



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

Date: February 17, 2009
To: Council Member Paul Ostrow, Chair, Ways & Means/Budget Committee

Subject: Park Dedication Fee Status Update

Recommendation: Receive and File

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. On July 15, 2008, staff presented its finding to the Community Development Committee. City and Park Board staff were directed to recommend a proposed methodology for imposition of Park Dedication Fees on housing and commercial/industrial developments, and the City Attorney was directed to prepare a Park Dedication Fee ordinance for City Council consideration that reflects this methodology. The Community Development Committee similarly directed staff to prepare an ordinance for that committee's consideration.

Prepared by: CPED Staff

Approved by: Mike Christenson, CPED Director _____

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.

Comprehensive Plan: Consideration and approval of a PDF ordinance is consistent with the City's Comprehensive Plan and may be a necessary tool to implement desired policies. The following policies would be supported by adoption of a PDF ordinance.

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

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

Policy 7.4: Work to restore and preserve ecosystem functions in green open space areas.

Policy 7.6: Continue to beautify open spaces through well designed landscaping that complements and improves the City's urban form on many scales – from street trees to expansive views of lakes and rivers.

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

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

Supporting Information

City staff continues to work with Park Board staff on a proposed Park Dedication Fee (PDF) ordinance. In late November, the Park Board presented a draft ordinance to City staff. In late December, the respective staff met to discuss this ordinance. At that time, City staff asked Assistant City Attorney Erik Nilsson to draft an ordinance for City Council introduction that builds off the Park Board ordinance and also addresses issues and concerns raised by City staff. City staff is currently reviewing Mr. Nilsson's draft ordinance, which will be introduced at the March 6 City Council meeting and will be taken up by the Community Development Committee on March 10.

The balance of this report summarizes key issues surrounding imposition of a PDF; additional details can be found in the staff report presented at the July 15, 2008 Community Development Committee meeting.

Affordable Housing

Imposition of a PDF on affordable housing is an unresolved issue. The City Council adopted a resolution in February 2008 exempting affordable housing from PDFs. The concern raised at the time was that applying a PDF would require more subsidy per unit and therefore fewer affordable housing units produced. Housing developers in Minneapolis generally face more challenges than those in the suburbs – higher land costs, environmental remediation costs, site constraints, etc. Imposition of a PDF may have a chilling effect on housing production.

The Park Board draft ordinance would exempt all City-subsidized units affordable at 50% and 60% of Area Median Income, but would apply a PDF to units at higher affordability levels. Most of the affordable housing units the City subsidizes are at 50%, meaning that they would be excluded from payment of a PDF. The Park Board proposal would also apply to affordable housing projects that don't include City funds, but do from other sources, such as Minnesota Housing or Hennepin County. City staff believes that units should receive the exemption regardless of funding source.

In addition, City staff believes that a PDF exemption should apply to projects, not units. If, for instance, a PDF is imposed on market-rate units within a mixed-income development, but not the affordable units, it may discourage mixed-income developments, which are preferred throughout the City, but especially in impacted areas.

Park Dedication Fees Downtown

There needs to be a policy discussion on whether or not downtown should be exempted from payment of PDFs. Downtown property owners are paying for the Special Services District; imposition of a PDF in addition to the Special Services District annual assessments may result in a new development becoming financially infeasible. On the other hand, if downtown is not included, the amount of PDFs collected could be reduced substantially and PDF funding would not be available to provide parks needed to serve new downtown employees and residents. There has been discussion about crediting the PDF the amount that a property owner pays to the Special Services District, such that owners would not be paying for both. Alternatively, developers may be credited for providing privately owned public use space such as plazas, green space beyond that required by code, etc. However, PDFs are for capital costs for development of parks, while the Special Services District pays for operating costs for enhanced services. They are fundamentally different concepts.

Nexus

The nexus (i.e., the connection between the development being assessed a PDF and the park project that would be funded by that PDF, is another issue on which we need a policy discussion. A narrow application of nexus would result in better connection between a development and use of PDFs. However, parks or park capital improvement projects may not always exist within close proximity to a development.

The Park Board draft ordinance creates a three-tiered nexus system for use of PDFs. First, they would be used within 6 blocks of the development. If there are no projects in that radius, they could be used in the neighborhood adjacent to the development. If there are no projects in the adjacent neighborhood, then they could be used for a regional park or trail.

In addition, the Park Board's draft ordinance includes use of PDFs on projects not owned by the Park Board. For instance, if a new development contains a significant plaza that is dedicated for public use, it could receive PDFs.

The PDF Calculation

City and Park Board staff does not have agreement on how to calculate the PDF. In order to meet statutory requirements, the PDF must be reasonably tied back to the value of the land, and any cash-in-lieu payments needs to be tied back in some fashion to land value.

The two methodologies that seem to work are those imposed in St. Paul and Bloomington. Without going into the detail, the St. Paul formula would generate fewer fees on comparable projects than Bloomington's. The Park Board likes the Bloomington model, but it would have be revised substantially to apply to Minneapolis.