



Agenda Report

September 23, 2019

TO: Honorable Mayor and City Council

FROM: City Manager

**SUBJECT: ADOPTION OF GUIDELINES FOR PUBLIC BENEFIT PAYMENTS
RELATED TO DEVELOPMENT AGREEMENTS WITH TAX-EXEMPT
INSTITUTIONS**

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the actions proposed herein are exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3) (Common Sense Exemption); and
2. Adopt the proposed guidelines for Public Benefit Payments related to Development Agreements with tax-exempt institutions.

BACKGROUND:

On July 15, 2019, the City Council approved staff's recommendation to adopt a policy whereby Development Agreements between tax-exempt institutions and the City include the provision of a Public Benefit Payment made by the institution to the City.

As discussed in greater detail in the July 15th report (attached), a Development Agreement is a voluntary agreement between the City and a developer that, among other things, provides assurances to the developer that the land-use regulations that apply to a project will not change during the term of the agreement.

The rationale behind Public Benefit Payments is that the development or expansion of large non-profit institutions places certain burdens on municipalities to provide services including police, fire, emergency medical response, library, recreation and parks. However, because these institutions do not pay property taxes, the primary source of local government revenues in California, the local municipality receives no financial benefit related to the development to offset any of these additional burdens.

During the discussion on July 15th, a number of questions were raised by Councilmembers regarding the future applicability and scope of such a policy. At the

conclusion of the discussion, staff was directed to return in September with proposed guidelines for the application of the adopted policy. Accordingly, staff is recommending the Council adopt the following Guidelines for the Application of Public Benefit Payments in Development Agreements with Non-Profit Institutions.

SCOPE: These Guidelines shall apply to all Development Agreements between the City of Pasadena and Non-Profit Institutions meeting the following Applicability standards.

APPLICABILITY: Any agreement for the development of 50 or more housing units.

AMOUNT: The amount of Public Benefit Payment should initially be based upon the estimated property tax increment the City would otherwise receive based on the value of improvements made by the developer were it a non-tax exempt entity. The actual amount will be the result of negotiation between the City and the Developer.

ENVIRONMENTAL ANALYSIS:

Under the California Environmental Quality Act (CEQA), the policy to include a Public Benefit Payment in future Development Agreements between the City and tax-exempt institutions is not a "project" in and of itself, and is therefore not subject to environmental review pursuant to State CEQA Guidelines Section 15061(b)(3) (Common Sense Exemption). Any future Development Agreement will be analyzed in compliance with CEQA.

COUNCIL POLICY CONSIDERATION:

The proposed recommendation furthers the City Council's strategic plan goal to maintain fiscal responsibility and stability.

FISCAL IMPACT:

The amount of any future funds collected through Public Benefit Payments from Tax-exempt institutions cannot be estimated at this time. Currently, the policy is applicable to only one Development Agreement, that is with ArtCenter College of Design. Under the terms of that Agreement, ArtCenter will pay the City up to \$200,000 per year (\$50,000 for each building it constructs under its Master Plan) for the year life of the Agreement.

Respectfully submitted,



STEVE MERMELL
City Manager