

Agenda Report

May 5, 2025

TO: Honorable Mayor and City Council

THROUGH: Economic Development & Technology Committee (March 18, 2025)

FROM: Planning & Community Development Department

SUBJECT: **ADOPT A RESOLUTION AMENDING THE FISCAL YEAR (FY) 2025 GENERAL FEE SCHEDULE TO REDUCE OR WAIVE VARIOUS FEES FOR ACCESSORY DWELLING UNITS (ADUs) AND DIRECT THE CITY ATTORNEY TO PREPARE AN ORDINANCE WITHIN 60 DAYS TO AMEND TITLE 4 OF THE PASADENA MUNICIPAL CODE TO REDUCE OR EXEMPT CERTAIN ADUs FROM CONSTRUCTION TAX AND RESIDENTIAL IMPACT FEES**

RECOMMENDATION:

It is recommended that the City Council:

- 1) Find that the recommended fee reductions are exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines per Section 15061(b)(3);
- 2) Adopt a resolution amending the Fiscal Year (FY) 2025 General Fee Schedule to reduce or waive various Plan Check and Permit Fees for Accessory Dwelling Units (ADUs) (Attachment A); and
- 3) Direct the City Attorney to prepare within 60 days an ordinance to amend Title 4 (Construction Tax) of the Pasadena Municipal Code (PMC) to reduce or exempt certain ADUs from the City's construction tax and Residential Impact Fee (RIF).

ECONOMIC DEVELOPMENT & TECHNOLOGY COMMITTEE RECOMMENDATION:

On March 18, 2025, the Economic Development & Technology Committee (EdTech) recommended the City Council approve the proposed fee reductions for Accessory Dwelling Units (ADUs) as recommended by staff.

BACKGROUND:

A study of ADU fees was requested when Pasadena's ADU Ordinance was updated in 2024. Requests were received from City Councilmembers and community members to

consider reducing fees, specifically plan check, permit and Residential Impact Fees (RIFs). The City Council directed staff to research the subject and present recommendations to EdTech.

On September 17, 2024, the Planning & Community Development Department presented information to EdTech on fees for ADUs and how they compared to other cities in the region. Pasadena's plan check and permit fees are higher than the other cities surveyed (Table 1). However, this can be misleading, as many of the fees included in Pasadena's permit and plan check invoices are charged separately in other cities. Examples include the Construction and Demolition (C&D) refundable security deposit (which is often paid directly to the Public Works Department in other cities), Fire Department review (which is often contracted with Los Angeles County and paid directly to the County), and School Fees that are collected on behalf of PUSD.

Table 1 – Survey of Plan Check and Permit Fees for ADUs (rounded to the nearest hundred)

City	ADU Plan Check & Permit Fees		
	Small ADU (800 SF)	Medium (1,000 SF)	Large (1,200 SF)
Pasadena	\$ 14,300	\$ 16,900	\$ 22,100
Santa Monica	\$ 10,700	\$ 12,000	\$ 13,800
El Monte	\$ 8,500	\$ 9,300	\$ 9,600
La Cañada-Flintridge	\$ 7,700	\$ 9,900	\$ 11,400
Sierra Madre	\$ 7,600	\$ 9,000	\$ 9,800
Alhambra	\$ 7,100	\$ 9,000	\$ 10,200
San Marino	\$ 7,000	\$ 9,000	\$ 13,100
West Covina	\$ 6,700	N/A	\$ 9,800
Burbank	\$ 6,800	\$ 9,100	\$ 9,600
Pomona	\$ 6,400	\$ 7,300	\$ 7,600
West Hollywood	\$ 5,500	\$ 6,400	\$ 7,200
Temple City	\$ 4,800	\$ 6,000	\$ 6,700
Arcadia	\$ 3,900	N/A	\$ 5,800
South Pasadena	\$ 3,900	N/A	\$ 5,400
Average	\$ 7,200	\$ 9,400	\$ 10,200

Staff also presented information on RIFs. Per Senate Bill 13, ADUs smaller than 750 square feet are exempt from impact fees, including RIFs. For ADUs 750 square feet or greater, impact fees are charged proportionately in relation to the square footage of the primary dwelling unit. Therefore, if the ADU is half the size of the primary dwelling, the impact fees cannot exceed 50% of what would otherwise be charged. Pasadena's RIF for ADUs is higher compared to the other cities surveyed (Table 2) primarily because the City's RIF is higher for single-family and multi-family residential construction.

EdTech directed staff to identify plan check and permit fees for possible reductions, to further study if the C&D deposit could be reduced, since it can constitute a significant portion of the overall fees, and to consider exempting ADUs larger than 750 square feet from RIFs and to provide deeper fee reductions for ADUs used as affordable housing.

