

# Agenda Report

**TO:** City Council December 16, 2002

**THROUGH:** Finance Committee

**FROM:** City Manager

**SUBJECT:** Adjustment of the Residential Impact Fee

## **RECOMMENDATION**

It is recommended that the City Council:

1. Following the public hearing, approve the attached resolution and amend the Fiscal Year 2003 General Fee Schedule to increase the Residential Impact Fee from \$756 to \$1,604 per unit; and
2. Incorporate the Residential Impact Fee into the General Fee Schedule to be reviewed on an annual basis.
3. Direct staff to begin a review of the Residential Impact Fee calculation methodology.

## **RECOMMENDATION OF RECREATION AND PARKS COMMISSION**

At their special meeting on November 19, 2002, the Recreation and Parks Commission voted to recommend the Residential Impact Fee be increased from \$756 to \$1,604 per unit based on the full increase in land value of the Civil Defense Center property in Eaton Canyon. The Commission further recommends that the formulas used to increase this fee in Ordinance 6252 be revised within a one-year period. The Commission also believes that a different interpretation of the Quimby standard would result in a substantially higher fee based on current land valuation and a higher standard for the amount of parkland per person in Pasadena. The Commission indicated that a fee of \$1,604 is insufficient to support the goal of a park standard that meets the State's standards.

## **BACKGROUND**

Investment in parks is a priority for the City. However, the Fiscal Year 2003 Capital Improvement Program (CIP) budget identifies \$34.5 million in unfunded capital

improvements to parks. The annual funding available through grants, general fund and residential impact fees is not adequate to support the City's needs.

The Residential Impact Fee, created in 1988, is the only dedicated funding source for park improvements. This fee of \$756 per unit has not been increased since 1990 and currently generates about \$400,000 per year toward park improvements.

### **Fee Increase Calculation**

Ordinance 6252 stipulates that the residential impact fee may be increased in one of two ways. It can escalate annually at the same rate as RS-2 zoned land or the City Council may change the rate by resolution.

An index of the increase of the fair market value of land in districts with RS-2 or comparable zoning does not exist for either the City of Pasadena or any geographic area. Although indexes for housing costs are available, none identify land value alone in specific zoning districts. Sales records of homes do not provide adequate information to determine land value increases over time in particular districts. In order to determine the increase in the fair market value of land in an RS-2 district, an appraisal of a sample property must be conducted.

The initial fee and subsequent increase were calculated using an appraisal of the Civil Defense Center property in Eaton Canyon, which is located in a RS-2 zoning district. The original appraisal of the property in 1988 was \$220,930 per acre and the Residential Impact Fee was set at \$675 per unit. In 1990, the original appraiser estimated that the fair market value of the Civil Defense Center property had increased by 12 percent taking the approximate value of the property to \$247,441 per acre. Based on this estimate, the City Council raised the fee to \$756 per unit.

For the purpose of reevaluating Pasadena's current residential impact fee, a new appraisal of the Civil Defense Center property in Eaton Canyon was conducted by an outside consultant. The report from the appraisal company indicates the current per acre value of the property is \$525,000. This represents a 112 percent increase in the valuation from the 1990 appraisal. If the City increased the fee in proportion to the increase in the fair market value of this property since 1990, the fee would rise from \$756 per unit to \$1,604 per unit.

Over the past three fiscal years, there have been 1,857 new residential units built in Pasadena, generating a total of \$1.4 million in Residential Impact Fees. If building continues at this rate, the recommended increase would generate an additional \$500,000 per year in Residential Impact Fees, for a total of close to \$1 million per year. Although this still falls short of the \$34.5 million needed, it will better address the unmet capital needs throughout City parks.

### **Potential Impacts of Fee Increase**

In a study of 64 California municipalities, Pasadena's current fee is comparatively low. The study found average per unit fees ranging from \$33 to \$13,533. (Please see attachment

A for a listing of residential impact fees in other cities.) The recommended increase to \$1,604 would position Pasadena below the average of \$2,493.

The recommended increase would affect the total cost of housing construction and therefore could impact the production of affordable housing. Staff evaluated a waiver of the Residential Development Fee for affordable housing projects, but given that this fee is collected and allocated geographically, the areas where the fees are most needed would not receive funding.

### **Fee Calculation Methodology**

As described above, the current methodology for fee calculation, as stipulated in the ordinance, is somewhat cumbersome and may not be the best method by which to evaluate the real impacts of additional housing units. At the direction of Council, staff will initiate a study of alternative calculation methodologies and return to Council with a recommendation to amend the ordinance late 2003.

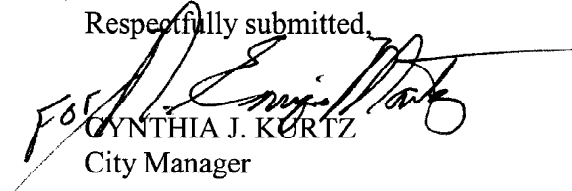
### **Park Funding Alternatives**

The intent of the Residential Impact Fee was to respond to impacts created by increased population and was not intended to be the only dedicated source of funding for park improvements. The full burden of park improvements should not be borne solely by new housing, but rather distributed between all businesses and residents. Staff is preparing a study of alternative funding sources and will present recommendations to Council in January of 2003.

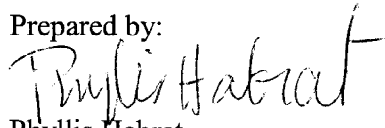
**FISCAL IMPACT**

If approved, the new Residential Impact Fee will increase from \$756 to \$1,604 per unit. The Planning and Development Department estimates 536 new residential units will be built in fiscal year 2003. If building continues at this rate in fiscal year 2004, this fee increase could generate an additional \$456,528 for a total of \$859,744 in Residential Impact Fees.

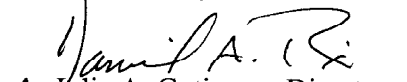
Respectfully submitted,

  
CYNTHIA J. KURTZ  
City Manager

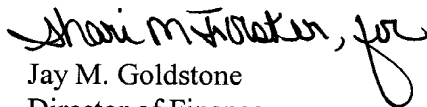
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