



REPORT TO DEVELOPMENT OVERSIGHT COMMISSION City of Sacramento

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915 I Street, Sacramento, CA 95814-2671

STAFF REPORT
November 6, 2006

Members of the Development Oversight Commission:

Subject: *Adjusted Average Land Values per Community Planning Area for Quimby In-Lieu Fees*

Location/Council District: Citywide

Recommendation: Receive and Provide Input

Contact: J.P. Tindell, Interim Planning and Development Manager, 808-1955

Presenters: J.P. Tindell, Interim Planning and Development Manager, 808-1955

Department: Parks and Recreation

Division: Park Planning, Design & Development

Organization No: 4727

Description/ Analysis:

Issue: The average land values have not been updated since December 2004 and land values have risen since that time. The Department of Parks and Recreation, in coordination with City Real Estate staff, is proposing a new system which calculates the Quimby in-lieu fee average land values by utilizing Multiple Listing Service (MLS) data.

A summary of the Quimby Ordinance history is included as Attachment 1 (page 4). Utilizing the new system, the updated fees are attached as Attachment 2 (page 5).

Policy Considerations: Providing parks and recreation facilities is consistent with the City's strategic plan to enhance livability in Sacramento's neighborhoods.

Rationale for Recommendation: The average land values have not been updated since December 2004 and land values have risen since that time.

Staff shared the proposed increases with North State Building Industry Association (BIA) members on October 11, 2006. BIA members shared concerns related to the adjusted average land values and the new system utilizing the MLS data, and staff responded to these concerns as follows:

- 1) As land values may decline, and there is some lag time with data, the option to provide parcel-specific appraisals is an important tool for development applicants.
- 2) The alternative method of using comparable sales, viewed by some as more accurate, to determine increases in land values requires more time and, therefore, costs to the City. Again, the appraisal option provides for accuracy in establishing "real time" values.

The recommended update to the program includes, for the first time, a "grandfathering" provision, so that projects in process will not be subject to any fee increase. However, this "grandfathering" provision is also recommended to "sunset", as described in Financial Considerations.

Financial Considerations: The Quimby Ordinance in-lieu fees may be calculated using one of two methods:

1. The developer may request an appraisal of the property to be prepared and in-lieu fees shall be calculated based upon the fair market value established in the appraisal; or
2. At the option of the developer, the community planning area fixed market value may be used in place of the appraisal process.

The adjusted fees will apply only to those applications for a tentative map that are not deemed complete by staff on or after the effective date of the adjusted fees. The land values approved by Council on December 7, 2004, will continue to apply to those applications for tentative maps that were determined to be complete before the effective date of the adjusted fees. This provision is proposed to sunset on June 30, 2008 (approximately 18 months).

In the majority of subdivisions, particularly in new growth and larger projects, the City will continue to prefer to accept land dedications rather than in-lieu fees to provide adequate parkland for new subdivisions to fulfill the standards in the Parks and Recreation Master Plan and Community Plans.

For consistency, staff will evaluate the average land values a minimum of annually and return to City Council as needed for recommended updates.

DOC Goals and Recommendations: The proposed updated Quimby in-lieu fee supports the DOC's goal to assist the City "in becoming a development friendly city ... that encourages and promotes quality, cost-effective and sensible development while creating jobs and revenue and sustaining our excellent quality of life." This report is for the DOC to receive and provide input in advance of staff presenting this report to Council.

Respectfully submitted by: 
J.P. TINDELL
Interim Planning and Development Manager

Recommendation Approved:



CASSANDRA H. B. JENNINGS
Assistant City Manager

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Background Information

Under the Subdivision Map Act and City Quimby Ordinance (Sacramento City Code Chapter 16.64), residential projects are required to dedicate land or pay a fee in-lieu of land dedication to provide for community and neighborhood parks at a rate for 5 acres per thousand residents. The in-lieu fee is calculated based upon the appraised value of the land being subdivided. The City of Sacramento also has a policy to promote infill residential development.

In October 2002, the City Council approved an interim Quimby Ordinance establishing an alternate method of payment for Quimby in-lieu fees for the Central City. A reasonable “average” land value in combination with the actual appraised value was approved for small (16 or fewer units) residential infill projects in Planning Area 1. The interim ordinance was developed to allow developers of small, residential infill projects within Planning Area 1 to proceed with development, while the City reviewed the Quimby Ordinance with the goal of creating greater equity while continuing to provide for the payment of Quimby in-lieu fees to support acquisition of new parkland, development of parks and renovation of existing park facilities.