The City charges other fees for ADUs on a case-by-case basis, which were not evaluated for reductions. These include fees related to infrastructure requirements (e.g., water and sewer connections, fire sprinklers, etc.)

Table 2 – Survey of RIFs for ADUs (for a 1,000 SF, 2-bedroom ADU and a 2,000 SF primary dwelling; rounded up to the nearest hundred)

<i>City</i>	<i>RIF Amounts</i>	<i>RIF Categories</i>	<i>Thresholds</i>
Pasadena (1,000 SF, 2-bedroom ADU)	\$ 12,200	Parks	Number of bedrooms and proportion of main dwelling
Burbank	\$ 11,600	Parks	Proportion of main dwelling
Pomona	\$ 9,300		
South Pasadena	\$ 5,300		
Arcadia	\$ 5,000		
El Monte	\$ 4,000	Parks and traffic	Amount reflects reduced flat rate RIFs for ADUs
Alhambra	\$ 2,000	Traffic	
Santa Monica	\$ 2,000	Water	
Temple City	\$ 500	Parks	
San Marino, West Covina, La Cañada-Flintridge, West Hollywood & Sierra Madre	\$ 0	No RIF charged	West Covina has no RIF for ADUs. Other cities have no RIFs for residential projects.

ANALYSIS:

Permitting trends in Pasadena show that since 2021, a total of 559 ADUs are either under construction or completed and the average size is 600 square feet. The vast majority of ADUs (90%) are under 900 square feet. The average house size in Pasadena is 1,600 square feet (per the last census data). This shows that the majority of ADUs are smaller than the primary dwelling and fee reductions for ADUs 900 square feet or less will benefit the overwhelming majority of properties in the City. In response to feedback received, the following fees are recommended for reduction for ADUs on properties developed with a single-family dwelling. They are in three categories: Plan Check Fees, Permit Fees and Residential Impact Fees (RIFs). Refer to Attachment B for a summary of the proposed fee reductions.

Plan Check Fees

Pasadena's plan check fees are paid when construction drawings are submitted to the Pasadena Permit Center. The fees cover staff time needed for various City departments to review the plans for compliance with local codes and standards. The fees charged by each department vary but are all based on the building permit valuation (BPV). Plan check fees are centralized, meaning that fees for the various reviewing departments are charged collectively. Other cities may separate plan check fees by department. For example, cities that contract with Los Angeles County for fire services are invoiced separately by the LA County Fire Department.

Recommended Plan Check Fee Reductions

Table 3 provides a summary of Pasadena’s existing plan check fees for a 600 square foot ADU (which is the average size of an ADU in the City) and the following fee reduction recommendations:

1. Reduce plan check fees by 50% for ADU Standard Plans – ADU Standard Plans are pre-reviewed plans for newly constructed ADUs. Typically, a reduced amount of review is necessary once a site is selected since the ADU itself is pre-reviewed. The City currently has three ADU Standard Plans available ranging from a 374 square foot studio to a 682 square foot 2-bedroom unit. This would reduce plan check costs by over \$1,400 (from \$2,831 to \$1,416).
2. Reduce plan check fees by 50% for ADUs for which owners have entered either into an Affordability Covenant or a Landlord Agreement for Accessory Dwelling Unit pursuant to the City Housing Department’s Inclusionary Housing Regulations (“Housing Agreement”). 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 multigenerational 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. A 50% plan check fee reduction for ADUs with a Housing Agreement would reduce plan check costs by over \$1,400 (from \$2,831 to \$1,416).

Staff considered plan check fee reductions for other ADUs, regardless of affordability and size. However, given the plan check fees are covering direct staff costs for work performed and they do not represent the largest percentage of fees paid on a permit, staff is not recommending plan check fee reductions for market-rate ADUs. Market-rate ADUs will still benefit from other proposed reductions described in this report.

Table 3 – Sample Plan Check Fees for a 600 SF ADU (rounded up to the nearest dollar)

<i>Plan Check Fees</i>	<i>Existing Fees</i>	<i>50% Reductions Standard Plans and ADUs for Affordable, Section 8 & Family</i>
Building Division	\$ 1,952	\$ 976
Design & Historic Preservation Section	\$ 72	\$ 36
Zoning Section	\$ 167	\$ 84
Fire Department	\$ 400	\$ 200
Public Works Department	\$ 240	\$ 120
Total	\$ 2,831	\$ 1,416

Permit Fees

Pasadena's permit fees for a building permit are paid when the construction drawings are approved by the City. The building permit gives the applicant permission to begin construction. Permit fees can be divided into three categories: 1) City building permit fees; 2) Other City fees; and 3) Non-City fees and are detailed below:

City Building Permit Fees (No Reductions Proposed)

This includes fees for the actual building permit, records management and processing services and totals 18.2% of all permit fees. Staff does not propose any reductions to these fees since they cover the direct staff costs of completing inspections and maintaining permit related records.

