

# Agenda Report

**TO:** CITY COUNCIL

**DATE:** July 17, 2006

**THROUGH:** Finance Committee (July 17, 2006)

**FROM:** CITY MANAGER

**SUBJECT: PUBLIC HEARING: AMENDMENT TO THE SCHEDULE OF TAXES, FEES AND CHARGES TO REVISE THE NEW DEVELOPMENT IMPACT FEE AND TO ESTABLISH THE TRAFFIC REDUCTION AND TRANSPORTATION IMPROVEMENT FEE**

## RECOMMENDATION

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

1. Find this amendment is not subject to CEQA pursuant to State CEQA Guidelines Section 15378(b)(4) (definition of project excludes government fiscal activities which do not involve any commitment to any specific project); and;
2. Direct the City Attorney to amend Chapter 4.19 of the Pasadena Municipal Code - New Development Impact Fee in the following manner:
  - a. Change the title of the existing New Development Impact Fee to Traffic Reduction and Transportation Improvement Fee;
  - b. Change from a single fee of \$3.22 per square foot of net new industrial, office, and retail development to a fee of \$3.10 for Industrial Use, \$3.72 for Office Use, and \$8.62 for Retail Use per net new square foot of development;
  - c. Establish a fee of \$2,480 per net new Residential Unit;
  - d. Provide an incentive for developers to construct for sale or rent affordable housing units by offering a 50 percent discount on the Traffic Reduction and Transportation Improvement Fee. For affordable housing units built on-site, per Title 17.42 of the Pasadena Municipal Code, the affordable units will receive a 75 percent discount on the Traffic Reduction and Transportation Improvement Fee;

- e. Provide an incentive for developers to construct for sale or rent workforce housing units by offering by a 50 percent discount on the Traffic Reduction and Transportation Improvement Fee when at least 15 percent of a development is within the price range of 121 to 150 percent of Average Median Income (AMI) for Los Angeles County;
  - f. Provide an incentive for developers to construct for sale or rent workforce housing units by offering by a 35 percent discount on the Traffic Reduction and Transportation Improvement Fee when at least 15 percent of a development is within the price range of 151 to 180 percent of Average Median Income (AMI) for Los Angeles County
3. Establish the following implementation criteria for residential development projects and transition criteria for projects to which the current Commercial Development 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 effective date of the Traffic Reduction and Transportation Improvement Fee would not be subject to the new Fee.
  4. Direct the City Attorney to prepare an ordinance for Council adoption establishing the Traffic Reduction and Transportation Improvement Fee within 60 days.

### **TRANSPORTATION ADVISORY COMMISSION**

The Transportation Advisory Commission (TAC) reviewed the Traffic Reduction and Transportation Improvement Fee at their regular meetings on April 6, May 5, and June 1, 2006. At the June 1 meeting the TAC approved the following three motions regarding the proposed fee:

1. TAC concurred with the staff recommendation regarding the fee cost and implementation criteria.
2. TAC recommended formatting changes to the Council Agenda Report that included:
  - a) Changing the Fee Title to "Fair Share Traffic Reduction & Transportation Improvement Fee";
  - b) Amending the table of projects funded through the fee to list Transit Improvements first;
  - c) Modifying the Question and Answer section to include a discussion of how the fee will reduce trips and enhance mobility;
  - d) Amending the Question and Answer section to explain how the Fee is "car trip" based and how Transit Oriented Developments were considered in the fee calculation.
3. TAC asked that the following policy recommendations regarding the fee be forwarded to the Council:

- Transit improvements should receive priority over intersection and street widenings
- Council should direct staff to move forward to identify a site for a new ARTS bus yard
- Council should direct staff to consider fee reductions for creative approaches that can demonstrate dramatic car trip reductions associated with new developments

### **EXECUTIVE SUMMARY**

Through the update of the City of Pasadena's General Plan Land Use and Mobility Elements, City Council directed staff to prepare a nexus study that would develop a "fair share" transportation impact fee. The Transportation Development Impact Fee Nexus study is in keeping with the City's Smart Growth plans to anticipate and mitigate the impacts of growth on City streets, including protecting neighborhoods from increased traffic. Based on the dimension, location and type of development, it is anticipated that the fee would fairly and accurately charge for the new transportation infrastructure and facilities required to accommodate new development. The fee would augment scarce public resources. Funds collected through the fee would be used to implement the transportation improvement projects identified in the Mobility Element required to address the traffic generated by new development.

