

Agenda Report

July 24, 2017

TO: Honorable Mayor and City Council

THROUGH: Municipal Services Committee (July 11, 2017)

FROM: Department of Transportation

**SUBJECT: AMENDMENT TO MUNICIPAL CODE SECTION 4.19 – TRAFFIC
REDUCTION AND TRANSPORTATION IMPROVEMENT FEE**

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the action proposed herein is exempt from environmental review under the California Environmental Quality Act, pursuant to State CEQA Guidelines Section 15378(b)(4) (definition of "project" does not include funding which does not commit to a project);
2. Find that the Transportation Development Impact Fee Study complies with California Government Code Section 66001 by establishing the basis for imposition of fees on new development;
3. Amend Municipal Code Section 4.19.040 (A) – Fees of Chapter 4.19 – Traffic Reduction and Transportation Improvement Fee to set the following fee at:
 - a. \$1.13 per square of net new Industrial Use,
 - b. \$10.79 per square foot of net new retail use,
 - c. \$8.13 per square foot for net new office use,
 - d. \$3,448 per net new unit multi-family residential,
 - e. \$8,905 per net new of single family residential;
4. Replace Municipal Code Sections 4.19.050 (B) and (C) with an exemption that provides a transition period of six months for development projects to pay at a level equivalent to the current fees;
5. Amend Municipal Code Section 4.19.060 to enumerate the list of transportation improvements funded through the fee as set forth in Attachment A hereto; and
6. Direct the City Attorney to prepare an ordinance within 60 days amending Municipal Code Section 4.19 as set forth above.

TRANSPORTATION ADVISORY COMMISSION (TAC) RECOMMENDATION:

On May 25, 2017, TAC unanimously supported staff's recommendation for adoption of the updated fee and additionally recommended that for-profit educational institutions be subject to the updated fee. Staff did not recommend that for-profit institutions be subject to the fee.

PLANNING COMMISSION RECOMMENDATION:

On June 14, 2017, staff presented the updated fee to the Planning Commission. Staff's response to Commission's comments has been provided in Attachment D.

EXECUTIVE SUMMARY:

Amendments to the Traffic Reduction and Transportation Impact Fee (TR/TIF) in Municipal Code Section 4.19 are necessary to provide for equitably sharing the cost to address the facilities necessary to mitigate the effect of development through the year 2035 as identified in the 2015 General Plan Update. Consistent with the requirements of AB 1600 (1987) and California Government Code Section 66001, a nexus study has been prepared to determine the allowable fee amounts. The maximum fees that would be allowable are shown below in comparison to the current FY 2018 fee:

Land Use	Unit	Updated Fee	Current Fee
Industrial	Net new square feet	\$1.13	\$3.60
Retail	Net new square feet	\$10.79	\$10.01
Office	Net new square feet	\$8.13	\$4.31
Multi-family Residential	Net new dwelling unit	\$3,448.00	\$2,889.70
Single Family Residential	Net new dwelling unit	\$8,905.00	\$2,889.70

Exemptions for affordable and work force housing contained in Municipal Code Section 4.19.050 (A) are recommended to be continued unchanged. A modified transition approach is recommended to replace Municipal Code Sections 4.19.050 (B) and (C) that would phase in the recommended fees using a two-step process under which projects would continue to pay at a fee level equivalent to the current fee for six months after the PMC amendments are implemented. At the end of the six month period the fees would adjust to the adopted rates.

The TR/TIF is estimated to generate about \$131.3 million for transportation capital improvement projects through 2035. If the actual levels of new development do not reach the forecast amount then the revenue generated by the fee will also be less than the forecasted. It is assumed that if the development does not occur at the forecast rate the improvements identified would not be needed. Funds generated through the TR/TIF are recognized and appropriated via the CIP Budget process.

BACKGROUND:

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

In November 2006, following the adoption of the 2004 General Plan Update, the City Council adopted the Traffic Reduction and Transportation Improvement Fee (TR/TIF) as a replacement for the New Development Impact Fee. The TR/TIF was supported by a nexus study consistent with the requirements of the Mitigation Fee Act (AB 1600 enacted in 1987 and codified at California Government Code Section 66000 et seq.) which governs development impact fees in California.

The 2015 General Plan Land Use and Mobility Elements Update redefined critical aspects of Pasadena's transportation policy and introduced new metrics to support the goals of livability, neighborhood protection and mobility. As a result, new or expanded transportation facilities beyond those identified in 2004 including traffic management, public transit, bicycle and pedestrian facilities (see Attachment A) will be required to address the impact of new development on the City's transportation system. The proposed amendments to the TR/TIF provides for equitably sharing the cost to address the facilities necessary to mitigate the effect of development through 2035 as identified in the 2015 General Plan Update.

All projects on the Attachment A have been identified to support the full build-out of the 2015 General Plan and implementation of the Mobility element. The rationale for funding each project through the fee program is documented in the General Plan and other sources that were established prior to the impact fee update:

- 2015 General Plan – Mobility Element
- Transportation Capital Improvement Projects (CIP)
- Intelligent Transportation Systems (ITS) Master Plan Framework
- Bicycle Transportation Action Plan
- Pedestrian Plan (linked to Specific Plans)
- Americans with Disabilities Act (ADA) Transition Plan

These sources explain why certain facilities are considered necessary to mitigate the traffic/transportation impacts of future development. For example:

- Pasadena Transit bus service frequency improvements to increase ridership and expand connectivity to the regional transportation system (e.g., Metro Gold Line stations, Metro and Foothill bus routes) were identified as a measure in the General Plan Mobility Element. Purchase of new buses and construction of supporting facilities support the identified objective (Attachment A, Items 1, 2),
- Citywide Complete Street projects including road diet projects are intended to protect neighborhoods, lower vehicle speeds, install bike facilities and create a

safer walking environment by shortening crossing distance at intersections and introducing mid-block crossings (Attachment A, Items 4-8, 27-29),

- Intelligent Transportation System, new traffic signals and/or enhancement of existing signals are intended to reduce vehicular delays while improving safer crossing for pedestrians and bicyclists (Attachment A, Items 9-26)

Updating the TR/TIF requires a new nexus study to establish the fees to be charged. David Taussig & Associates, Inc. (DTA) was retained to conduct the studies necessary to update the existing TR/TIF consistent with the requirements of AB 1600 and California Government Code Section 66001. DTA prepared the required studies and provided the Transportation Development Impact Fee Study (Report) that is Attachment B. The recommended fees are the maximum fees that would be allowable on the basis of the nexus study report.

