

**Request for City Council Committee Action
from the Department of Community Planning and Economic Development**

Date: July 15, 2008
To: Council Member Lisa Goodman, Chair, Community Development Committee

Subject: Park Dedication Fee

Recommendation:

- 1. Receive and File Report**
- 2. Direct Park Dedication Fee Working Group (as described in the report) to recommend a proposed methodology for imposition of Park Dedication Fees on housing and commercial/industrial developments**
- 3. Direct the City Attorney to prepare a new Park Dedication Fee ordinance in consultation with the Park Board Attorney for City Council consideration that reflects this methodology**

Previous Directives: On May 2, 2008 the City Council approved a staff direction on Park Dedication Fees, which requested additional research and analysis on the impact of such fees. The staff direction required staff to present its findings to the Community Development Committee on July 15, 2008.

Prepared by: CPED Staff, City Attorney, Finance and Park Board Staff
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Approved by: Mike Christenson, CPED Director _____
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Presenters in Committee: Chuck Lutz

Financial Impact

No financial impact on City of Minneapolis

Community Impact

Neighborhood Notification: None

City Goals: Consideration and adoption of a Park Dedication Fee (PDF) ordinance would be consistent with:

Enriched Environment -- Greenspace, Arts, Sustainability

In five years there will be plentiful green spaces, public gathering areas, celebrated historic architectural features and urban forests in Minneapolis; lakes, rivers and the soil and air will be clean; the city's parks and the Mississippi riverfront will be valued and utilized; opportunities to experience diverse cultures and the arts will abound; and usage of renewable energy will be increasing.

The Minneapolis Plan, the City's comprehensive plan adopted in 2000, contains policy language related to open space, connecting corridors and green space. The current comprehensive plan recognized the value of open space to an urban environment in terms of creating a sense of place and shaping the city's built form.

Policy 9.3 Minneapolis will continue to preserve the natural ecology and the historic features that define its unique identity in the region.

Policy 9.3 Minneapolis will support the preservation and expansion of the existing open space network, including greenways.

Sometime in 2009 the City Council will adopt a new comprehensive plan, The Minneapolis Plan for Sustainable Growth. The draft comprehensive plan contains the following goal statement as relates to Open Space and Parks: *“Minneapolis will cooperate with other jurisdictions, public agencies, and the private sector to provide open space, green space, and the recreational facilities to meet the short and long-term needs of the community and enhance the quality of life for city residents.”* The Plan recognizes that Minneapolis residents benefit not only from the 125 year legacy of the Minneapolis Park and Recreation Board, but also from the presence of other open space such as school facilities, greenways, gardens and plazas. The City’s draft comprehensive plan incorporates the MPRB comprehensive plan, as adopted in 2007. In addition, city and MPRB staff worked collaboratively to craft policy language in the draft Minneapolis Plan for Sustainable Growth. The draft chapter contains nine policy statements. The draft policies most relevant to discussion of a park dedication fee are:

Policy 7.1 Promote the physical and mental health of residents and visitors by recognizing that safe outdoor amenities and spaces support exercise, play, relaxation and socializing.

Policy 7.3 Maintain and improve accessibility of open spaces and parks to all residents.

Policy 7.7 Support the expansion and maintenance of open spaces and parks in order to increase economic development and to promote tourism.

Policy 7.8 Strengthen existing and creating new partnerships, including public-private partnerships, to delivery the best park and open space system possible.

Policy 7.9 Work to develop high quality open spaces in Downtown.

Supporting Information

Since the City Council’s adoption of the staff direction on Park Dedication Fees (PDFs), CPED staff convened a PDF work group, which consisted of CPED, Finance, City Attorney and Park Board staffs to undertake the research and analysis required in the staff direction.

The most important conclusion of staff’s work is that there is no single approach to the imposition of PDFs. In the analysis, however, staff has prepared “apples-to-apples” comparisons for specific projects using the methodology of Bloomington, St. Paul and that which has been proposed in the draft Minneapolis ordinance.

For reasons stated in the body of this report, staff believes that the methodology that tracks most closely with Minnesota Statutes is a land-based approach, rather than one that applies a strict percentage to total development costs or imposes a PDF per unit of housing.

Therefore, staff would recommend that the PDF work group recommend a methodology for both housing and commercial/industrial properties that could be the basis for a revised ordinance.

The balance of this report addresses all the issues contained in the staff direction. However, it should be noted that if a land-based approach were to be adopted as the method for imposition of a PDF, some of the information requested in the staff direction would no longer be relevant.

Park Dedication Fee

Staff Direction

Please note: The items in the staff direction are in boldface. Staff’s response is in regular typeface.

Impact Analysis

For the impact analysis, staff has taken the approach of determining the impact of a park dedication fee on new residential, commercial, and industrial development by applying the current park dedication requirements of Bloomington and St Paul and comparing these to the rates proposed in the staff direction. Bloomington determines its park dedication rate based on the value of all parkland and associated improvements within the city, and assigns a share of that total to all new residential, commercial, and industrial development. St Paul collects park dedication at two points in the development process: at subdivision and at issuance of a building permit. St Paul uses the number of parking spaces in a development as a proxy for new park users generated by that development. Additional detail on the two methods can be found in Exhibit A.

The St. Paul and Bloomington formulas that are used for calculation of park dedication fees for commercial/industrial projects are explained on the attached Exhibits B through K.

- 1. Conduct an analysis on the impact of the proposed \$2,000 PDF per unit on residential development.**
 - a. Provide a case study using a non-City-assisted project and a City-assisted affordable housing project at or below 50% of AMI. For the latter, be sure to demonstrate the difference, if any, between an exemption for the “affordable” units versus all units in the assisted project.**

Staff selected two developments – Village Green and Central Avenue Lofts -- as examples.

Village Green: Market Rate Rental Project

Village Green is a market-rate rental project proposed by Village Green, LLC, to be constructed on a City-owned parcel on 2nd Street, comprised of 175 units.

Affordability	Units	Minneapolis Alternatives		St Paul Model	Bloomington Model
		Exclude units affordable at 50% AMI and below	Exclude all units in mixed-income projects		
Market rate	175	\$350,000	\$350,000	\$68,670	\$228,998

Exhibits J and K contain the detailed calculations for this chart

Central Avenue Lofts: City-Assisted Rental Project

Central Avenue Lofts is a 66-unit, mixed-income and mixed-use rental project, developed by Sherman Associates and financed with a private mortgage, 9% low-income housing tax credits, a City Affordable Housing Trust Fund award of \$400,000, and a MN Housing award of \$375,000.

Affordability	Units	Minneapolis Alternatives		St Paul Model	Bloomington Model
		Exclude units affordable at 50% AMI and below	Exclude all units in mixed-income projects		
30% of AMI	8	0	0	\$964	
50% of AMI	6	0	0	\$1,206	
60% of AMI	39	\$78,000	0	\$9,403	
Market rate	13	\$26,000	0	\$6,028	
				+ \$10,150 collected at final plat	
Total	66	\$104,000	\$0	\$27,751	\$152,256

Exhibits H and I contain the detailed calculations for this chart

b. Evaluate whether the proposed PDFs will discourage mixed-income housing in City assisted projects;

There is a clear preference in City policies, plans, and program requirements for new mixed-income housing development throughout the City. As the table above shows, there would be a disincentive to include market-rate units within affordable housing projects, without some additional consideration for also exempting the market-rate units from paying the PDF. The same is true for other public infrastructure, of which parks and open space are just as important a piece as sidewalks, streets, and sewers.

The Park Board staff has requested additional research into City fees for mixed-income developments, including submittal, plan reviews, inspections, SAC, etc. and whether or not those fees are waived for affordable housing and how they compare to fees in other cities. Park Board staff further requests that the City examine developers' fees on affordable housing and mixed-income projects and whether such fees impact affordability or merely increases housing subsidies.

c. Evaluate expected impact of PDFs on ownership and/or rental market and what approaches are used elsewhere to avoid putting cost on new affordable development projects.

Staff consulted Mary Bujold of Maxfield Research for assistance on responding to this question. Maxfield prepared a memo in response, which is included as Exhibit L. Maxfield surveyed a number of cities in the metropolitan area about their current PDF and any perceived impact on development activity. A number of cities have raised their PDFs in recent years; during this process, concerns were raised about potential impacts on new market-rate and affordable residential development, though none have been identified to date. Maxfield notes that the PDFs will increase overall development costs, and may in turn alter the unit mix within market-rate and affordable residential projects, with a particular impact on the lower end of market-rate residential development. Overall, however, they do not believe a PDF will significantly inhibit residential development in Minneapolis.

Maxfield also notes that applying a PDF to affordable housing will increase overall development costs and require additional subsidy. Their experience with affordable housing development in St. Paul does not indicate that their PDF has inhibited affordable housing development in that city.

For discussion of approaches used in other cities, please see 1b under Policy/Legal Analysis.

d. Report on the impact of affordable housing production in other jurisdictions that use a PDF.

Staff sent requests to various first ring suburbs to help gauge the impact of a PDF. Of the seven responses received, five communities have park dedication ordinances; none have explicit policies exempting affordable housing. One community said it could opt to reduce fees for affordable housing if they chose.

2. Conduct an analysis on the impact of the proposed PDF of 1% of total development costs (TDCs) for commercial and industrial development.

- a. Provide case studies of the following:**
- i. A non-City-assisted commercial project**
 - ii. A non-City-assisted industrial development**
 - iii. A City-assisted commercial development**
 - iv. A City-assisted industrial development**

Staff believes that it is becoming increasingly difficult to make clear distinctions between commercial and industrial projects, inasmuch as many projects include elements of each. Preliminary staff analysis suggests that examining one actual or hypothetical *City-assisted* commercial/industrial project and one actual or hypothetical *non-City assisted* commercial/industrial project should be sufficient to highlight the potential impact of a park dedication fee under various fee formulas or scenarios.

The tables below include park dedication fee projections calculated using three different formulas: a formula proposed by the Minneapolis Park Board and the formulas currently in use in St. Paul and Bloomington.

Coloplast Expansion (City-Assisted Commercial/Industrial Project):

Coloplast is currently constructing a new six-story, 90,000 sq. ft. office building (corporate headquarters) with 40,000 sq. ft. of new space for product development, which (when taking into consideration the remodeling of 67,050 sq. ft. of existing space) results in an overall project total of 197,050 sq. ft. The finished project will have 284 parking spaces, or an increase of 214 stalls. The project is being financed with environmental remediation grants totaling \$944,500, and Minnesota Investment Fund (MIF) proceeds from the State of Minnesota in the amount of \$500,000 for equipment related to the expansion project. In addition, \$2,935,000 in TIF assistance was provided from the City. Total project cost is currently projected to be about \$37 million.

	Minneapolis Formula	St. Paul Model	Bloomington Model
Primary Basis of Fee:	0.5% (or .005) of the construction value upon which building permit fees are based	Number of parking spaces	Value of park land and improvements* divided by number of employees in city
Park Dedication Fee:	\$147,712.06	\$8,524.48	\$527,800.00

Exhibits B, C and D contain the detailed calculations for the above chart.