Other City Fees (Reductions Recommended)

This includes fees for other City purposes and totals 63.2% of all permit fees. Unlike plan check and building permit fees, these fees do not represent a direct staff cost. Staff proposes reductions to these fees. They include the following:

- Construction Tax – This applies to a variety of construction projects, including ADUs. The tax rate is 1.92% of the BPV and the fees go to the City's General Fund.
- General Plan Maintenance Fee – This fee helps fund updates to the General Plan and applies to all building permits at a rate of 0.5% of the BPV.
- Technology Fee – This fee helps fund the City's land management system and applies to all building permits at a rate of 0.5% of the BPV.
- Public Works C&D Performance Security Deposit + Admin Review Fee – This deposit and fee are required for all projects that are issued a building permit. The deposit is equal to 3% of the BPV. The applicant is required to document all waste management activities per State law. The deposit is refunded if a minimum of 75% of total project waste is diverted from landfills. The admin review fee is charged at a flat rate and is nonrefundable and covers direct staff costs.

Non-City Fees (No Reductions)

This includes fees that are collected by the City on behalf of the state or other agencies and totals 14.5% of all permit fees. The City does not have any authority to reduce these fees. They include the following:

- School District Impact Fees – Collected on behalf of Pasadena Unified School District (PUSD) and charged at a rate of \$2.24 per square foot. ADUs that are less than 500 square feet are exempt from this fee.
- CA Building Standards Fee – Collected on behalf of the California Building Standards Commission and charged at a rate of \$4 for every \$100,000 of BPV.
- SMIP Residential Fee – is collected on behalf of the State to fund the Strong Motion Instrumentation Program (SMIP) and charged at a rate of \$1 for every \$25,000 of BPV for residential permits.

Recommended Permit Fee Reductions

1. Waive the Construction Tax, General Plan Maintenance Fee and Technology fee for all ADUs utilizing the City's Standard Plans Program, or ADUs governed by a Housing Agreement.
2. Reduce the Construction Tax, General Plan Fee and Technology fee by 25% for all other ADUs that are 900 square feet or less. This would reduce permit costs given these are smaller ADUs that are accessory to a main dwelling unit. This represents nearly 90% of the ADUs built in Pasadena so the vast majority will benefit from this reduction.
3. Reduce the C&D Performance Deposit to a \$1,000 flat rate for all ADUs. As a note, this is a deposit collected by Public Works that is returned if the applicant complies with debris removal requirements. It will represent less out of pocket initial expense for the applicant.

Table 4 provides a summary of these proposed fee reductions based on the average 600 sf ADU.

Table 4 – Sample Building Permit Fees

<i>Fee Type</i>	<i>Existing Fees *based on a 600 sf ADU</i>	<i>Reductions for Standard Plans, Housing Agreements</i>	<i>Reductions for ADUs 900 SF or less</i>	<i>Fee Proposals</i>
<i>Building Permit Fees:</i>				
Building Permit	\$ 1,433	\$ 1,433	\$ 1,433	City Fees: No reductions proposed
Records Mgt. Surcharge	\$ 131	\$ 131	\$ 131	
Building Processing	\$ 72	\$ 72	\$ 72	
Fire Processing	\$ 35	\$ 35	\$ 35	
Construction Notice Sign	\$ 15	\$ 15	\$ 15	
<i>Other City Fees:</i>				
Construction Tax	\$ 1,900	\$ 0	\$ 1,425	City Fees: Waivers or reductions proposed
General Plan Fee	\$ 495	\$ 0	\$ 371	
Technology Fee	\$ 495	\$ 0	\$ 371	
C&D Deposit (refundable)	\$ 2,968	\$ 1,000	\$ 1,000	
C&D Admin Review Fee (nonrefundable)	\$ 390	\$ 390	\$ 390	City Fee: Flat rate
<i>Non-City Fees:</i>				
School District Impact Fees	\$ 1,324	\$ 1,324	\$ 1,324	Non-City Fees: No authority to reduce fees
CA Building Standards Fee	\$ 4	\$ 4	\$ 4	
SMIP Residential	\$ 13	\$ 13	\$ 13	
Total	\$ 9,275	\$ 4,417	\$ 6,213	

