

# Agenda Report

October 26, 2015

**TO:** Honorable Mayor and City Council  
**THROUGH:** Finance Committee  
**FROM:** Department of Public Works  
**SUBJECT: RECOMMENDED RESIDENTIAL IMPACT FEE DISTRIBUTION  
METHODOLOGY CHANGE**

**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. Adopt a resolution governing the Residential Impact Fee by:
  - a. Amending the distribution methodology to allow 20 percent of each fee collected to be placed in a reserve that can fund projects in any of the City's RIF park zones;
  - b. Allow for 100 percent of the entire available RIF Fund balance to be used for park acquisition and/or projects of citywide significance when recommended by the Recreation and Parks Commission and approved by the City Council; and
3. Direct the City Attorney to prepare an ordinance within 60 days amending Section 4.17.030 of the Pasadena Municipal Code (PMC) to add the definition of "projects of citywide significance" as projects that acquire and/or develop new park space in an identified gap area; identify park and/or recreation deficiency and serve a broad section of the Pasadena population; and create or enhance a one-of-a-kind recreation facility within the City.

## **RECREATION AND PARK COMMISSION RECOMMENDATION:**

On July 7, 2015, the Recreation and Park Commission supported the staff recommendations to:

1. Amend the Residential Impact Fee distribution methodology to allow 20 percent of each fee collected to be placed in a new reserve available to fund certain park projects in any of the City's RIF park zones;
2. Allow for 100 percent of the entire available RIF Fund balance to be used for park acquisition and projects of citywide significance, when determined by the Recreation and Parks Commission and approved by the City Council; and
3. Define "projects of citywide significance" as projects that acquire and/or develop new park space in an identified gap area; identify park and/or recreation deficiency and serves a broad section of the Pasadena population; and create or enhance a one-of-a-kind recreation facility within the City.

## **EXECUTIVE SUMMARY:**

The Residential Impact Fee (RIF) was established in 1988 to mitigate the impact of new residential development on City parks and park facilities by providing a dedicated funding source for parkland acquisition and capital improvements in City parks. This report provides a brief history of changes, adjustments and modifications to the RIF since its inception and recommends a change in the distribution methodology of the fee. The City Council requested Public Works staff and the Recreation and Parks Commission work together to make the allowable uses of the RIF more flexible. In response, the Department of Public Works recommends two amendments: 1) Allow 20 percent of each fee collected to be placed in a reserve that can fund projects in any of the City's RIF park zones<sup>1</sup>; and 2) When recommended by the Recreation and Parks Commission and approved by the City Council, allow 100 percent of the entire available RIF fund balance to be used for park acquisition and/or projects of citywide significance.

## **BACKGROUND:**

The RIF was established in 1988 to provide funds to mitigate the impact of new residential development, and the corresponding increase in population, on City parks and park facilities. The fee was originally set at \$650 per new residential unit and based on the land values of a particular zoning classification. The distribution methodology established at that time allocated 60 percent of each fee to the nearest neighborhood park within a one-half mile radius of where the fee was collected; 30 percent to the nearest community park; and ten percent to the citywide parks, which are Hahamongna, the Central Arroyo and the Lower Arroyo. If a neighborhood park was not within a one-

<sup>1</sup> Park Zone and Park District are interchangeable. Park Zone will be used instead of district to avoid confusion with the term Council District.

half mile, the nearest community park received 90 percent of the fee and ten percent was allocated to the citywide parks. Since the RIF's inception, the fee amount and its distribution methodology have been modified and refined to further address the needs of Pasadena's parks. Below is a brief summary of the RIF's history.

