

Agenda Report

TO: City Council **DATE:** June 28, 2004
FROM: City Manager
SUBJECT: Residential Impact Fee Nexus Analysis and Recommendation to Change the Methodology Used to Determine the Fee Amount

RECOMMENDATION

It is recommended that the City Council direct the City Attorney to amend *Ordinance 6252 – the New Residential Impact Fee* to change the methodology used to determine the fee amount.

RECOMMENDATION OF THE RECREATION AND PARKS COMMISSION

At their June 8, 2004 meeting the Recreation and Parks Commission approved in concept the methodology to be used to calculate a new Residential Impact Fee. Their fee amount recommendation will be presented to the City Council along with the staff recommendation at a later date.

BACKGROUND

On February 24, 2003, the City Council approved an increase of the Residential Impact Fee from \$1,604 to \$3,659 per unit. At that time, Council directed staff to return in a year with a nexus study on the relationship between the Residential Impact Fee amount and the true cost and impact of future development to the City's park infrastructure. Given that the fee amount of \$3,659 was calculated under the constraints of the existing Ordinance (which was based on the land value of a single piece of property), the Council was concerned that the amount of the fee was not reflective of the burden new residential development placed on the park system.

The City engaged the services of a consultant, Brion and Associates, to conduct the analysis and prepare the nexus study. The nexus study (See Attached) indicates that the City's current impact fee of \$3,659 per unit is only a fraction of the cost of providing for new parks and recreation facilities, given the cost of land in the City. However, before the City can consider the findings of the nexus study and adjust the fee, the methodology used for determining the fee must be amended.

HISTORY OF RESIDENTIAL IMPACT FEE AMOUNTS

Pasadena's Residential Impact Fee was established in 1988 with the adoption of Ordinance 6252 – *the New Residential Impact Fee*. This fee was created to provide funds to mitigate the impact of new residential development on City parks and park facilities. The initial fee was set at \$675 per unit. On June 23, 1989, the City Council approved a twelve percent fee increase from \$675 to \$756 per unit.

The fee remained at \$756 per unit until December 16, 2002 when the City Council approved an interim increase from \$756 to \$1,604 per unit, with the direction that staff re-analyze the methodology used to determine the amount of the Residential Impact Fee. The Council also exempted affordable housing units from the fee increase, and placed the fee in the General Fee Schedule so it could be reviewed on an annual basis. Staff returned to the City Council on February 24, 2003 with a new analysis based on the existing ordinance and the Council raised the fee to its current level of \$3,659 per unit.

ORDINANCE 6252- RESIDENTIAL IMPACT FEE – CURRENT FEE CALCULATION **METHODOLOGY**

Ordinance 6252- Residential Impact Fee, stipulates that the residential impact fee may increase in one of two ways. First, it can escalate annually at the same rate as RS-2 zoned land or second, the City Council, from time to time, at its discretion, may revise, alter or change the rate by resolution. The fee increase approved in February 2003 to \$3,659 per unit, was based strictly on the valuation of the Civil Defense Center property in Eaton Canyon, which was the RS-2 zoned land that was used when the fee was originally established. However, basing the increase on a single RS-2 zoned property is not realistic. First, 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 geographical area. In addition, this type of zoned property is not representative of the type of property available for building parks. Since Pasadena is a built-out city, most additional park land will come from buying existing buildings and tearing down the structure to build a park. Therefore, staff recommends the methodology be amended to that set forth in the recently completed nexus study prepared by Brion and Associates.

NEXUS STUDY

The “Park and Recreation Impact Fee Nexus Study” prepared by Brion and Associates is based on the following assumptions:

