

Agenda Report

September 22, 2014

TO: Honorable Mayor and City Council

THROUGH: Finance Committee

FROM: Department of Public Works

SUBJECT: PUBLIC HEARING – PROPOSED AMENDMENT TO SCHEDULE OF TAXES, FEES AND CHARGES FOR FISCAL YEAR 2015 TO INCREASE RESIDENTIAL IMPACT FEES BY FIVE PERCENT, AND AMENDMENT TO PASADENA MUNICIPAL CODE SECTION 4.17 TO ADD NEW POCKET PARK CLASSIFICATION

RECOMMENDATION:

It is recommended that the City Council:

1. Find the amendments proposed herein are exempt from environmental review pursuant to State CEQA Guidelines Section 15061(b)(3) (“general rule”) Section 15378(b)(4) (definition of project excludes government fiscal activities which do not involve any commitment to any specific project);
2. Following the public hearing, adopt the attached resolution to increase the Residential Impact Fee (RIF) by five percent as outlined in the Fiscal Impact Section of this report;
3. Establish transition criteria to determine which projects the current Residential Impact Fee will apply - any project which has submitted a complete set of plans for building permits and paid all plan check fees prior to the effective date of the attached resolution;
4. Maintain the current language in Pasadena Municipal Code (PMC) 4.17.60 which allows the Residential Impact Fee to be used for park acquisition, construction and installation; and
5. Direct the City Attorney to prepare an ordinance within 60 days amending Section 4.17 of the Pasadena Municipal Code to add a new park classification for pocket parks as outlined in the body of the report.

RECREATION AND PARK COMMISSION RECOMMENDATION:

On March 4, 2014, the Recreation and Park Commission:

1. Endorsed a five percent increase to the current Residential Impact Fee as outlined in the Fiscal Impact Section of this report until a comprehensive study of all development-related fees is completed;
2. Supported the consultant's recommendation to maintain the current language in Pasadena Municipal Code 4.17.60 which allows for the Residential Impact Fee to be used for park acquisition, construction and installation;

On September 9, 2014, the Recreation and Park Commission supported the Department of Public Works recommendation to add a new park classification for pocket parks as outlined in the body of this report.

EXECUTIVE SUMMARY:

In June 2013, the City contracted services with Brion and Associates to conduct a review and analysis of the RIF and prepare a nexus study. The nexus study determined that the RIF could be increased by as much as 41.6 percent. However, the City needs to consider this fee amount in the context of all development-related fees. As a result, the Department of Public Works recommends a five percent increase until a comprehensive development fee study is completed. A draft of the study has been completed and the findings will be presented to the Economic Development and Technology Committee in fall 2014.

In addition, Department of Public Works recommends amending Section 4.17 of the PMC to add a pocket park classification. Pocket parks which are small urban outdoor spaces, usually less than one acre in size that are open to the general public. Pocket parks create public outdoor spaces that may include amenities such as seating areas, plazas, rest areas, landmarks and public art installations. They are typically found in urbanized areas of the City and primarily serve the immediate local population. The City currently has one official pocket park, the Sid Tyler Pocket Park located at 812 Lakewood Place.

BACKGROUND:

On October 3, 2005, the City Council adopted a resolution that changed the methodology and amount of the Residential Impact Fee from a flat fee of \$10,977 per unit to a variable fee based on the number of bedrooms. At that time the fee ranged from \$14,588 for a studio to \$27,003 for a home with five or more bedrooms. Affordable housing units, student housing on property owned by and/or developed in conjunction with an accredited post-secondary educational institution, and skilled nursing units paid a reduced fee of \$756 per unit. Furthermore, if the Inclusionary Housing Ordinance applied to the development, the non-affordable units received a 30 percent discount on the RIF.

The resolution also provided an incentive for developers to build workforce housing by offering a rebate on the RIF for eligible units. Finally, the PMC allowed the RIF to increase annually by CPI. As a result, the RIF now ranges from \$16,709 for a studio to \$30,929 for a home with five or more bedrooms and affordable housing units, skilled nursing units and student housing units pay \$866.

Since 2005, the City has collected nearly \$19.4 million from residential impact fees. These funds have been used to make improvements in existing parks as well as increase City parkland by 64 acres. During this time period, per capita park acreage increased from 3.66 to 4.62 acres per 1,000 residents.

