



# *CITY COUNCIL AGENDA REPORT*

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MEETING DATE: OCTOBER 17, 2006

ITEM NUMBER:

**SUBJECT: ANNUAL REVIEW OF THE TRAFFIC IMPACT FEE PROGRAM**

**DATE: OCTOBER 2, 2006**

**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**

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## **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 \$181 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; and
3. Approve the annual accounting of the citywide traffic impact fee program.

## **BACKGROUND:**

Pursuant to California Government Code Section 66000 et seq. and the Costa Mesa Municipal Code, a traffic impact fee study is required by the City to establish a basis for the imposition of citywide traffic impact fees on new and expanding 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 and/or changing 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 and updating of traffic impact fees.

The City Council subsequently appointed an Ad-Hoc Committee consisting of members representing large and small developers, the Chamber of Commerce, citizens-at-large, as well as members representing the City Council and the Planning Commission to

assist staff in the development and review of the traffic impact fee. The current Ad Hoc Committee members and their representation are:

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|------------------|---|
| 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 |

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. 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. This program was suspended by the City Council during the 2004 annual review.

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 **major update** of the traffic impact fee study was completed in September 2005. The update took into account the most recent land use and circulation information contained in the 2002 General Plan update and subsequent amendments. On September 20, 2005, the City Council adopted Resolution 05-70, approving a traffic impact fee of \$181 per Average Daily Trip (ADT). The City Council also approved continuation of the incentive program for new developments.

A chronology of actions taken by the City Council on the citywide traffic impact fee program between the years of 1993 and 2005 is included in Attachment 2.

### **ANALYSIS:**

A comprehensive update of the traffic impact fees was conducted in 2005, taking into account the most recent land use data contained in the General Plan and subsequent amendments as well as General Plan circulation improvements. Six variations of the traffic impact fee analysis were conducted considering various improvement options. The resultant traffic impact fee for the six options ranged from \$164 to \$300 per Average Daily Trip (ADT) depending on the improvements included. The calculations for these options are provided in Attachment 3. The City Council during the regular meeting of September 20, 2005, based on Ad Hoc Committee and staff recommendation, approved Option 5, with a traffic impact fee of \$181 per Average Daily Trip as the City's traffic impact fee.

The Traffic Impact Fee Ad Hoc Committee met in August 2006 to conduct an annual review of the traffic impact fee program. After reconsidering all aspects of the program, the Committee unanimously recommended the continuation of the current traffic impact fees of \$181 per ADT, due to the following reasons:

- A comprehensive update of the traffic impact fee program was conducted only one year ago;

- Since the update, there have been no significant changes in the land use assumptions or the circulation that would necessitate a revision of the current program; and
- All improvements and their estimated costs considered in the traffic impact fee program continue to be valid.

Based on the above findings and the Ad Hoc Committee recommendation, staff requests City Council approval of the continuation of the current traffic impact fee of \$181 per ADT.

#### Incentive Programs:

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 continuation of 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.

Staff requests City Council approval of continuation of this incentive program for new developments.

#### 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, 2006, 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 2005 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. Staff requests City Council approval of the annual accounting of the traffic impact fee program.

#### **ALTERNATIVES CONSIDERED:**

The City Council has the option to choose a traffic impact fee rate anywhere in the range of \$164 per ADT to \$300 per ADT, based on the most recent traffic impact fee analysis. 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 grant programs processed through the Orange County Transportation Authority's Combined Transportation Funding Programs. The City would, however, continue to receive Measure 'M' turnback funds. The City Council also has the option of modifying or suspending the incentive program for new developments.

**FISCAL REVIEW:**

The traffic impact fees fund only a **portion** of the required citywide improvements and alternative funding sources such as Measure M, federal funds and other City funds may be needed to fully fund the transportation improvements as required in the City's General Plan Circulation Element.

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 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:**

The Traffic Impact Fee Ad Hoc Committee, during its meeting on August 20, 2006 to conduct an annual review of the program, recommended that the current traffic impact fees of \$181 per ADT be continued. This is due to the fact that this fee was updated in 2005 based on most recent General Plan land use and circulation information, and no significant changes have occurred since then to necessitate a change in the traffic impact fee program. The Ad Hoc Committee also recommended that the incentive program for all new developments for the first 100 trips be continued. Staff recommends City Council approval of the Ad Hoc Committee recommendation.

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**PETER NAGHAVI, MANAGER**  
Transportation Services Division

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**WILLIAM J. MORRIS**  
Director of Public Services

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**MARC PUCKETT**  
Director of Finance

DISTRIBUTION: City Manager  
Assistant City Manager  
City Clerk

Deputy City Manager – Dev. Svcs. Director  
Director of Public Services  
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- ATTACHMENTS:
- 1 [Traffic Impact Fee Resolution](#)
  - 2 [Chronology of City Council Actions](#)
  - 3 [Traffic Impact Fee Options](#)
  - 4 [Traffic Impact Fee Accounting Summary](#)