

**City of Placerville
M E M O R A N D U M**

DATE: November 14, 2006

TO: City Council

FROM: Randy Pesses, Public Works Director

cc: John Driscoll

SUBJECT: **CITY INTERIM TRAFFIC IMPACT MITIGATION FEE INCREASE**

Recommendation

That the Council take the following actions:

1. That the City Council waive the second reading of the ordinance; and,
2. Adopt an amendment to Chapter 15 of Title VIII amending the City's Traffic Impact Fee Ordinance on an interim basis while comprehensive Traffic Impact Fee study is being conducted.

Background

In 1998, the City Council adopted a citywide Traffic Impact Mitigation Fee Program that estimated the anticipated future development to occur within the City to 2015, determined the various roadway improvements necessary to accommodate the traffic increases associated with that development, and estimated the costs to construct those various improvements. The program apportioned the cost between existing residents and the anticipated new development to formulate a schedule of traffic impact fees to be charged to the various types of development as it occurs within the City.

This Traffic Impact Mitigation (TIM) Fee Program contemplated annual adjustments to account for inflation, and established that the fee amounts would be adjusted annually consistent with increases in the "Engineering News Record" Construction Cost Index. Adjustments have been made to the impact fee amounts in accordance with this index, and the amount has increased from \$1692 for a single-family residence in 1998, to \$2167 currently charged for a single-family residence, with the other land use types identified in the program increasing proportionately. In recent years, however, California has experienced what has been referred to as hyperinflation with public works construction, where construction costs have risen anywhere from 25% to 45% annually over the last several years. El Dorado County recently increased their Traffic Impact Fees by 44% to account for one year's increase in the Caltrans California Construction Cost Index. Overall, that index shows that construction costs have more than doubled since the current TIM Fee Program was adopted in 1998.

The state statutes that control the establishment of impact fee programs require that these programs periodically go through a comprehensive reevaluation and adjustment to make sure that the determination of impacts is valid, the list of projects to mitigate those impacts is still warranted, and at that the amount and distribution of impact fees collected is equitable. The City Council approved in the fiscal year 2005/2006 budget a capital project for the purpose of performing a comprehensive reanalysis of the City's Traffic Impact Fee Program, and earlier this year authorized staff to retain traffic-engineering consultants to prepare this comprehensive update. In addition, the City Council, in recognition of the above-mentioned hyperinflation in construction costs, authorized staff to develop an interim TIM fee update that would address this drastic increase in construction costs to make sure that traffic impacts are appropriately mitigated by new development during the time period in which the comprehensive traffic impact mitigation fee update analysis is ongoing.

The proposed ordinance was introduced at the City Council meeting of September 26th, 2006, and the first reading was waived at that time.

Discussion

Public Works staff and our consultant team have completed the first phase of analysis on the Comprehensive Traffic Impact Mitigation Fee update and have determined possible fee amounts to be considered for adoption on an interim basis pending the completion of the comprehensive analysis later this year. Outlined below is a brief summary of the analysis methodology and the conclusions reached by our consultants in making these recommendations.

For the purposes of the interim update, it was determined that we would utilize the same list of projects as included in the original 1998 TIM Fee Program. Because of the above outlined drastic inflation in public works construction costs, one of the first tasks was to perform a detailed evaluation of each project and produce new Engineer's Estimates based upon the current public works construction environment. Dokken Engineering was utilized to evaluate the project list and produce the updated Engineer's Estimates. Their "Summary of Project Estimates," a copy of which is attached, indicates that the project list that was originally identified to cost \$27,900,000 is now estimated at \$103,390,000. This drastic increase is not all due to inflation of construction costs, but reflects a refinement in the determination of project scope for the various impact fee projects, and reflects a more detailed cost estimate procedure to arrive at the current estimates of project costs. As indicated in the summary, two of the identified projects, the Clay Street Extension and the Pleasant Street Extension, have been completed; and, therefore, no dollar amount was included in the updated estimates. The most significant increase involves the Western Placerville Interchange Project, which includes the Placerville Drive interchange and the Ray Lawyer Drive interchange. In 1998, the cost of those projects was estimated at \$10.3 million. Based upon the analysis with the current Engineer's Estimate, the Western Placerville Interchange Project is estimated in excess of \$42 million. In addition, the Clay Street Realignment Project identified at \$3.1 million is projected to be funded through the HBRR and CMAQ programs with the 11.47% local match coming from RSTP exchange dollars; and is, therefore, not proposed for inclusion into this interim program.