<u>New Parks – Since 2005</u>	<u>Acres</u>
Annandale Canyon	24.30
Desiderio Park	3.80
Linda Vista School Park	2.00
Madison Elementary	1.50
Subtotal – New Parks	31.60

<u>Added Acreage to Existing Parks – Since 2005</u>	<u>Acres</u>
Robinson Park	2.36
Hahamongna Watershed Park Annex	30.00
Subtotal – Existing Parks	32.36

Total - Increased Park Acreage 63.96

The City has 29 existing parks that encompass approximately 373 acres and almost 260 acres of open space for a total of 633 acres of parks and open space. It is important to note that these figures do not include the approximately 190 acres of the Brookside Golf Course. While located in Brookside Park, since the golf course is not open to the general public without paying a fee, it is considered a specialty recreation facility.

In June 2013, the City of Pasadena contracted consulting services with Brion and Associates to conduct a review and analysis of the RIF and prepare a nexus study. Section 4.17.050(E) of the PMC requires the RIF to be reviewed every five years. The analysis is required to be based on a review of residential land values in the City. While the PMC requires this review take place every five years, due to staff shortages, this is the first review of the RIF since its revised collection methodology became effective December 2, 2005.

Specifically, the consultant was asked to:

1. Conduct a RIF nexus study update – review and analyze the existing RIF amounts and validate or calculate fee amounts based on current residential land values;

2. Develop and recommend a distribution methodology to balance the City's ability to fund capital improvement projects as well as acquire new parkland and open space; and
3. Conduct a comparative study of the park impact fees of 12 comparable cities to determine their fee calculation methodologies, amount of revenue generated annually, and how each city uses their fee revenue.

Residential Impact Fee Nexus Study Update

The *Park and Recreation Residential Impact Fee Nexus Study Update* – February 18, 2014 (Attachment A) provides the technical analysis required by the principles of the Mitigation Fee Act or Government Code 66000 to determine the legally allowable amount of the RIF. The factors used to calculate the fee are land values, demand for parks based on existing service and park standards, and average park construction costs.

The Nexus Study based its findings on the following assumptions:

1. The City's current park acreage ratio for developed park land and open space park land is 2.73 and 1.89 per thousand residents respectively;
2. The number of new housing units in Pasadena will grow by 12,878 between 2013 to 2035 or a 17.6¹ percent increase over the current number of 60,478 housing units;
3. The total household population will grow by 24,654 from 2013 to 2035 or a 15.2 percent increase over the current figure of 137,222;
4. The land value in Pasadena (based on recent sales and appraisals of various properties) is \$3.8 million per acre for park land and \$244,464 per acre of open space land;
5. Park development costs are approximately \$250,000 per acre; and
6. Based on the FY 2014 – 2018 CIP budget, the total estimated costs of the City's unfunded capital improvements needs totals \$124 million. New development is expected to pay for portion of these costs based on future population growth. Therefore, new development's share of this cost is \$18.9 million (15.2 percent).

Based on these factors, the nexus study and analysis indicates that the FY 2014 RIF amounts could be increased by 41.6 percent to the below listed levels:

Bedrooms	FY 2014 Fee (\$) per Unit	Maximum Allowable Fee (\$) per Unit
Studio	16,618	23,533
1	17,538	24,835
2	19,478	27,583
3	22,399	31,719
4	27,215	38,540

¹ Estimate provided by the Planning and Community Development Department in 2013 based on direction from the City Council as to what should be studied in General Plan EIR. The Final General Plan may result in changes to estimates.

Bedrooms	FY 2014 Fee (\$) per Unit	Maximum Allowable Fee (\$) per Unit
5 or more	30,761	43,562
Affordable housing; skilled nursing facility; student & housing	861	1,219

Distribution Methodology - Use of the Fee

The consultant was further asked to develop and recommend a distribution methodology to balance the City’s ability to fund capital improvement projects as well as acquire new parkland and open space (see Attachment B - *Fixed Funding Ratio for Park Land versus Improvements*). The consultant reviewed the implementation policy statement on page 25 of the adopted *Open Space and Conservation Element* (January 2012) which calls for the City to “Develop a plan to establish a fixed ratio for spending the RIF so that it emphasizes acquisition rather than repairs...”

