



DEPARTMENT OF TRANSPORTATION

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TO: Board of Supervisors

FROM: Natalie K. Porter, P.E., T.E., Senior Civil Engineer

Subject: 2019 Interim Update to the Traffic Impact Mitigation Fee Program

PURPOSE

On December 6, 2016 the Board of Supervisors (Board) adopted the Major Update to the Traffic Impact Mitigation (TIM) Fee Program as required by the General Plan and in compliance with state law. The Board recently adopted the Annual Update to the TIM Fee schedule on May 14, 2019 and adjusted the fees for project costs and inflation.

The purpose of today's hearing is to provide the Board with an update on the grant funding projections for El Dorado County and how the decreased revenue projections affect the TIM Fee program. The Department of Transportation (DOT) is requesting direction from the Board on the level of grant funding to assign to various categories in the fee program and select one of the TIM Fee schedule alternatives. DOT will return to the Board for approval of Resolution XXX-2019 adopting an interim TIM Fee.

Additionally, DOT will provide information on the upcoming Major Update to the Capital Improvement Program (CIP) and TIM Fee Program (Major Update).

BACKGROUND

A TIM Fee is a fee levied by a local government or public agency to ensure that new development projects pay for all or their portion of the costs of providing public infrastructure or services attributable to the new development. Since 1984, the County has adopted and updated various TIM Fee programs to ensure that new development on the western slope pays the costs of constructing and improving county and state roads necessary to serve new development. The TIM Fee is often paid at the time of issuance of a building permit (i.e., for single family home or non-residential buildings or change in use). TIM Fees are calculated pursuant to California Government Code 66000 et. Seq., the County's General Plan policy, and El Dorado County Ordinance 5045. Generally, fees are based on the type of land use, quantity of trips generated, location, and impact on roads and highways.

The TIM fee programs are mandated by the County's General Plan. The specific General Plan policies and implementation measures that reference a TIM Fee are listed below:

Policy TC-Xb(B) – At least every five years, prepare a Traffic Impact Mitigation (TIM) Fee Program specifying roadway improvements to be completed within the next 20 years to ensure compliance with all applicable level of service and other standards in this plan.

Policy TC-Xc - Developer paid traffic impact fees combined with any other available funds shall fully pay for building all necessary road capacity improvements to fully offset and mitigate all direct and cumulative traffic impacts from new development during peak hours upon any highways, arterial roads and their intersections during weekday, peak-hour periods in unincorporated areas of the county. (Replaced Policy TC-Xa(3) without the sunset date – Resolution 201-2018).

2016 Measure E Implementation Statement 3 – All 2004 General Plan Traffic Impact Mitigation Fees for all projects shall be paid at the building permit stage.

Implementation Measure TC-B – Revise and adopt traffic impact fee program(s) for unincorporated areas of the county and adopt additional funding mechanisms necessary to ensure that improvements contained in the fee programs are fully funded and capable of being implemented concurrently with new development as defined by Policy TC-Xf. The traffic fees should be designed to achieve the adopted level of service standards and preserve the integrity of the circulation system. The fee program(s) shall be updated annually for changes in project costs, and at least every five years with revised growth forecasts, revised improvement project analysis and list, and revised construction costs estimates to ensure the programs continue to meet the requirements contained in the policies of this General Plan.

TIM Fee funded projects are CIP projects that are needed to accommodate new development projected through 2035, which includes roadway widenings, interchange or intersection improvements, etc. Since these improvements are needed to accommodate new development, there is a nexus, pursuant to the Mitigation Fee Act (Government Code 66000 et. seq.), to charge new development a fee to pay for these improvements.

The current TIM Fee Program was adopted on December 6, 2016 by Ordinance Number 5045 and Resolution 191-2016. The 2016 Major Update resulted in decreased TIM Fees for almost all zones and land use types.

Since the 2016 Major Update the Board had adjusted the TIM Fee schedule for revised project costs and inflation twice. The first annual adjustment was adopted on December 12, 2017 via Resolution 172-2017, and the second adopted the 2019 TIM Fee Schedule

via Resolution 072-2019 on May 14, 2019. Additionally, a Minor Technical Update to the TIM Fee schedule was approved via Resolution 077-2018 on June 26, 2018.

DISCUSSION

The DOT Director has made numerous presentations to the Board this year regarding the status of the Road Fund (see Legistar 19-0180, 19-0513, and 19-0660). As the discussions evolved and all funding sources that are used in road improvement and maintenance were examined, the TIM Fee program was identified as a funding source for which the Board could use additional information, due to the complexity of the program.

DOT staff presented a receive and file presentation to the Board on April 22, 2019 on the TIM Fee program (see Legistar 19-0579). The presentation gave the background of the TIM Fee program, how it had evolved into the current program to implement the General Plan policies, grant funding projections and how they are incorporated into the program, and the next steps for the Major Update. As noted above, the Board adopted Resolution 072-2019 on May 14, 2019 for the annual adjustment for costs (see Legistar 19-0665). Additionally on May 14, 2019, the Board received a presentation on the Road Fund and TIM Fee Program (Legistar 19-0660). The Board directed staff to begin the Major Update early to address the projected shortfall in grant funding.

Woodrow Deloria, Executive Director of the El Dorado County Transportation Commission provided, at the request of DOT, the updated projected grant funding available for the unincorporated portion of El Dorado County for the next twenty years. The new projected grant funding is just over \$4 million dollars annually versus the nearly \$11 million annual assumption in 2015. (See Exhibit A)

After the May 14, 2019 Board meeting, it was determined that an Interim TIM Fee Update was essential to address the projected grant funding shortfall and ensure the program is fully funded as required by the General Plan.