<b>DATE</b>	<b>DESCRIPTION</b>	<b>ISSUE</b>	<b>SOLUTION/CHANGE</b>
1988	RIF created	Needed funds to mitigate the impact on parks of increased population due to new residential development	Established RIF at \$650 per unit. Distribution method: 60% to nearest neighborhood park; 30% to nearest community park; & 10% to citywide parks
1992	RIF increased	Fee had not increased since inception	Fee increased from \$650 to \$756 per unit based on increased land value
2000	RIF distribution methodology change	Existing distribution method too restrictive - took too long to amass enough funds at a park to complete a project	3 park zones established & distribution method change to allow 90% of each fee to be used at any park in the park zone & 10% continues to go to citywide parks. Zones are: <u>West</u> (West City Limits to Fair Oaks Ave.), <u>Central</u> (Fair Oaks Ave. to Allen Ave.), & <u>East</u> (Allen Ave. to East City Limits)* *See Attachment A for Park Zones Map
2002	Fee increase	Fee not generating sufficient revenue & had not been reviewed in 10 years	RIF increased from \$756 to \$1,604 per unit based on increased land value
2003	Fee increase	Fee calculation evaluated	RIF increased from \$1,604 to \$3,659 per unit based on updated factors in the formula
2004	Fee increase	RIF Nexus Study conducted	Based on findings of Nexus Study fee increased from \$3,659 to \$19,743 per unit
2004	Fee increase phase-in	Due to large increase in fee amount, City Council voted to phase in increase	To lessen the impact on residential development, Council approved two-year phase-in of increase: \$10,977 per unit in year one and \$19,743 per unit in year two. Fee remained at \$756 for affordable units

<b>DATE</b>	<b>DESCRIPTION</b>	<b>ISSUE</b>	<b>SOLUTION/CHANGE</b>
2005	Fee restructured	High fee amount could harm construction of affordable housing	New fee structure developed to base RIF on number of bedrooms in unit. New fee amount range: \$14,588 for studio - \$27,003 for 5+ bedrooms. Affordable units and student housing fee set at \$756
2007	Fee modification	High fee could discourage construction of care facilities for the elderly	Lower fee of \$756 extended to skilled nursing units in residential care facilities for the elderly
2014	Change in allowable use of RIF	Needed mechanism to allow RIF to purchase land for pocket parks	Pocket park classification added to PMC allowing RIF to be used to acquire land for such purpose

In 2004, in response to opposition from developers at the significant RIF increase and due to its impact on affordable housing, the City Council directed the City Manager to form a citizen committee to work with staff to balance the needs of a RIF amount sufficient enough to generate funding for park improvements and the need for affordable housing. As a result a new fee structure was developed based on the number of bedrooms in the housing unit, which acknowledged that units with more bedrooms have a greater household population and created a higher demand for park and open space. Based on the work of the RIF Committee and staff, the City Council approved several changes in the RIF calculation methodology from a flat fee per dwelling unit to one based on the number of bedrooms within a residential unit. At that time, the per unit cost of the fee became:

Number of Bedrooms	Cost per Unit
Studio	\$14,588
1	\$15,395
2	\$17,098
3	\$19,662
4	\$23,890
5 or more	\$27,003
Affordable Unit	\$756

Staff further recommended and the City Council approved these additional changes:

- Fee per affordable housing units built on-site to remain at \$756;
- Incentives in the form of rebates of the fee created for the construction of workforce housing units on-site; and
- Fee set at \$756 per unit for student housing built on property owned and developed by accredited post-secondary educational institutions.

On October 3, 2005, the Council approved the new per bedroom fee methodology and the new fee structure became effective on December 2, 2005. One subsequent minor change was made to the RIF in 2007 which extended the same lower fee for affordable units and student housing to skilled nursing units in residential care facilities for the elderly. The RIF is included in the City's *Schedule of Taxes, Fees and Charges* and adjusts annually based on CPI.

Since 2005, the RIF has generated \$31.4 million and \$2.2 million in interest. During this same time period, \$22.5 million has been appropriated to capital improvement park projects and parkland acquisition projects. Attachment B provides a detailed list of revenue generated and appropriations for each park by park zone.

In June 2013 the City hired a consulting firm to conduct a review and analysis of the current RIF and prepare an updated nexus study. This nexus study determined that the RIF could be increased by as much as 41.6 percent. Believing this amount to be too burdensome on development, staff instead recommended a five percent increase until a comprehensive fee development study could be completed. The current FY 2016 RIF amounts are:

Number of Bedrooms	Cost per Unit
Studio	\$17,562
1	\$18,533
2	\$20,583
3	\$23,670
4	\$28,760
5 or more	\$32,507
Affordable Unit	\$910

#### New Methodology Recommendation

On September 22, 2014, the City Council approved this five percent increase to the RIF, and amended the Pasadena Municipal Code Section 4.17 to add a new park classification for pocket parks. The City Council also requested staff to work with the Recreation and Parks Commission to explore and develop a new RIF distribution methodology that would provide more flexibility in the use of RIF funding for new parks and making capital improvements to Pasadena's existing parks.

