

# Agenda Report

**TO:** City Council

**DATE:** September 20, 2004

**THROUGH:** Finance Committee

**FROM:** City Manager

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

## RECOMMENDATION

It is recommended that the City Council, following the public hearing:

1. Adopt the attached resolution to increase the Residential Impact Fee from \$3,659 to \$10,977 per unit;
2. Approve the Residential Impact Fee to be moved from the "General Fee Schedule" to the "Schedule of Taxes, Fees and Charges";
3. Establish the following transition criteria for projects to which the current Residential Impact Fee would apply:
  - (a) Any project which has submitted a complete set of plans for building permits and paid all plan check fees prior to the adoption of the Residential Impact Fee Resolution
4. Exempt Affordable Housing units from the fee increase.

## RECOMMENDATION OF THE RECREATION AND PARKS COMMISSION

On June 8, 2004, staff presented to the Recreation and Parks Commission a recommendation to increase the Residential Impact Fee from \$3,659 to \$10,977 per unit. The Commission recommends approval of the fee increase to \$19,743 per unit, which is the maximum amount allowable per the "Park and Recreation Impact Fee Nexus Study."

## EXECUTIVE SUMMARY

On June 28, 2004, the City Council directed the City Attorney to amend *Ordinance 6252 – the New Residential Impact Fee* to change the methodology used to determine the fee amount per the Nexus Study prepared by Brion and Associates, and to allow for an in-lieu land dedication provision. The Ordinance amendment was presented to the City Council on August 16, 2004 and received a first reading. The amended ordinance received a second reading and was approved on August 23, 2004. With the passage of the amendments to the ordinance, the City Council can adopt a fee increase based on the methodology outlined in the Nexus Study. The new fee will take effect sixty days after the date of adoption.

## BACKGROUND

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 (subdivisions, single-family dwellings, and multi-family dwellings) on City parks and park facilities. For subdivisions, the fee must be paid as a condition of approval for a tentative tract map or preliminary parcel map. For other residential developments, the fee must be paid before the issuance of a building permit.

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 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 for a Consumer Price Index (CPI) increase 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. At that time the City Council directed staff to conduct a new nexus study to determine the relationship between the fee amount and the true cost and impact of future residential development on the City's park infrastructure. The Council was concerned that the amount of the fee was not reflective of the burden new residential development placed on the park system.

Over the last ten fiscal years, \$3,915,651 of Residential Impact Fee revenue has been collected.

<b>Fiscal Year</b>	<b>Residential Impact Fees Collected</b>
1995	127,008
1996	251,016
1997	105,742
1998	68,796
1999	19,818
2000	76,993
2001	855,792
2002	265,356
2003	1,254,126
2004	891,004
<b>Total</b>	<b>3,915,651</b>

#### **NEXUS STUDY**

The City engaged the services of a consultant, Brion and Associates, to conduct an analysis of Pasadena's existing park supply and future demand and prepare the nexus study. The nexus study 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. The "Park and Recreation Impact Fee Nexus Study" is based on the following assumptions:

