



**COMMUNITY DEVELOPMENT AGENCY
LONG RANGE PLANNING DIVISION**

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September 22, 2015

TO: Board of Supervisors

FROM: Claudia Wade, Senior Civil Engineer

Subject: Major Capital Improvement Program (CIP) and Traffic Impact Mitigation (TIM) Fee Update – Board of Supervisors (Board) Study Session #3

PURPOSE AND SUMMARY

The purpose of today's Board Study Session is to provide, discuss, and receive preliminary feedback on the following draft information:

- 1) Proposed 2035 TIM Fee project list
- 2) Proposed 2035 TIM Fee project component assumptions
- 3) Status of proposed CIP project list
- 4) Alternative funding sources
- 5) Updated project schedule
- 6) Draft TIM Fee structure
- 7) Proposed California Environmental Quality Act (CEQA) document for the TIM Fee Program

Staff is not requesting Board direction or action during this Study Session. Following today's Study Session, staff will present this draft information to focus groups scheduled for the week of September 21, 2015 and to the public during workshops scheduled for the week of September 28, 2015. Staff will return to the Board in November/December to present feedback from these focus group and public outreach meetings. In November/December, staff will provide new or revised information as necessary and request the Board provide direction.

BACKGROUND

A CIP is a planning document that identifies all capital improvement projects (e.g., roads and bridges) a local government or public agency intends to build, replace or improve over a certain time horizon. CIPs typically provide key information for each project, including delivery schedule, cost and various revenue sources. The Community Development Agency's (CDA) CIP provides a means for the Board to determine CDA's capital improvement projects and funding priorities over a 20-Year horizon.

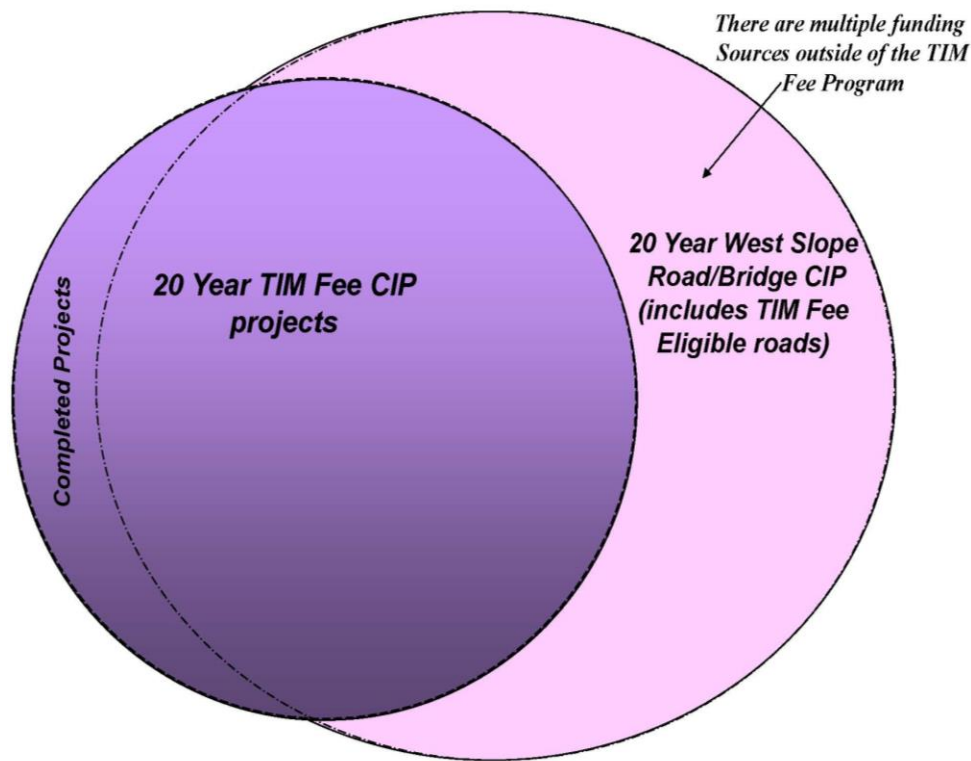
A TIM Fee is a fee levied by a local government or public agency to ensure that new development projects pay for all or a portion of the costs of providing public infrastructure or services to new development over a specified time horizon. Since 1984, the County has adopted

and updated various fee programs to ensure that new development on the western slope pays to fund its fair share of the costs of improving County and state roads necessary to serve that new development over a 20-Year horizon.

For the purposes of this discussion, a clarification must be made as to the relationship between TIM Fee projects and other projects in the CIP. The CIP is the planning, prioritization, scheduling and construction mechanism, while the TIM Fee program is one of the funding mechanisms for getting needed CIP projects built within the County. The CDA’s CIP includes TIM Fee and non-TIM Fee projects.

TIM Fee projects are CIP projects that are driven by new development and are to be funded via TIM Fee revenue. Other (non-TIM Fee) projects are also included in the CIP and funded with a variety of other sources. Since these other projects do not meet the nexus requirements per the Mitigation Fee Act (Government Code Section 66000 et. seq.) they are not identified as TIM fee projects and are not eligible for TIM fee funding.

Figure 1: CIP and TIM Fee Program Relationship



Note: When a TIM Fee project with a financial commitment is completed, it is removed from the CIP program. The project, however, remains within the TIM Fee Program until the financial commitment has been completed.