### **BACKGROUND**

During the final development of the update to the City's General Plan Land Use and Mobility Element, the Transportation Advisory Commission recommended that the City explore the creation of a new traffic impact fee on residential and commercial developments of all sizes that would fund projects that would reduce car trips and enhance mobility.

The Fee has been structured to implement the Four Major Mobility Element Objectives:

- Promote a livable and economically strong community
- Encourage non-auto travel
- Protect Neighborhoods
- Manage Multimodal corridors.

Revenues from the Traffic Reduction and Transportation Improvement Fee (Fee) will be used to fund seven key intersection improvements and two street extensions identified in the Mobility Element as well as funds for improvements to manage traffic on designated multimodal corridors as specified in the Mobility Element. Approximately half of the funds collected through the fee are for improvements to the City's Area Rapid Transit System (ARTS) and provide significant enhancements to the local transit service encouraging non-auto travel throughout the City.

The Council directed staff to prepare the analysis necessary to establish a "fair share" traffic mitigation fee that would fund needed transportation and transit improvements with the goal of reducing car trips.

In 1981, the City of Pasadena established a New Development Impact Fee to help mitigate the traffic impacts of new commercial or industrial development on the city's transportation infrastructure. This fee is used to pay for capital expenditures for traffic control, transportation management projects and street improvements.

The current fee is \$3.22 per square foot of net new commercial and industrial development and is adjusted annually based on the Consumer Price Index, through the adoption of the Schedule of Taxes, Fees, and Charges. The fee is set forth in *Ordinance 5517* and is paid when building permits are secured. Over the last five years, the New Development Impact Fee has generated approximately \$4,418,000 in revenue.

While new residential development has not been charged an impact fee for improvements to the city-wide transportation system, they have been required to mitigate their traffic impacts to the adjacent streets. In addition to mitigating their project impacts on adjacent streets, residential projects, depending on the size of the project, have also been conditioned to provide transit stop and street scape improvements adjacent to the project. If the recommendation is adopted, residential developments would pay \$2,480 per unit and would still be conditioned to construct specific road and streetscape improvements to mitigate project specific impacts. If the project's traffic analysis shows that there will be an impact on a residential neighborhood their conditions will include a contribution to a Neighborhood Traffic Management Program (NTMP) commensurate with the level of project's traffic impact to the neighborhood.

### **Stakeholder Outreach**

Staff held three meetings with approximately 20 members of the Pasadena development community to review the methodology used to calculate the proposed fee. The stakeholders provided their recommendation on how the fee should be applied to affordable housing. They also indicated their support for expanded local transit services to address traffic growth and suggested that the Transportation Development Impact Fee use the Residential Impact Fee (for Parks) as a model to provide fee discounts.

In responding to questions raised about the Fee during the stakeholder outreach meetings staff prepared a series Questions and Answers about the Fee included as Attachment A to this report.

The issue of the appropriateness of the Fee for new Senior and Assisted Living units was raised by members of the stakeholder group. While residents of Senior and Assisted Living developments may generate fewer peak hour trips than other

residential developments, they generate employee trips during the peak hours and in general, have overall trip generation rates that are not significantly different than other residential uses.

Another issue raised through the stakeholder outreach efforts was the request that the discount proposed for Affordable Housing be applied to units built both on-site or off-site. The purpose of offering a higher discount for affordable units built on-site was to encourage the development of these units in new developments throughout the City. TAC felt that it was important to have a greater discount for affordable units constructed on-site so as not to facilitate a clustering of affordable units in any one part of the City.

