



Memorandum

TO: NEIGHBORHOOD SERVICES
AND EDUCATION

FROM: Jon Cicirelli

SUBJECT: SEE BELOW

DATE: November 26, 2018

Approved

Date

12-3-2018

COUNCIL DISTRICT: Citywide

SUBJECT FISCAL YEAR 2017-2018 STATUS REPORT ON PARKS AND
COMMUNITY FACILITIES DEVELOPMENT CAPITAL
IMPROVEMENT PROGRAM

RECOMMENDATION

1. Accept this report on the status of the Parks, Recreation and Neighborhood Services Department Capital Improvement Program; and
2. Accept the report on Park Impact Ordinance and Parkland Dedication Ordinance Fees for 2017-2018.

OUTCOME

This annual report documents the revenue and use of funding within the Parks, Recreation and Neighborhood Services (PRNS) Capital Improvement Program (CIP).

EXECUTIVE SUMMARY

The Community Facilities Development Division of PRNS manages the department's portion of the 2019-2023 Citywide CIP work plan. This work plan amounts to \$342.1 million more than five years and supports planning, rehabilitation and construction of new parks, trails, community centers, and other recreational facilities.

This report provides an update on key capital improvement projects that were completed or started in 2017-2018, as well as those moving forward in 2018-2019. In addition, the report provides an overview of the Department's primary capital project funding sources, including Construction Tax and Property Conveyance Tax (C&C) revenue; Park Trust Fund fees; the remaining balance on year 2000 Measure P Bond funds; Commercial Paper securities funding; a variety of local, state and federal grants; and, insurance and Federal Emergency Management

Agency reimbursement proceeds received in response to the City's 2017 Coyote Creek Flood response and recovery efforts.

BACKGROUND

The vision and mission of Parks, Recreation and Neighborhood Services is to be a "National Leader of Parks and Recreation in cultivating healthy communities through quality programs and dynamic public spaces" and to "build healthy communities through people, parks, and programs." This vision and mission guide the Department's long-term capital investment plan.

The Department manages 3,534 acres of land, with more than 2,094 acres developed as parks, trails, and community centers. The inventory of facilities includes:

- 282 – playgrounds;
- 195 – neighborhood serving parks;
- 39 – reuse sites;
- 11 – hub community centers;
- 9 – regional parks;
- 7 – skate parks;
- 6 – swimming pools;
- 3 – golf courses; and
- 2 – BMX bike parks.

The Department's Capital Improvement Program is supported by professional design staff that manage and oversee the full range of development tasks including strategic planning, land acquisition, feasibility studies, master plans, concept designs, and project implementation oversight for capital projects. The Department's CIP is supported through revenue from the following sources:

- Construction and Property Conveyance Taxes;
- Park Trust Fund Payments;
- Grant Programs;
- Measure P Bond Funding; and
- Commercial Paper.

ANALYSIS

This report provides an overview of the portion of the Citywide CIP that is managed by PRNS, including an update on the status of the Department's 2017 Coyote Creek Flood recovery efforts. Flood reconstruction is a high priority, and it is vital that these projects move forward within the timelines specified by the Federal Emergency Management Agency to ensure City reimbursements are maximized.

This report is divided into two sections:

- I. Capital Improvement Projects Overview
- II. Capital Improvement Program Funding Sources
 - A. Construction and Conveyance Tax Fund
 - B. Park Trust Fund
 - C. Grant Programs
 - D. Measure P Parks and Recreation Bond Projects Fund
 - E. Commercial Paper - 2017 Flood Recovery

I. Capital Improvement Projects Overview

During 2017-2018, PRNS' CIP team achieved the following notable accomplishments:

- Acquired a total of 16.3 acres to construct new parks, including:
 - Chaboya Ranch - 5.1 acres
 - Iris Chang Park - 2.6 acres
 - Elaine Richardson Park - 2.0 acres
- Received five grants totaling \$3.6 million, including:
 - Santa Clara Inclusive Playground Grant \$3 million (Emma Prusch Farm Park and Lincoln Glen Park)
 - Google Grant Conservancy \$0.5 million (Hwy 237 Bikeway Paving Study)
 - California Coastal Conservancy \$0.1 million (Highway 237 Bikeway Study)
 - OSA Measure Q \$0.03 million (Oak Grove Guadalupe Park)
- Opened Esther Medina Park, Elaine Richardson Park, and the Del Monte Park soccer fields; and
- Opened 0.6 miles of trails, including Thompson Creek and Penitencia Creek trails.