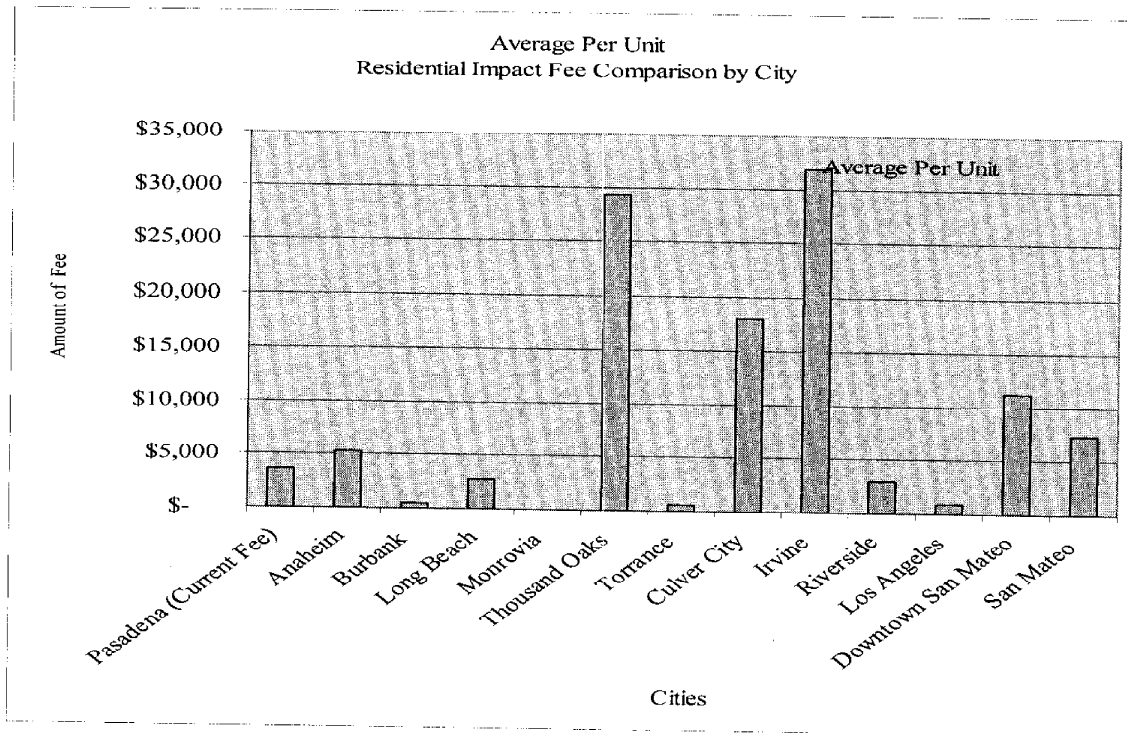
1. The City's current park acreage standards for developed park land and open space park land is 2.17 and 1.49 acres per thousand residents respectively;
2. The number of new households in Pasadena will grow by 8,100 between 2004 to 2024 or a 12.7 percent increase over the current number which is consistent with the General Plan Draft Land Use Element;
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
5. 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 could be as high as \$19,743 per new dwelling unit.

#### **FEE COMPARISON**

The consultant also provided a comparison of the residential impact fees from twelve California cities. The comparison found a wide variation in how residential impact

fees are assessed and the amount of the fees. The table below highlights the findings.



While Thousand Oaks' and Irvine's residential impact fees are high, these cities have park and open space conditions quite different from Pasadena. Thousand Oaks' current park standard is high at nine acres per thousand residents. 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.

Staff recommends the new fee be set at \$10,977 per unit, 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. In addition to the current fees, staff is researching the feasibility of imposing a Residential Impact Fee for traffic. This fee would go towards mitigating traffic impacts caused by an increase in residents. 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.	<b>Residential Impact Fee</b>	<b>\$43,908</b>	<b>\$131,724</b>	<b>\$236,916</b>
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 *	\$252,000	\$252,000	\$252,000
SUBTOTAL		\$252,252	\$252,252	\$252,252
<b>TOTAL</b>		<b>\$413,216</b>	<b>\$501,044</b>	<b>\$606,236</b>

\*Note: Fee is based on a residential development in Sub-area D (South of 210 Freeway to South City Limits from East City Limits to Fair Oaks Avenue to the west) at \$12/square foot.

To see how Pasadena's development fees and taxes compare with other jurisdictions, staff utilized the services of a consultant to examine the development costs for single-family homes and multi-unit dwellings for the Cities of Burbank, Anaheim, Glendale, Long Beach, and Monrovia (See Attachment A). Staff added Culver City to the analysis since Culver City's Residential Impact Fee was closest to and within the range of the City of Pasadena's maximum Residential Impact Fee per the nexus study.

