

**City of Placerville**  
**MEMORANDUM**

DATE: July 7, 2006

TO: City Council

FROM: Randy Pesses, Public Works Director

cc: John Driscoll

SUBJECT: **INTERIM TRAFFIC IMPACT MITIGATION FEE PROGRAM**

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**Recommendation**

That the City Council consider a proposed Interim Traffic Impact Mitigation (TIM) Fee Program to update the existing program during the period that a comprehensive TIM fee program is being developed, and authorize staff to distribute same for public review and set a hearing date of August 8, 2006, to consider the adoption of said Interim Traffic Impact Mitigation Fee Program.

**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.

### **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. As indicated in the summary, two of the identified projects, the Clay St. 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. Also, the Clay St. 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 St. 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, as there will be less development over which to spread those construction costs.

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.

If the project cost analysis performed by Dokken Engineering is coupled with the initial traffic analysis performed by Fehr and Peers, the resulting traffic impact fee amounts are as identified in the attached exhibit "A."

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. Therefore, one possible model for an interim fee program would be to utilize the same

trip projections from the 1998 Traffic Impact Mitigation Fee program and apply that to the current project cost estimates produced by Dokken Engineering. The resulting TIM fee amounts would be as identified in the attached Exhibit "B."

The resulting TIM fees identified in Exhibit "B," while higher than existing are significantly lower than those identified in Exhibit "A." It is important to note that the relationship between the number of trips and the level of improvements required are not purely linear. That is, with a certain number of additional trips, it is possible to trigger a threshold that requires the construction of additional travel lanes. The result is that the relationship between increasing travel demand and corresponding roadway improvements is one of quantum steps. For this reason, the interim fees projected in this scenario may be substantially less than what is actually necessary to provide the roadway improvements to accommodate future development.

One aspect of Exhibit "A" is the high unit costs associated with the nonresidential land uses. This is a result of the initial distribution of costs under the 1998 TIM fee analysis coupled with significantly higher project costs and less projected development over which to spread those costs. Since the commercial areas within the City are well defined, a nexus analysis could reasonably limit the area of responsibility for commercial development to those roadway improvements that are directly associated with those land uses. Under this approach, the proportionate share of roadway improvements applicable to new commercial development would be restricted to the improvements to Placerville Dr., the Main Street Realignment Project, the Western Placerville Interchange Project, and the Schnell School Road Traffic Signal Project. The resulting TIM fee schedule associated with this scenario is attached as Exhibit "C."

These three scenarios for an Interim Traffic Impact Mitigation Fee Program are presented to the City Council for consideration and direction to staff. If any one of these scenarios or some other alternative as yet to be determined is adopted, it would remain in effect until such time as the comprehensive TIM fee program is adopted by the City Council and takes effect. At this time, staff anticipates returning with the comprehensive update within the next six months. The adoption of an interim program would bring the fees closer to where they need to be to make sure that appropriate funding is available to construct the improvements necessary to accommodate the traffic from future development.

If the City Council elects to pursue the alternatives identified in either Exhibit "A" or "C", it is recommended that an adjustment factor be included reducing the indicated fee amounts by 25% to minimize the potential for the interim fees to be higher than the comprehensive fee amounts. In the event that the comprehensive fees are indeed lower than an adopted interim program, refunds of any excess paid will be provided.

With direction from the City Council, staff will finalize a draft "City of Placerville Interim Traffic Impact Fee Program" for distribution to the public and concerned organizations such as SAGE and the El Dorado County Builders Exchange. That input

will be considered for incorporation into the final draft proposal that is presented to the City Council in August for adoption.

**Fiscal Impact**

The adoption of an Interim Traffic Impact Mitigation Fee Program will bring the level of fees collected by the City to a point that more closely approaches the amount necessary to ensure that street improvements are constructed in a timely fashion that will mitigate the impacts associated with new development within the City. There are several development projects currently pending within the City that will be in a position to apply for building permits in the near future. A fee program that ensures that these development projects are responsible for the current measure of their fair share of the obligation to mitigate impacts will result in a more equitable fee distribution on future development yet to come.

Prepared by:

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Randy Pesses  
Public Works Director

Approved for Submittal to City Council:

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John Driscoll, City Manager/City Attorney