In addition, the team oversaw and managed reconstruction of various park amenities that were damaged during the 2017 flood events. This work includes:

- Reconstruction of the soccer fields and lights at Watson Park;
- Restoration of public restrooms at Happy Hollow Park & Zoo and Kelley Park;
- Reconstruction of the Japanese Friendship Garden Tea House and Koi pump house; and
- Reconstruction of Falls Road and service roads at Alum Rock Park.

For 2018-2019, the Department has a diverse set of capital-funded projects that are underway or scheduled to begin, including the following major CIP projects listed in order of allocated funding:

TABLE 1
2018-2019 TOP FUNDED PRNS CIP PROJECTS

Project Name	Total Funding (in millions)	Scope
Coyote Creek Trail (Story-Tully)	\$9.6	2.25-mile trail segment
Watson Park Flood Reconstruction	\$6.3	Repair sports field turf and mitigate lighting and electrical services to prevent future damage
Arcadia Softball Facility*	\$5.9	Construct 14.49-acre ballpark facility
Japanese Friendship Garden Tea House Flood Reconstruction	\$3.4	Restore and repair to pre-flood condition
Alum Rock Park Service Road Flood Repairs & Construction	\$3.3	Repair service road and reconstruct damaged areas
Del Monte Park Phase III** (acquisition & construction)	\$3.2	Expand existing park by 1.8 acres
Inclusive Playground - Emma Prusch Farm Park	\$3.1	Construct new inclusive playground restrooms
Iris Chang Park Development	\$3.0	New 2.6-acre park
Three Creeks Trail (Lonus-Guadalupe River)	\$3.0	New 1.0-mile trail segment
Tamien Park Phase II	\$2.7	New 3.5-acre park (Phase II)
Esther Medina Park Phase II	\$2.0	Expand existing park by 1.8 acres
Japanese Friendship Garden Koi Pond Water Treatment System	\$1.6	Repair and restore to pre-flood condition

* Number noted is C&C funding only.

** Includes Reserves

II. Capital Improvement Program (CIP) Funding Sources

A. Construction and Conveyance Tax Fund

The Construction and Conveyance (C&C) Tax consists of two types of revenue generated by the City. The Construction Tax is levied on most types of construction, including residential, commercial, and industrial, and constitutes a small portion of the overall C&C revenues. The Property Conveyance Tax is levied on the transfer of all real property with a value greater than \$100. C&C tax is the largest source of the Department's CIP program revenues, with 64% of the total Conveyance Tax receipts collected by the City allocated for parks-related projects. C&C funds play a significant role in addressing the need to repair and replace the City's aging park infrastructure. In 2017-2018, PRNS received \$31.4 million in C&C revenues and the Modified Adopted Budget was \$27.4 million. This difference is due to actual C&C revenue being higher than anticipated at the time the council adopted the budget.

These funds are used by the Department in various ways, including funding for ongoing capital-related appropriations, project-specific capital appropriations, staffing costs, and council district

needs. Council district needs are determined based on a parks condition needs assessment and the growing infrastructure backlog in each district.

Table 2 summarizes the distribution of C&C funding within the PRNS CIP Program.

TABLE 2
SUMMARY OF C&C Allocations

Allocation of Funding	2017-2018 Funding Allocation (Millions)
Project-Specific Capital Appropriations	\$26.5
Ongoing Allocations	\$7.2
Staffing	\$7.2
Park Yards	\$4.2
Infrastructure Backlog Reserves	\$3.8
TOTAL	\$48.9

**Note: Allocations include carry over from previous years, plus the \$27.4M noted as 2017-2018 revenues*

Table 3 shows some of the Project-Specific Capital Appropriations that were funded through C&C in 2017-2018.