*The calculation using the Bloomington Model in Coloplast and CVS example (below) was based on a value of park land and improvements, provided by Park Board staff, of \$3.593 billion, which figure was derived as follows:

- A random sampling of 30 (out of about 180 parks in the city) adjacent residential improved land values (not including buildings) was taken from the Hennepin County Assessor web site. They were split about evenly between regional parks and neighborhood parks.
- The total of the parcel square footages and values were determined.
- The total value of the 30 properties was divided by the total of their square footages to get an average value of around \$23 per square foot. The low was around \$4 per square foot, the high around \$57 per square foot. This gives a median of almost \$31 per square foot.
- Given 3,371 acres of parkland (does not include water and golf course acreages), and 43,560 square feet per acre, the MPRB owns around 189 million square feet of land area.
- By multiplying the land area times the average square foot value of around \$23, we get a parks land value of \$3.377 billion. If the buildings are included factoring in depreciation, and work in progress, inflation, and

subtract a golf course improvement estimated value of \$12 million, the figure is higher, around \$3.593 billion.

CVS Pharmacy (13, 686 sq. ft.):

A new CVS Pharmacy was completed at 2426 W. Broadway Avenue in 2006. This building is a good example of a small-to-medium sized neighborhood commercial project.

	Minneapolis Formula	St. Paul Model	Bloomington Model
Primary Basis of Fee:	0.5% (or .005) of the construction value upon which building permit fees are based	Number of parking spaces	Value of park land and improvements* divided by number of employees in city
Park Dedication Fee:	\$10,279.74	\$3,963.33	\$42,016.02

*This calculation was based on a value, provided by Park Board staff, of \$3.593 billion (see explanation above).

Exhibits E, F and G contain the detailed calculations for the above chart.

3. Provide overall findings analysis and findings on the economic and market impact on development

The memo provided by Maxfield Research (included as Exhibit L) also addresses the potential impact on commercial and industrial development. Maxfield comments on the general migration of many commercial/industrial businesses to the suburbs, which is driven more by lower land values and the overall economy rather than impact fees such as a PDF. Maxfield also notes that the proposed 1% TDC fee for commercial/industrial may be excessive, and may act as an additional barrier to new commercial/industrial development within Minneapolis.

Policy/Legal Analysis

1. Work with the MPRB to determine if a PDF of \$2,000 per residential unit and 1% of TDC for commercial and industrial development is the appropriate rate/fee. In making that determination:

a. Conduct research to determine current rates/fees (PDFs or similar) in other cities, e.g. St. Paul, Bloomington and Brooklyn Park, or more broadly as in the case of commercial developments

The formulas currently used by the cities of St. Paul and Bloomington to calculate park dedication fees are explained in Paragraph 1a of the Impact Analysis section of this report.

b. Conduct research as to how PDFs on housing units in other cities are applied:

- i. Are mixed-income housing units exempted?**
- ii. Are only affordable units exempted?**
- iii. Are exemptions considered on a case-by-case basis?**

The results of staff's research is contained in Exhibit A and summarized below.

St Paul: For affordable units, a percentage of the standard PDF is collected depending on the affordability level. For example, a unit affordable at 60% of AMI would pay 60% of the standard fee there have been no exceptions for affordable units. St. Paul staff reports that one exemption has been granted to date, but not for an affordable housing project (the City did not want to discourage a developer from going through the platting process). St. Paul does not distinguish between mixed-income vs. all affordable projects.

Bloomington: There are no exemptions for affordable housing. There have been a few minor exemptions for housing projects for special-needs populations (i.e. not expected to be park users), but not specifically for any affordable housing projects.

Brooklyn Park: There are no exemptions for affordable housing. The City's general policy is that no development fees are to be waived; rather, they would be subsidized in some other manner (e.g. TIF, HRA funds, private funds, etc).

Portland: The following types of development are exempted from paying the PDF:

- Additions/remodeling where no additional dwelling units are created
- Hotels, motels, shelters, group homes, dependent care facilities, and dormitories
- Temporary uses (<180 days per year)
- All Low Income Housing is exempt, defined as:
 - Rental housing affordable at 60% of AMI or less
 - Ownership housing affordable at 100% of AMI or less

Portland does not differentiate between strictly affordable developments and mixed-income projects.

c. Contact research departments of LMC and AMM to see if they have info on this topic

See Policy/Legal Analysis section, Paragraph 1e.

d. Use City staff to conduct supplemental research/analysis if required

See Policy/Legal Analysis section, Paragraph 1e.

e. Consider setting Minneapolis' PDF, if imposed, at a level that is near the midpoint for metro cities, if doing so will generate sufficient revenue

Staff analyzed Association of Metropolitan Municipalities (AMM) 2005 data and found that the range for housing varied from \$450 per to \$21,000 per unit using some land value scenarios, with a midpoint of \$10,750.

In addition, Minnesota Parks and Recreation Association (MRPA) periodically conducts surveys of communities with PDFs. The last survey conducted in 2004 indicates that the average PDFs of Twin City metro area communities was \$2,031 per single family unit; \$4,902/acre for commercial; and \$4,007/acre for industrial.

More recently, Hoisington Koegler Group (HKG) conducted a survey of Minnesota communities in 2007 with 52 cities responding. The average PDF for single family homes as \$2,600 and \$2,500 for multiple family units. The average for commercial property was \$10,500/acre and \$6,700/acre for industrial.

HKG's survey indicates that nine of the survey respondents collect park dedication fees through the building permit. Additional research will have to be conducted if there is a desire to (a) determine the range of park dedication fees for commercial/industrial projects in the metro area and/or (b) determine the mid-point of that range.

2. Work with MPRB staff to respond to the following provision in the City-passed resolution.

For the proportionality question, land or fee dedication should be invested near where the new units create the need for additional park facilities.

"#3. The City Council requests that the Park Board provide additional information to the City Council and City staff regarding the amount of the proposed fees on residential, commercial and industrial property, and the method for establishing proportionality and the basis for the essential nexus between the fee and the municipal purpose to be achieved in order that the Council might further consider the amount and appropriateness of the fee upon final adoption of the ordinance. The City Council recommends that the fee be indexed for inflation."

a. Nexus (see next paragraph as well)

The origination and scope of municipal zoning authority is derived from state law, namely the Municipal Planning Act as codified in Minn. Stat. §§ 462.351-462.365. The enabling authority contained in the Municipal Planning Act includes the power to regulate the subdivision of land. See Minn. Stat. § 462.358. Minnesota cities, therefore, may require a subdivision developer to dedicate land to public use. In particular, Minn. Stat. § 462.358, subd. 2b and 2c, authorize and govern municipal subdivision dedication requirements, including park dedication and the payment of "in-lieu" park dedication fees. These provisions are premised on the assumption that new development, and not existing taxpayers, ought to pay for the additional park and recreation facilities needed to accommodate the demands created by the new development. "Subdivision" is defined as the "separation of an area, parcel, or tract of land under single ownership into two or more parcels, tracts, lots, or long-term leasehold interests where the creation of the leasehold interest necessitates the creation of streets, roads, or alleys." Minn. Stat. § 462.352, subd. 12; MCO § 598.60. The City has not adopted a park dedication requirement in its Land Subdivision Regulations in MCO Chapter 598,

although it has the requisite statutory authority to do so as noted above. The likely reason the City has not adopted a park dedication ordinance to date is because, as a built city, it rarely has the occasion to review a new, large-scale subdivision that would necessitate a land dedication. The bulk of current review focuses on the re-platting of existing lots. In addition, most of the residential condominium development occurring in the City does not implicate the definition of "subdivision" as cited above and to which the statute is applicable.

In light of the contextual inapplicability of the general statutory authority and the governance structure of the Minneapolis Park and Recreation Board (MPRB) as an independent board of the city, the MPRB and Minneapolis City Council were granted the joint authority to impose a park dedication requirement or "in-lieu" fee payment on "new housing units" during the 2006 state legislative session. Laws of Minnesota 2006, Chapter 269, Section 2. During the most recent legislative session, the provision was amended to expressly authorize the imposition of a park dedication requirement on "new commercial and industrial development" as well. This provision states as follows:

The Minneapolis Park and Recreation Board and the Minneapolis City Council may jointly exercise the powers conferred under Minnesota Statutes, section 462.358, with respect to requiring that a reasonable portion of land be dedicated to the public or imposing a dedication fee on new housing units and new commercial and industrial development in the city, wherever located, for public parks, playgrounds, recreational facilities, wetlands, trails, or open space. The dedication of land or dedication fee must be imposed by an ordinance jointly enacted by the park board and the city council. The ordinance may exclude senior housing and affordable housing from paying the fee or the dedication of land. The provisions of Minnesota Statutes, section 462.358, subdivisions 2b, paragraph (b), and 2c, apply to the imposition, application, and use of the dedication of land or the dedication fee.

Based on the legal authority cited above, the City may accept a dedication of land or choose to accept an equivalent amount in cash. Note the special law authority cited directly above incorporates by reference the general statutory requirements of subdivision 2b, paragraph (b), and subdivision 2c of Minn. Stat. § 462.358. Subdivision 2b, paragraph (b) then incorporates by reference the terms and conditions of paragraphs (c) to (i) of Minn Stat. § 462.358, subd. 2b. Therefore, if a park dedication fee payment is imposed on new housing units it must be still based in some fashion on "fair market value of the land". See Minn Stat. § 462.358, subd. 2b(c).

- i. **Work with MPRB, their legal staff and the City Attorney to determine appropriateness of the 6 block (1/2 mile) nexus utilization radius in terms of nexus and rough proportionality requirements of state law.**

Over the past several years, municipal park dedication regulations have come under increased scrutiny by developers and the state legislature. Developers are demanding that the basis and use of park dedication exactions be justified and bear a reasonable relationship, or

nexus, to the burden placed on a municipality by a proposed development project. Recent legislative amendments added the requirements in Minn. Stat. § 462.358, subd. 2c, that there be an “essential nexus between the fees or dedication imposed” and the municipal purpose sought to be achieved by the same and that the fee or dedication “bear a rough proportionality to the need created by the proposed subdivision or development.” There is little guidance in Minnesota case law on the specific application of these statutory provisions with regard to park dedication fees. However, based on past litigation in other jurisdictions regarding impact fees, exactions, in-lieu fees, and compulsory dedications in general, Minn. Stat. § 463.358, subd. 2c, clearly requires a showing by the municipality that there is a “nexus” or reasonable connection between the need for additional public facilities and the impact from new development. The nexus requirement ensures that the land dedication or fee required by a municipality is related to some identifiable infrastructure need generated by the new development. Without such a defined nexus, land dedication requirements or “in-lieu” (of land dedication) fee payments are generally unconstitutional takings of property without compensation. See Nollan v. California Coastal Commission, 483 U.S. 825 (1987) (requirement of public easement across private property as a condition of building permit is a taking; lack of necessary connection between permit and need for easement).