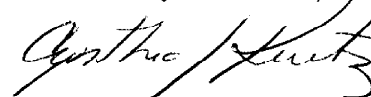
For single family homes, based on the current Residential Impact Fee of \$3,659 per unit, Culver City's development fees are the most expensive, followed by Anaheim and Pasadena. With a proposed Residential Impact Fee rate of \$10,977 per unit, Culver City is still the most expensive city followed by Pasadena and Anaheim. If the fee was raised to \$19,743 per unit, Pasadena's development fees would be the most expensive, followed by Culver City and Anaheim. For multi-unit developments, which are subject to the Inclusionary Housing In-lieu Fee Ordinance Pasadena had the highest fees and taxes followed by Culver City. For developments that choose to pay the fee, Pasadena's fees are more than double Culver City's fees. If the Inclusionary Housing In-Lieu Fee was not included, Pasadena is nine percent higher than Culver City.

Projects that are fully vested (i.e. have obtained approval for a tentative tract map or preliminary parcel map or issued a building permit) will pay the current fee of \$3,659 per unit prior to the new effective fee date. Affordable Housing will pay \$756 per dwelling unit.

### FISCAL IMPACT


If approved, the increase will generate additional revenue to be used for park capital improvements and the acquisition of parkland. In FY 2004, \$891,004 in Residential Impact Fees was collected on approximately 244 dwelling units. If building continues at this rate in a fiscal year, the new fee amount of \$10,977 per unit would generate \$2,678,388 or an additional \$1,787,384 in Residential Impact Fees.

Respectfully submitted,

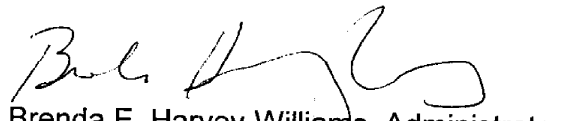


CYNTHIA J. KURTZ  
City Manager

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Martin Pastucha  
Director, Department of Public Works

ATTACHMENT A

**Pasadena Residential Development Fee Comparison**

	Pasadena	Anaheim	Burbank	Glendale	Long Beach	Monrovia	Culver City
Single Family	At \$3,659 At \$10,977 At \$19,743	\$18,493 \$25,811 \$34,577	\$8,273	\$11,213	\$9,822	\$9,703	\$27,233
Condominium (12 Units)	with Inclusionary at \$3,659 with Inclusionary at \$10,977 without Inclusionary at \$10,977	\$413,216 \$501,044 \$249,044	\$72,738	\$84,886	\$68,191	\$79,442	\$226,370

Fees and taxes include: Plan Check, Permits, Construction Taxes, Park Impact Fees, School District Fees.  
Assumes all entitlements are in place.

In February 2003, Kosmont Partners was hired to do a comparison analysis of development fees. This comparison is based on that analysis but includes Pasadena's updated fee schedule.

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA  
AMENDING THE SCHEDULE OF TAXES, FEES AND CHARGES TO INCLUDE  
THE RESIDENTIAL IMPACT FEE AND TO INCREASE THE FEE FROM \$3,659 TO  
\$10,977 PER UNIT

WHEREAS, the City of Pasadena established a Residential Impact Fee consistent with the General Plan and Government Code Section 66477 through the adoption of Ordinance number 6252 in 1988; and,

WHEREAS, the purpose of this fee is to assure that neither the existing supply of park land nor the current facilities in the existing parks, will be adversely impacted by new residential development, thereby maintaining the proper balance between the number of residents in the community and the amount of park and recreational facilities available; and,

WHEREAS, Ordinance No. 6252 was amended on August 23, 2004 to change the methodology used to determine the fee amount per the Nexus Study prepared by Brion and Associates in June 2004; and

WHEREAS, the fee increase from \$3,659 to \$10,977 per unit is within the nexus study findings of a new residential development's allowable amount; and,

WHEREAS, the Schedule of Taxes, Fees and Charges be amended to include the Residential Impact Fee so that the fee will increase annually by CIP and in future years, any recommended fee increases will be presented to the City Council at the same time as other City fee adjustment recommendations;



NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Pasadena that, (1) the Residential Impact Fee is increased from \$3,659 to \$10,977; and, (2) The Schedule of Taxes, Fees and Charges is amended to include the Residential Impact Fee.