In response, Department of Public Works staff and the Recreation and Parks Commission's CIP Subcommittee met on December 2, 2014 and January 13, 2015 to review and evaluate options to provide greater flexibility without completely removing the park zones. The group reviewed the RIF Allocation Analysis Objectives created by Department of Public Works staff. These objectives are:

1. To provide more flexibility in where, geographically, RIF funds may be used;
2. To fund and build larger, more expensive projects with costs that typically exceed the available revenue in a single zone; and

3. To address the *General Plan, Open Space and Conservation Element's* implementation measure for RIFs to "Develop a plan to establish a fixed ratio for spending the residential impact fee so that it emphasizes acquisition..."

In addition, staff developed and evaluated three allocation method options:

1. 20 Percent Flexible Reserve – Twenty percent of the total RIF collected would be placed in a reserve that could be used to fund any project in the City irrespective of the park zone in which the fee originated;
2. Parkland Acquisition and/or Projects of Citywide Significance – Acquisition of parkland and/or projects with citywide significance could receive up to 100 percent of the available RIF fund balance of all park zones; and
3. Status Quo – No change to current RIF structure.

Attachment C contains a summary of these options and a matrix showing the pros and cons of each. After careful analysis, Department of Public Works staff recommends and the Recreation and Parks Commission concurs that the RIF should be expanded to include a flexible reserve and should be available to be used to acquire new parkland or develop a park project with citywide significance. This hybrid option addresses the three Allocation Analysis Objectives by adding flexibility and providing a mechanism to acquire additional parkland.

#### 20 PERCENT FLEXIBLE RESERVE

The flexible reserve allows for a portion of the total RIF collected to be set aside and used to fund any project irrespective of the park zone in which the fee originated. Staff recommends the creation of a 20 percent Flexible Reserve. An analysis of the amount of RIF collected between fiscal years 2010 and 2014, shows that 20 percent would allow for a reserve large enough to amass sufficient funding to build projects throughout the City without significantly impacting the funding for park zone projects. This would change the RIF distribution to:

	Current RIF Distribution	Proposed RIF Distribution
Park Zone of Origin	90%	70%
Citywide Parks	10%	10%
Flexible Reserve	N/A	20%

During the time period FY 2010 – 2014 a total of \$11,301,507 was collected. If the 20 percent flexible reserve would have been in existence, it would have accumulated \$2.26 million. The contribution to the flexible reserve from each park zone would have been:

<u>West Zone</u>	<u>Central Zone</u>	<u>East Zone</u>
\$1,094,858	\$514,557	\$650,877

While 70 percent of the funds collected would have remained in each park zone, the loss of the 20 percent would not have been without funding impacts to each zone. The following projects received funding during this time frame and potentially could have been impacted if the reserve had been in place.

West Park Zone:

- Central Park Implement Master Plan - \$1,500,000; or
- Desiderio Park Development of New Park - \$1,400,000

Central Park Zone:

- Grant Park Restroom - \$600,000

East Park Zone:

- Synthetic Turf Soccer Field - \$200,000
- Citywide Park Accessibility Improvements - \$215,000

Despite these potential park zone impacts, the flexible reserve of \$2.26 million is significant enough to make a difference.

PARKLAND ACQUISITION AND/OR PROJECTS OF CITYWIDE SIGNIFICANCE

While one of the City's goals is to acquire additional parkland, the high cost of real estate in Pasadena and the current fee structure make it difficult to accumulate sufficient funding to purchase land. By allowing 100 percent of available RIF fund balance to be available for park acquisition, the City increases the ability to purchase land when and if opportunities arise. As of June 30, 2015 the RIF Fund had an unaudited balance of \$9,577,595 as follows:

<b>Park Zone</b>	<b>RIF Balance 6/30/15</b>
West	383,657
Central	6,393,436
East	1,448,298
Citywide (Arroyo)	713,765
<b>Sub-Total</b>	<b>8,939,156</b>
Interest	638,439
<b>Total</b>	<b>9,577,595</b>

In addition, developing a definition and allowing projects of citywide significance to receive up to 100 percent of the available RIF fund balance adds another level of flexibility. Projects of citywide significance would be defined as meeting one or more of the following criteria and would require the Recreation and Parks Commission's support, and City Council's approval.