The consultant does not recommend the City implement a policy to restrict a portion of the RIF revenue for land acquisition only; nor set a prescribed funding plan by park district for the following reasons:

1. In a built-out City, it takes time for land to become available for acquisition. If funds are restricted to X percent for land and X percent for improvements, it reduces flexibility in being able to use 100 percent for acquisition when needed;
2. Fees must be appropriated within five years. Holding funds solely for land acquisition runs risk that they may not be available when needed or may sit for more than five years;
3. City often leverages RIFs to gain grants. Flexibility allows staff to leverage available funds for the maximum benefit to the community;
4. Generally, RIFs should be spent in the park district where the fee is generated but need not be restricted to only that district. The City needs flexibility in funding park and open space projects; and
5. Park capital improvements and replacements enhance the functionality of existing parks to better serve the community. Limiting funds for purpose of acquisition may create a situation where a great project lacks adequate funding.

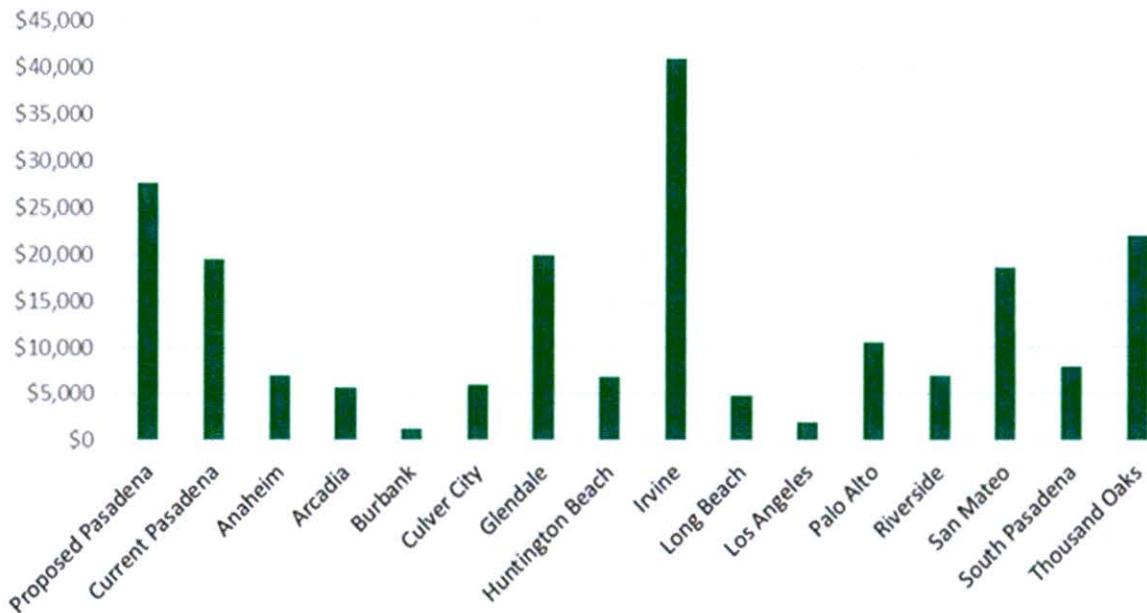
Comparison of Park Impact Fees in Other Cities

The consultant conducted a comparison of other cities’ park impact fees to determine their proposed fee amount, calculation methodology, amount of revenue generated annually and uses of the fee. City staff provided an initial list of cities that were used in the last study. Additional cities with park impact fees were also added to the list. Although most cities surveyed had some type of fee program, the basis and the amount of the fees varied greatly as demonstrated in Table 1, page 5 from the Brion & Associates’ Memorandum – *Final Draft Comparison of Park Impact Fees in Other Cities* (Attachment C).

According to the consultant, “Cities with fees that are correlated to current land or market value are more comparable” to Pasadena’s program. The bar graph below shows the fee amounts for a two bedroom single family home. The cities of Irvine and Thousand Oaks

have fees based on market land values. The graph below demonstrates Pasadena's proposed fee is in-line with both of these cities' fees.

