City’s operations and is not sustainable.



ADDRESSING BUDGET CHALLENGES & PROJECTED DEFICIT

Actions and Strategies to Address Budget Challenges

The City of Pacifica has historically worked to reduce expenditures in the Annual Budget to live within existing revenue means. This has meant cutting positions and managing salary growth to the point where the organization and capacity for service provision is inadequate to meet the needs and desires of the community.

There are components of the Vision 2025 & Beyond study that will focus on revenue enhancement strategies through non-tax methods, such as economic development and marketing, including efforts to develop additional hotel capacity and increase visitation to improve Transient Occupancy Tax and Sales Tax revenues. In addition, Staff will be working on updating User Fees and Development Impact Fees in the City. This work will help improve the City’s financial sustainability in the years to come.

However, the reality is that, even with these non-tax revenue enhancement strategies, the City is facing a projected deficit in the near term. Continued revenue enhancements are needed to 1) maintain the current level of services, as well as 2) tackle organizational capacity and retention challenges, and 3) address neglected infrastructure needs and any additional operational costs.

To keep Pacifica structurally sustainable at a level of expected service delivery and capital improvement project funding envisioned by the community, it is anticipated the Council and the community will need to consider voter-approved revenue measures in the future as a necessary strategy.

POTENTIAL REVENUE MEASURES

Potential Revenue Measures

The December 2021 presentation about Vision 2025 & Beyond mentioned this next step of analyzing some of the City's key revenues to determine what the financial impact would be of bringing certain revenues to be on par with other agencies in the region.

With the assistance of the City's tax consultant, HdL, staff has identified several potential revenue sources that could be considered by the Council to address the City's revenue shortfall in future years. They are summarized in the table below, followed by a more detailed description.

<u>Revenue Option</u>	<u>Annual Revenue (Net Increase)</u>
UUT - Broaden Base	3,100,000
UUT - Cut Rate to 5%, Broaden Base	2,000,000
Local Sales Tax @ .50c	2,600,000
Local Sales Tax @ .25c	1,300,000
Business License Update	500,000
TOT - 12% to 15%	350,000
TOT - 12% to 14%	280,000

Utility User Tax (\$2 Million to \$3.1 Million annually)

Cities may impose a Utility User Tax (UUT) on utility services including electricity, gas, water, sewer, and telecommunications. Utility companies are responsible for collecting the taxes and remitting them to the City. Utility user tax rates throughout the State range from 1 % to 11%.

The City of Pacifica has a Utility User Tax (UUT) of 6.5% that is charged on electricity and gas. In the 2019-20 fiscal year, the UUT generated \$1.7 Million in revenues.

Currently, the UUT is not collected on telecommunications (phone and cable TV), prepaid wireless, or water. In other cities, these utilities are also subject to UUT. If these categories were added to the UUT in Pacifica at the current 6.5% UUT rate, an additional \$3.1 Million in revenue would be received.

Alternatively, the City could broaden the categories of the UUT but lower the tax rate from 6.5% to 5%. This combination of broader categories but a lower tax rate would increase revenue by \$2 Million per year.

Local Sales Tax (\$1.2 Million to \$2.4 Million annually)

The City of Pacifica currently receives one percent of the sales and use taxes from the State. This generates \$2.6 Million per year in revenues.

Cities may impose sales tax rates to be added to the statewide "base". The add on rates are "transactions and use taxes" and are allocated to the jurisdiction where the taxed product is received. Over 100 of the 482 cities in California have enacted local transactions and use taxes of up to one percent. Under state law, the maximum combination of transactions and use tax rates in any location may not exceed two percent.

According to estimates provided by HdL, if Pacifica were to adopt a Local Add-On Sales Tax (Transactions & Use Tax) of one-half cent it would generate approximately \$2.6 Million per year.

A quarter cent Local Add On Sales Tax would generate approximately \$1.3 Million per year in Pacifica.

Business License Tax (\$500,000 annually)

The Business License Tax (BLT) is charged to anyone doing business in a City. It is a common revenue used to fund City services throughout California with over 450 of the 482 cities in California levying a BLT. The BLT recognizes the link between City services and infrastructure and the use of these by local businesses.

Pacifica requires all businesses operating within the City to obtain a business license and pay business license tax per section 3-1.101 of the City's Municipal Code. This revenue is locally controlled and funds essential services. The City currently issues over 2,100 business licenses annually and, over the last five fiscal years, has generated an average of \$440,000 in business license tax revenues per fiscal year.

HdL has done some initial analysis of the City's Business License Tax Ordinance. This includes suggestions on updating the language of the ordinance, reducing the number of tax categories from 7 to 4, and updating the tax rates. The current tax structure has been in place since 1984 and is complex. There are seven different classifications with different rates that are not structured along industry lines. As a result some businesses pay a flat \$40, plus 30c per one thousand dollars of annual gross receipts over \$25,000, while other business license tax classifications have the business pay a minimum of \$100, plus 77c per one thousand dollars of annual gross receipts over \$25,000. The recommendation to charge different rates based on business activity would simplify the number of business classifications, improve equitability and increase business tax revenue. Less complexity in the tax structure may also lead to increased business attraction and retention. By reforming the tax structure, the City will make it easier for businesses to correctly report their taxes and provide better fiscal stability to the City and make it more in-line with the neighboring cities that have recently revisited their business license tax structure.

The proposed changes are estimated to generate up to an additional \$500,000 per year in business license tax revenue.