In order to avoid takings liability, the nexus requirement specifies that an “in-lieu” fee payment is valid only when collected for public facilities for which the specific land development causes a need. Courts in other states have found the lack of such a required connection with land development conditions (and associated fees) required by municipalities that attempt to remedy existing infrastructure deficiencies or are used for operation and maintenance of facilities. Minn. Stat. § 462.358, subd. 2b and 2c, takes these court holdings and makes them express requirements in any situation where a municipality imposes a park dedication requirement. In particular, this is evident by the express prohibition on the use of a park dedication fee for ongoing “operation or maintenance” of existing park facilities. The use of a park dedication fee in this manner lacks the requisite nexus because the originating need for these preexisting facilities was not created by new development. It would conceivably be justifiable, however, to use park dedication fees for the improvement or expansion of existing facilities. The requisite nexus would be present because the need for improvement or expansion of the existing park facility is tied to the new development and its residents.

Once a “nexus” is shown, the municipality must also demonstrate that the exaction demands no more than is necessary to alleviate the infrastructure need generated by the development. In this regard, Minn. Stat. § 462.358, subd. 2c requires that the fee or dedication bear a “rough proportionality” to the need created by the proposed development. The Supreme Court created the “rough proportionality” test in Dolan v. City of Tigard, 512 U.S. 374 (1994) in stating that it requires a municipality to “make some sort of individualized determination that the [exaction] is related in both nature and extent

to the impact of the proposed development.” It demands a relatively tight fit between the infrastructure demands generated by new development and the fee amount and is tempered only by the Court’s understanding of the difficulties inherent in estimating the value of the harm attributable to one landowner in a municipality of thousands. Courts have emphasized that proportionality does not have to be shown with mathematical precision. Rather, the intrinsic values of the need generated by the development and the fee amount must be demonstrated as roughly equivalent to one another. In a built city like Minneapolis, the “need” for parks and open space created by new development is not only based on distance to park service, but also by the type, intensity, and density of the use of the land. In this manner, St. Paul’s park dedication ordinance calculates this “need” based on the number of accessory off-street parking spaces, which provides an indication of the density of a development.

Based on these stringent requirements, the League of Minnesota Cities has advised member cities to adhere to an organized methodology as follows:

- Conduct a comprehensive park study to determine the city’s current and future park and recreation needs, including parks, recreational trails, and open space.
- Calculate, in terms of acreage, the current amount of parks, recreational facilities, trails and open space, plus any current, but unmet park needs.
- Evaluate the use of city park and recreation facilities in order to get some approximation of what percentage is used by residential users (“new housing units”) and what percentage is used by employees of commercial establishments.
- From the previous calculations, derive a number that equates to acres of parkland per resident and per employee.
- Establish the park dedication requirements by ordinance taking into consideration the amount of new park facilities necessary to serve the new residents or employees resulting from new development.
- Calculate any cash in lieu of land amount based on the per acre value of the undeveloped land.

This suggested methodology simply recognizes that the municipality must establish an identifiable rationale for the use and amount of collected park dedication fees. A six block utilization radius, therefore, will satisfy these legal requirements if it is supported by an identified rational basis. This radius would ensure that the fees collected would be used within close proximity to the new development, which satisfies the legal requirement that the dedicated land serves the need generated by the new development for parks and open space.

It should be noted that the six block radius is a documented historical standard based on the Park Board’s goal of having a park within walking distance of every residence. This has established a neighborhood park standard of roughly one park per each of the 81 neighborhoods in the City. The standard service area for a community park is typically larger, perhaps between 1-3 miles. Because the

imposition of a PDF may not be feasible or reasonable in certain circumstances within a six block radius, the City may consider the establishment of a "tiered" structure wherein the funds could be expended in an adjacent neighborhood or at some point within the typical service area radius for a community park, assuming the project for which the funds are expended provides a measurable benefit to the property on which the park dedication requirement was imposed. This determination will by necessity require a case-by-case analysis of the need generated by the new development and the demonstrable benefits accruing from the park project at its proposed location.

ii. Is this standard appropriate for downtown park locations (i.e. consideration of distance employees will travel during lunch/break times)?

Yes, please see above discussion.

iii. Is this standard appropriate for industrial and commercial development?

Yes, a six block or ½ mile radius is presumably appropriate if supported by an articulated rational basis (see above discussion).

iv. Work with MPRB, their legal staff and the City Attorney to determine appropriateness of the 6 block (1/2 mile) nexus utilization radius in terms of nexus and rough proportionality requirements of state law.

See Policy/Legal Analysis section, Paragraph 2.A.i.

v. Is this standard appropriate for industrial and commercial development?

Workers from such zones use the parks during non-work times so there is an impact. Given the tighter nexus requested by the City and implemented in the Park Board's ordinance, these fees would not be available to offset fees from housing in other areas.

vi. Is this standard appropriate for downtown park locations (i.e. consideration of distance employees will travel during lunch/break times)?

Given the density of people working and living downtown, a 6 block radius may be too broad.

b. Inflation Adjustment -- How often should the PDF be adjusted for inflation?

The Park Board has suggested that the PDF be adjusted every 5 years and that it should be tied to a national standard that reflects land values and

construction costs. However, a number of communities increase the PDF annually, typically at 3%. Therefore, staff believes it should be adjusted every 1 to 2 years.

3. Work with MPRB staff to respond to the following provision item in the City-passed resolution.

See nexus discussion above.

"#7. The City of Minneapolis requires that as to each park dedication fee, a 'nexus' must be established showing that the specific land development causes a need for the amenity and that the amount of the fee is no greater than the amount needed to alleviate the infrastructure need generated by the development. The City of Minneapolis opposes the use of the park dedication fee to support park amenities that are too distant from the development to provide a direct benefit and further opposes the imposition of fees for the purpose of a fund to be used elsewhere in the City."

a. How do the City and MPRB propose to determine what the unmet need of an individual new development will be on the parks and open space system and inventory to determine what, if any, PDF should be assessed?

According to the recent MPRB comprehensive plan update, the current park system is comprised of approximately 6,626 acres of which 4,897 acres are regional parks and 1,729 acres are community and neighborhood parks. MPRB's standard for determining neighborhood parks is .01 acre per household. Including regional parks, the number increases to 0.0374 acres per household. When applied to current reports of 177,000- households, the city's neighborhood park system should be comprised of approximately 1770 acres. Currently the neighborhood park system is deficient by 41 acres. A random sampling of other community park standards both in the metro region and across the country indicates that the .01 acres/household is on the lower end of the range.

CPED estimates that by 2030 the number of households in Minneapolis will increase to approximately 187,600. This increase will drive a demand for an additional 106 acres of community and neighborhood parks. Much of this demand will be concentrated in downtown, along the transit station areas, community corridors and other growth areas where residential development is planned. In short, future park needs will be greatest where land values are high. MPRB will need to evaluate available park facilities within particular service areas and assess whether additional parkland is required to meet demand created by new growth. Their comprehensive plan lists the priority order in which land would be considered for acquisition (dedication):

- Fulfills park needs for growing areas or implements adopted park plans
- Meets the needs of areas underserved due to poor access or insufficient parkland acreage per household
- Provides trail connections or natural areas
- Establishes clear park boundaries
- Eliminates easements and leases

- Promotes ecological function
- Secures unique sites or facilities

CPED has developed profiles for each of the 81 neighborhoods in the city which includes information on both labor and households. As a development is proposed MPRB would need to evaluate the neighborhood(s) in the immediate vicinity to make a determination for additional parkland requirements. An additional step should evaluate the number of existing households within a six block or one mile radius to determine the number of existing households which may already be using the existing facilities.

Additionally, MPRB should make a determination what the appropriate breakout should be between neighborhood parks and community parks since the .01 acre per household includes both types of park facilities. MPRB, for example, may determine that 75% of that standard is neighborhood parks while 25% would be devoted to community park facilities.

Commercial/ Industrial Park Requirements

Commercial and Industrial development also creates park demand albeit at a somewhat lower level than residential development. Parks offer relaxation and exercise to employees, beautification for commercial areas, and environmental mitigation for high-density areas.

Communities differ on whether commercial and industrial properties should be subject to park dedication at the same rate as residential properties. As a result there is a much broader range within their ordinances with some requiring the same dedication, others set reduced rates (often half of residential) and yet others exempt commercial industrial properties altogether. St. Paul, Bloomington, and Brooklyn Park all require park dedication of commercial and industrial properties.

Using a rate that is approximately equivalent to half of the residential standard of .0045 acres/person, (average household size of 2.2 persons) the current number of employees in the city would create a need for an additional 664 acres (292,314 employees from 2006 census x .00227 acres/employee). Assuming that current park facilities are adequate, the additional need for parkland would then be driven by new job growth over the next 20 years. The Minneapolis Plan estimates that new net job growth would be approximately 53,760 by 2030, creating the need for an additional 122 acres. MPRB would again have to ascertain whether a particular development requires new park land or whether existing facilities within close proximity would satisfy newly created demand as well as existing demand. This theoretically could be evaluated by comparing census tract data for employment within a six block and one mile radius of an existing park. If existing employment exceeded the standard established for commercial/industrial lands, then additional parkland dedication would be required or cash in lieu of.

- b. To address this issue, MPRB staff should provide information on the location of and current use of established nearby parks and open space facilities.**

See attached "Future Parkland and Facility Study Areas" Map from MPRB's Comprehensive Plan. (Exhibit M)

- c. **Evaluate the potential increase in market value resulting from new park amenities within a legal nexus of new residential and commercial/industrial properties and the extent to which those amenities might affect market-rate rents or resale value of those developments or units within developments.**

This is speculative at best. It is widely known that parks and open space add value to a community. It is far more difficult, however, to determine exactly how much added value is derived. A recent study at Dallas concluded that homes adjoining neighborhood parks had an increase in value 22% higher than homes more than a half mile away. In Portland, the study concluded that between 1 and 3% of a home's value could be attributed to parks proximity. Different facilities such as golf courses and greenways contributed higher values to homes in close proximity ranging from 15-19%.

In a 2003 request to the Met Council, maps and tables were provided to the MPRB indicating increases in per acre land values starting at around 5 blocks from a regional park in Minneapolis. Rough calculations indicated that just the increase in land values over the 5 blocks amounted to over \$30 million in additional tax revenue.

4. **Pursuant to the following provision in the City resolution, work with MPRB and other potential jurisdictions to determine how each entity will be able to operate and maintain additional park and open space facilities.**

"5. The City requests that prior to the return of any revised ordinance to the Council for its consideration that the MPRB provide a comprehensive maintenance plan, identities for any new resources, park amenities constructed with proceeds from the park dedication fee ordinance."

The MPRB will develop an operation and maintenance (O&M) plan at the time a project is proposed and there is a good idea of the facilities to be included. Such a plan may include such items as staffing, daily tasks such as garbage pickup and snow removal, utility costs, work by trades – plumbing, carpentry, electrical, pipefitting, repairs, etc., materials, supplies, contracted items, equipment and overhead, and typical schedules for all activities.

