

Agenda Report

July 14, 2025

TO: Honorable Mayor and City Council

THROUGH: Municipal Services Committee (July 8, 2025)

FROM: Department of Transportation

SUBJECT: **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**

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the actions proposed herein are not a "project" subject to the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 21065 and within the meaning of Section 15378(b) and statutorily exempt from CEQA pursuant to State CEQA Guidelines Section 15273 (Rates, Tolls, Fares, and Charges);
2. Amend Municipal Code Section 4.19.040 (A)- Fees of Chapter 4.19 – Traffic Reduction and Transportation Improvement Fee (TR/TIF) to set the Fee at:
 - a. \$5,202 to \$5,722 per dwelling use of net new single-family residential,
 - i. No fee for ADU under 800 SF, ADUs over 800 SF assessed a fee proportional to size of main dwelling,
 - b. \$2,158 to \$2,352 per dwelling use of net new multi-family residential,
 - i. No fee for ADU under 800 SF, ADUs over 800 SF assessed a fee proportional to size of main dwelling,
 - c. \$1.15 per square foot of net new light industrial use,
 - d. \$11.89 per square foot of net new retail use, and
 - e. \$7.57 per square foot of net new office use;
3. Amend Municipal Code Section 4.19.040 (A)- Fees of Chapter 4.19 to include the following land use categories to the TR/TIF fee:
 - a. \$20.66 per square foot of net new medical office use,
 - b. \$1.62 per square foot of net new hospital use,
 - c. \$1,437 per room of net new lodging use, and
 - d. \$5.15 per square foot of net new research and development use;

4. 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
5. Direct the City Attorney to prepare an ordinance within 60 days amending Municipal Code Sections 4.19 as set forth above.

TRANSPORTATION ADVISORY COMMISSION RECOMMENDATION:

Department of Transportation (DOT) staff presented the methodology and findings of the nexus study, as well as staff recommendations, to the Transportation Advisory Commission (TAC) on March 27, 2025 and at a special meeting on April 14, 2025. The TAC discussed the addition of the new proposed land use categories and whether this may encourage or discourage the development of certain types of land uses in the City. The TAC approved the following motion:

Support the fees as recommended, and urge council to consider if the reallocation of the fee categories may provide better outcomes on future development.

EXECUTIVE SUMMARY:

In order to ensure the Traffic Reduction and Transportation Improvement Fee (TR/TIF) for New Development Projects remains current, DOT staff with the assistance of a consultant has completed a nexus study to update the TR/TIF in compliance with the Mitigation Fee Act. The study resulted in the designation of updated land use categories to better define proposed development and the establishment of updated fees in compliance with legislation passed within the past six years. Overall, fees were reduced amongst most categories as outlined in the table below.

Existing TR/TIF Category	Current FY 2025 Rate	Proposed TR/TIF Rate
Single family (per dwelling unit)	\$ 11,141.89	\$ 5,202 - \$5,722
Multi-family (per dwelling unit)	\$ 4,314.10	\$ 2,158 - \$2,352
Light Industrial use per square foot	\$ 1.38	\$ 1.15
Retail use per square foot	\$ 13.48	\$ 11.89
Office use per square foot	\$ 10.14	\$ 7.57
*Lodging use (per room)	\$4,314.10 (treated as multifamily residential)	\$ 1,437 per room
*Medical Office use per square foot	\$10.14 (treated as office)	\$ 20.66
*Hospital use per square foot	\$10.14 (treated as office)	\$1.62
*R&D use per square foot	\$10.14 (treated as office)	\$5.15

*Proposed new land use categories

BACKGROUND:

In 1981, the City of Pasadena established a New Development Impact Fee to address the transportation infrastructure needs of future development. This fee funds capital expenditures for traffic control, transportation management projects, and street improvements.

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 (AC 1600 enacted in 1987 and codified in California Government Code Section 66000 et seq.), which governs development impact fees in California.

Per Assembly Bill 602, nexus studies are required to be updated every 8 years. In July 2017, following the adoption of the 2015 General Plan Land Use and Mobility Elements Update, the City updated the TR/TIF based on a nexus study that updated the fee and the list of transportation improvements.