Transient Occupancy Tax (\$280,000 to \$350,000 annually)

Transient Occupancy Tax (TOT) (also known as a Hotel Tax) is charged as a percentage of a room rate to people who occupy a hotel, motel, inn, or other forms of transient lodgings (short-term rentals) for thirty (30) days or less. The tax is collected by the lodging operator and is remitted to the City by the lodging operator. It is a revenue that has been used to fund City services throughout California and has been adopted in 430 of the 482 cities in the State. Pacifica's rate is currently 12%, totaling approximately \$1.7 Million per year in TOT revenue.

Many cities raised their TOT rates from 12% to 14% over the past 4 years. TOT rates have also gone beyond 14% in two local cities - Half Moon Bay (15% effective on July 1, 2022) and Palo Alto (15.5%). Staff is also aware that additional cities are considering TOT rate increases and other revenue measures to address their projected budget shortfalls at their next elections.

If Pacifica increased its TOT tax rate from 12% to 14%, that change would bring in an additional \$280,000 per year in revenue. Increasing the TOT tax rate from 12% to 15% would bring in an added \$350,000 per year.

Other Revenue Measures

In addition to the revenue options detailed above, the Council may also consider other revenue measures to address the City's projected budgetary deficit or other priority service level

enhancements. These options could include a General Obligation Bond to fund one or multiple major infrastructure projects, such as for street rehabilitations, new libraries, and the Beach Boulevard Infrastructure Resiliency Project. The City Council may identify other needs and measures to achieve those needs, such as an idea raised by Councilmember O'Neill about a special hotel tax to help fund playing field improvements in collaboration with the Pacifica School District, so the City Manager is seeking input on any of these other types of ideas.

General Taxes and Special Taxes

The provisions of the State Constitution adopted as part of Proposition 13 in 1978, and Proposition 218 in 1996 define local taxes as either "General Taxes" or "Special Taxes". This language requires that *"local governments may not impose, increase, or extend: (1) any general tax, unless approved by a majority vote at a general election; or (2) any special tax, unless approved by a two-thirds vote."*

Therefore, whether a measure is a General Tax or Special Tax is a critical point to analyze in preparing for the feasibility of a voter-approved ballot measure. The UUT, BLT, TOT, and Local Sales Tax measures described above can be structured as General Taxes requiring majority vote only. Such measures also have to occur in a General Election. The next General Election in Pacifica will be held in November 2022, followed by November 2024.

RESTORING CITY SERVICES, ENHANCING SERVICES & CAPITAL PROJECT NEEDS

Given the size of the City's projected financial shortfall starting in 2023-24 to maintain the current level of City Services, Staff has not yet explored the added cost of restoring City Services cut in prior years, enhancing the current level of City services, or funding major infrastructure and Capital Improvement Project needs. The Vision 2025 & Beyond study process will include public engagement about what types and levels of City services and capital projects the City Council and the community envision for Pacifica's future. This vision for Pacifica's future will inform what types of voter-approved revenue measures, combined with non-tax revenue enhancement strategies, will comprise the best financial sustainability strategy that is acceptable to the community.

ALTERNATIVES TO POTENTIAL REVENUE MEASURES

Based on staff's projections, the ongoing need to continue the current level of City services for the Pacifica community and maintain the minimum level of reserves for the next ten years of the financial outlook is estimated at \$1.9 million to \$2.3 million per year.

This Financial Outlook projection was prepared to reflect the current level of services and operations. The projection does not take into account challenges that face Pacifica today. These challenges include the City's organizational capacity being severely hampered by limited staffing resources that are significantly leaner than other comparable agencies and compensation levels that are lower than other comparable agencies. Exceptionally lean staffing and compensation levels below median of comparable agencies do not make for a sustainable organizational model.

If voter-approved revenue measures are not approved in the future, whether or not in combination with non-tax revenue enhancements, to close the upcoming gap in revenues compared to projected expenses, the City most likely will be faced with repeating its history of service and personnel reductions. Since the City is already very lean, such reductions likely will require very noticeable structural service-level changes.

NEXT STEPS

At tonight's meeting, the City Manager is seeking the Council's direction on which potential revenue measures should advance to the next phase of feasibility assessment. Once Staff has received that direction, work will continue advancing this matter for discussion with the Council and the community. That process will include the following steps:

1. Further work on assessing the feasibility of placing one or more revenue measures on the November 2022 ballot.
2. Retaining a firm to work with the City on educational outreach and public engagement on the potential revenue measure.
3. Returning to the City Council for a decision on moving ahead with a revenue measure - most likely in April.
4. If the Council moves ahead with a revenue measure, developing the proposed ordinance(s) and ballot measures on a timeline to meet County ballot requirements - likely in May or June.

ALTERNATIVE ACTION:

The City Council may decide to direct staff to take alternative actions to address the projected City budget deficit starting in the 2023-24 fiscal year. These may include:

1. One or more of the alternatives and options described earlier in the **Alternatives to Potential Revenue Measures** section of this report.
2. The City Council may want to pursue additional revenue options to address needs beyond the current level of services described in the **Restoring City Services, Enhancing City Services & Capital Project Needs** section of the report.

RELATION TO CITY COUNCIL GOALS AND WORK PLAN:

This item advances the Vision 2025 & Beyond program and furthers the City Council's Strategic Goals and the City's efforts towards **Fiscal Sustainability**.

FISCAL IMPACT:

Funding to continue work on the Vision 2025 & Beyond study is included in the 2021-22 budget. As work commences to further develop any potential revenue measure for the November 2022 ballot, including retaining a firm to assist with education, outreach, and polling, staff will assess whether there is a need for additional funding for this work at that time.

ORIGINATED BY:

City Manager's Office

ATTACHMENT LIST:

Attachment A - Long-Term Financial Forecast (PDF)