For major rehabs, which qualify under the statute, O&M costs should actually be less as the facilities are brand new, and more energy efficient than the replaced facilities.

Administrative/Technical/Definitional Issues

1. Residential

- a. **What is a "new" residential unit? Can an existing unit be expanded or remodeled or otherwise improved/changed to the extent that it can or should be considered "new?"**

Staff recommends deferring to the zoning code for a definition of a new residential unit. A dwelling unit is currently defined as follows:

Dwelling unit: One (1) or more rooms, designed, occupied, or intended for occupancy as a separate living quarter, with a single complete kitchen facility, sleeping area and bathroom provided within the unit for the exclusive use of a single household.

New residential units are identified during development review, as well as through the review of individual building permits. Remodeling and expansions that result in the creation of a new dwelling unit would be identified through these processes.

Staff used the idea that a "new" unit is net growth. That is, if a project had 2 units, but was expanded to 10, then the dedication of land or cash in lieu would apply to the additional 8 units.

b. Could the PDF be imposed on the remodeling/improvement of existing units, as well, thereby "spreading the base"?

Staff believes that only remodeling or expansions that result in the creation of additional dwelling units would qualify for the imposition of a PDF, per State statutes.

c. How should "residential unit" be defined? For example, is a new "live/work" space that is primarily (by square footage) commercial still considered residential (for purposes of the PDF) if someone lives in it?

See above.

2. Commercial/Industrial

a. What is considered "new?" Can an existing commercial or industrial structure be expanded or remodeled or otherwise improved/changed to the extent that it can or should be considered "new" for purposes of the PDF?

The preliminary staff position on this issue is that the PDF should be applied in any instance where new construction related to a commercial/industrial project results in a *net increase* in useable square footage on the site in question. No PDFs would be collected in connection with projects that are limited to interior or exterior renovations that did not create new useable space, or projects that are limited to improvements in (or changes to) mechanical systems such as electrical, plumbing, HVAC, etc. (as long as such changes did not increase the useable square footage).

b. Is a flat percentage rate (1%) on new construction the only PDF mechanism that is under consideration?

City and Park Board staff members have considered a number of different approaches to calculating PDFs for commercial/industrial projects. The formulas that are used vary considerably from one city to the next. Although the approach initially suggested by the MPRB was based on 1% of the cost or value of new construction, MPRB staff later suggested that 0.05% rate be used for the purpose of the illustrations that appear in this report. Staff has reservations that it is unlikely that basing a PDF on the value of construction could survive a legal challenge.

- c. **Can or should the percentage rate be converted into a “fixed fee” (adjusted periodically) for identified “development cost strata?” For example: projected development costs in the \$500,000 to \$1 million range would result in a fixed fee of \$7500 (1% of \$750,000, the midpoint of that range).**

The answer to this question can be deferred until a decision is made about the preferred formula to use for calculating PDFs. The formula that is ultimately chosen may not be based upon the application of a percentage rate, in which case there would presumably be less (and perhaps no) need to consider any type of conversion to more easily understandable fixed fees.

- d. **Should consideration be given to allowing a developer to donate land to the MPRB in lieu of cash, or in combination with paying a [reduced] cash fee?**

Developers would be permitted to donate land in lieu of PDF (see Policy/Legal Analysis section, Paragraph 2a.).

Such a donation is at the discretion of the MPRB. The MPRB does not need small pieces of land to take care of that only benefit a few, primarily those in the development. Given strained operations and maintenance (O&M), it is not efficient to maintain those types of parcels. Development of plazas, green space, playgrounds, trees, walks, etc., is excluded from consideration as dedicated lands.

- e. **What constitutes a project’s TDCs? The PDF should be based on some reasonably reliable number such as construction value upon which the building permit fees are based.**

Staff discussions of this topic quickly moved away from the concept of “Total Development Costs,” in part because of the challenges involved in defining and applying that phrase. “Hard costs” (i.e., actual construction expenditures) are relatively easy to understand, describe and confirm, but “soft costs” such as engineering fees, legal fees, accounting fees, etc. are highly variable and more difficult to quantify or verify in some instances. A consensus eventually developed that any PDF formula that was primarily based on cost-related data should use the construction values that are provided to City staff by developers in connection with the issuance of building permits.

3. **Effective Date; PDF Collection**

- a. **Upon enactment of the PDF, many projects will be in various stages of approvals or construction. Which projects will the PDF apply to, and which will be exempted?**

The PDF should only be imposed at the time the building permit is issued; therefore, no fee would be imposed on projects under construction.

- b. **Will the PDF be imposed when the building permit is issued, or are there other options?**

See Section 3a of this section. Also, in the event of a true subdivision with actual land dedication, this would occur at time of plat approval.

- c. **Work with the MPRB to propose a system for determining if the PDF is assessed, how it will be collected, how the use of the fees in the pool will be approved for use.**

Staff would propose the following mechanism:

- Fees will be collected by the City of Minneapolis, deposited in a Special Revenue Fund and assigned a unique identifier (task, project, etc.) in the City's financial system.
- A City/MPRB committee will decide what capital projects to undertake in order to meet the nexus requirement, subject to approval by the City Council and MPRB.
- Once capital projects are approved, they will be set up in the financial system where their costs will be tracked and used to associate with the aforementioned PDF.
- The Park Board or the City will periodically draw-down cash from the Special Revenue fund as reimbursement for capital project expenses provided it meets the nexus requirement.
- The Park Board should be officially notified by the City as soon as the City is made aware of the project, so that the MPRB can begin to plan for the increased impact on park facilities.

Exhibit A

Comparison of Park Dedication Requirements in five other cities: St. Paul, Bloomington, Brooklyn Park, Seattle, and Portland

St. Paul

A Park Dedication Fee is collected at two points in the process: at final plat approval and at the time of building permit issuance.

At final plat: *Land dedication:* 2% of total acreage. *Cash in lieu:* May do cash in lieu of all or a portion. Cash value is determined by County's estimated market value (EMV) of total acreage, multiplied by 1/3 of the total acreage that would otherwise be dedicated.

At time of building permit - Residential: *Land dedication:* 100 square feet per surface parking space, and 50 square feet per structured parking space, to a maximum of 7% of total land area. *Cash in lieu:* May do cash in lieu for all or a portion. EMV per square foot is multiplied by 1/3 of the square footage that would otherwise be dedicated.

For affordable units: multiply PDF by affordability threshold, i.e. units at 60% of AMI would pay 60% of the market-rate PDF.

- Example calculations: \$273/unit for a downtown condo project, \$650/unit for a condo project on University Avenue.

At time of building permit - Commercial/Industrial: *Land:* 30 square feet per surface parking space, and 15 square feet per structured parking space, to a maximum of 2% of total land area. *Cash in lieu:* May do cash in lieu for all or a portion. EMV per square foot is multiplied by 1/3 of the square footage that would otherwise be dedicated.

Impact on affordable housing production, exemptions: City Staff reports that there doesn't appear to be an impact on affordable housing production in St Paul, given that the fee is fairly low. St Paul has issued one exemption for the platting requirement, for a project that required re-platting, but for which no new residential units were being created.

Bloomington

Residential: *Cash in lieu:* (90% of FMV of all City-owned parkland and park improvements, per City assessor/current # of city residents, per Met Council)(# of units X average persons/unit, per Met Council), not to exceed 10% of the raw land value of the site. *Land dedication:* Land within the development that is desirable for dedication per the City's park plan would be evaluated for valuation, based on the cash-in-lieu formula.

- 2008 example calculation: \$6400 per SF unit, or 10% of raw land value, whichever is less

Commercial/Industrial: *Cash in lieu:* (10% of FMV of all City-owned parkland and park improvements, per City assessor/current # of employees within the city, per Met Council data)(sq ft of floor area/average # of employees per sq ft of that type of floor area, per Bloomington data), not to exceed 10% of the raw land value of the site. *Land dedication:* Land within the development that is desirable for dedication per the City's park plan would be evaluated for valuation, based on the cash-in-lieu formula.

- 2008 example calculation: \$831 per 1,000 sq ft of new office space

Impact on affordable housing production, exemptions: There have been a few exemptions granted to date for new housing for people with special needs (i.e. are not expected to be park users). No exemptions have been granted for affordable housing, and staff reports that City HRA funds would likely be used to subsidize the PDF for affordable housing development. Staff reports that while it does increase the overall cost of development, there does not appear to have been a negative impact on affordable housing production.

Brooklyn Park

Residential: *Land dedication:* Minimum of 10% of build-able land. *Cash in lieu:* 10% of fair market value of land within the plat, calculated on an annual basis and equated to a per-unit fee depending on the net density.

Commercial/Industrial: *Land dedication:* Minimum of 5% of build-able land. *Cash in lieu:* 5% of the fair market value of land within the plat.

2008 rates:

Residential: \$4600/unit

Commercial/Industrial: \$7600/acre (gross area)

Impact on affordable housing production, exemptions: Brooklyn Park has not had much new affordable housing development in the past few years. Their general policy has been that any fee waivers would be made up through some other source of funding, with consideration for both public (e.g. TIF) and private (e.g. grants) sources.

Seattle

There was some preliminary consideration of a park impact fee in 2005, but it was not pursued. Seattle has a "Pro Parks" levy that expires at the end of 2008, which has raised more than \$200 million for parks, trails, etc.

<http://www.seattle.gov/parks/proparks/default.htm>

Portland

Oregon State Statutes allow a number of impact fees known as System Development Charges (SDCs), including one for parks. Portland has produced a methodology that establishes Level of Service (LOS) standards for existing park facilities, and then determines future capital facility needs based on growth projections. Projections are made for both residential development (new residents) and commercial/industrial development (resident equivalents). The SDC rate itself is based on the type of development and its growth-related impact on park and recreation facilities.

SDC – Park System Development Charge

Residential SDC Fee		
Use Type	January 2009 (per unit)	January 2010 (per unit)
Single Family Residence	\$3,800	\$7,600
Multi-family Residence	\$2,494	\$4,988
Manufactured Housing	\$3,539	\$7,078
Accessory Dwelling Unit	\$2,071	\$4,142
Single Room Occupancy	\$1,716	\$3,433
Central City District		
Single Family Residence	\$3,834	\$7,669
Multi-family Residence	\$2,466	\$4,933
Manufactured Housing	\$3,731	\$7,463
Accessory Dwelling Unit	\$2,161	\$4,322
Single Room Occupancy	\$2,205	\$4,410

Commercial SDC Fee		
General Category	January 2009 (per 1000 sq ft)	January 2010 (per 1000 sq ft)
Hospital (including convalescent hospital, institutional day care)	\$231	\$463
Office/Bank	\$219	\$438
Retail (including restaurant, nightclub)	\$172	\$354
Industrial (including school, assembly hall, motel/hotel)	\$109	\$219
Warehouse (including storage, parking garage, mausoleum)	\$25	\$49
Central City District		
Hospital (including convalescent hospital, institutional day care)	\$531	\$1,063
Office/Bank	\$503	\$1,005
Retail (including restaurant, nightclub)	\$396	\$791
Industrial (including school, assembly hall, motel/hotel)	\$251	\$503
Warehouse (including storage, parking garage, mausoleum)	\$57	\$113

Impact on affordable housing production, exemptions:

The following types of development are exempted from paying the park SDC:

- Additions/remodeling where no additional dwelling units are created
- Hotels, motels, shelters, group homes, dependent care facilities, and dormitories
- Temporary uses (<180 days per year)
- All Low Income Housing is exempt, defined as:
 - Rental housing affordable at 60% of AMI or less
 - Ownership housing affordable at 100% of AMI or less

From the materials reviewed by staff, there are wide-ranging opinions on whether or not Portland's impact fees reduce overall affordable housing production. It would be difficult to separate out the effect of the Park SDC on affordable housing production from other elements specific to Portland (their Urban Growth Boundary, for example).