TABLE 3
2017-2018 PROJECT-SPECIFIC CAPITAL APPROPRIATIONS*
(C&C-FUNDED)

Project	Description
Council District 1: Calabazas Community Center Renovation	Renovations at the Calabazas Community Center as recommended as part of a feasibility study.
Council District 2: La Colina Playground Renovation	Renovations to the playground and other miscellaneous improvements at La Colina Park.
Council District 3: Biebrach Park Renovation	Renovations at Biebrach Park to include repair of existing play structures, sandbox, and resilient surfacing.
Council District 4: Noble Modular Neighborhood Center Improvements	Renovations to the Noble Modular Neighborhood Center including restroom and flooring updates.
Council District 5: Mayfair Community Center Park Improvements	Repair of playground pieces, resilient surfacing, and ornamental steel along the creek side of the park.
Council District 6: Lincoln Glen Park Restroom Renovations	Renovations to make the restroom ADA compliant.

Council District 7: Bellevue Park Improvements	Renovations to the turf, irrigation system, and repair of fence.
Council District 8: Groesbeck Park Improvements	Renovations to playgrounds for safety and ADA compliance
Council District 9: Butcher Park Playlot Renovation	Replacement of the playground equipment in the youth playlot, install resilient rubber surfacing and make landscape improvements around the play area.
Council District 10: Waterford Park Improvements	Renovations to the turf, landscaping, and repair of the exercise equipment.

**These projects include projects that were funded from C&C in 2017-2018 as well as prior Fiscal Years.*

Table 4 shows the current allocations to three project categories that are funded with C&C Revenue on an ongoing basis, followed by the descriptions for each category.

TABLE 4
VALUE OF ONGOING C&C FUNDING ALLOCATIONS
(2017-2018)

Project Categories	2017-2018 (Millions)
Strategic Capital Replacement & Maintenance Needs	\$1.40
Minor Park and Minor Building Renovations	\$0.96
Minor Infrastructure Contract Services	\$0.20

Strategic Capital Replacement & Maintenance Needs – These allocations are distributed among the council districts and provide funding for various items such as turf renovation, irrigation upgrades, and similar small repairs. Work funded in these allocations are typically completed by Parks Maintenance staff or through the Public Works Facilities team.

Minor Park and Minor Building Renovations – These allocations provide funding to address short-term minor capital repair and maintenance needs throughout the year such as renovation and repair to existing community centers, park restrooms, neighborhood centers, picnic equipment, and other park amenities.

Minor Infrastructure Contract Services – This allocation provides funding for contract services for minor improvements at park facilities. Improvements include, turf area renovation, irrigation replacement and renovation, park lighting repair, infrastructure repairs to make park facilities compliant with new code requirements, and all other minor capital improvements that reduce maintenance efforts and enhance the usability of the park.

B. Park Trust Fund

The City of San José enacted the Parkland Dedication Ordinance in 1988 to help meet the demand for new neighborhood and community parkland generated by the development of new residential subdivisions. The City's Parkland Dedication Ordinance is consistent with the State's Quimby Act (Government Code Section 66477). In 1992, the City Council adopted the Park Impact Ordinance, which is similar to the Parkland Dedication Ordinance, but applies to new non-subdivided residential projects, such as apartment buildings. The City's Park Impact Ordinance is consistent with the State's Mitigation Fee Act (Government Code Section 66000 *et seq.*).

The Parkland Dedication Ordinance and Park Impact Ordinance programs require developers of new residential projects to provide the value equivalent of three new acres of parkland for every 1,000 residents added as a result of the development. Using this metric, the population of a new development is estimated using US Census Bureau data and that is translated into a land dedication requirement (e.g., a development that would increase population by 2,000 residents would be asked to provide six acres of parkland).