Residential Impact Fees (RIFs)

Pasadena has had a RIF since 1988, which has generated substantial funding for parks, open space and recreational facilities in the City. The fee is charged by the

Public Works Department and is applicable when new housing units are built and is charged per residential unit based on the number of bedrooms. Impact fees are paid separately from permit fees and are collected prior to issuance of the Certificate of Occupancy. As of Fiscal Year (FY) 2025, the RIF for new single-family dwellings ranges from \$23,114 for a studio unit to \$42,784 for a residence with five or more bedrooms. Per Senate Bill 13, ADUs smaller than 750 square feet are exempt from impact fees, including RIFs. For ADUs 750 square feet or greater, fees are charged proportionately in relation to the square footage of the primary dwelling unit. Therefore, if the ADU is half the size of the primary dwelling, impact fees cannot exceed 50% of what would otherwise be charged.

Nonetheless, the average size of an ADU in Pasadena is 600 square feet and only 22% are 750 square feet or greater and charged a RIF. Furthermore, the RIF is reduced to \$1,193 for ADUs governed by a Housing Agreement (for a minimum commitment of 7-years by the property owner). Since 2021, approximately 121 ADUs were charged the RIF, and of those, 25 were charged the reduced rate which is currently \$1,193. The overwhelming majority of property owners that were charged the reduced rate were for ADUs occupied by family members (96% of the total).

Recommended RIF Reductions

Table 5 provides a summary of Pasadena's RIFs for ADUs between 900 square feet and 1,200 square feet and the following fee reduction recommendations:

1. Expand the RIF exemption threshold for ADUs 900 square feet or less – this was the recommendation of Ed-Tech. This would allow for slightly larger ADUs than are already exempt from the RIF (750 square feet currently to 900 square feet) and would apply to approximately 90% of the ADUs built in Pasadena. Larger ADUs that are more comparable to the size of single-family homes would pay the RIF.
2. Waive the RIF for ADUs governed by a Housing Agreement – this was also a recommendation of Ed-Tech. These ADUs currently have a deeply reduced fee of \$1,193, so waiving the fee altogether may further incentivize the construction of affordable ADUs. This reduction would apply regardless of size.

Table 5 – Current RIFs for ADUs

<i>ADU Size</i>	<i>Primary Dwelling</i>	<i>Existing RIF</i>	<i>Proposed RIF</i>
900 SF	2,000 SF	\$ 10,977	\$ 0
1,000 SF (2 BD)	2,000 SF	\$ 13,545	\$ 13,545
1,200 SF (3 BD)	2,000 SF	\$ 18,692	\$ 18,692
Housing Agreement ADUs 800 SF to 1,200 SF	Various SF	\$ 1,193	\$ 0

ENVIRONMENTAL ANALYSIS:

Find that the recommended actions are exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines per Section 15061(b)(3). The reduction of plan check and permitting fees for ADUs is covered by the commonsense

exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to the provisions of CEQA.

CONCLUSION AND RECOMMENDATION:

Over the past several years, the City has implemented several programs to encourage ADU production, including the adoption of revised regulations, offering complimentary ADU virtual consultations, and the availability of standard ADU plans. The City Council also directed staff to look at potential fee reductions. Incorporating the proposed fee reductions provides a balanced approach that provides substantial reductions for market rate ADUs that are 900 square feet or less and represent the overwhelming majority (90%) of ADUs built in the City. Deeper reductions are proposed for ADUs utilizing the City's standard plans and ADUs governed by a Landlord Agreement for Accessory Dwelling Unit pursuant to the Housing Department's Inclusionary Housing Regulations. Overall, staff finds this could aid in the construction of ADUs and increase housing options in the City.

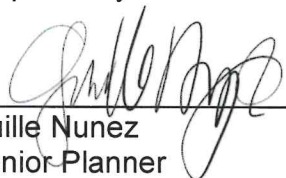
FISCAL IMPACT:

It should be recognized that a reduction in plan check and permit fees would result in a loss of revenue to the City's Building Fund with the City subsidizing staff costs related to reviewing, processing, inspecting and maintaining records for ADUs. With regards to RIFs, staff estimates the RIF collected annually for ADUs would be reduced by approximately 50% (from \$105,000 to \$52,000). This would directly impact funds available to the Parks and Recreation Department for parks, open space and recreational facilities in the City.

Respectfully Submitted,


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Attachments (3):

Attachment A – Resolution with Exhibit
Attachment B – Proposed Fee Reductions
Attachment C – Summary and Examples of Proposed Fee Reductions