The 1998 analysis determined that a portion of the improvements were to correct existing deficiencies; consequently, there was a component that was the responsibility of existing residents. Overall, the breakdown was 33% of the cost was the responsibility of existing residents and 67% of the cost the responsibility of new development. For the purposes of this interim update, it is proposed that the relative responsibilities remain the same.

With respect to the Western Placerville Interchange Project, it is anticipated that funding will come from the Federal STIP program, with an 11.47% local match requirement. It is recommended that the local match be identified as the responsibility of new development, and the 88.53% resulting from federal funds be considered as existing residents' contribution.

If the overall program cost estimate is reduced by the \$45.1 million associated with the Western Placerville Interchange Project and of the Clay Street Realignment Project, the resulting estimate total is \$58 million. Two thirds of that amount results in an obligation from new development of \$39 million. Adding in the local match share of the Western Placerville Interchange Project of \$4.8 million, results in a grand total of \$43.8 million that must be funded through new development.

Concurrent with the project cost analysis, Fehr and Peers, the City's traffic engineering consultants, evaluated the traffic projections in the 1998 fee program analysis. They looked at the projected traffic volumes from anticipated development, and compared that to the amount of development that has actually occurred between 1998 and 2006. They found that the actual development that occurred within the last six years was substantially less than what was projected in the 1998 fee program analysis. In addition, they reviewed the traffic projections anticipated for 2015, and compared that to the regional traffic projections out to 2025 prepared by SACOG under their "SACMET" traffic model, and the traffic projections prepared for the 2004 El Dorado County General Plan. In both instances, they found that the amount of traffic currently projected for the City of Placerville is less than what was anticipated in the 1998 fee program analysis.

The net result of these two analyses is that the cost of improvements is substantially higher than was anticipated in 1998, and there will be less development over which to spread those construction costs.

On July 7, 2006, an item was presented to the City Council outlining the results of the analyses conducted by Dokken and Fehr and Peers, and three different alternatives were presented to the City Council for their review and input. The first alternative represented the resulting traffic impact fees utilizing the current cost estimates produced by Dokken Engineering, together with the reduced traffic projections developed by Fehr and Peers (this alternative is attached as exhibit "A"). The second alternative utilized the cost estimates produced by Dokken, together with the traffic projections developed in the original 1998 fee program (this alternative is attached as exhibit "B"). The third alternative limited the obligations of commercial development to contribute to only those improvements directly associated with commercial districts within the city, and the balance of the obligation assigned to residential development (this alternative is attached as exhibit "C"). Because the final traffic analysis is not complete for a comprehensive Traffic Impact Fee Program update, it was suggested by staff that the City Council consider a

25% reduction in the fee amounts calculated under alternatives A and C. Those resulting dollar amounts are incorporated into the attached exhibits. At the conclusion of the City Council meeting, the City Council did not formally select a specific alternative, but there appeared to be a consensus that the preferred alternative was alternate C with the 25% reduction.

Subsequent to the City Council meeting, concerned groups within the city and county were provided copies of the staff report, together with the proposed alternatives to allow them an opportunity to provide input to staff. In addition, the Interim Traffic Impact Fee Program proposal was presented to the El Dorado County Business Alliance at their meeting of September 6, 2006, and they were again requested to provide input to staff. Three comment letters have been received concerning the proposed Interim Traffic Impact Fee Program, copies of which are attached as exhibit "D".

