



CITY COUNCIL AGENDA REPORT

MEETING DATE: OCTOBER 4, 2004

ITEM NUMBER:

SUBJECT: ANNUAL REVIEW OF THE TRAFFIC IMPACT FEE PROGRAM

DATE: SEPTEMBER 14, 2004

FROM: PUBLIC SERVICES DEPARTMENT - TRANSPORTATION SERVICES DIVISION

PRESENTATION BY: WILLIAM J. MORRIS, DIRECTOR OF PUBLIC SERVICES

FOR FURTHER INFORMATION CONTACT: PETER NAGHAVI, TRANSPORTATION SERVICES MANAGER, 714-754-5182

RECOMMENDATION:

Adopt the resolution (Attachment 1) and approve the following staff and Traffic Impact Fee Ad Hoc Committee recommendations:

1. Continue the current traffic impact fee of \$177 per Average Daily Trip (ADT) on an interim basis;
2. Continue the incentive program for new developments by assessing traffic impact fees on an incremental basis for the first 100 trips;
3. Suspend the trip fee incentive program for developments in the Newport Boulevard Specific Plan area;
4. Approve the annual accounting of the citywide traffic impact fee program; and
5. Direct staff to revise next year's Traffic Impact Fee based on the new City Transportation Model and recently completed improvements, downgrades, and cost estimates.

BACKGROUND:

Pursuant to California Government Code Section 66000 et seq. and the Costa Mesa Municipal Code, a traffic impact fee study is required to establish basis for the imposition of citywide traffic impact fees on new developments within the City. The purpose of the fee is to fund the necessary transportation/circulation improvements which are related directly to the incremental traffic impacts imposed on the City's transportation system by the development of new commercial, industrial, and residential uses as permitted by the General Plan, and to maintain compliance with the eligibility requirements of the Orange County Measure "M" Program (Measure "M").

The City Council has reviewed the citywide traffic impact fee Program each year since the fee program was first adopted in 1993. The City Council, in July 1993 also approved the formation of an Ad Hoc Committee consisting of representatives from various stakeholders to work with staff on all aspects related to the revision of traffic impact fees.

In January 1997, the City Council through resolution 97-15, approved an incentive program with reduced traffic impact fees for developments in the Newport Boulevard Specific Plan area that meet certain criteria. Attachment 2 provides details on the incentives. This incentive program was initially approved for a 5-year term that expired in January 2002. However, during subsequent annual reviews, this incentive program was continued beyond the initial 5-year term.

In January 1999, the City Council approved a recommendation by the Traffic Impact Fee Ad Hoc Committee to establish an incentive for all new residential, commercial, and industrial developments in Costa Mesa. The incentive was based upon the assessment of traffic impact fees on an incremental basis for the first 100 trips generated by new developments.

The last update of the traffic impact fee study was completed in April 2002. The update took into account the most recent land use and circulation information contained in the 2002 General Plan update. On April 15, 2002, the City Council adopted Resolution 02-27, approving traffic impact fees of \$177 per ADT. The City Council also approved a modified incentive program for new developments.

The most recent annual review of the traffic impact fee program was conducted by City Council in 2003. On October 6, 2003, the City Council adopted Resolution 03-62, approving the continuation of traffic impact fees of \$177 per ADT and the incentive program for small developments.

A chronology of actions taken by the City Council between the years of 1993 and 2003 is included in Attachment 3.

ANALYSIS:

The City Council appointed Ad-Hoc Committee consisting of members representing large and small developers, Chamber of Commerce, citizens-at-large, as well as members representing the City Council and the Planning Commission, assisted staff in the development of the proposed traffic impact fee. The current Ad Hoc Committee members and their representation are:

Gary Monahan	City Council Liaison
Bruce Garlich	Planning Commission Representative
Ed Fawcett	Chamber of Commerce
George Sakioka	Major Developers Representative
Kerry Smith	Small Developers Representative
Teresa McQueen	At-large member representing Costa Mesa residents
Walter Davenport	At-large member representing Costa Mesa residents

Members of the Ad Hoc Committee met in August 2004 to discuss the current traffic impact fees, summary of fund balance, incentives for the Newport Boulevard Specific Plan area and the need for any revision to the traffic impact fee program.

Traffic impact Fees:

The amount of the traffic impact fees is based on the most recent traffic data contained in the General Plan Update, which was adopted by the City Council in January 2002. The Committee, while unanimously agreeing to recommend the continuation of the

current traffic impact fees of \$177 per ADT, recognized that an update of the trip fee program should be initiated in the near future due to the following reasons:

- The Costa Mesa Transportation Model has been updated to be consistent with the Orange County Transportation Analysis Model (OCTAM) 3.1. This has resulted in changes to circulation needs that should be considered in the trip fee update.
- The City's request to downgrade Redhill Avenue and Arlington Drive were approved by the Orange County Transportation Authority Board of Directors on September 13, 2004. City staff is actively working with the City of Newport Beach's staff and OCTA on the downgrade of East 17th Street. In addition, the possible future downgrade of SR-55 Freeway extension needs to be considered in the traffic impact fee update.
- Several major transportation projects with significant City participation, including the I-405/SR-55 Transitway and the I-405/SR-73 Confluence project, are due for completion in the next few months. As these projects are nearing completion, the actual financial contribution from the City's traffic impact fee account for funding of these projects would become more clear and can be factored into the calculation of the update to the traffic impact fee.

Staff has begun the process to update the traffic impact fee program, and intends to meet with Committee members on a regular basis starting early 2005. Upon completion of the update and its review and concurrence by the Committee, staff will bring the revised program for City Council consideration and approval.