Adopted at the regular meeting of the City Council on the \_\_\_\_\_ day of \_\_\_\_\_, 2004, by the following vote:

AYES:

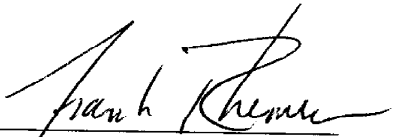
NOES:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
Jane Rodriguez  
City Clerk

APPROVED AS TO FORM:

  
\_\_\_\_\_  
Frank Rhemrev  
Assistant City Attorney

## Rodriguez, Jane

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**From:** Tim Alderson [Tim.Alderson@verizon.net]  
**Sent:** Monday, September 13, 2004 3:29 PM  
**To:** jrodriguez@ci.pasadena.ca.us  
**Cc:** shaderlein@cityofpasadena.net  
**Subject:** Item for Sept. 20 Council Meeting



ImpactFeesLetter.d  
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Jane Rodriguez

City Clerk:

Attached is a letter I have sent to the Pasadena Star News in support of the Recreation & Parks Commission's recommendation to the City Council regarding the Residential Impact Fee. I would very much appreciate it if you would make this part of the public record for the September 20 meeting of the Council and distribute copies to each council member. This is to be considered separate and distinct from the staff recommendation regarding the same issue. Thank you for your help with this.

Tim Alderson  
Recreation & Parks Commission

Larry Wilson  
Pasadena Star News  
911 E. Colorado Blvd.  
Pasadena, CA 91109

September 13, 2004

Dear Mr. Wilson,

On September 20, the Pasadena City Council will have an opportunity to undo a continuous thirty-year decline in access to parkland for Pasadena residents. Some, however, are concerned that such an effort on the part of the Council to preserve a standard of living for its constituents will have a negative impact on future development in our city. This vote will be a watershed moment for this council. The outcome will clearly communicate where its priorities lie.

The National Recreation and Park Association recommends that a municipality provide between 6.25 and 10.5 acres of parks per 1,000 residents. After thirty years without any new parks and an increase in population of approximately 19% over that time period, Pasadena is now down to just 2.17 acres of parks per 1,000 residents. With the expected growth in population of 18% over the next twenty years, that ratio will continue to decline if something is not done now.

Increased population places increased demands on our park infrastructure. More people means more competition for playgrounds, ball fields, swimming pools, tennis courts, picnic areas and other such things. This situation is exacerbated by the fact that the majority of new residential development in Pasadena consists of multi-family housing, the kind of housing in which residents do not have their own backyards. Further, much of this development is taking place in the central part of the city where parks are already at a premium. The development of new housing units creates a significant impact on our park infrastructure.

Historically, the City has sought to mitigate this impact by requiring developers to pay a Residential Impact Fee. Recently, however, it has become clear that the current fee is recouping only a fraction of the true cost of providing new parks and recreation facilities. A study commissioned last year by the City Council has concluded that the Residential Impact Fee needs to be set at \$19,746 per new housing unit built if we want to simply maintain our already substandard ratio of parks to people. This report was endorsed by the City's Recreation and Parks Commission and unanimously endorsed by the City Council.

On September 20, the City Council will vote on this fee increase. While the Recreation and Parks Commission has supported the increase, others are urging the Council to impose a fee that will cover only about half of the true cost of new park infrastructure. They argue that the higher fee may be considered burdensome by developers.

It is my strongly held personal opinion that any financial burden this fee may pose to developers pales in comparison to the burden placed on Pasadena residents, both current and new, by unmitigated development. If our city is to continue growing it needs to do so in a manner that, at a minimum, maintains our current standard of living. If the cost of sustainable development becomes too high for developers, then perhaps the cost will keep unsustainable development in check.

\$19,746 per new housing unit is what it will cost to retain our current ratio of parks to people as our population grows. If the City Council votes to impose a lower fee, the only reasonable conclusion to be drawn is that the Council values development more highly than the quality of life in Pasadena. I am optimistic that this is not the case and that the Council will see clear to do the right and reasonable thing by voting to impose this fee and preserve our standard of living for the future.

Respectfully,

Tim Alderson  
Recreation & Parks Commission, City of Pasadena

cc: Pasadena City Council