

Agenda Report

September 14, 2020

TO: Honorable Mayor and City Council
THROUGH: Finance Committee (August 20, 2020)
FROM: Department of Public Works
SUBJECT: RESIDENTIAL IMPACT FEE 2020 NEXUS STUDY UPDATE

RECOMMENDATION:

It is recommended that the City Council:

1. Find the amendments proposed herein are exempt from environmental review pursuant to State California Environmental Quality Act (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. Receive and file the *Park and Recreation Residential Impact Fee Nexus Study Update*; and
3. Maintain the current Residential Impact Fee (RIF) rates with no increase.

RECREATION AND PARK COMMISSION RECOMMENDATION:

On July 7, 2020, the Recreation and Park Commission was presented as information only the RIF 2020 Nexus Study Update and the staff recommendation to not increase the RIF fee at this time. The Commission discussed and received the Nexus Study update. In addition, the Commission requested this item returned to them in three months to further discuss increasing the RIF fees.

BACKGROUND:

The RIF was created in 1988 to mitigate the impact of new residential development on City parks and facilities. Section 4.17.050E of the Pasadena Municipal Code (PMC) requires the RIF rate be reviewed every five years. Such review should be based upon a review of residential land values in the City. In December 2019, the City engaged the

services of Brion Economic, Inc. (BEI) to conduct a review and analysis of the RIF and prepare an updated nexus study.

For this update, the consultant was asked to:

1. Review and analyze the existing RIF amounts and validate or calculate fee amounts based on current residential land values.
2. Conduct a comparative study of the park impact fees of six comparable cities in Southern California. Include the fee calculation methodologies used by each city, how much revenue the fee generates annually, and how each city uses their fee revenue.

The RIF Nexus Study was last updated in 2014 by BEI. The analysis justified a 41.6 percent increase. City Council increased the fee by five percent. In addition, the fee has been increased annually by CPI as part of the City's Schedule of Taxes, Fees and Charges with the exception of FY 2021.

RIF Nexus Study Update

The *Park and Recreation Residential Impact Fee Nexus Study Update (Attachment A)* provides the technical analysis required by the principles of the Mitigation Fee Act or Government Code 66000 to determine the justifiable amount of the RIF. The factors used to calculate the fee are land values, demand for parks based on existing service and park standards, and average park construction costs.

The Nexus Study based its findings on the following assumptions:

1. The City's current park acreage standards for developed park land and open space park land is 2.62 and 1.81 per thousand residents respectively;
2. The number of new households in Pasadena will grow by 2,500 through 2040;
3. New residential development will equal approximately 5% of existing development;
4. The land value in Pasadena (based on recent sales and appraisals of various properties) is \$4.6 million per acre for park land and \$294,348 per acre of open space land;
5. Park development cost is \$780,000 per acre;
6. Projected park land and development costs total \$110 million or \$14,875 per resident; and

7. New development's share of the City's current cost of capital improvements and planned expansions of recreation facilities is \$93.7 million.

Based on these factors, this analysis justifies the current rate and indicates that the RIF amounts could be increased by 49.7 percent to the below listed levels:

Studio	19,622	29,379
1	20,708	31,004
2	22,998	34,435
3	26,447	39,598
4	32,134	48,114
5 or more	36,321	54,383
Affordable housing; skilled nursing facility; student housing	1,017	1,522

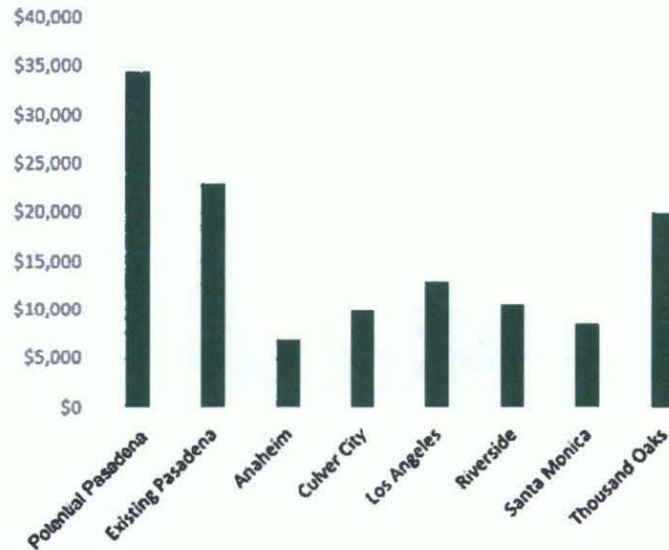
The City can charge a lower fee than the rate calculated by this Nexus Study but it cannot charge a higher rate. Although the Nexus Study shows a justification for a 49.7% increase, given the current Covid-19 emergency situation and the economic uncertainties, staff does not recommend increasing the RIF rates at this time. Section 4.17.050E of the PMC authorizes the City Council by resolution to amend the fee at any time. Given this, the fee could be increased based on these findings at a later date.

Comparison of Park Impact Fees in Other Cities

The consultant also conducted a comparison of other cities' park impact fees to determine their fee amount, calculation methodology, amount of revenue generated annually, and uses of the fee. Although most cities surveyed had some type of fee program, the basis and the amount of the fees varied greatly as demonstrated by Table 1 (see page 6) from the BEI Memorandum – Updated Fee Comparisons – Park & Recreation Fees (Attachment B).

According to the consultant, "Cities with fees that are correlated to current land or market value are more comparable" to Pasadena's program. Of the cities surveyed, Thousand Oaks is the only city that bases the fee on land values. The bar graph below shows the fee amounts for a three bedroom single family homes. As shown, Pasadena's current and nexus study's proposed fee increase are significantly higher than those of the other cities.

Park Fee Comparisons for Single Family
Unit - 2020



COUNCIL POLICY CONSIDERATION:

The above action maintains the City Council's strategic planning goals of maintaining fiscal responsibility and stability and improve, maintain and enhance public facilities and infrastructure.

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 RIF 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:

The amount of RIF collected each year varies and is based on the number of new residential units built. Over the last five fiscal years, the City has collected \$29.1 million in RIF as shown below:

Fiscal Year	RIF Collected (\$)
FY 2016	4,335,726
FY 2017	3,208,912
FY 2018	3,122,598
FY 2019	10,580,370
FY 2020	7,847,765
Total	29,095,371

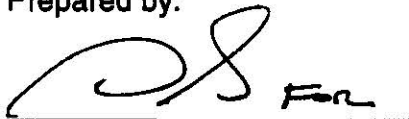
There is no fiscal impact to the recommendation in this report. RIF will continue to be collected at the current rate.

Respectfully submitted,



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Approved by



STEVE MERMELL
City Manager

Attachments:

- Attachment A – Park and Recreation Residential Impact Fee 2020 Nexus Study Update
- Attachment B – Memorandum Updated Fee Comparisons – Park & Recreation Fees