

Agenda Report

September 28, 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 the attached resolution governing the Residential Impact Fee (RIF) by 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 districts; and allow for 100 percent of the entire available RIF Fund balance to be used for park acquisition and/or projects of citywide significance; 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 RIF distribution methodology to allow 20 percent of each fee collected to be placed in a reserve and available to fund certain park projects in any of the City's RIF park districts;
2. Allow for 100 percent of the entire available RIF Fund balance 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.

BACKGROUND:

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

In response, staff and the 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 districts. The group reviewed the RIF Allocation Analysis Objectives which were created by staff in conjunction with the CIP Subcommittee in June 2014 when the discussion of creating a more flexible fee began. The RIF Allocation Analysis 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 a cost that typically exceeds the available revenue in a single district; 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% 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 district 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 districts; and
3. Status Quo – No change to current RIF structure.

Please see Attachment A which contains a summary of these options and a matrix showing the pros and cons of each. Based on the CIP subcommittee's input, staff developed and recommends a hybrid approach between the Flexible Reserve and Park Acquisition and/or Projects of Citywide Significance options. 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 district in which the fee originated. Staff recommends the creation of a 20 percent Flexible Reserve. An analysis of the amount of RIF collect 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 district projects. This would change the current RIF distribution to: 70 percent - Park district of origin; 10 percent - Arroyo Projects; and 20 percent - Flexible Reserve.

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 district would have been:

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

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

West Park District:

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

Central Park District:

- Grant Park Restroom - \$600,000

East Park District:

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

Despite these potential park district impacts, the flexible reserve of \$2.26 million is significant enough to actually make a difference, however, it took five years to amass.

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 it becomes available. As of June 30, 2015 the RIF fund had an unaudited balance of \$9,577,595. The balances per park district are:

Park District	Balance as of June 30, 2015
West	383,657
Central	6,393,436
East	1,448,298
Arroyo	713,765
Sub-Total	8,939,156
Interest	638,440
Total	9,577,595

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 six identified gap areas is one of the recommendations of the *Green Space, Recreation and Parks Master Plan*. Adding parks to these underserved areas will provide this much needed resource to residents and lessen the impact on other parks throughout the City.

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 sport 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 Park's Alice Frost Kennedy Dog Park.

Please note that the designation of Citywide Significance does not automatically imply that the project would be fully funded using all RIF resources. This designation just provides for that consideration.

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 flexibility in how the Residential Impact Fee used. Also by supporting and promoting the quality of life in Pasadena as well as one of the implementation measures 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:

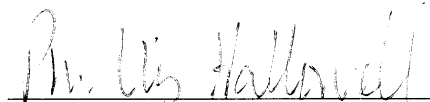
This change in policy will not affect the amount of RIF collected but will provide greater flexibility in how the money can be spent on park projects.

Respectfully submitted,



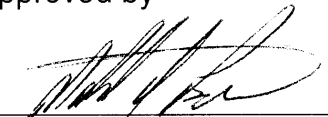
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Approved by



MICHAEL J. BECK
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Attachment:

Attachment A – Residential Impact Fee Allocation Method Options