Exhibit C

Project: Coloplast Expansion Project (130,000 sq. ft. of new space)

Formula: St. Paul

Park Dedication Fee at Time of Final Plat: Inapplicable in this instance, based on assumption that no platting or replatting was required in connection with expansion.

Park Dedication Fee at Time of Building Permit: Applicable in this instance; see calculations immediately below.

Step One – *Determine Land Dedication Amount*

[Formula: PDF = net number of new parking spaces x 30 SF, to a maximum of 2% of total land area]

Parking spaces after expansion: 284

Previously existing parking spaces: (70)

Net new parking spaces: 214

Preliminary PDF (in land) = 214 parking spaces x 30 SF = 6420 SF

Maximum PDF (in land) = 235,052 [total land area] x .02 = 4701 SF

Final PDF (in land) = 4701 SF [because Preliminary PDF exceeds 2% maximum]

Step Two – *Determine Cash-in-lieu Amount*

[Formula: PDF = Estimated Market Value per square foot *times* 1/3 of SF that would otherwise be dedicated]

1525 W. River Rd. N. EMV = \$546,900* 103,490 SF

1601 W. River Rd. N. EMV = 138,400* 25,056 SF

1615 W. River Rd. N. EMV = 593,100* 106,506 SF

TOTAL: \$1,278,400 ÷ 235,052 SF = \$5.44/SF

\$5.44/SF x 4701 SF = \$5.44 x 1567 SF = \$8,524.48 Park Dedication Fee

*EMV based on property taxes payable in 2008

Exhibit D

Project: Coloplast Expansion Project (130,000 sq. ft. of new space)

Formula: Bloomington

1. Estimated value of Minneapolis park land (2008) ² :	\$3,377,000,000
2. Estimated value of Minneapolis park improvements (2008) ³ :	<u>+ \$216,000,000</u>
3. Total estimated value of Mpls park land and improvements (2008):	\$3,593,000,000
4. TIMES proportion of total value attributed to comm./industrial usage ⁴ :	<u> </u> x
<u>.10</u>	
5. Value of land and improvements attributable to res. usage:	\$
359,300,000	
6. DIVIDED BY total number of employees in Minneapolis ⁵ :	<u> </u> ÷ <u>292,280</u>
7. "Employee User Amount" (rounded to nearest dollar)	\$
1,229	
8. TIMES average number of employees per 1000 SF for "office" category ⁶ :	<u> </u> x
<u>3.3</u>	
9. Park dedication fee rate per 1000 SF of office space (to nearest dollar):	\$
4,056	

130,000 SF x <u>\$4056</u> = 130,000 SF x \$4.06 = \$527,800 Park Dedication Fee
1000 SF

² Value of park land calculated and provided by MPRB staff on 7/7/08.

³ Value of park improvements calculated and provided by MPRB staff on 7/7/08.

⁴ This is a "policy variable" that can be adjusted by the Minneapolis City Council if desired. Bloomington's adoption of a 90/10 allocation of the park value between residential usage and commercial/industrial usage doesn't necessarily have to be adopted by Minneapolis.

⁵ Employment figure obtained from document entitled "Annual Growth in Population, Housing, Jobs," compiled by CPED Research and revised June 5, 2008

⁶ These calculations use a "number of employees per square foot" rate (3.3 employees /sq.ft.) that is currently being used by Bloomington staff for *office* buildings. Bloomington annually calculates such rates for several categories of commercial and industrial land uses, based on information obtained from DEED, the Met Council and other sources. Minneapolis may want to calculate its own rates if this particular PDF formula is adopted.

Exhibit E

Project: CVS Pharmacy, 2426 W. Broadway Ave. (13, 686 sq. ft.)

Formula: Minneapolis [MPRB] Proposal

Permit⁷

Construction Value

Foundation, Footing. \$ 2,055,947 (based on actual permit issued)

Building Shell,

Interior Finishing

$\$2,055,947 \times .5\% \text{ (or } .005) = \$10,279.74 \text{ Park Dedication Fee}$

⁷ Analysis is based on City-issued building permits ONLY. Other City-issued, construction-related permits (electrical, plumbing, HVAC, elevators, etc.) are not included.

Exhibit F

Project: CVS Pharmacy, 2426 W. Broadway Ave. (13,686 sq. ft.)

Formula: Bloomington

1. Estimated value of Minneapolis park land (2008) ⁸ :	\$3,377,000,000
2. Estimated value of Minneapolis park improvements (2008) ⁹ :	<u>+ \$216,000,000</u>
3. Total estimated value of Mpls park land and improvements (2008):	
\$3,593,000,000	
4. TIMES proportion of total value attributed to residential usage ¹⁰ :	_____ x
<u>.10</u>	
5. Value of land and improvements attributable to comm./ind. usage:	\$
359,300,000	
6. DIVIDED BY total number of employees in Minneapolis ¹¹ :	_____ ÷ <u>292,280</u>
7. "Employee User Amount" (rounded to nearest dollar)	\$
1,229	
8. TIMES average number of employees per 1000 SF for "retail" category ¹² :	_____ x
<u>2.50</u>	
9. Park dedication fee rate per 1000 SF of retail space (to nearest dollar):	\$
3,073	

13,686 SF x <u>\$3073</u> = 13,686 SF x \$3.07 = \$42,016.02 Park Dedication Fee
1000 SF

⁸ Value of park land calculated and provided by MPRB staff on 7/7/08.

⁹ Value of park improvements calculated and provided by MPRB staff on 7/7/08.

¹⁰ This is a "policy variable" that can be adjusted by the Minneapolis City Council if desired. Bloomington's adoption of a 90/10 allocation of the park value between residential usage and commercial/industrial usage doesn't necessarily have to be adopted by Minneapolis.

¹¹ Employment figures obtained from document entitled "Annual Growth in Population, Housing, Jobs," compiled by CPED Research and revised June 5, 2008.

⁵These calculations use a "number of employees per square foot" rate (2.5 employees /sq.ft.) that is currently being used by Bloomington staff for *retail* buildings. Bloomington annually calculates such rates for several categories of commercial and industrial land uses, based on information obtained from DEED, the Met Council and other sources. Minneapolis may want to calculate its own rates if this particular PDF formula is adopted.

Exhibit G

Project: CVS Pharmacy, 2426 W. Broadway Ave. (13, 686 sq. ft.)

Formula: Bloomington

1. Estimated value of Minneapolis park land (2008)¹³:
\$4,444,329,862
2. Estimated value of Minneapolis park improvements (2008):
[undetermined]
3. Total estimated value of Minneapolis park land and improvements (2008):
\$4,444,329,862

[excludes value of park improvements, which is not yet available¹⁴]
4. **TIMES** proportion of total value attributed to commercial/industrial usage¹⁵:
x .10
5. Value of park land and improvements attributable to comm./ind. usage:
\$444,432,986
6. **DIVIDED BY** total number of employees in Minneapolis¹⁶: ÷ 292,280
7. "Employee User Amount" (rounded to nearest dollar): \$ 1521
8. **TIMES** average number of employees per 1000 SF for "retail" category¹⁷: x 2.5
9. Park dedication fee rate per 1000 SF of office space (rounded to nearest dollar): 3803

$$13,686 \text{ SF} \times \frac{\$3803}{1000 \text{ SF}} = 13,686 \text{ SF} \times \$3.80 = \$52,006.80 \text{ Park Dedication Fee}$$

¹³ Value of park land calculated and provided by MPRB staff on 6/18/08.

¹⁴ The impact of excluding the value of park improvements is that the projected PDF in this instance will increase when the value of park improvements is added to these calculations at a later time.

¹⁵ This is a "policy variable" that can be adjusted by the Minneapolis City Council if desired. Bloomington's adoption of a 90/10 allocation of the park value between residential usage and commercial/industrial usage doesn't necessarily have to be adopted by Minneapolis.

¹⁶ Employment figure obtained from document entitled "Annual Growth in Population, Housing, Jobs," compiled by CPED Research and revised June 5, 2008

¹⁷ These calculations use a "number of employees per square foot" rate (2.5 employees /sq.ft.) that is currently being used by Bloomington staff for *retail* buildings. Bloomington annually calculates such rates for several categories of commercial and industrial land uses, based on information obtained from DEED, the Met Council and other sources. Minneapolis may want to calculate its own rates if this particular PDF formula is adopted.

Exhibit H

Project: Central Avenue Lofts (66 residential units, mixed-income)

Formula: Bloomington

1. Estimated value of Minneapolis park land (2008) ¹⁸ :	\$3,377,000,000
2. Estimated value of Minneapolis park improvements (2008) ¹⁹ : <u>\$216,000,000</u>	<u>+</u>
3. Total estimated value of Mpls park land and improvements (2008):	= \$3,593,000,000
4. TIMES proportion of total value attributed to residential usage ²⁰ :	<u> </u> x .90
5. Value of land and improvements attributable to res. usage:	= \$3,233,700,000
6. DIVIDED BY total number of residents in Minneapolis ²¹ :	<u> </u> ÷ <u>387,662</u>
7. "Residential User Amount":	= \$8,341.54
8. TIMES average number of residents per household ²² :	<u> </u> x <u>2.25</u>
9. Park dedication fee rate per residential unit (to nearest dollar):	= \$18,768

Preliminary PDF: 66 units x \$18,768 per unit = \$1,238,688

Maximum PDF: 10% of overall land value of site: \$1,522,560 x 10% = \$152,256

Final Park Dedication Fee: \$152,256

¹⁸ Value of park land calculated and provided by MPRB staff.

¹⁹ Value of park improvements calculated and provided by MPRB staff.

²⁰ This is a "policy variable" that can be adjusted by the Minneapolis City Council if desired. Bloomington's adoption of a 90/10 allocation of the park value between residential usage and commercial/industrial usage doesn't necessarily have to be adopted by Minneapolis.

²¹ Population figure obtained from document entitled "Annual Growth in Population, Housing, Jobs," compiled by CPED Research and revised June 5, 2008

²² This number is drawn from the 2006 American Community Survey from the US Census, and reflects an average of persons per household within Minneapolis (occupied units only), across all housing types. Minneapolis may want to further refine this number by household type (single-family versus multifamily, for example), if the Bloomington model is pursued.