During the 2016 Major Update, the Board determined that the grant funding would only be used for the following categories: 1) affordable housing offset, 2) external trips, and 3) non-residential offset. The total amount of projected grant funding was not used for these three categories in order to be conservative.

Affordable Housing Offset

A goal of the El Dorado County General Plan is to provide housing incentives through programs which assist developers in providing affordable housing opportunities while protecting the public health, safety and welfare of citizens. The Board has established a specific goal of studying means to create affordable housing within the County. The TIM Fee Offset is one potential incentive for developing affordable housing in the unincorporated areas of El Dorado County.

The Board has long recognized that high traffic impact fees, while appropriate to address traffic impacts from development, have a negative effect on efforts to develop housing affordable for lower-income households.

The TIM Fee Program includes a provision to allow for an affordable housing offset that provides up to a total of \$1.0 million per year of TIM fee offset for qualifying affordable housing development. Currently the Board has authorized \$1.0 million annually to be used to reduce fees for eligible affordable units (see Board Policy B-14).

A commitment was first made with the 2006 housing element update that \$20,000,000 would be allocated towards affordable housing. A total of \$2,300,000 has been spent or committed to date, leaving a balance of \$17,700,000. The balance is required to remain in the TIM Fee Program as part of the commitment made in 2006 and 2013 for the State approved Housing Element of the General Plan.

External Trips

The TIM Fee Program takes into account three types of external trips:

- internal to external trip (I-X) – a trip that begins in the unincorporated county and ends outside of the unincorporated county; such as a shopping trip that begins in Cameron Park and ends in Rancho Cordova;
- external to internal trip (X-I) – a trip that begins outside the unincorporated county and ends inside the unincorporated county; such as a commute trip that begins in Folsom and ends in the El Dorado Hills Business Park;
- external to external trip (X-X) – a trip that begins outside the unincorporated county and ends outside the unincorporated county; such as a trip that begins in Folsom and ends in the City of Placerville.

Currently, the fair share of all three external trips types is covered in part or in whole by grant funding. The internal to external trip and the external to internal trip are 50% covered to account for the trip end that is not in the unincorporated county. The external to external trips are fully covered by grant funding.

The new grant funding projections can no longer cover the 50% reduction to the TIM fees for the internal to external and external to internal trips. A trip end in the unincorporated county must now bear the full cost of the external trip end. Grant funding must still cover the external to external trips as there is no mechanism for the county to collect TIM Fees for those trips. This methodology is consistent with the TIM Fee program prior to the Major Update in 2016.

Non-Residential Offset

As early as 2000, the Board recognized that the non-residential TIM Fee should be examined in order to promote economic development. Beginning with the 2004 General Plan TIM Fee Program, the Board determined that Federal/State grant funds would be used to meet the Board's various policy objectives, including their goal to keep the commercial rates at a more competitive level (Board meeting date of August 22, 2006).

During the 2016 Major Update, this level of funding was equal to approximately \$25.5 million dollars, which is the equivalent of a 42% reduction. With the reduced grant funding projections, it is not feasible to fund the non-residential offset to the previous extent.

Methodology

DOT staff has reviewed and analyzed the TIM Fee Program to update the grant funding estimate. The fair-share costs of each proposed TIM Fee project are allocated to each TIM Fee zone by using the EDC Travel Demand Model to perform a select link analysis. Currently, a fair-share cost is allocated to all three types of external trips. The loss of grant funding revenue necessitates a reallocation of the costs. This analysis is a mathematical exercise that removes the reduction for the internal to external and external to internal trips, reassigning the trips to the internal traffic analysis zone (TAZ), and recalculating the allocations to each TIM Fee zone.

The analysis indicates there is sufficient grant funding revenue to cover the cost of the affordable housing offset and the external to external trips. As a reminder, the costs attributable to the external to external trips will increase over the years to accommodate the annual update for costs to the TIM Fee Program. Therefore, it is prudent to not allocate all of the projected grant funding for the remaining category of “non-residential offset”. DOT staff has prepared two alternatives for the interim fee program that addresses the reduction of the grant funding with varying levels of the “non-residential offset”.

Exhibit B is the current TIM Fee Program fee schedule with the reduced grant funding and no funds allocated to the “non-residential offset”.

Exhibit C is the current TIM Fee Program fee schedule with the reduced grant funding and an allocation of funds equivalent to a 20% reduction to the “non-residential offset”.

Exhibit D is a comparison of the surrounding jurisdictions TIM Fee Program rates and El Dorado County’s existing and proposed rates.

Next Steps

DOT is requesting the Board provide direction of an alternative for the Interim TIM Fee Program. DOT will return with the appropriate Resolution that reflects the Board’s selection for adoption.

DOT has started the process for the next Major Update as directed by the Board in May. This process will begin with an update of the growth projections, which will be presented to the Board for approval. The travel demand model will be updated with the approved projections. The improvement needs analysis will be completed once the travel demand model has been updated. Other potential policy decisions for the Board’s consideration will include the splitting of TIM Fee zones 2 and 3 into independent zones; a single family dwelling unit fee based on the size of the dwelling unit; cannabis

facilities, wineries that only do production and those with tasting rooms, and the reconsideration of the non-residential trip shift and fee offset. Each of these policy items will be presented to the Board for consideration before the finalization of the Major Update.

CONTACT

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