CITY COUNCIL AGENDA REPORT

MEETING DATE: NOVEMBER 18, 2014 **ITEM NUMBER: PH-1**

SUBJECT: ANNUAL REVIEW OF THE CITYWIDE TRAFFIC IMPACT FEE PROGRAM

DATE: NOVEMBER 6, 2014

FROM: PUBLIC SERVICES DEPARTMENT/TRANSPORTATION SERVICES DIVISION

PRESENTATION BY: ERNESTO MUNOZ, PUBLIC SERVICES DIRECTOR

FOR FURTHER INFORMATION CONTACT: RAJA SETHURAMAN, TRANSPORTATION SERVICES MANAGER - (714) 754-5032

RECOMMENDATION:

Adopt the Resolution (Attachment 1) to approve the recommendations by the Traffic Impact Fee Ad Hoc Committee and staff as follows:

1. Continue the current traffic impact fee of $181 per Average Daily Trip (ADT);
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. The fee also maintains compliance with the eligibility requirements of the Orange County Transportation Authority's (OCTA) 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 stakeholder groups 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 as follows:

Mayor James Righeimer	City Council Liaison
Colin McCarthy	Planning Commission Representative
Ed Fawcett	Chamber of Commerce
George Sakioka	Major Developers' Representative
Kerry Smith	Small Developers' Representative
Teresa McQueen	At-Large - Representing Costa Mesa Residents
Walter Davenport	At-Large - Representing Costa Mesa Residents

In January 1999, the City Council approved a recommendation by the Traffic Impact Fee Ad Hoc Committee to establish an incentive program 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. Several variations of improvement options were considered, and it was determined that trip fees in the range of $164 per ADT through $300 per ADT could be justified. 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 the continuation of the incentive program for new developments.

The traffic impact fee calculation was re-visited again in 2011, resulting in the update of the improvement costs using the most recent data as well as accounting for several completed improvements (Attachment 2). The net effect of the changes yielded a revised calculation of traffic impact fees of $184 per ADT. However, the traffic impact fee of $181 was continued by the City Council due to low development activity as a result of ongoing economic conditions, as well as the schedule of projects in the Capital Improvement Program (CIP).

A chronology of actions taken by the City Council on the Citywide Traffic Impact Fee Program between the years of 1993 and 2013 is included in Attachment 3.

ANALYSIS:

The City Council, in June 2012, authorized a comprehensive review of the City's General Plan, including the Land Use and Circulation Elements. As part of this effort, the traffic impact fee program will undergo significant review early next year. In consideration of this, a majority of Traffic Impact Fee Ad Hoc Committee members recommended the continuation of the current traffic impact fee of $181 per Average Daily Trip (ADT) and the continuation of the incentive program for the first 100 trips.

The City will initiate meetings with the Traffic Impact Fee Ad Hoc Committee early next year following completion of the updated traffic model and a preliminary review of future transportation conditions with updated land use information.

Incentive Program:

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 Traffic Impact Fee 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. Over the past three (3) years, this amount was substantially lower due to a significant slow-down in development activity. Staff requests City Council's approval to continue offering this incentive program for new development.

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, 2014, interest earned, revenues, expenditures, and unexpended funds from the Citywide Traffic Impact Fee Account. This attachment also shows that there are no funds unexpended or uncommitted in the account five (5) 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 Fiscal Year 2014-15 adopted budget and remains valid for the current traffic impact fee review. The traffic impact fee account information, including the interest earned, shown in Attachment 4, is available for public review. Staff requests City Council's approval of the annual accounting of the Citywide 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 update of the traffic impact fee analysis. An additional alternative is to not have a Citywide 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 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 would result in a decrease in traffic impact fee revenues than would otherwise be received. The total amount of incentives in any given 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 the unlikelihood 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 continuing the incentive program for all new developments in Costa Mesa by assessment of traffic impact fees on an incremental basis.

CONCLUSION:

The Citywide Traffic Impact Fee Program estimated in 2005 was updated in 2011 based on the most recent cost information and accounting for completed projects, as well as considering the

available balance in the Traffic Impact Fee Account. As the City has recently initiated a comprehensive update of Land Use and Circulation Elements of the General Plan, the Traffic Impact Fee Ad Hoc Committee recommended that the current traffic impact fee of $181 per ADT and the incentive program for new developments be continued. Staff recommends City Council's approval of the Traffic Impact Fee Ad Hoc Committee's recommendation.

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Interim Finance Director

ATTACHMENTS:
1 - Traffic Impact Fee Resolution
2 - Revised Traffic Impact Fee Calculation
3 - Chronology of City Council Actions
4 - Traffic Impact Fee Accounting Summary

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