To meet these requirements under the Parkland Dedication Ordinance and Park Impact Ordinance, residential developers may choose to dedicate land, improve existing parkland, provide private recreation areas, and/or pay a parkland fee in lieu of parkland dedication. Fees paid in lieu of land dedication are deposited into, and accounted for, in the Park Trust Fund. The fees paid are directly tied to the residential development activity and vary by Council district.

Table 5 below provides a year-over-year comparison of Parkland Dedication Ordinance/Park Impact Ordinance-related revenues and associated expenditures (excluding encumbrances) from 2015-2016 through 2017-2018. Past years are included as a reference to show the annual variability in this revenue source.

TABLE 5
PARK TRUST FUND REVENUES & EXPENSES
(in millions)

	2015-2016	2016-2017	2017-2018
Parkland Dedication/Impact Ordinance Fee Collection	\$13.8	\$13.5	\$22.7
Interest / Other Revenues*	\$2.5	\$4.2	\$3.2
Total Revenues	\$16.3	\$17.7	\$25.9
Expenditures**	\$16.2	\$17.5	\$19.7

*Includes grant reimbursement revenue

**Excludes encumbrances

Table 5 shows that in-lieu fees are volatile and subject to the timing of when developers secure building permits.

It is at this milestone in the development process that in-lieu fees are typically collected, making it very difficult to predict when prospective development-related revenues might be received. The majority of the \$22.7 million of in-lieu fees collected in 2017-2018 were in Council District 3 (\$7.8 million), Council District 6 (\$6.7 million) and Council District 1 (\$6.5 million).

Projects funded with Park Trust Fund revenues shown above include:

- Pueblo de Dios Master Plan and Future Park Construction (Council District 1)
- Del Monte Park Phase II (Council District 6)
- St. James Park Master Planning and Redesign (Council District 3)
- Acquisition of the Hanchett Parcel (Council District 6)
- Three Creeks Trail from Lonus Street to Guadalupe River (Council District 6)
- Thompson Creek Trail from Tully Road to Quimby Road (Council District 8)

In some cases, Park Trust Fund revenues are collected but PRNS is not able to move forward with a specific project, for example, when a desired project requires funding greater than the Park Trust Fund revenues collected. In those cases, the Department establishes and builds reserves dedicated for specific future projects until sufficient resources are available to proceed. The five largest of these reserves are:

- Coyote Creek Trail (Mabury to Empire Street) Reserve - \$6,769,000
- Santana Park Development Reserve - \$3,138,000
- St. James Park Phase I Reserve - \$4,206,000
- Coyote Creek Trail (Brokaw Road to Union Pacific Railroad) Reserve - \$1,821,000
- Newbury Park Development Reserve - \$1,632,000

As it stands now, the majority of funds in the Parks Trust Fund have been committed to specific capital projects. Staff is working with its partners to explore options for delivering projects more efficiently by streamlining the bid process for mid-sized capital projects and by working with developers to provide turnkey improvements to existing parks.

As required by the California Mitigation Fee Act for the Park Impact Fee, documentation on the City's use of Park Trust Fund revenues for the fiscal year ending June 30, 2018 can be found on the City's website at: <http://www.sanjoseca.gov/DocumentCenter/View/81281> (Attachment A).

C. Grants

The Department continues to research and explore grant funding opportunities that serve to close funding gaps for priority projects. As opportunities arise, staff makes recommendations to the

City Council to proceed with grant applications when it appears that the objectives of the grant program(s) align with the City's strategic priorities.

To this end, staff monitors numerous local, state, and federal grant opportunities, noting that each grant program has unique goals and program requirements. These constraints do not always align with the City's interests, and thus, the number of grants that PRNS chooses to pursue are limited. However, when priorities do align, it is the Department's strategy to use City funding to take advantage of grant programs that require matching funds; and/or, leverage City resources to front projects in anticipation of grant reimbursements.

In 2017-2018, PRNS applied for 14 grants totaling \$7.7 million. Table 6 documents the projects for which the grant applications were submitted and the corresponding funding that was awarded, pending, or declined.