Park Fee Comparisons for Single Family 2-Bedroom Unit



Recommended Fee Increase

While the nexus study calculates a 41.6 percent increase in RIF, an increase of this magnitude could have significant impacts on residential development. For example the increase for a two bedroom house would be \$8,105 and, the increase to an apartment building with ten, two-bedroom units would be approximately \$81,000. In the context of all development-related fees in Pasadena, this increase could make building more housing in Pasadena cost prohibitive. As such, the City needs to consider the impact of increasing this fee in the context of all development-related fees. Therefore, the Department of Public Works recommends increasing RIF by five percent at this time, until a comprehensive study of all development-related fees is completed. The Economic Development Division has hired an outside consultant to conduct this study and a draft has been received. The final report will be presented to Economic Development and Technology Committee in fall 2014.

Park Classifications

At the July 8, 2014 Recreation and Parks Commission meeting, the Department of Public Works presented a report recommending the RIF district boundaries be eliminated for the purpose of where the fee could be spent. This recommendation was not supported by the Commission. Instead, the Commission approved the language adopted in March 2014 from the Residential Impact Fee Nexus Study and requested staff to provide a report on the Department of Public Works initiative to update and prioritize the 2003 Pocket Parks Inventory.

Pocket parks are small urban outdoor spaces that typically serve the immediate residential or workforce population. As Pasadena is a built-out City, it has become increasingly difficult to find enough land to develop a traditional neighborhood park, especially in the densely populated Central District and other green space gap areas as identified in the Green Space Gaps Map (Attachment D). As a result, pocket parks may be the best alternative to providing recreational spaces. Currently, Section 4.17.040 of the PMC (see Attachment E) allows the RIF to be used on the three following park designations.

- Neighborhood Parks: Facilities which are one to six acres in size and designed primarily to provide facilities for preschool and elementary age children. They may be combined with or be located adjacent to elementary schools. They primarily serve the immediately surrounding residential area;
- Community Parks: Facilities which are five to 25 acres in size and designed primarily for recreational activities of all age groups. They serve and attract users from a wider community than the neighborhood parks. They may be combined with or be located adjacent to junior high or high school sites; and
- City-wide Parks: These parks afford contact with the natural and/or historic environment and possess a unique character or function not found in neighborhood or community parks. They contain facilities which are used by residents throughout the City for activities which cannot be accommodated in other parks.

With the increased urbanization of Pasadena and the lack of available parcels suitable for traditional parks, the existing park classifications no longer reflect all possible park options. Most new residential developments are multi-family housing and do not contain significant outdoor areas. This creates a need for additional recreational and urban green spaces. To address this need, the allowable uses of the RIF included in Section 4.17.040 of the PMC should be expanded to include pocket parks as defined below.

- Pocket Parks: Small urban outdoor spaces, usually less than one acre in size that are open to the general public. These public outdoor spaces that may include amenities such as seating areas, plazas, rest areas, landmarks and public art installations. They are typically found in urbanized areas of the City and primarily serve the immediate local population.

Adding this new classification will provide more flexibility in creating recreational and urban green spaces for Pasadena residents. Other subsections of Section 4.17 of the PMC may also require amendment to address the pocket parks. The Department of Public Works will work with the City Attorney's Office in this regard.

Other Recreation and Parks Commission Actions

Over the course of six months (3/4/14 – 9/9/14) the Department of Public Works met with the Recreation and Parks Commission at four of their meetings to discuss and consider various aspects of the RIF.

On March 4, 2014, the Commission requested staff to add an overlay showing the locations of residential development to the Green Space Gaps Map from the Green Space, Recreation and Parks Master Plan to determine the location of parks as compared to the location of the residential development and to provide park district boundaries and the per capita acreage of parks by district. In addition the Commission requested staff to review the current allocation of RIF (90% to the district where generated/10% to the city-wide parks) and add flexibility so that fund, or a portion of the funds, can be used where needed, regardless of district of origin.

On May 6, 2014, the Department of Public Works presented an informational report to the Commission with the items requested at their March 4th meeting. As part of the discussion, the Commission asked staff to further review the current allocation of the RIF and develop a distribution method that provides flexibility so that RIF funds, or a portion thereof, can be used where needed, regardless of district of origin.