Exhibit I

Project: Central Avenue Lofts (66 residential units, mixed-income)

Formula: St. Paul

Park Dedication Fee at Time of Final Plat:

Step One – *Determine Land Dedication Amount*

[Formula: Land dedication = 2% of total land area]

Total land area (square feet): 63,162

2% of land area 1,263

Step Two – *Determine Cash-in-lieu Amount*

[Formula: PDF = Estimated Market Value per square foot *times* 1/3 of SF that would otherwise be dedicated]

Estimated market value*: \$1,522,560

Per square foot: \$24.11

*EMV: 2005 Hennepin County Assessed Value.

$\$24.11/\text{SF} \times \underline{1,263 \text{ SF}/3} = \$24.11 \times 421 \text{ SF} = \$10,150.31 \text{ PDF at Final Plat}$

Park Dedication Fee at Time of Building Permit:

Step One – *Determine Land Dedication Amount*

[Formula: PDF = net number of new structured parking spaces x 50 SF, to a maximum of 7% of total land area]

Net new parking spaces = 68 (assigned 2 additional spaces to market-rate units)

Preliminary PDF (in land) = 68 parking spaces x 50 SF = 3,400 SF

Maximum PDF (in land) = 63,162 [total land area] x .07 = 4,421 SF

Final PDF (in land) = 3,400 SF [because Preliminary PDF does not exceed 7% maximum]

Step Two – *Determine Cash-in-lieu Amount and Apply Affordability Multiplier*

[Formula: PDF = Estimated Market Value per square foot *times* 1/3 of SF that would otherwise be dedicated] *times* [affordability: % AMI]

30% AMI units: 8 parking spaces

8 x 50 SF = 400 SF

$\$24.11 \times 400 \text{ SF}/3 = \$3,214.67 \times 30\% = \$964.40$

50% AMI units: 6 parking spaces

$$6 \times 50 \text{ SF} = 300 \text{ SF}$$

$$\$24.11 \times 300 \text{ SF}/3 = \$2,411.00 \times \%50 = \$1,205.50$$

60% AMI units: 39 parking spaces

$$39 \times 50 \text{ SF} = 1,950 \text{ SF}$$

$$\$24.11 \times 1,950 \text{ SF}/3 = \$15,671.50 \times \%60 = \$9,402.90$$

Market rate units: 15 parking spaces

$$15 \times 50 \text{ SF} = 750 \text{ SF}$$

$$\$24.11 \times 750 \text{ SF}/3 = \$6,027.50$$

$\$964.40 + \$1,205.50 + \$9,402.90 + \$6,027.50 = \$17,600.30 \text{ PDF at Bldg. Permit}$

Exhibit J

Project: Village Green Apartments (175 market-rate residential units)

Formula: St. Paul

Park Dedication Fee at Time of Final Plat:

Step One – *Determine Land Dedication Amount*

[Formula: Land dedication = 2% of total land area]

Total land area (square feet):	54,886
2% of land area	1,098

Step Two – *Determine Cash-in-lieu Amount*

[Formula: PDF = Estimated Market Value per square foot *times* 1/3 of SF that would otherwise be dedicated]

Estimated market value*:	\$2,289,980
Per square foot:	\$41.72

$\\$41.72/\text{SF} \times 1,098 \text{ SF}/3 = \\$41.72 \times 366 \text{ SF} = \\$15,270 \text{ PDF at Final Plat}$

Park Dedication Fee at Time of Building Permit:

Step One – *Determine Land Dedication Amount*

[Formula: PDF = net number of new structured parking spaces x 50 SF, to a maximum of 7% of total land area]

Net new parking spaces:	171
-------------------------	-----

Preliminary PDF (in land) = 171 parking spaces x 50 SF = 8,550 SF

Maximum PDF (in land) = 54,886 [total land area] x .07 = 3,842 SF

Final PDF (in land) = 3,842 SF [because Preliminary PDF exceeds 7% maximum]

Step Two – *Determine Cash-in-lieu Amount*

[Formula: PDF = Estimated Market Value per square foot *times* 1/3 of SF that would otherwise be dedicated]

Estimated market value*: \$2,289,980

Per square foot: \$41.72

$$\boxed{\$41.72/\text{SF} \times \underline{3,842 \text{ SF}/3} = \$41.72 \times 1,280 \text{ SF} = \$53,401 \text{ PDF at Bldg. Permit}}$$

Total Park Dedication Required Under St Paul Formula:

Land: 1,098 SF + 3,842 SF = 4,940 SF

Cash-in-lieu: \$15,270 + \$53,401 = \$68,671

**EMV based on Fair Reuse Value*

Exhibit K

Project: Village Green (175 market-rate residential units)

Formula: Bloomington

1. Estimated value of Minneapolis park land (2008) ²³ :	\$3,377,000,000
2. Estimated value of Minneapolis park improvements (2008) ²⁴ : <u>\$216,000,000</u>	<u>+</u>
3. Total estimated value of Mpls park land and improvements (2008):	= \$3,593,000,000
4. TIMES proportion of total value attributed to residential usage ²⁵ :	<u> </u> x .90
5. Value of park land and improvements attributable to res. usage:	= \$3,233,700,000
6. DIVIDED BY total number of residents in Minneapolis ²⁶ :	<u> </u> ÷ 387,662
7. "Residential User Amount":	= \$8,341.54
8. TIMES average number of residents per household ²⁷ :	<u> </u> x 2.25
9. Park dedication fee rate per residential unit (to nearest dollar):	= \$18,768

Preliminary PDF: 175 units x \$18,768 per unit = \$3,284,400

Maximum PDF: 10% of overall land value of site: \$2,289,980 x 10% = \$228,998

Final Park Dedication Fee: \$228,998

²³ Value of park land calculated and provided by MPRB staff.

²⁴ Value of park improvements calculated and provided by MPRB staff.

²⁵ This is a "policy variable" that can be adjusted by the Minneapolis City Council if desired. Bloomington's adoption of a 90/10 allocation of the park value between residential usage and commercial/industrial usage doesn't necessarily have to be adopted by Minneapolis.

²⁶ Population figure obtained from document entitled "Annual Growth in Population, Housing, Jobs," compiled by CPED Research and revised June 5, 2008

²⁷ This number is drawn from the 2006 American Community Survey from the US Census, and reflects an average of persons per household within Minneapolis (occupied units only), across all housing types. Minneapolis may want to further refine this number by household type (single-family versus multifamily, for example), if the Bloomington model is pursued.

Exhibit L



June 23, 2008

MEMORANDUM

TO: Mr. Chuck Lutz
City of Minneapolis-Community Planning and Economic Development

FROM: Ms. Mary C. Bujold
Maxfield Research Inc.

RE: Potential Impact on Future Development from Establishment of a Park Dedication Fee for the City of Minneapolis, MN

As you requested, Maxfield Research Inc. has considered the potential impact on new housing development in the City of Minneapolis, market rate and affordable that may result from the establishment of a park dedication fee for new residential construction. Also considered is the potential impact on new commercial and industrial development with the implementation of a similar fee on these types of real estate.

Many communities in the Twin Cities Metropolitan Area have park dedication fees. Over the past several years, a number of communities have evaluated and increased their park dedication fees to cover the costs of acquisition of land for new park development and to fund capital expenditures for park improvements.

Park dedication fees have recently been rising substantially among many developed and developing suburban communities.

The City of Roseville, Minnesota in November 2007, voted to increase their park dedication fee for residential units by \$1,000 to a total of \$3,000 per unit.

The Cities of Blaine and Rosemount in Minnesota recently voted to increase their park dedication fees. Concerns were raised by Council members in considering the amount of the fees being requested. In each case, staff did not indicate that the development of housing would be negatively impacted significantly by this increase in fee. When development was robust as it was in 2006, Blaine's park dedication fund held a substantial amount of funds in reserve. It did

not appear that there was any deterrent to development, either residential or commercial and industrial in Blaine that was due to the City's park dedication fee requirements.

The City of Eden Prairie, Minnesota also has a park dedication fee and voters recently approved a referendum of \$13.3 million for various park improvements. Some of the park improvements will utilize park dedication fee funds while other improvements will come from the monies voted on by taxpayers.

In May 2008, the City of Lakeville approved an amendment to their park dedication ordinance that established a different pricing structure for different levels of care associated with the development of a senior housing campus. This is not usual. Most cities have one pricing structure for residential units and one pricing structure for park dedication fees for commercial and industrial properties.

In the City of Rosemount, Minnesota, following are the market values established by resolution of the City Council to be used in determining the amount of cash contribution for park dedication. These amounts are to be multiplied by the number of acres of land required to be dedicated for parks by the new subdivision.

New Residential Subdivision = \$85,000/acre
New Commercial Subdivision = \$90,000/acre
New Industrial Subdivision = \$50,000/acre
Business Park Development = \$85,000/acre

At the time of the approval of these amounts, there was some concern that these amounts may deter new development in the City. As of this date, there is no indication that development has been deterred specifically because of these amounts for park dedication.

Development Factors to be Considered

Several years ago, park dedication fees varied dramatically among communities in the Twin Cities. As of 2002, a comparative analysis completed by the Parks and Recreation Department in the City of Blaine showed that park dedication fees ranged from a low of \$500 in Roseville to a high of \$3,600 per unit in Bloomington. Park dedication fees have been raised significantly since that time. As mentioned, Roseville recently raised their fee to \$3,000 per unit and Bloomington's park dedication fee is roughly \$4,000 per unit.

Park dedication fees are typically tied to new development. For communities where there is substantial new development occurring, the park dedication fund tends to provide a considerable source of revenue to complete acquisition and major capital improvements. For communities that are primarily fully developed, such as Bloomington, the amount of money received from park dedication funds is limited primarily to redevelopment. According to the Bloomington Parks and Recreation Master Plan dated April 2008, the amount received from park dedication fees for 2006 was \$250,000. According to planning staff, this is substantially short of the

amounts needed to fund improvements to the park system. Alternative sources of revenue were recommended to assist with improving existing parks. The City of Andover also mentioned this as a concern in 2008 as the recent downturn in development has also limited the amount of funds available to them through their park dedication fund.

The City of Minneapolis recently approved guidelines regarding the development of industrial land. There have been concerns that there is insufficient land to support new industrial development in the community and that land zoned for industrial development should be preserved in some areas of the city to encourage future industrial development and to preserve a balanced mix of business and employment opportunities in the community. Many industrial businesses locating in the developing suburban communities will have to pay substantial park dedication fees. This has not appeared to be a deterrent to the location of industrial businesses in growing suburban locations as industrial businesses have continued to choose locations within the Twin Cities Metro Area. We are seeing some outward movement by industrial businesses, more so than commercial businesses to areas on the fringe of the Metro, such as in Wright County, southern Scott County, Carver County and northern Anoka County. However, most of the location concerns are related to the cost of land rather than the park dedication fees that will be required.