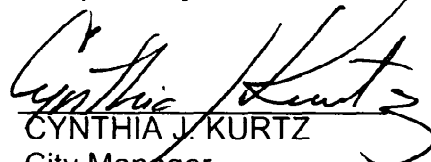
### **FISCAL IMPACT**

Based on the new development levels forecast through 2015, in the Land Use Element, the Fee is estimated to generate \$54 million for transportation improvement projects and ARTS service enhancements. If the actual level of new development does not reach the forecast amount then the revenue generated by the Fee will also be less than the forecast dollar total. It is assumed that if the development does not occur at the forecast rate the improvements identified would not be needed.

The total cost of the identified improvements is approximately \$66 million. The estimated \$12 million difference between the total project costs and the estimated fees to be generated will be identified as each project is included and funds programmed in the City's Capital Improvement Program (CIP) Budget. Fund sources for this portion of the project costs could include local subvention funds, such as gas tax revenues, or County, State and Federal grants.

As funds generated through the Fee become available staff will recognize and appropriate the funds as part of the Fiscal Year 2008 CIP Budget process.

Respectfully submitted:

  
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Director of Transportation

- Attachment A      Questions and Answers About the Traffic Reduction and  
Transportation Improvement Fee
- Attachment B      Comparison of Total Development Impact Fees

**Attachment A****QUESTIONS AND ANSWERS ABOUT THE TRAFFIC REDUCTION AND TRANSPORTATION IMPROVEMENT FEE****What is the existing New Development Impact Fee and how will it change if the Traffic Reduction and Transportation Improvement Fee is Adopted?**

The existing fee is \$3.22 per square foot of net new retail, office, commercial or industrial development. New residential development does not currently pay a transportation impact fee. As proposed, the Traffic Reduction and Transportation Improvement Fee is \$3.10 for Industrial Use, \$3.72 for Office Use and \$8.62 for Retail Use per net new square foot of development. A fee of \$2,480 per net new Residential Unit is also being recommended.

**How was the Traffic Reduction and Transportation Improvement Fee calculated?**

The Fee amount was calculated by dividing the cost of the local transportation improvements needed to mitigate the significant impacts of new development by the number of PM Peak Hour car trips generated by net new development. The fee calculation does not charge new development for the share of new "pass-through" trips (that do not begin or end in Pasadena) through those improvements.

**How will the Fee help to reduce car trips and enhance mobility?**

The Fee provides funding towards transportation improvements that provide the traveling public with viable alternatives to reliance on single-occupant automobiles to meet most mobility needs. Approximately half of the funds collected through the Fee are for improvements to the City's Area Rapid Transit System (ARTS) and provide significant enhancements to the local transit service encouraging non-auto travel throughout the City. The local transit enhancements will accommodate increased transit usage between residential neighborhoods, employment and activity centers and Gold Line stations. The Fee will also enhance transit usage by providing for the construction of safe, clean and attractive transit stops.

**How were the transportation improvement projects to be funded with the development impact fee identified?**

The transportation projects were identified from the following sources: The General Plan Mobility Element, the City's Capital Improvement Program and the City's Transit Master Plan.

**Will the Fee be used to "fix" existing transportation deficiencies?**

No. The fees collected will not be used to address existing transportation system deficiencies. The Fee will be used to fund a portion of some improvements based on the proportion or "fair share" of the project necessitated by trips from new development. In fact, the City has funded and is implementing several major intersection and roadway improvement projects (such as the 710 Corridor

Mitigation Project) to address existing and future traffic that will not be funded through the fee.

**Why is the Traffic Reduction and Transportation Improvement Fee charged per residential unit and not per bedroom?**

The fee is calculated based upon the PM Peak Hour trips generated by growth within the City forecast through 2015 as adopted in the General Plan Mobility Element. That forecast includes a mix of sizes of new residential units. New multi-family residential projects usually include a mix of unit sizes. Also, the PM Peak Hour trip generation rate does not vary significantly based on the number of bedrooms per unit.