Incentive Programs:

Currently, two incentive programs are in effect, as follows:

- Assessment of trip fees on an incremental basis for the first 100 trips of development; and
- Reduced trip fees for developments in Newport Boulevard Specific Plan area.

With regards to the first bullet point above, the incentive program for the first 100 trips of development applies to all developments throughout the City. Several residential developments and smaller commercial developments have benefited from this incentive program. Therefore, the Ad Hoc Committee has recommended to continue this program. The maximum amount of discount awarded to any one project is \$12,075. Based on development projects approved over the past several years, staff has estimated that on an annual basis, this incentive has saved the development community approximately \$75,000.

The incentive program for Newport Boulevard Specific Plan, in which developments could be charged reduced trip fees based on meeting certain criteria, has been revisited by the Ad Hoc Committee. During the past 7 years, 4 projects were completed taking advantage of the reduced traffic impact fees, and two more projects are currently pending. The amount of discounted trip fee ranged from \$0 to \$173,628. Based on the limited use of the program to date, the Ad Hoc Committee believes that changes in zoning and development standards for the area including, allowing increased density of development, concessions in setback requirements and other variances is more attractive than the traffic impact fee incentive program. Therefore, the Ad Hoc

Committee recommended that the traffic impact fee incentive program for Newport Boulevard Specific Plan area be suspended.

Annual accounting of the Traffic Impact Fee:

California Government Code Section 66001(d) requires an annual review, findings, and accounting of the citywide traffic impact fee program. Attachment 4 depicts the opening balance, the ending balance on June 30, 2004, interest earned, revenues, expenditures, and unexpended funds from the citywide traffic impact fee account. This exhibit also shows that there are no funds unexpended or uncommitted in the account five or more years after deposit and that no administrative costs have been charged to the fee account.

As required by the Government Code, the updated Capital Improvement Plan (CIP) is contained in the 2003 traffic impact fee study, and remains unchanged for the current review. The traffic impact fee account information including the interest earned, shown in Attachment 4, is available for public review.

ALTERNATIVES CONSIDERED:

The 2002 Traffic Impact Fee Study justifies a range of traffic impact fee levels between the minimum Growth Management Area #8 fee of 0.5% of building valuation, which translates to \$133 per ADT, and the maximum fee of \$177 per ADT citywide. The City Council has the option of adopting any fee within this range based on the City's strategy to encourage development and also ensure implementation of the necessary transportation improvements. The City Council also has the option of continuing the incentive program for all new developments which lapses with this annual review.

An additional alternative is to not have a traffic impact fee program at all. This alternative, however, would make the City ineligible to receive funds from any of the competitive programs processed through the Orange County Transportation Authority's Combined Transportation Funding Programs. The City would, however, continue to receive the Measure 'M' turnback funds.

The City Council could recommend continuation of the trip fee incentive program for Newport Boulevard Specific Plan area. If this is recommended, staff will modify the resolution to incorporate this incentive program.

FISCAL REVIEW:

Adoption of a traffic impact fee less than the calculated maximum will result in additional City funding being required to complete needed transportation improvements. A funding source, other than Measure 'M' funds, may be necessary to complete needed circulation improvements attributed to the new development projects. The continuation of incentives for new development projects will result in a decrease in traffic impact fee revenues. The total amount of incentives in any year would be difficult to estimate. However, based on development projects approved over the past several years, staff has estimated that on an annual basis the total amount of incentives would be approximately \$75,000. Given that the proposed incentive program may be effective until the next annual update, and that it is unlikely that new development projects will trigger the need for circulation improvements based on existing traffic conditions, it is not necessary to identify an alternate funding source at this time. The "incentive" shortfall will be added to the City-funded portion. If the

incentive program is made permanent in the future, further analysis may be necessary to identify a funding source, other than Measure 'M' funds, to complete circulation improvements attributed to new development projects.

LEGAL REVIEW:

The City Attorney's Office has reviewed and approved the draft resolution (Attachment 1) for establishing the City's traffic impact fee, and for continuing the incentive program for all new developments in Costa Mesa by assessment of traffic impact fees on an incremental basis.

CONCLUSION:

In April 2002, staff prepared a new traffic impact fee study based on information contained in the General Plan Update adopted by the City Council on January 2002. This study establishes the basis for the imposition of a citywide traffic impact fee pursuant to California Government Code Section 66000 et seq. and the Costa Mesa Municipal Code. Based on the results of the study, the maximum **citywide** traffic impact fee that could be imposed would be \$177 per Average Daily Trip (ADT). This fee has been in effect since April 2002.

Staff and the Traffic Impact Fee Ad Hoc Committee, while recommending to continue the current traffic impact fees of \$177 per ADT, recognize that an update of the trip fee program should be initiated. This update will take into account the recent actions by OCTA Board of Directors to downgrade certain arterials in Costa Mesa, the completion of major freeway improvement projects, and the new transportation model update. The Ad Hoc Committee also recommended to continue the incentive program for all new developments for the first 100 trips and to suspend the incentive program for developments in the Newport Boulevard Specific Plan area.

Staff recommends approval of the Ad Hoc Committee recommendation.

PETER NAGHAVI, MANAGER
Transportation Services Division

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Director of Public Services

MARC PUCKETT
Director of Finance

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- ATTACHMENTS:
- 1 [Traffic Impact Fee Resolution](#)
 - 2 [Newport Boulevard Specific Plan Area Traffic Impact Fee](#)
 - 3 [Chronology of City Council Actions](#)
 - 4 [Traffic Impact Fee Accounting Summary](#)

File Name	Date	Time
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