Based upon input received at the July 7, 2006, City Council meeting, and subsequent discussions with the affected business groups, staff recommends that the Council adopt those fees identified as alternative C with the 25% reduction. This alternative provides the most equitable distribution of fee obligations based upon the various land use types. By incorporating the 25% reduction factor, the City will be charging an amount less than the full amount possible under a pure nexus analysis, and this will help to assure that there is no over payment of fees under this interim program should the results of the analysis for the comprehensive fee update result in a reduction in the number and cost of capital improvement projects necessary to accommodate future traffic increases within the city.

Fehr and Peers is currently engaged in running the actual traffic models to determine if the list of projects identified in 1998 are still warranted with currently projected future development within the City. They are also looking at the distribution of trips in the surrounding El Dorado County jurisdiction to determine what impact that traffic has upon the City and what improvements will be necessary to accommodate traffic increases from that source. However, until the final analysis is done as outlined above, it is uncertain whether the full list of projects will be required with the lesser amounts of projected development, so the 25% reduction in calculated fee amounts will help protect against the overpayment by developers during the interim TIM Fee Program that will require the City to issue refunds once the permanent TIM Fee Program is in place.

Preliminary results from the modeling indicate that even with lower rates of development, substantial improvements will continue to be necessary out to 2025 to accommodate increases in traffic volumes.

Staff and our consultants are currently working on refining the modeling parameters, and exploring alternative improvement scenarios to develop the most efficient and least costly system of improvements to meet the City's General Plan circulation system objectives out to 2025.

Based upon the above, staff recommends that the City Council amend the City Ordinance Code to establish fee amounts as outlined below:

PROPOSED INTERIM TIM FEE		
CATEGORY	EXISTING TIM FEE	PROPOSED TIM FEE
Single-family residential	\$2,167 per dwelling unit	\$14,256 per dwelling unit
Multi-family residential	\$1,609 per dwelling unit	\$10,586 per dwelling unit
Mobile home	\$1,462 per dwelling unit	\$9,598 per dwelling unit
Minor commercial	\$4.91 per square foot	\$7.76 per square foot
Major commercial	\$3.60 per square foot	\$5.66 per square foot
Gas Station	\$8,025 per fuel position	\$12,650 per fuel position
Industrial	\$1.18 per square foot	\$1.86 per square foot

For land uses not listed above, the proposed fees will be \$1,425 per trip for residential type land uses, and \$338.00 per trip for commercial or industrial land uses.

Should the Council approve this increase tonight and adopt this amendment to the City's Ordinance Code, pursuant to Section 66017 of the California Government Code, the new fees would go into effect sixty (60) days from this date, which would be January 13, 2007.

The Ordinance requires that the fees be paid prior to obtaining a building permit. It has been past practice of the City that the fees due and payable at the time a permit is issued are the fees in place at the time a "deemed complete" application is submitted. Staff proposes that this procedure apply to this TIM fee increase as well, and that complete building permit application submittals received by the City between now and January 13, 2007, pay the existing Traffic Impact Mitigation fees and submittals received subsequent to that date would be subject to the new fee.

In the event that the City Council elects not to adopt the fees as recommended but determines at the conclusion of the public hearing that an alternative fee schedule is appropriate, it will be necessary to reissue the formal public notice and repeat the ordinance amendment process for the alternative selected.

Fiscal Impact

The short-term impact of this action will be to increase the revenue stream into the City Traffic Impact Mitigation Fee trust account by a substantial amount. The long-term impacts resulting from a comprehensive update are indeterminate at this time.

The costs associated with the comprehensive fee update will be funded from the Traffic Impact Mitigation Fee Trust Account.

Respectfully Submitted,

Randy Pesses
Public Works Director

Approved for Submittal to City Council:

John Driscoll, City Manager/City Attorney