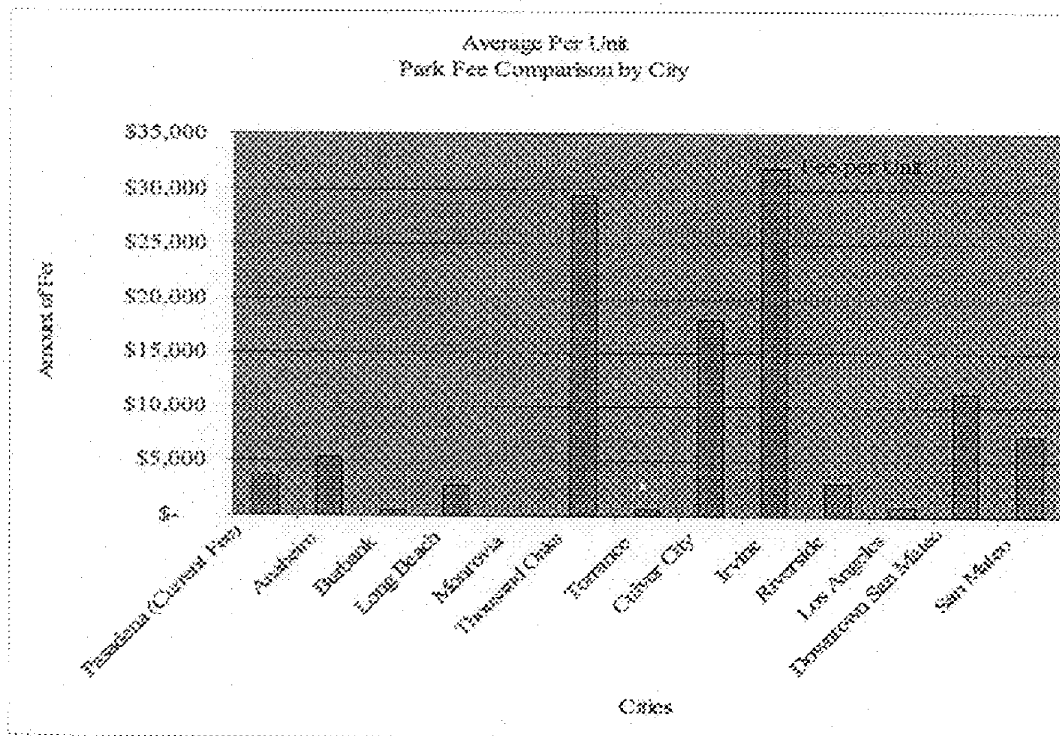
1. The City's current park acreage standards for developed park land and open space park land is 2.17 and 1.49 acres per thousand residents respectively;
2. The number of new households in Pasadena will grow by 8,100 between 2004 to 2024 or a 12.7 percent increase over the current number;
3. The total household population will grow by 20,469 from 2004 to 2024 or a 12.7 percent increase in twenty years;
4. New development's share of the City's current cost of capital improvements, and planned expansions of recreation facilities is 12.7 percent based on new development's share of households in 2024; and

- The land value in Pasadena (based on recent sales and appraisals of various properties) is \$2,921,284 per acre.

Based on these factors, the analysis indicates the impact fee calculation totals \$19,743 per new dwelling unit (see Attachment I).

FEE COMPARISON

The consultant also provided a comparison of the park impact fees from twelve California cities. The comparison found a wide variation in how park fees are assessed and the amount of the fees. The table below highlights the findings.



While Thousand Oaks' and Irvine's park impact fees are high, these cities have park and open space conditions quite different from Pasadena. Thousand Oaks' current park standard is nine acres per thousand residents because part of the Santa Monica Mountain Range runs through the city and is considered part of the available open space area. This allows the City's standard to be higher and therefore the fee can be higher.

The City of Irvine is a planned community that incorporated parks and open space into the overall development of the community. Due to the amount of land available for development, developers have the option of dedicating parkland or paying an in-lieu fee. In both of these cities, the fees are based on the average value of the project per acre and vary with each development depending on the size and location of the project. Since Pasadena is a built out city, these options are not available.

RECOMMENDED FEE AMOUNT AND ORDINANCE AMENDMENTS

If the City Council accepts the nexus study, the Residential Impact Fee Ordinance will need to be amended to allow for the factors used by the consultant to calculate the fee amount. Also, staff recommends large residential development projects have the option of dedicating land and creating a park in lieu of paying the Residential Impact Fee. This option will only be available to developments whose Residential Impact Fee amount exceeds \$500,000.

In order to take advantage of the in-lieu option, the developer would need to put up a bond in the amount of the fee, present to and get approval of a park design from the City prior to receiving a building permit for the project. The park must be built within an agreed timeframe and must meet City park standards.