Since 2017, new State requirements for impact fee programs have been introduced, including AB 602 and Senate Bill 13, as well as US Supreme Court case decision (*Sheetz v. County of El Dorado* [2024]) that brings additional scrutiny to impact fees. AB 602 stipulates that fees for residential uses must be based on the size of the unit and SB 13 stipulates that fees for ADUs can only be assessed when they are 750 square-feet or larger and that the fee must be proportional in relation to the primary residence. The US Supreme Court's case decision stipulates that fees imposed on a broad class of property owners, including development impact fees, must have an essential nexus and be roughly proportionate to the impact.

In April 2023, the City issued a Request for Proposal (RFP) to hire a consultant to conduct a nexus study to update the TR/TIF. Fehr & Peers was retained to conduct the required analysis and develop the nexus study to update the existing TR/TIF program in compliance with the Mitigation Fee Act and other legislation. *The City of Pasadena Transportation Improvement Fee Update – Nexus Study* prepared by Fehr & Peers is provided for reference as Attachment B. Fehr & Peers refers to the fee as the "transportation impact fee," which is interchangeable with the City's terminology of "traffic reduction/transportation impact fee."

To establish the nexus, or the relationship, between new development and the need for new/expanded transportation facilities, a fair share percentage needed to be determined. The fair share calculation estimates the percentage of new PM peak hour trips associated with new development in relation to the baseline traffic volumes on the road today.

The four steps to compute the fair share calculation are described below:

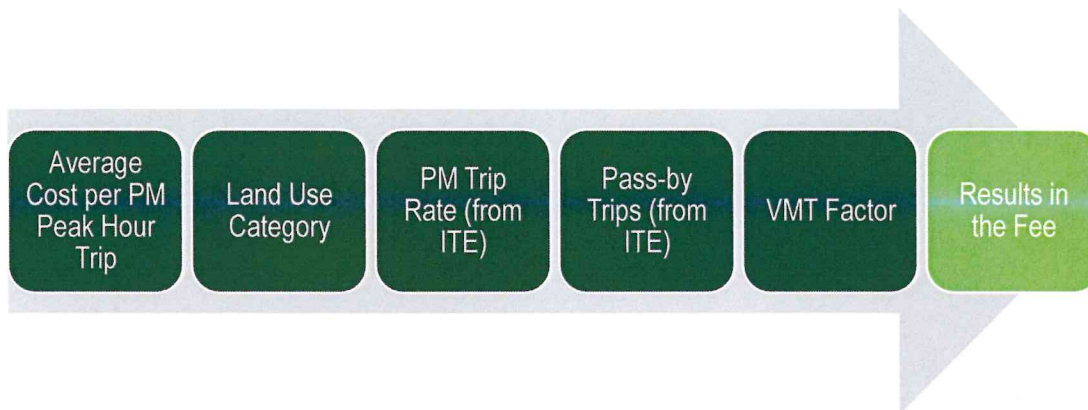
- The Pasadena Travel Demand Forecasting Model (TDF Model) was utilized to determine the anticipated growth within the City identified in the General Plan by 2035 future year.
- The number of new PM peak hour vehicle trips generated by the aforementioned growth was calculated.
- Where these trips circulate on the City's transportation network was compared to the locations of the projects on the project list.
- The fair share calculation is the percentage of new PM peak hour trips in relation to baseline traffic volumes. See the table below for the calculation.

Scenarios	Total Traffic Volumes Generated by Anticipated Growth along/on Project Locations (PM Peak Hour Trips)
[A] 2024 Baseline	65,523
[B] 2035 Future Year	73,424
[C] Volume Change	7,901
[D] New Development % Fair Share ($D = C/A$)	12.10%

The fair share percentage is then applied to the total project costs and divided by the total number of new trips to determine the cost per PM peak hour trip.

Measure	Pasadena
[E] Total Project Cost (Include 5% Admin Fee)	\$ 361,377,277
[F] 12.1% of Total Cost ($F = E * 12.1\%$)	\$ 43,726,651
[G] PM Traffic Volume Growth (Vehicle Trips)	7,901
[H] Average Cost per PM Peak Hour Trip ($H = F/G$)	\$ 5,534

The cost per PM peak hour trip is then applied to each land use category, and additional factors such as trip generation rate, pass-by trip reduction, and a vehicle-miles-traveled (VMT) factor are used in the final calculation that results in the fee, as shown in the graphic below. Some of the factors are standards from industry manuals published by the Institute of Transportation Engineers (ITE).