TABLE 6
Summary and Status of Grant Applications 2017-2018

Project Name	Grant Program	Amount	Status
Emma Prusch Farm Park (Inclusive Playground)	Inclusive Playground (Santa Clara County)	\$2,000,000	Awarded
Lincoln Glen Park (Inclusive Playground)	Inclusive Playground (Santa Clara County)	\$1,000,000	Awarded
Guadalupe Oak Grove Park (Outdoor Classroom)	Measure Q (Open Space Authority)	\$30,000	Awarded
Highway 237 Bikeway Study (San Francisco Bay Trail)	Bikeway Study (Coastal Conservancy)	\$100,000	Awarded
Highway 237 Bikeway Study Paving (Great America Parkway- Los Gatos Reach Trail)	Bikeway Study (Google)	\$500,000	Awarded
Sycamore Terrace Acquisition (Transfer)	Open Space Authority (20% Funding)	\$300,000	Pending
Almaden Lake Park (Inclusive Playground)	Inclusive Playground (Santa Clara County)	\$650,000	Declined
Alviso Park (Inclusive Playground)	Inclusive Playground (Santa Clara County)	\$350,000	Declined
Butcher Park (Inclusive Playground)	Inclusive Playground (Santa Clara County)	\$500,000	Declined
Calabazas Park (Inclusive Playground)	Inclusive Playground (Santa Clara County)	\$500,000	Declined
Evergreen Park (Inclusive Playground)	Inclusive Playground (Santa Clara County)	\$750,000	Declined
RAMAC Park (Inclusive Playground)	Inclusive Playground (Santa Clara County)	\$500,000	Declined
Rotary PlayGarden (Inclusive Playground)	Inclusive Playground (Santa Clara County)	\$500,000	Declined

Viva Calle	Measure Q (Open Space Authority)	\$30,000	Declined
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D. Measure P Parks and Recreation Bond Projects Fund

In 2000, voters approved the Measure P Bond initiative, which provided \$228 million to expand the City of San Jose's parks infrastructure. To date, 88 of 90 original projects planned under that general obligation bond have been completed. The two remaining projects include additional soccer fields and a softball complex. Status regarding each of the projects is provided below.

Soccer Fields

Parks, Recreation and Neighborhood Services evaluated and considered a number of locations for soccer fields over the 18 years since the passage of Measure P. After extensive evaluation a location was selected off Coleman Avenue near Avaya Stadium for construction of a four-field complex.

In April 2016, the City Council agreed to a Memorandum of Understanding, which outlined a plan to sell the Coleman Soccer Fields Site to the San José Earthquakes and the Coleman Airport Partners (which, combined, are known as the Developers).

Following the April 19, 2016 City Council meeting, staff began working with the San José Earthquakes, Guadalupe River Park Conservancy, and other partners to develop a potential seven-field joint soccer complex at the Guadalupe Gardens site. The project scope included four community soccer fields, three Earthquakes academy fields, and a six-acre park.

After several months of attempting to advance the project using the Guadalupe Gardens site, staff was not able to identify a path forward for the development of the soccer complex. While there are several challenges in placing the soccer fields at this location, the most significant challenge relates to State and local guidelines regarding the development of facilities within an airport "inner safety zone," as defined by California Department of Transportation and the County Airport Land Use Commission. An inner safety zone is an area close to the ends of an airport's runways in which land uses and density should be restricted due to the risk of an aircraft accident or emergency landing.

At this time, staff is evaluating appropriate uses for the remaining approximately \$15 million in Measure P funds, and the proceeds from the sale of the Coleman Avenue Site. Consideration is being given to a number of ways that these funds can be used to increase the number of soccer fields in San José.

Arcadia Ballpark

The Arcadia Ballpark is being built on approximately 14.49 acres of land in Council District 8 and construction is approximately 60 percent complete. Construction of the facility began in the fall of 2017 and is expected to be completed in summer 2019. While staff initially expected

an earlier delivery date, the project has been delayed due to rain and the discovery of Native American remains while grading the site. In the meantime, PRNS continues to work on developing an operations, staffing, and marketing plans to ensure that the City has a financially sustainable operation when the facility opens.