**Why is new development not charged for the full cost of the identified transportation improvements?**

New development can only be assessed on the proportion of traffic it generates through the needed transportation improvements. The Fee is calculated using the forecast growth estimates (through 2015) from the Pasadena Mobility Element. The total cost of the identified improvements is approximately \$66 million. The estimated \$12 million difference between the cost of the transit and transportation improvements and the fees generated will be identified when the project is approved for funding in the City's Capital Improvement Program Budget. Fund sources could include local subvention funds, such as gas tax revenues, or County, State and Federal grants.

**Why is the Fee only charged to "net new" development?**

Development projects will only be assessed a Transportation Impact Fee based on the traffic generated by new development. A project will receive a "credit" toward its Fee for any existing land use that was occupied in the year 2000. The Fee assumes that those existing land uses were generating trips when the Mobility Plan was adopted and they are not contributing additional traffic to the City's transportation system.

**Would schools and institutional uses be assessed the Traffic Reduction and Transportation Improvement Fee?**

No. Schools, colleges, universities, churches and institutional uses were not included in the Fee as these uses typically do not have significant trip generation in the PM Peak Hour. Student housing on property owned by and/or developed in conjunction with an accredited post-secondary educational institution will not be assessed the Transportation Impact Fee. Student housing, significant school expansions and institutional uses would still be required to perform a project traffic impact analysis and would be conditioned to mitigate their project's traffic and transportation impacts.



**When a development project pays the Traffic Reduction and Transportation Improvement Fee will it be required to provide any additional transportation improvements to mitigate project impacts?**

Yes. Developments that pay the Fee will have contributed their "fair share" to mitigating their project's impacts to the citywide transportation system. However, a development project may be conditioned to provide local transportation and streetscape improvements specifically associated with the impacts from that development. If the project's traffic analysis shows that there will be an impact on a residential neighborhood then conditions will include a contribution to a Neighborhood Traffic Management Program (NTMP) commensurate with the level of project's traffic impact to the neighborhood.

**Will "Affordable" and "Workforce" housing receive a discount on the Fee?**

Affordable housing units constructed in the City will receive a 50 percent discount on the Traffic Reduction and Transportation Improvement Fee. If affordable housing units are built on-site, the affordable units shall receive a 75 percent discount on the Traffic Reduction and Transportation Improvement Fee. If at least 15 percent of a development is workforce housing within the price range of 121 to 150 percent of Average Median Income (AMI) for Los Angeles County, the workforce housing is eligible for a 50 percent rebate on the Traffic Reduction and Transportation Improvement Fee. If at least 15 percent of a development is workforce housing within the price range of 151 to 180 percent of the AMI for Los Angeles County, the workforce housing is eligible for a thirty-five percent rebate on the Traffic Reduction and Transportation Improvement Fee.

**Will the Traffic Reduction and Transportation Improvement Fee have a built-in inflation factor?**

Yes. Unless the City Council decides to keep the Fee at the existing amount the Fee will be adjusted annually based on the Consumer Price Index, through the adoption of the Schedule of Taxes, Fees, and Charges.

**Do projects in a Transit Oriented Development (TOD) area pay the same fee as developments in other parts of the City?**

Yes. The fee is calculated based upon the PM Peak Hour trips generated by growth within the City forecast through 2015 as adopted in the General Plan Mobility Element. The City's traffic analysis model assumed that new development in TOD areas would have higher levels of transit and pedestrian trips than other parts of the City. While TOD projects may be generating fewer car trips, they are putting additional trips on the ARTS buses and generating car trips that use the road improvements identified in the Mobility Element that are funded through the fee.

**Will the Fee be reduced for development projects with PM Peak Hour trip generation rates that are significantly different than those anticipated in the Fee Calculation?**

Yes. Development projects with trip generation rates significantly different than those anticipated in the Fee calculation will be allowed to perform a traffic analysis for their project documenting how their project PM Peak Hour trip generation is significantly different from what is assumed in the fee calculation. Any reduction in the Fee based on a project's trip generation would require Council approval.

**How will the Fee affect the environmental review and development approval process?**

Because the Fee funds the provision of increased local transit service and the construction of the intersection and street improvements identified in the Mobility Element, paying the Fee will mitigate a project's cumulative impact on the City wide street system. The Fee does not remove a project from the California Environmental Quality Act (CEQA) review process.