**1. The project acquires and/or develops new park space in an identified gap area.**

The opportunity for new park development is rare and should be given citywide importance. Further, the development of new parks in the identified gap areas is one of the recommendations of the *Green Space, Recreation and Parks Master Plan*. See Attachment D for the Park Gap Analysis Map By Park Zone and RIF Collected. Adding parks to these underserved areas will provide this much needed resource to residents and lessen the impact on other parks throughout the City. One potential resource could be public school sites in the gap areas.

**2. The project would address an identified park and/or recreation deficiency and serve a broad section of the Pasadena population.**

A project that directly addresses an identified deficiency and would impact a broad section of the population should be considered as having citywide importance. Facilities of this type usually not only serve users in the immediate neighborhood, but rather, users across the City. A prime example of this is sports fields. The *Green Space, Recreation and Parks Master Plan* identifies the need for more sports fields in the City. Sports fields are used by both adults and children and draw people from all parts of the City. Other examples include pools, water play areas, sports field lighting, jogging/biking paths, tennis courts, and expansion of existing and/or new recreation facilities. A deficiency can also be defined as existing facilities in need of substantial refurbishment.

**3. The project would create or enhance a one-of-a-kind active recreational facility within the City.**

A one-of-a-kind park facility can be defined as having citywide significance. These facilities attract users from all parts of the City to use the venue and participate in the unique opportunity. Existing examples include the Pasadena Equestrian Center at Hahamongna Watershed Park, the Lower Arroyo Seco archery range and casting pond, Central Park's lawn bowling facility, La Pintoresca's skate park, and Vina Vieja's Alice Frost Kennedy Dog Park.

Residential development is currently concentrated in the City's downtown area, as evidenced by the large balance of RIF in the Central park zone. A valid concern of residents living in this area, where more parkland is needed, is that funds would be diverted from their area and allocated to an area of the City not easily accessible to them and thus not addressing park deficiencies in the area of need. The intent of this analysis and recommendation is not to arbitrarily create such a situation, but rather to address the City Council direction to make the RIF's usage more flexible.

Several safeguards are in place to ensure that any movement of RIF from its zone of origin are fully vetted and receive ample notice and consideration:

- Must be recommended by the Recreation and Parks Commission and approved by the City Council;
- Must be ruled a project of citywide significance per the definition above; and



- The definition of and instances when the RIF could be used are being codified by the approval of a resolution along with this agenda report.

### Pocket Park Update

As part of the FY 2016 – 2020 CIP budget, the *Pocket Park Planning – Citywide FY 2016 – 2020* project was created. This project provides for detailed studies and planning for potential new pocket park locations, over 70 of which have been identified to date. All sites have been or will be evaluated based on criteria established City Council which includes parcel size, proximity to other parks, park development potential and public access.

### **COUNCIL POLICY CONSIDERATION:**

The City Council's strategic planning goals of maintaining fiscal responsibility and stability; improving, maintaining and enhancing public facilities; and supporting and promoting the quality of life in Pasadena will be advanced by increasing the flexibility in how the Residential Impact Fee is used. In addition increasing the flexibility will address one of the implementation measures of *the Green Space, Recreation and Parks Master Plan* which is to acquire “additional 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.

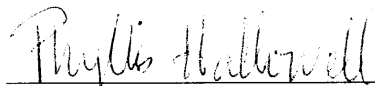
**FISCAL IMPACT:**

This change in policy will not affect the amount of RIF collected but will provide greater flexibility in how the money can be spent on park projects.

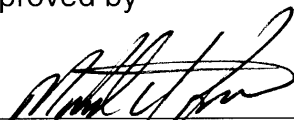
Respectfully submitted,

  
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**Attachments:**

- Attachment A – Park Zone Map
- Attachment B – Residential Impact Fee Appropriations 2005 - 2015
- Attachment C – Residential Impact Fee Allocation Method Options
- Attachment D – Park Gap Analysis Map