On July 8, 2014, the Department of Public Works presented five RIF distribution options to the Commission for consideration, and proposed that to provide the most flexibility the Commission eliminate park districts for the purpose of distributing RIF and to allow the fees to be used for park acquisition and capital improvement projects regardless of where the fee is generated. Following public input and discussion, the Commission unanimously voted not to support the Department of Public Works recommendation and to continue the use of the existing park district RIF allocation method. The Commission further requested the Department of Public Works provide information on the initiative to update and prioritize the 2003 Pocket Parks Inventory.

Finally on September 9, 2014, the Recreation and Park Commission supported the Department of Public Works recommendation to add a new park classification for pocket parks as discussed above.

COUNCIL POLICY CONSIDERATION:

The City Council's strategic planning goals of maintaining fiscal responsibility and stability and improve, maintain and enhance public facilities will be advanced by increasing the Residential Impact Fee. Amending PMC 4.17 to add the classification of pocket parks would further the City Council's strategic goals of supporting and promoting the quality of life in Pasadena as well as advance one of the implementation measures of the Open Space and Conservation Element of the General Plan which is to "Seek out and develop pocket parks, paseos and other urban open spaces" and one of the implementation measure of the Green Space, Recreation and Parks Master Plan which is to acquire "addition urban open space and parks..."

ENVIRONMENTAL ANALYSIS:

The action proposed herein is exempt from environmental review pursuant to State CEQA Guidelines Section 15061(b)(3), the “general rule” that CEQA does not apply when it can be seen with certainty that a project will not have a significant environmental effect. The action proposed herein is not the acquisition of any particular land, or the construction of any particular project. Instead, the action proposed herein is a change to a financial policy regarding how residential impact fees may be spent. CEQA Guidelines Section 15378(b)(4) further exempts from the definition of “project” government funding mechanisms which do not involve any commitment to any specific project that may have a significant environmental effect. If and when such resources may be used on a park project, the project would be subject to environmental review at that time.

FISCAL IMPACT:

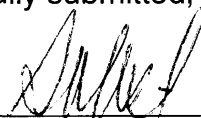
The amount of Residential Impact Fees collected each year varies and is based on the number of new residential units built. Over the last five fiscal years, the City has collected \$9.8 million in RIF as shown below:

Fiscal Year	RIF Collected (\$)
FY 2010	3,010,000
FY 2011	988,600
FY 2012	353,200
FY 2013	366,000
FY 2014	5,117,386
Total	9,835,186

The recommended five percent increase in the FY 2015 fee amount will result in the below listed fees. It is important to note that the FY 2015 Schedule of Taxes, Fees and Charges was adopted on June 16, 2014 and resulted in all fees on the Schedule increasing by 0.54 percent.

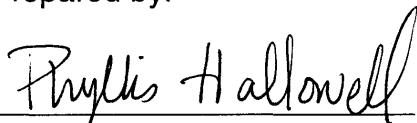
Bedrooms	FY 2015 Fee (\$ per Unit)	Recommended Fee (\$ per Unit)
Studio	16,708.93	17,544.38
1	17,633.25	18,514.91
2	19,583.85	20,563.04
3	22,520.63	23,646.66
4	27,363.33	28,731.50
5 or more	30,928.93	32,475.38
Affordable housing; skilled nursing facility; & student housing	865.91	909.21

Respectfully submitted,



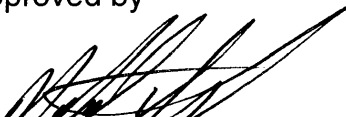
SIOBHAN FOSTER
Director of Public Works

Prepared by:



Phyllis Hallowell
Management Analyst V

Approved by



MICHAEL J. BECK
City Manager

Attachments:

- Attachment A – *Park and Recreation Residential Impact Fee Nexus Study Update- February 18, 2014*
- Attachment B – *Memorandum Fixed Funding Ratio for Park Land versus Improvements*
- Attachment C – *Memorandum Final Draft Comparison of Park Impact Fees in Other Cities*
- Attachment D – *Green Space Gaps Map of the Green Space, Recreation and Parks Master Plan*
- Attachment E – *Pasadena Municipal Code 4.17*