

## **Park Dedication Fee Staff Direction**

Council Member Goodman moved the following staff direction on the proposed Park Dedication Fee (PDF):

### **Impact Analysis**

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.
  - b. Evaluate whether the proposed PDFs will discourage mixed-income housing in City assisted projects;
  - 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.
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
3. Provide overall findings analysis and findings on the economic and market impact on development

### **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

- b. Contact research departments of LMC and AMM to see if they have info on this topic
  - c. Use City staff to conduct supplemental research/analysis if required
  - d. Consider setting Minneapolis' PDF, if imposed, at a level that is near the midpoint for metro cities, if doing so will generate sufficient revenue
2. Work with MPRB staff to respond to the following provision in the City-passed resolution.

“#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)
    - 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.
    - ii. Is this standard appropriate for industrial and commercial development?
    - iii. Is this standard appropriate for downtown park locations (i.e. consideration of distance employees will travel during lunch/break times)?
  - b. Inflation Adjustment -- How often should the PDF be adjusted for inflation?
3. Work with MPRB staff to respond to the following provision item in the City-passed resolution.

“#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?
  - 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.
  - c. Evaluate the impact of the imposition of a PDF on increases in the value of the land of residential and commercial/industrial properties.
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.”

#### **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?”
  - b. Could the PDF be imposed on the remodeling/improvement of existing units, as well, thereby “spreading the base”?
  - 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?
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?
  - b. Is a flat percentage rate (1%) on new construction the only PDF mechanism that is under consideration?

- 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).
  - 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?
  - 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.
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?
  - b. Will the PDF be imposed when the building permit is issued, or are there other options?
  - 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 is directed to report back to the Community Development Committee with its findings at the July 15<sup>th</sup> meeting.