Land values have declined due to the overall slowdown in the economy which has recently encouraged some additional development. However, the overall strength of the economy and other business decisions take precedence over the cost of the park dedication.

Park dedication fees are charged per unit for all new units. Small developments as well as large developments are required to pay the fees. The following limitations are noted with the implementation of a park dedication fee that does not allow for a range in size or amount of development. Affordable housing developments that are smaller in size, 50 units or less are often developed with City subsidies. Applying a park dedication fee to the project would not necessarily reduce the number of affordable housing developments, but would likely require that the City provide additional subsidies to cover funding gaps. As such, funding these gaps would likely result in moving the money around from one department to another, essentially funding additional park improvements through additional subsidies for affordable housing or having affordable housing developments take on additional financing to cover these fees or find additional grant resources to cover these costs. The current strained economic situation has non-profits scrambling to cover a decline in donations and contributions because of the economy. The implementation of a park dedication fee would likely require more funding resources on the front end in order to support these developments.

Ownership versus Rental Housing

A \$2,000 fee per unit for ownership versus rental housing results in a cost per square foot of approximately \$2.00 per square foot for 1,000 square feet. This is less likely to be a deciding factor in the cost of producing high-end housing, but may be a factor in being able to deliver moderate priced for-sale units to the market, those priced at \$350,000 or less. Higher

development costs result from the development of high-rise properties due to higher costs of construction. Despite higher construction costs, there is no economy of scale for residential developments where larger developments will pay an equal amount as those with fewer units. Among all market rate units, those paying less for their units will nevertheless be forced to pay the same amount as a pass-through from developers as those who purchase more expensive units. This may cause some imbalance in the marketplace in not being able to provide a proportional amount of new housing at more moderate price points. In addition, a \$2,000 increase in price (if passed directly onto the consumer), would remove some buyers from the market.

Rental housing would be affected as well but indirectly. Renters would be required to pay higher rents to absorb a pass-through of the park dedication fee. What is more likely to happen is that in order to meet market demand, the developer will absorb the park dedication fees over the life of the development and amortizing the park dedication fees within the overall financing. The increase in total development costs is not likely to substantially inhibit development, but may result in fewer amenities to residents or smaller unit sizes in order to be able to make the numbers work. It may also result in a slightly lower return on investment to developers over the long-term.

We do not believe however, that it will significantly inhibit residential development overall.

Affordable Housing

The development of affordable housing is targeted to areas where there is perceived to be a significant need, along with other factors that coincide with providing this type of housing to the targeted populations. A substantial amount of affordable housing is developed in Minneapolis and St. Paul, primarily because the central cities tend to have higher concentrations of market segments that will directly benefit from the provision of this type of housing. While affordable housing is developed in many locations throughout the Twin Cities Metro Area, targeted affordable housing goals in many suburban communities are not being met. Non-profits, familiar with development in the central cities, continue to find opportunities to serve under-served market segments.

The availability of other social resources and convenient access to public transportation also support the development of affordable housing in Minneapolis and St. Paul. Our experience with the ongoing development of affordable housing in St. Paul (we have been involved with four developments in 2008 alone) indicates that the park dedication fee has not been a deterrent to the development of affordable housing.

We have also been involved in the preparation of housing proposals for tax credit applications. A substantial number of tax credit applications were submitted to MN Housing for this upcoming round as of June 17th, 2008. In discussing these applications with our Clients and other non-Client groups also submitting applications, we are not aware of any development group that was considering not submitting because of a park dedication fee that would be charged to their project.

We note however, that the larger non-profits typically combine several sources of funding to support the development of affordable housing. The private development community, if developing affordable housing through tax credits, also tries to leverage the savings from tax credits in addition to private financing to fund these types of developments. While the park dedication fee is not likely to kill development, it will add another cost burden to the development that must be funded.

Fee Amount

The initial proposal of a fee of \$2,000 per residential unit appears to be in line with other fees currently being charged by communities in the Twin Cities Metro Area. Several communities are now charging \$3,000 per residential unit (Roseville, Cottage Grove, and Blaine) for a park dedication fee and others are charging more. As such, a fee of \$2,000 per residential unit is generally well below the fees currently being charged by a number of larger suburban cities in the Metro Area whose communities are currently at varying levels of development. Roseville's decision to increase their park dedication fee was a result of a comparative analysis which placed their fees near the average of similar communities.

Commercial and industrial park dedication fees are typically charged per acre, not on the level of total development costs. Using a system whereby the park dedication fee would be based on total development costs would increase the park dedication fee for more sizeable developments and reduce it for small developments. It has been difficult to find land in Minneapolis for industrial development and commercial development. In addition, much of what is developed industrially and commercially is due to redevelopment, some with subsidy from the City. We agree that a proportional charge based on total development costs appears to be a reasonable allocation. This type of allocation also does not require an annual determination of market value for land parcels as is the case in the City of Rosemount. We are concerned however, that 1% of total development costs may be excessive and may deter commercial and industrial development in the City where this type of development is already difficult and new developments relatively infrequent. Development of commercial and industrial property is to be encouraged in the central city; as such, barriers to development should be reduced or removed, not increased. The playing field between the central cities and the suburban areas is not level and suburban locations remain the preferred location for many businesses, regardless of the park dedication fee.

Exhibit M

Map IV:
**Future Parkland and
 Facility Study Areas
 and Adopted Plans**

LEGEND

- ▲ Parkland less than 1 Acre
- Existing Parkland
- ▨ Adopted Plans
- Project Growth Area Study Areas
- Service Gap Study Areas
- Premier Park and Recreation Future Study Areas

Park projects shown are those where the Minneapolis Park and Recreation Board has site control through ownership or lease. Water bodies shown are those where the Minneapolis Park and Recreation Board has site control of part or all of the surrounding land.