Since the TR/TIF will partially fund the City's transportation infrastructure, transportation projects have been identified from City adopted plans such as the City's Capital Improvement Program, Local Roadway Safety Plan (LRSP), and the Pedestrian Transportation Action Plan (PTAP). These projects are essential to the City's long-term transportation planning goals in the General Plan, addressing various safety improvements like bicycle infrastructure, pedestrian safety, and roadway efficiency. The TR/TIF collected will not be used to address existing deficiencies, and the TR/TIF does not fully fund the projects. Based on the analysis, new development's fair share would be approximately \$44 million of the City's planned transportation improvements contained in the project list which does not fully fund all projects or transportation network needs throughout the City. Subsequently, the TR/TIF also does not cover immediate improvements required due to development impacts determined through a traffic analysis; therefore, conditions of approval will address immediate project impacts in addition to the TR/TIF.

This update also analyzed fees for land use categories not included in the current TR/TIF structure but typically applied a TR/TIF using the adopted general fee structure land use categories (e.g., office, retail, industrial, residential). Adding the land use categories broadens the applicability and realigns the fee closely to typical development experienced in the City. These additions help to right-size the fees for specific land uses.

The following land uses are proposed to be added to the fee program:

- Lodging (previously under Multi-family Residential)
- Medical Office (previously under Office)
- Hospital (previously under Office)
- Research and Development (previously under Office)

The lodging land use is currently being assessed the fee using the fee rate for the multi-family residential land use. By making it its own land use category, the proposed fee rate would be lower than the current fee rate for multi-family residential, which means that the total fee would be less under the proposed structure. Similarly, the hospital and the research and development land uses will result in lower total fees compared to the current fee structure, under which these land uses are categorized as the office land use. On the other hand, the medical office land use will have a higher total fee compared to the current fee structure, which reflects the fact that medical office land uses generally generate more vehicle trips than traditional office land uses.

To comply with new state requirements for impact fee programs (AB 602 and SB 13), the residential land use (single-family and multi-family) category will be a fee proportional to the size of each unit. Below are the tiers for single-family units, multi-family units, and ADUs. These tiers were determined in consultation with the Planning Department to represent unit sizes that are considered average, smaller than average, and larger than average.

Tiers for Single Family Units

- < 2,000 SF
- 2,000 – 2,999 SF
- 3,000 – 3,999 SF
- ≥ 4,000 SF

Tiers for Multi-Family Units

- ≤ 800 SF
- 801 – 1,600 SF
- ≥ 1,601 SF

ADU

- ≤ 800 SF No fee
- >800 SF Fee would be based on size relative to the primary residence

As discussed earlier, an updated process for assessing fees on ADUs was established as part of Senate Bill (SB) 13. This legislation only allows a fee to be assessed on ADUs that are larger than 750 square feet. In order to be consistent with the procedures in the Planning Department, the City of Pasadena DOT will only assess a fee on ADUs that are greater than 800 square feet. In addition, the fee needs to be proportional to the size of the primary dwelling unit on the parcel. For example, if a 1,000 square foot ADU is proposed on a parcel with a 2,500 square foot primary residential unit, the size of ADU is 40 percent of the size of the primary dwelling unit. Then the fee assessed to the ADU would be 40 percent of the fee for a single-family residential unit in the 2,000 to 2,999 size range.

A comparative analysis was conducted to measure fee programs with the following cities: Burbank, Santa Monica, West Los Angeles (West Los Angeles Transportation Improvement and Mitigation Specific Plan area), Culver City, Orange, Anaheim, Fremont, and Palo Alto. These jurisdictions have fee programs and were determined to be similar to the City of Pasadena in geography, size, or development patterns. The purpose of the

comparison analysis was to assess whether Pasadena is relatively comparable to other cities, whether there is a need to add categories to improve the applicability and administration of the fee, and how other cities apply fees for specific types of land uses (e.g., lodging: per bed or by square footage). Pasadena's fees were found to be relatively comparable to other cities.

Department staff worked collaboratively with other City departments to update the fee. The comparative analysis found that while the City of Pasadena's fee for single-family residential units were slightly higher than other jurisdictions, the City's fees for other land uses were generally within the range of the other jurisdictions. Additionally, staff met with the following key stakeholders to present the methodology and proposed fee structure, inclusive of the added land use categories.

