

City of Placerville
MEMORANDUM

DATE: October 10, 2008

TO: City Council

FROM: Randy Pesses, Public Works Director

cc: John Driscoll

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

Recommendation

That the City Council adopts a resolution to:

1. Adjust the Interim Traffic Impact Mitigation Fees (TIM) to the amounts recommended by staff, and extend the existing Interim Traffic Impact Mitigation Fee amounts until December 13, 2008, at which time the adjusted fees will become effective; and,
2. Establish the adjusted TIM Fee amounts to remain in effect until such time as the comprehensive update to the TIM Fee Program is adopted and becomes effective.

Background

In 1998 the City Council adopted a City wide 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 TIM Fees to be charged to the various types of development as it occurs within the City.

The State Statutes that control the establishment of TIM Fee Programs require that these programs periodically go through a comprehensive reevaluation and adjustment to make sure that the determination of impacts are valid, the list of projects to mitigate those impacts is still warranted, and at that the amount and distribution of TIM Fees collected is equitable. The City Council approved, in fiscal year 2005/2006 budget, a Capital Project for the purpose of performing a comprehensive reanalysis of the City's Traffic Impact Mitigation Fee Program, and authorized City staff to retain Traffic Engineering Consultants to prepare this comprehensive update. In addition, the City Council authorized staff to develop an Interim TIM Fee update that would address the drastic increase in construction costs that had recently occurred, 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.

On July 7, 2006 an item was presented to the City Council outlining the results of the analysis conducted by Dokken Engineering and Fehr and Peers. Three different alternatives were presented to the City Council for their review and input. 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 Alternative “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.

Based upon input received at the July 7, 2006 City Council meeting, and subsequent discussions with the affected business groups. Staff recommended that the City Council adopt those fees identified as Alternative “C” with the 25% reduction. This alternative provided the most equitable distribution of fee obligations based upon the various land use types. By incorporating the 25% reduction factor the City would be charging an amount less than the full amount possible under a pure nexus analysis, and that would help assure that there were no over payment of fees under that Interim TIM Fee Program should the results of the analysis for the comprehensive fee update result in a reduction in the number and costs of the Capital Improvement Projects necessary to accommodate future traffic increases within the City.

In 2006 staff recommended that the City Council amend the City Ordinance Code to establish fee amounts as outlined below:

PROPOSED INTERIM TIM FEE

CATEGORY	PROPOSED TIM FEE
Single-family residential	\$14,256 per dwelling unit
Multi-family residential	\$10,586 per dwelling unit
Mobile home	\$9,598 per dwelling unit
Minor commercial	\$7.76 per square foot
Major commercial	\$5.66 per square foot
Gas Station	\$12,650 per fuel position
Industrial	\$1.86 per square foot

At the public hearing conducted by the City Council on September 26, 2006, testimony was received from affected members of the public that expressed concern relative to the effect that the proposed fee amounts would have on existing residential development projects that were currently under construction, and for which financing had already been established. Based upon testimony received, the City Council elected to reduce the proposed fee amounts in the residential categories, and the resulting adopted TIM Fee amounts were as follows:

ADOPTED INTERIM TIM FEES

CATEGORY	ADOPTED TIM FEE
Single-family residential	\$7,603 per dwelling unit
Multi-family residential	\$5,646 per dwelling unit
Mobile home	\$5,119 per dwelling unit
Minor commercial	\$7.76 per square foot
Major commercial	\$5.66 per square foot
Gas Station	\$12,650 per fuel position
Industrial	\$1.86 per square foot

The above schedule of “Interim TIM Fees” was adopted by the City Council on November 28, 2006 under Ordinance 1615, and those TIM Fees became effective on January 27, 2007. These Interim TIM fees have been in effect since that time and are currently scheduled to lapse on October 27, 2008 unless otherwise extended by action of the City Council.

DISCUSSION

At the City Council meeting of September 23, 2008 the Council received a status report from staff concerning the comprehensive update to the Traffic Impact Mitigation Fees that included alternatives for the list of projects, and the resulting Impact Fees for the Council to consider. Included in that item was a request to extend the adopted Interim TIM Fees to remain in effect until such time as the comprehensive updated TIM Fee Program was adopted by the City Council and went into effect.

As part of the City Council deliberations a concern was raised that the existing adopted Interim TIM Fees were substantially below the level necessary to assure that new development was adequately contributing its fair share towards the cost of the required transportation projects necessary to accommodate the needs of new development. At the conclusion of that hearing the City Council requested that staff return to Council with an item that identified the originally recommended Interim Traffic Impact Mitigation Fee amounts and that would allow the City Council to adjust the fees to that recommended amount, should they elect to do so.

Also, The Council requested staff to provide a summary of the number of building permits issued in 2007 and 2008 to determine the amount of revenue foregone as a result of adopting the reduced fee amount. The total number of residential building permits issued in 2007 was 63, 50 of which were for the Lakemont project and were charged at a “senior community” rate. 35 of these were based on the old rate because the applications were received before the effective date of the Interim Fee rate, and 15 were based on the new rate.. Of the remaining permits unrelated to Lakemont, 11 were charged at the old rate because the permit applications were received prior to the effective date of the Interim TIM fee and 2 were charged at the Interim Fee rate. Three permits have been issued in 2008 that were charged the \$7603 Interim Fee amount. The amount of lost revenue as a consequence of adopting the reduced fee amount is approximately \$52,000.00.

The proposed TIM Fee amounts identified above that were recommended in 2006 were based upon staff's analysis methodologies and conclusions reached at that time and based upon the results of staff's current analysis towards the comprehensive TIM Fee update, the proposed fee amounts remain well below the amount projected for the comprehensive TIM Fee update and are therefore legally supportable from a nexus standpoint.

The existing City Ordinance requires that all TIM 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 December 13, 2008, pay the existing Traffic Impact Mitigation Fees and submittals received subsequent to that date would be subject to the new fee, which would continue to be in effect until the Comprehensive TIM Fee update takes effect.

Fiscal Impact

The short term impact of this action will be to increase the City's revenue stream into our 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 continue to be funded from the Traffic Impact Mitigation Fee Trust Account.

Respectfully Submitted,

Randy Pesses
Public Works Director

Reviewed for Fiscal Impacts:

Dave Warren
Director of Finance

Approved for Submittal to City Council:

John Driscoll,
City Manager / City Attorney