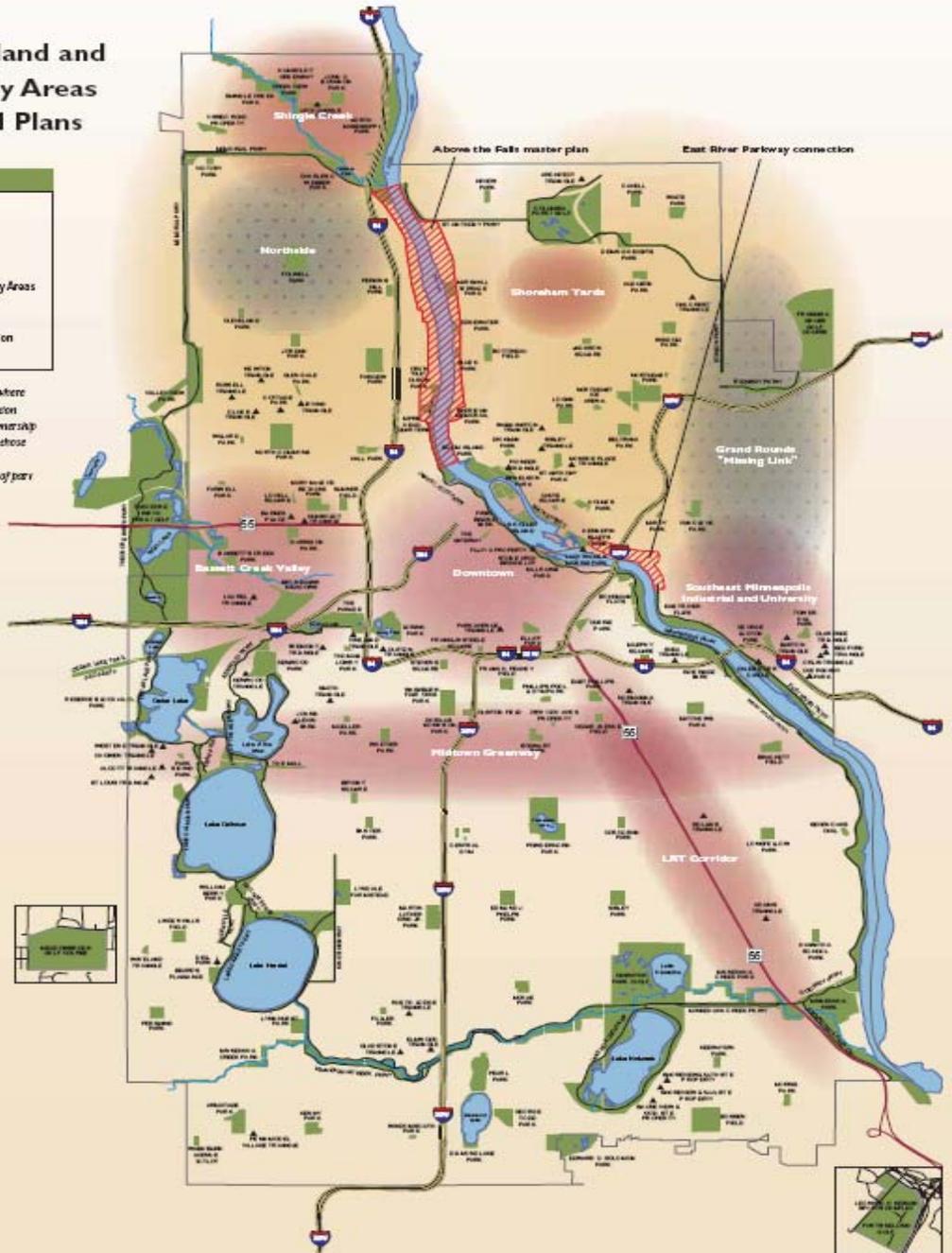


Exhibit N

Map 7.1: Parks and Open Space
Existing Network - DRAFT

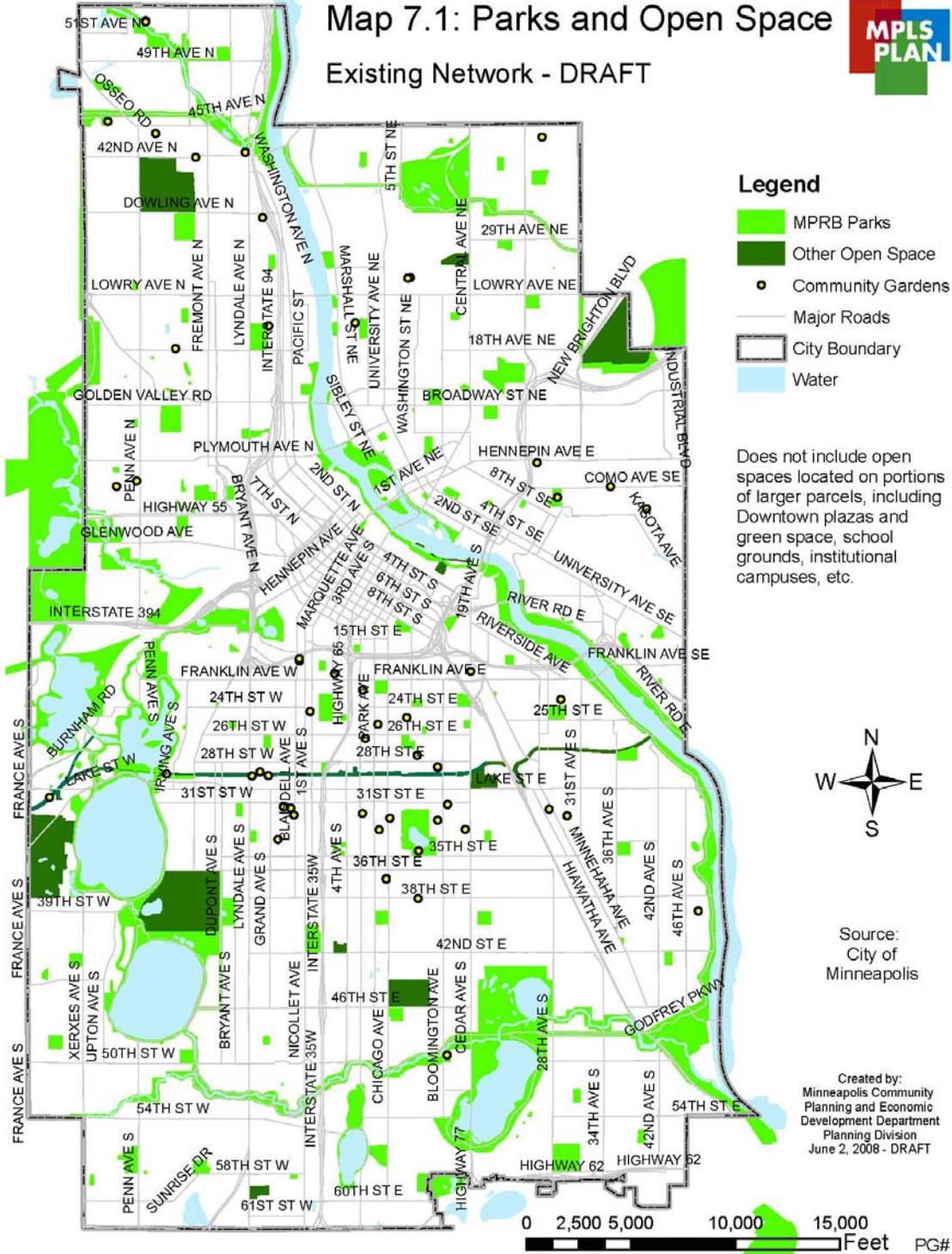
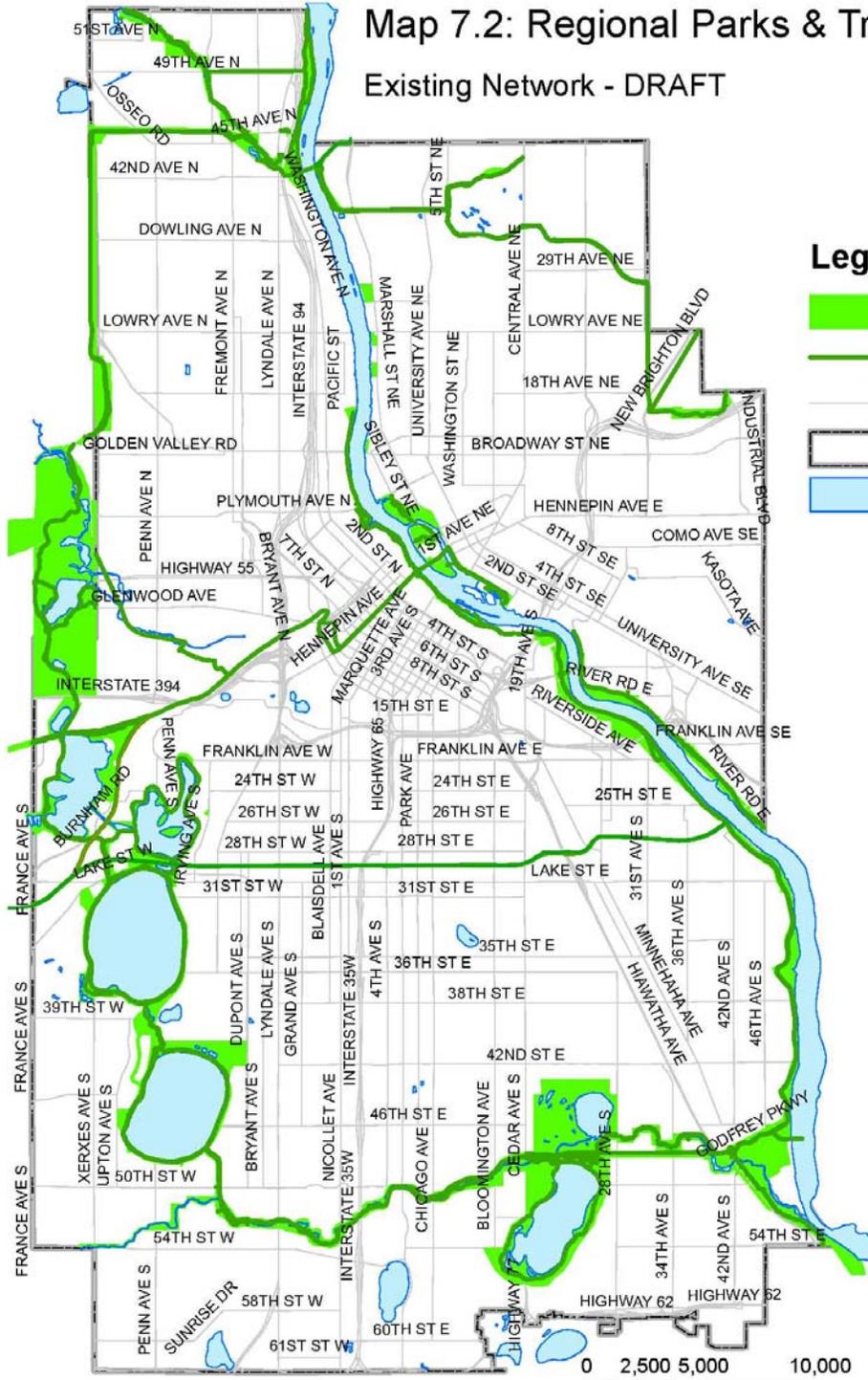


Exhibit O

Map 7.2: Regional Parks & Trails
Existing Network - DRAFT



Legend

- Regional Parks
- Regional Trails
- Major Roads
- City Boundary
- Water



Sources:
Minneapolis Park
and Recreation
Board and
Metropolitan
Council

Created by:
Minneapolis Community
Planning and Economic
Development Department
Planning Division
June 2, 2008 - DRAFT

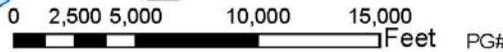
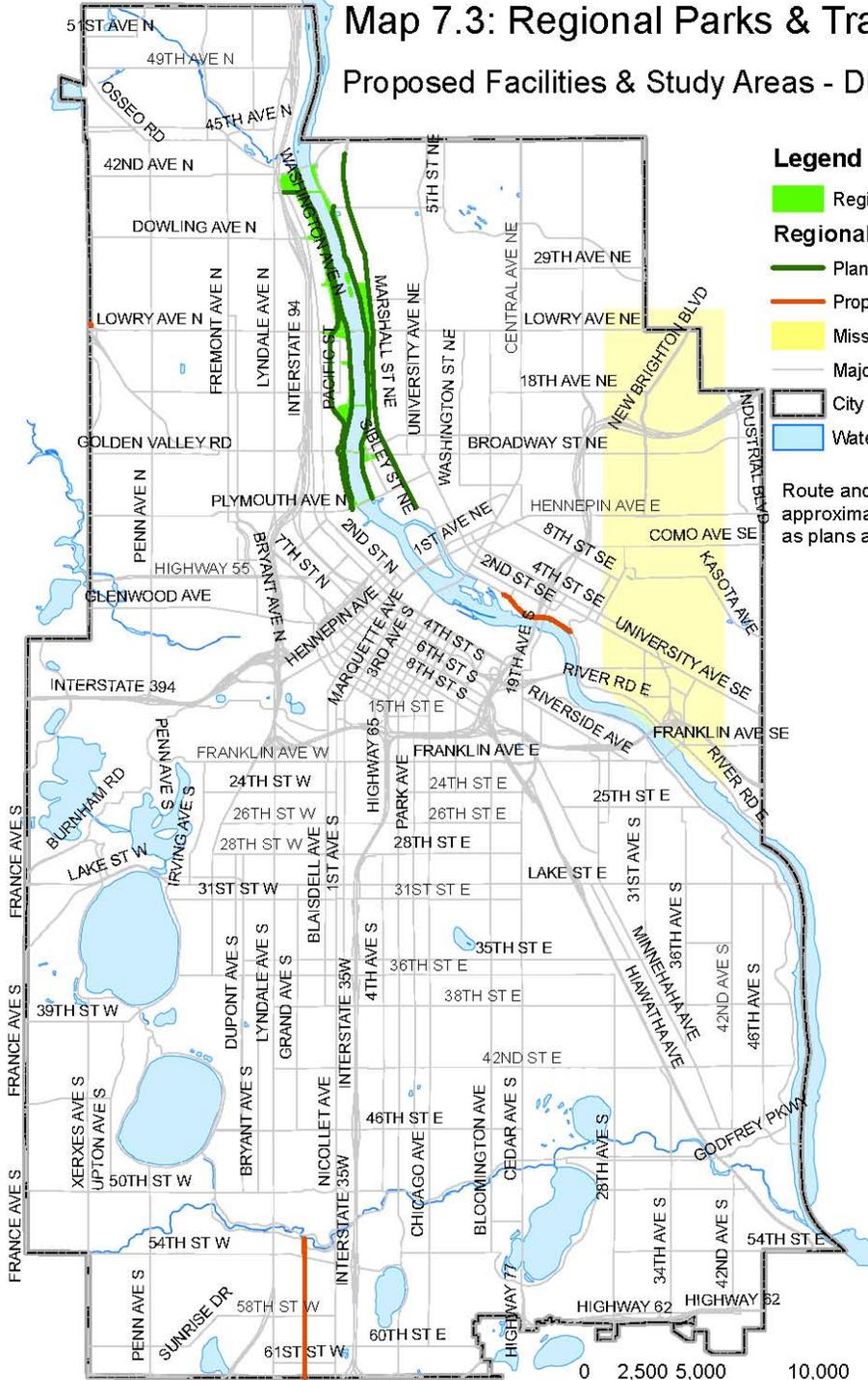


Exhibit P

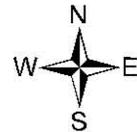
Map 7.3: Regional Parks & Trails
Proposed Facilities & Study Areas - DRAFT



Legend

- Regional Parks
- Regional Trails/Parkways**
- Planned
- Proposed
- Missing Link Study Area
- Major Roads
- City Boundary
- Water

Route and park locations are approximate and will be refined as plans are implemented.



Source:
Minneapolis
Park and
Recreation
Board

Created by:
Minneapolis Community
Planning and Economic
Development Department
Planning Division
June 2, 2008 - DRAFT