- Pasadena Foothill Association of Realtors (March 13, 2025)
- South Lake Business Association (March 19, 2025)
- Old Pasadena Management District (March 27, 2025)
- Playhouse Village Business Improvement District (May 1, 2025)
- Pasadena Chamber of Commerce (via email)

The stakeholders were supportive of the proposed fee structure and asked various questions about the fee, pertaining to the breakdown of land uses and the administration of the fee.

PROPOSED FEES:

The following fees are recommended by staff based on the cost of the transportation project list and forecasted growth in travel demand through year 2035:

- a. \$5,202 to \$5,722 per dwelling use of net new single-family residential,
 - i. No fee for ADU under 800 SF, ADUs over 800 SF assessed a fee proportional to size of main dwelling,
- b. \$2,158 to \$2,352 per dwelling use of net new multi-family residential,
 - i. No fee for ADU under 800 SF, ADUs over 800 SF assessed a fee proportional to size of main dwelling,
- c. \$1,437 per room of net new lodging use,
- d. \$11.89 per square foot of net new retail use,
- e. \$7.57 per square foot of net new office use,
- f. \$20.66 per square foot of net new medical office use,
- g. \$1.62 per square foot of net new hospital use,
- h. \$5.15 per square foot of net new research and development use,
- i. \$1.15 per square foot of net new light industrial use.

The proposed fees for ADUs will vary depending on the size of the ADU, the size of the main house, and the fee for the main house. PMC Section 4.19.050 provides for affordable housing incentives and exceptions for certain types of development. No changes to the "Exceptions" are recommended with the proposed TR/TIF update.

COUNCIL POLICY CONSIDERATION:

The Traffic Reduction/Transportation Improvement 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.

Specifically, this project directly addresses Policy 1.30 of the Mobility Element: Pursue funding opportunities such as grants, impact fees or fair share contributions from development to implement programs and projects that contribute to the City's Mobility Element objectives. In addition, in accordance with Policy 1.34, City staff involved Caltrans in the revision and update of the Transportation Impact Fee.

This project also supports Principle 5 of the Eight Guiding Principles of the Pasadena General Plan, which is to promote Pasadena as a city where people can circulate without cars. The project will allow new development to contribute a fair share toward projects that will encourage travel using modes other than single occupancy vehicles, such as walking, bicycling, and public transportation.

ENVIRONMENTAL ANALYSIS:

CEQA excludes, from environmental review, actions that are not "projects" as defined by CEQA Guidelines Section 21065 and within the meaning of Section 15378(b). Sections 21065 and 15378(b) define a project as an action which may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Section 15378 excludes from the definition of "project" organizational or administrative activities that will not result in direct or indirect physical changes in the environment. The action to amend the Pasadena Municipal Code is an administrative activity that will not result in direct or indirect physical changes in the environment, and therefore is not a "project" as defined by CEQA. Since the action is not a project subject to CEQA, no environmental document is required. Amending the fees are statutorily exempt from CEQA pursuant to State CEQA Guidelines Section 15273 (Rates, Tolls, Fares, and Charges), which provides a statutory exemption for the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, or other charges by public agencies, which the public agency finds are for the purpose of:

- (1) Meeting operating expenses, including employee wage rates and fringe benefits;
- (2) Purchasing or leasing supplies, equipment, or materials;
- (3) Meeting financial reserve needs and requirements;
- (4) Obtaining funds for capital projects, necessary to maintain service within existing service areas; or
- (5) Obtaining funds necessary to maintain such intra-city transfers as are authorized by City Charter.

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 \$43.7 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.

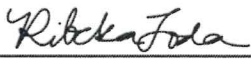
Respectfully submitted,



JOAQUIN T. SIQUES

Director, Department of Transportation

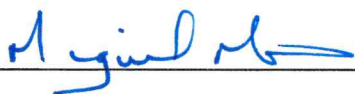
Prepared by:



RIBEKA TODA

Engineer

Approved by:



MIGUEL MÁRQUEZ

City Manager

Attachments:

Attachment A – Impact Fee Program Transportation Project List

Attachment B – City of Pasadena Transportation Impact Fee Update – Nexus Study by Fehr & Peers