A comparison of the existing and recommended fees shows an increase for all uses except for industrial use. However, it is important to note that current fees are vehicular-trip based and do not allocate funds for pedestrian and bicycle facilities while recommended fees do and are based on Vehicle Miles Travelled (VMT) of each land use. VMT associated with different types of land uses varies. For example, VMT associated with retail and single family residential uses are higher than office and multifamily residential uses.

Exemptions: PMC Section 4.19.050 (A) provides for exceptions for affordable housing (all cases) and for work force housing (two different levels dependent upon what proportion the unit prices are of LA County AMI). These exceptions are recommended to be continued unchanged.

PMC Sections 4.19.050 (B) and (C) provided for a transition period to address projects currently in the development pipeline. The 2006 provisions are no longer applicable to the current fee and are recommended to be deleted and replaced with a provision to phase in the recommended fees using a two-step process that would allow six months for projects to continue to pay at a fee level equivalent to the current fee. At the end of the six months period the fees would escalate to the adopted fees (which could not exceed the maximum rates recommended in the nexus study). The reason for this transition period is to avoid surprise or undue impact on projects that are moving through the entitlement process with an established economic framework that could be undermined by change in this fee.

This approach allows the report to be adopted and updates the list of eligible improvements in the TR/TIF, which would allow all proceeds collected post-adoption to be used for the updated eligible improvements. However, during the transition period, revenue from the new fee would be depressed but not unduly. The fees during the transition period are recommended to be:

- \$1.13 per square of net new Industrial Use,
- \$10.01 per square foot of net new retail use,
- \$4.31 per square foot for net new office use,

- \$2,889.70 per net new unit multi-family residential,
- \$2,889.70 per net new of single family residential;

Because the TR/TIF is collected at the time building permits are issued, the amount of revenue collected is dependent upon the individual decisions of development teams to move projects to construction. Consequently, it is not possible to estimate with any degree of reliability the amount of fee that would be collected during the transition period.

Comparison with Other Communities: A comparison of the existing and proposed fees to neighboring cities has been provided in Attachment C. The comparison reveals that Pasadena has one the highest TR/TIF in the area. However, it is important to note that transportation impact fees (by statute) are based on city-specific capital improvements. The high variability of the number, type and value of capital improvements required by each city with an impact fee precludes any rational basis for comparison of fees among cities.

OUTREACH:

The Department has worked collaboratively with the public and with building industry associations to review and discuss the purpose and methodology used to calculate the proposed fee. Public participation included the following meetings and workshops:

- Pasadena Foothill Association of Realtors (April 12, 2017)
- Pasadena Chamber of Commerce Legislative Committee (May 16, 2017)
- Pasadena Chamber of Commerce and property managers and developers (May 22, 2017)
- Transportation Advisory Commission (May 25, 2017)
- Playhouse District Association (June 8, 2017)
- Planning Commission (June 14, 2017)

COUNCIL POLICY CONSIDERATION:

The Traffic Reduction/Transportation Impact Fee has been structured to implement the three Major Objectives of the Mobility Element:

- Enhance livability.
- Encourage walking, biking, transit and other alternatives to motor vehicles.
- Create a supportive climate for economic vitality.

The capital improvement needs are projects that promote the City's Guiding Principle of "circulating without a car" by providing facilities for walking and bicycling and enhancing transit services. The recommended projects also support First Mile Last Mile strategies for connecting residents, employees and visitors to the regional transportation system.

ENVIRONMENTAL ANALYSIS:

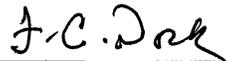
State CEQA Guidelines Section 15378(b)(4) excludes from the definition of a "project"

the creation of government funding mechanisms or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. The action proposed herein is a change to an existing government funding mechanism only, and does not irrevocably commit the City to undertaking any of the list of transportation improvements funded through the fee as set forth in Attachment "A" hereto. Instead, each of the improvements will receive appropriate review pursuant to CEQA at the time that the City commits to the project.

FISCAL IMPACT:

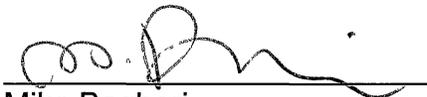
Based on the new development levels forecast through 2035 in the 2015 General Plan Land Use Element, the TR/TIF is estimated to generate about \$131.3 million for transportation capital improvement projects. If the actual levels of new development do not reach the forecast amount then the revenue generated 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. Funds generated through the TR/TIF are recognized and appropriated via the CIP Budget process.

Respectfully submitted,



FREDERICK C. DOCK
Director
Department of Transportation

Prepared by:



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Approved by:



STEVE MERMELL
City Manager

Attachments: (4)

- Attachment A – List of Transportation Improvements Funded Through the Fee
- Attachment B – Transportation Development Impact Fee Study
- Attachment C – Comparison of Comparable Cities' TIF Programs
- Attachment D – Response to Planning Commission Comments