E. Commercial Paper – 2017 Flood Recovery

In January and February 2017, winter storms caused significant damage to several municipal facilities in the Alum Rock area and along the Coyote Creek corridor. Both events were declared disasters by the President of the United States on April 1, 2017, which allowed the City to seek reimbursement for recoverable costs and expenses, including those incurred for emergency response during and shortly after the event, and for prospective project costs related to restoring or replacing City-owned and operated property damaged by the flood. Upon conducting its assessment, the City identified a total of 26 flood reconstruction projects for which the City will seek reimbursement. Attachment B lists these projects and their current schedule for completion.

At the February 13, 2018, City Council meeting, staff presented the schedule for reconstructing the impacted facilities and a financial plan for funding this work. The City Council authorized the use of up to \$21 million dollars in commercial paper to finance the reconstruction. Much of the reconstruction expenses are expected to be reimbursed through the City's property insurance policies, the Federal Emergency Management Agency (FEMA) and the California Governor's Office of Emergency Services (CalOES). The City's contribution towards the overall costs is expected to be at least 6.25 percent. Consequently, staff will continue to work collaboratively with other City departments to maximize reimbursements, thereby reducing the long-term impact to the PRNS capital program.

As of October 2018, the City has received \$1.8 million from its insurance provider (after a \$1 million deductible) and \$1.5 million from FEMA/CalOES. Staff will continue to work with FEMA and CalOES to ensure that projects conform to those agencies' requirements, including the tracking and documenting of activities and expenditures, to ensure maximum reimbursements. As of October 2018, the City has issued \$2,072,000 in Commercial Paper and anticipates the issuance of an additional \$6,683,000 to cover the costs of the 2017 Flood Recovery Projects. Associated fees, charges, and interest totaled approximately \$37,000 as of June 30, 2017.

To date, the following projects have been completed or are nearing completion:

- Watson Park Soccer fields and lighting
- Alum Rock Park Visitor's Center
- Selma Olinder Theater reconstruction
- Confluence Point/Arena Green pole light replacement
- Martin Park Playground resilient resurfacing and booster pump replacement
- Falls Road reconstruction
- Century Oaks hillside stabilization

- Selma Olinder Community Center (to be completed December 15, 2018)
- Restrooms at Happy Hollow Park & Zoo and Kelley Park (to be completed January 31, 2019)

Remaining projects are in the design phase of reconstruction.

EVALUATION AND FOLLOW-UP

The Department will continue to provide annual reports to the Parks and Recreation Commission and Neighborhood Services and Education Committee.

PUBLIC OUTREACH

No specific outreach has occurred regarding the Department's CIP status report; however, individual CIP projects have their own public outreach process.

COORDINATION

This memorandum has been coordinated with the City Manager's Budget Office and the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

This item will be presented to the Parks and Recreation Commission on December 5, 2018.

FISCAL/POLICY ALIGNMENT

The recommendations in this memorandum are consistent with the Envision San Jose 2040 General Plan and Greenprint 2009 Update.

COST SUMMARY/IMPLICATIONS

The projected costs of maintaining and operating new and expanded parks and recreation facilities are noted in the 2019-2023 Adopted Capital Improvement Program, and include the following parks and facilities that are scheduled to open over the next five years: Arcadia Softball Complex, Iris Chang Park, Rincon South Park, Tamien Park - Phase II, Cannery Park, and Japantown Plaza.

NEIGHBORHOOD SERVICES AND EDUCATION COMMITTEE

November 26, 2018

Subject: 2017-2018 Status Report on Parks and Community Facilities Development CIP

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CEQA

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action.

/s/

Jon Cicirelli

Acting Director of Parks, Recreation and
Neighborhood Services

For questions, please contact Nicolle Burnham, Deputy Director, at (408) 794-6519.

Attachment A: A Report on Park Impact Ordinance and Parkland Dedication Ordinance Fees

Attachment B: Project Costs and Schedule for Flood Projects