The City Council approved a new citywide ordinance amendment on October 28, 2003. The Quimby Ordinance amendment allowed for an alternate system, by which a developer may have Quimby in-lieu fees calculated, based on an “average land value” per acre of land within each community planning area. The average land values were approved by City Council on December 2, 2003. These values were updated and adopted by Council on June 29, 2004, and again on December 7, 2004. Developers have the choice to have an appraisal done if they disagree with the average land value method.

The Department of Parks and Recreation, in coordination with City Real Estate staff, are proposing a new system which calculates the average land values by averaging Multiple Listing Service (MLS) data. The MLS data provides the number and dollar amount of houses sold for each zip code within the City limits. The average land values were calculated by identifying the percentage increase in home prices by zip code, then averaging the percentage by primary zip codes in each planning area. Where land values have not increased above what is currently adopted, land values will remain at the previously adopted fee level (December 7, 2004). Fees remain under the market value for one acre of land for each planning area.

Quimby Average Land Values (to date)

Community Planning Area	Adopted 12/2/03 (a)	Adopted 6/29/04 (b)	Adopted 12/7/2004 (to present) (c)	Percent increase from 12/3/03 to 12/7/04 (d)
Area 1 / Central City	\$250,000	\$250,000	\$250,000	0%
Area 2 / Land Park	\$250,000	\$250,000	\$250,000	0%
Area 3 / Pocket	\$275,000	\$375,000	\$375,000	36%
Area 4 / South Sac. - N of Florin	\$85,000	\$100,000	\$100,000	18%
Area 4 / South Sac. - S of Florin	\$160,000	\$210,000	\$330,000	106%
Area 5 / East Broadway	\$90,000	\$115,000	\$115,000	28%
Area 6 / East Sacramento	\$250,000	\$250,000	\$250,000	0%
Area 7 / Arden Arcade	\$90,000	\$115,000	\$115,000	28%
Area 8 / North Sacramento	\$80,000	\$105,000	\$105,000	31%
Area 9 / South Natomas	\$225,000	\$295,000	\$295,000	31%
Area 10 / North Natomas	\$275,000	\$375,000	\$687,500	150%
Area 11 / Airport/Meadowview	\$85,000	\$160,000	\$160,000	88%

Average \$176,250.00 \$216,666.67 \$252,708.33 43%

Attachment 2

**PROPOSED FEE INCREASES FOR THE QUIMBY AVERAGE LAND VALUES
BY COMMUNITY PLANNING AREA**

Community Planning Area	Adopted 12/7/2004 (to present) (a)	% increase in home prices June '03 to May '06 (b) ^{1, 2,3}	Proposed Quimby Average Land Value/Acre (rounded) (c) ⁴	Proposed Land Value/Acre Increase Amount (d) ⁵
Area 1 / Central City	\$250,000	44%	\$360,000	\$110,000
Area 2 / Land Park	\$250,000	27%	\$320,000	\$70,000
Area 3 / Pocket	\$375,000	27%	\$375,000 ⁴	\$0
Area 4 / South Sac. - N of Florin	\$100,000	34%	\$115,000	\$15,000
Area 4 / South Sac. - S of Florin	\$330,000	37%	\$330,000 ⁴	\$0
Area 5 / East Broadway	\$115,000	39%	\$125,000	\$10,000
Area 6 / East Sacramento	\$250,000	34%	\$335,000	\$85,000
Area 7 / Arden Arcade	\$115,000	37%	\$125,000	\$10,000
Area 8 / North Sacramento	\$105,000	38%	\$110,000	\$5,000
Area 9 / South Natomas	\$295,000	32%	\$300,000	\$5,000
Area 10 / North Natomas	\$687,500	31%	\$687,500 ⁴	\$0
Area 11 / Airport/Meadowview	\$160,000	32%	\$160,000 ⁴	\$0
Average	\$252,708.33	34%	\$278,542	\$25,833

Assumptions/Notes:

1. Land prices increase similarly to housing prices. Percentage increase is based on the percentage increase of home prices sold in the Planning Area's primary zip codes.
2. The Multiple Listing Service (MLS) data used to calculate the percentage increase in home prices (b) was only available in June through May time increments.
3. The average land values were calculated by identifying the percentage increase in home prices by zip code, then averaging the percentage by primary zip codes in each planning area.
4. The increases in the proposed average land value per acre are derived from this formula: $(a) \times ((b)+1) = (c)$. Where land values have not increased above what is currently adopted, land values will remain at the previously adopted fee level (December 7, 2004).
5. The proposed average land value per acre increased amount $(d) = (c) - (a)$