




DATE: July 14, 2025

TO: Honorable Mayor and City Council

FROM: Joaquin T. Siques, Director of Transportation 

SUBJECT: **ITEM #18 – AMENDED RECOMMENDATION –
DIRECT THE CITY ATTORNEY TO PREPARE AN ORDINANCE
WITHIN 60 DAYS AMENDING SECTION 4.19 OF THE
PASADENA MUNICIPAL CODE TO UPDATE THE TRAFFIC
REDUCTION AND TRANSPORTATION IMPROVEMENT FEE
FOR EXISTING LAND USE CATEGORIES AND TO ADD NEW
LAND USE CATEGORIES TO THE FEE STRUCTURE**

At the Municipal Services Committee Meeting on Tuesday, July 8, 2025, the Committee approved the staff recommendation with an amendment that no fees be assessed for ADUs (because it is de minimis in terms of the money it is going to generate) or that staff provide recommendations to City Council for an alternate approach.

ANALYSIS

Accessory Dwelling Units (ADUs) generate trips similar to other residential uses that add demands to the City's transportation network. Therefore, ADUs should contribute a fair share through Traffic Reduction and Transportation Improvement Fee (TIF) fund. Transportation projects identified as eligible for fund use address various safety improvements for all roadway users, including bicyclists and pedestrians, and/or address roadway efficiency.

The City has implemented several programs to encourage ADU production. In May 2025, the City Council directed the City Attorney to exempt certain ADUs from Residential Impact Fees (RIF). The recommendation included an RIF exemption threshold for ADUs 900 square feet or less and a waiver of the RIF for ADUs governed by a Housing Agreement. Staff recommends the TIF have the same threshold and waiver to not only simplify the fee structure for applicants, but also incentivize the construction of affordable ADUs.

Per Senate Bill 13, ADUs smaller than 750 square feet are exempt from impact fees. For ADUs 750 square feet or greater, impact fees are charged proportionately in relation to the square footage of the primary dwelling unit. The average size of an ADU in Pasadena is 600 square feet and only 22% are 750 square feet or greater. Approximately 90% of ADUs in Pasadena are 900 square feet or less.

The TIF Update Agenda Report reviewed and discussed by MSC on July 8, 2025, recommends a TIF exemption threshold for ADUs 800 square feet or less. Based on the

07/14/2025

feedback received at MSC, staff reviewed this threshold and recommends increasing it to 900 square feet, consistent with the RIF. Increasing the threshold an additional 100 square feet allows for slightly larger ADUs to be exempt from the TIF and would apply to approximately 90% of the ADUs built in Pasadena. ADUs larger than 900 square feet would be assessed the TIF proportionately in relation to the square footage of the primary dwelling unit.

Staff also considered a tiered approach to the TIF, allowing for the fee to be increased in two steps. ADU's under 900 square feet would be exempt from the TIF. ADUs between 900 square feet and 1200 square feet would be assessed 50% of a fee proportional to size of main dwelling, and ADUs over 1200 square feet would be assessed 100% of a fee proportional to size of main dwelling. Due to the proportionality requirement for TIF, an ADU that is smaller than the primary dwelling unit is already assessed a reduced fee relative to the primary unit. This additional tiered system would add a step to allow ADUs between 900 square feet and 1200 square feet to only pay 50% of that proportional fee. ADUs over 1200 square feet are more comparable to the size of single family and multi-family homes and would be assessed 100% of the proportional fee. This tiered approach is provided as an option for City Council consideration.

In addition, to provide consistency with the RIF and incentivize construction of affordable ADUs, staff recommends waiving the TIF for ADUs governed by a Housing Agreement. A Housing Agreement is either an Affordability Covenant or a Landlord Agreement for Accessory Dwelling Unit pursuant to the City Housing Department's Inclusionary Housing Regulations. Covenanted affordable ADUs are those that enter into an Affordability Covenant with the Housing Department committing the ADU to be occupied only by households whose annual income does not exceed 120% of the Area Median Income (AMI). A Landlord Agreement with the Housing Department allows owners to commit the ADU to be occupied exclusively by Section 8 recipients or family members (all require a minimum commitment of 7 years by the property owner). ADUs occupied by family often involve multigeneration living, such as grandparents living with their adult children or adult children living with their parents. By collectively contributing to housing cost, multigenerational living enables individuals to allocate a smaller portion of their income to housing. In addition, it allows other housing units to be rented by the general population.

RECOMMENDATION

To reduce the financial impact on ADU applicants, staff recommends the following changes to the recommendations previously identified in the Agenda Report submitted to City Council for this item:

1. Expand the TIF exemption threshold for ADUs to 900 square feet or less.
2. Waive the TIF for ADUs governed by a Housing Agreement.

City staff is also providing two options for City Council to consider.

Option 1: Taper the TIF for ADUs based on a tiered fee approach as follows:

- i. No fee for ADU under 900 square feet,
- ii. ADUs between 900 square feet and 1200 square feet assessed 50% of a fee proportional to size of main dwelling,
- iii. ADUs over 1200 SF assessed 100% of a fee proportional to size of main dwelling

Option 2: Waive the TR/TIF for all ADUs, regardless of size.