Staff recommends the new fee be set at \$10,977, which is lower than the nexus study findings of a new residential development's allowable amount. Given the 17 other plan check, permit, and impact fees and taxes assessed on new residential development, increasing this fee to the full amount allowable may place an undue burden on projects. For example for a 12 unit condominium project the current, proposed and allowable fee amounts are highlighted below.

Residential Impact Fee Amount Comparisons 12 UNIT CONDOMINIUM				
Value: \$1,927,600		Area: Building 21,000 Sq Ft; Garage 9,400 Sq Ft		
		Current Fee of \$3,659	Proposed Fee of \$10,977	Maximum Fee Allowable of \$19,743
A. Plan Check				
1.	Building	\$12,352	\$12,352	\$12,352
2.	Mech/Plub/Elec	3,088	3,088	3,088
3.	Processing Fee	23	23	23
4.	Planning/Zoning	1,791	1,791	1,791
5.	Design and Historic Review	494	494	494
6.	Code Compliance	1,297	1,297	1,297
7.	Fire Department	618	618	618
8.	Public Works Department	3,706	3,706	3,706
SUBTOTAL		\$23,369	\$23,369	\$23,369
B. Permits, Taxes, Impact Fees				
1.	Building	\$12,352	\$12,352	\$12,352
2.	Mech/Plub/Elec	\$0	\$0	\$0
3.	Processing Fee	\$23	\$23	\$23
4.	Records Mgmt Surcharge/Microfilm	\$1,072	\$1,072	\$1,072
5.	Construction Tax	\$37,009	\$37,009	\$37,009
6.	SMIP Tax	\$193	\$193	\$193
7.	Residential Impact Fee	\$43,908	\$131,724	\$236,916
8.	Unified School District	\$43,050	\$43,050	\$43,050
SUBTOTAL		\$137,595	\$225,423	\$330,615
C. Other				
1.	Fire Inspection Fee	\$252	\$252	\$252
2.	Inclusionary In-Lieu Fee Waiver	\$102,430	\$102,430	\$102,430
SUBTOTAL		\$102,682	\$102,682	\$102,682
TOTAL		\$263,646	\$351,474	\$456,666

The proposed fee amount of \$10,977 is a tripling of the existing fee, or 56% of the maximum fee allowable per the nexus study, and allows for a substantial increase in the amount of the Residential Impact Fee collected.


NEXT STEP IN THE PROCESS

If the Council approves the recommendation to amend the ordinance, then staff will work with the City Attorney's Office to prepare the revised ordinance and to establish a new residential impact fee at \$10,977.


FISCAL IMPACT

Once the ordinance has been amended and a new fee amount established, there will be a increase to the Residential Impact Fee which will generate additional revenue to be used for park capital improvements and acquisitions of parkland.


Respectfully submitted,


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ATTACHMENT I

Existing and Future Park Requirements and Fees under Alternative Scenarios City of Pasadena Park Fee Nexus Study

Item	Estimated New Fee
<u>Future Development</u>	
Future Housing Units- 2004-2024	10,665
Total Household Population from 2004 to 2024	26,999
New Population as % of Total in 20 Years	16.1%
Existing Dev. Park Std. per 1,000 Pop.	2.17
Existing Open Space Std per 1,000 Pop.	1.49
<u>Land Requirements and Costs</u>	
New Dev. Park Acres Required - 2004 to 2024	58.70
New Open Space Required - 2004 to 2024	40.23
Total Acreage	98.93
Average Dev. Park Land Cost per Acre	\$2,921,284
Average Open Space Land Cost per Acre	\$527,000
Total New Park Acreage Costs	\$192,677,995
<u>Improvement Costs</u>	
Development Cost per Acre	\$150,000
Open Space Costs per acre	\$15,000
Development Costs	\$9,408,306
Total New Park Costs (land & improvements)	\$202,086,302
Improvements to Existing Parks via City CIP	\$8,503,286
Total Park & Recreation Costs	\$210,589,587
Potential Per Dwelling Unit Impact Fees	\$19,746
Existing Park Fee	\$3,659
Amount above Existing Fee	\$16,087

Sources: City of Pasadena; Brion & Associates.