**How does the Fee and all city fees on new development compare to those charged in other cities?**

Cities assess impact fees and other construction-related charges in many ways. Some charge transportation fees for certain corridors in the city but not citywide. In addition, some cities assess fees to residential projects on a per unit basis, while others charge per bedroom (including Pasadena). Therefore, staff created specific parameters for two sample developments upon which to calculate each city's building permit charges. This standardization of information allows us to more directly compare the information received from individual cities with relative accuracy.

Staff from the Planning and Building Department prepared Attachment B which details the cost of building permit, plan check, and development impact fees in each of 10 California communities, including Pasadena. The cities listed were selected for their market comparability to Pasadena.

**When will the fee take effect?**

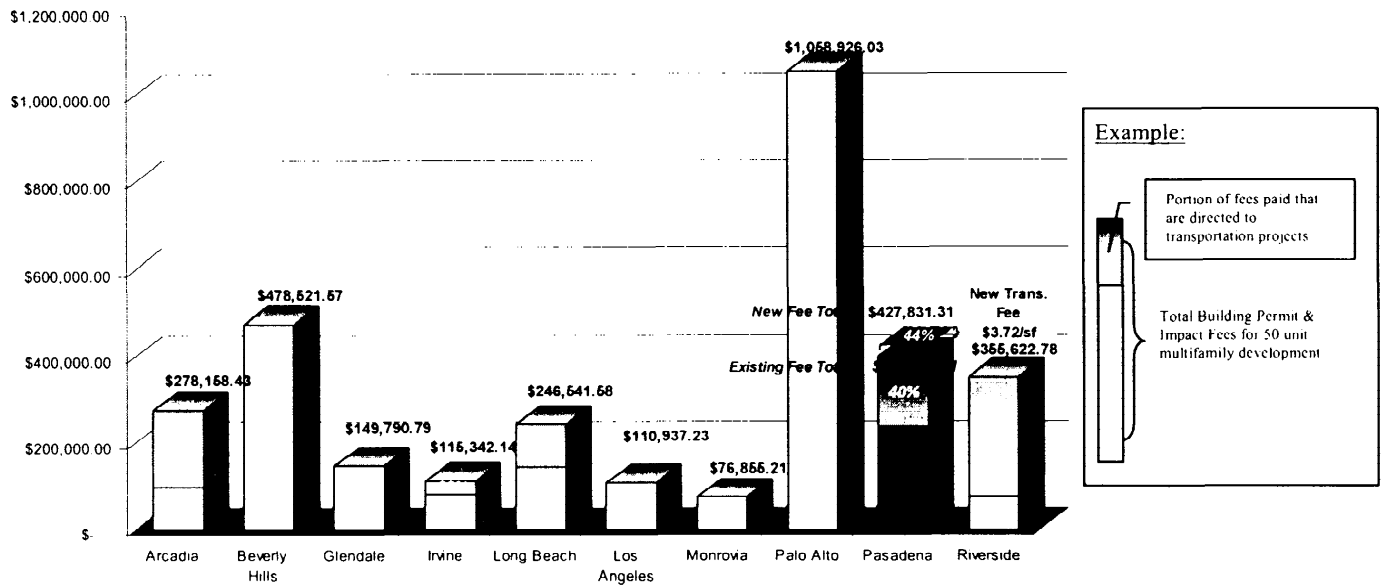
If approved by Council, the City Attorney will prepare an ordinance within 60 days for Council adoption establishing the Traffic Reduction and Transportation Improvement Fee. Upon Council adoption of the ordinance, the fee would apply to all projects which have not submitted a complete set of plans for building permits and paid all plan check fees prior to the effective date of the Traffic Reduction and Transportation Improvement Fee.

**Attachment B**

**Total Development Impact Fee Comparison**

Pasadena city staff compared select cities' building permit charges and impact fees based on the following sample project assumptions:

**Commercial (Office)**



**Residential (Multifamily)**