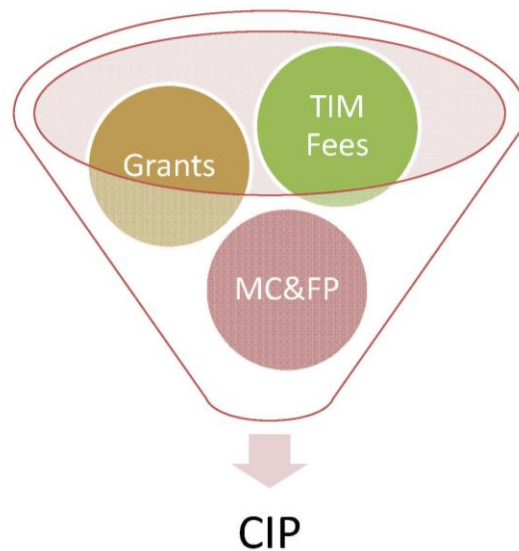
The CIP projects have various funding sources, as shown in Figure 2 below. The CIP includes the following project types:

- *Roadway improvements* required as a result of projected growth, funded by the TIM Fee Program (e.g., Diamond Springs Parkway, Green Valley Road Widening, Latrobe Road Widening).
- *Safety/Operational improvements* as a result of existing deficiencies funded by state or federal grants (e.g., Cold Springs Road Realignment, Green Valley Road Traffic Signal Interconnect). Some Safety/Operational Improvements projects have used a percentage of TIM Fee dollars to match grant dollars.
- *Bridge projects* funded by state and/or federal grants (e.g., Bucks Bar Road Bridge Replacement). A few bridge projects have used a percentage of TIM Fee dollars to match grant dollars.

Additional CIP projects, such as the Pleasant Valley Road at Oak Hill Road Intersection Improvements Project, are funded primarily by grants, but also have some TIM Fee funding. The County often uses TIM Fee funds to match federal or state grant funds, thus enabling the County to leverage TIM Fee dollars to obtain additional grant funding.

Figure 2: CIP Funding Sources

Various Funding Sources



It is essential that the CIP supports the goals and policies of the General Plan. The General Plan requires the CIP and TIM Fee Program to be updated every five years to revise the 20-Year growth forecast and comprehensively re-evaluate the programs (see Attachment 7D for a detailed discussion of the background of the CIP and TIM Fee Program). As required in Policy TC-Xb, the CIP must plan for the appropriate infrastructure to maintain required level of service (LOS) standards. The CIP must meet General Plan parameters, such as those imposed by Measure Y, as discussed in detail in Attachment 7E. The TIM Fee Program must be created and

implemented consistent with the Mitigation Fee Act (AB 1600), must support the CIP, and ensure that future development pays for its fair share to mitigate its impacts.

Background on 2012 TIM Fee Update

As presented to the Board on April 19, 2011 (see Attachment 9B), and again on December 11, 2011 as part of a presentation to update the TIM Fee Program, the Transportation staff said they would explore four areas for possible TIM Fee Program cost reductions:

- A) Deletion of projects not absolutely necessary for traffic impact mitigation. The trigger would be in compliance with General Plan Level of Service (LOS) requirements.
- B) Deletion of the remaining HOV Lane Project (i.e., Bass Lake Road to Cameron Park Drive) from the fee program.
- C) Reduction of the “Traffic Signal” line item in the TIM Fee Program. This has implications as to what the County will need to require from developers (e.g., developer constructed signals with no reimbursement).
- D) Identify the likely impacts of eliminating any expenditure on the State Highway System with the exception of the Silva Valley Parkway Interchange Project.

In addition to these four categories, the Transportation staff communicated to the Board that a third party outside review committee would be established to review cost estimates for County CIP projects. This outside CIP Cost Estimate Review Committee (CCERC) would review the 2011 CIP, which became area E) of the fee reduction process:

- E) Review of CIP Cost Estimates in coordination with CCERC.

Based on reductions made within areas A), C) and E) listed above (the “low hanging fruit”) the Board significantly reduced the TIM Fee Program by \$138.6 million on February 14, 2012. This reduction resulted in an average reduction by TIM Fee fund as follows:

- Zones 1-7: 14.1%
- Zone 8: 13.3%
- Hwy 50: 18.1%

The Board also created the Age Restricted Single Family Dwelling Unit and Multi-Family Dwelling Unit TIM Fee categories for Zones 2, 3, and 8.

Background on 2015 Major CIP and TIM Fee Update

On February 10, 2015, staff provided a comprehensive summary of what the Board could expect as part of the Major CIP and TIM Fee Update process through its scheduled adoption. The Board confirmed the following:

- 1) Project purpose and goals
 - a. Develop a legally-defensible CIP that is consistent with the General Plan and supports its implementation.
 - b. Develop a legally-defensible TIM Fee Program that supports CIP implementation and is consistent with the Mitigation Fee Act (AB 1600).
 - c. Reduce the TIM Fees to the extent possible while still achieving the goals above.
 - d. Adopt new CIP and TIM Fee Program by first quarter 2016.
- 2) Baseline assumptions (see below for additional information).

- 3) TIM Fee zone geography options (see below for additional information).
- 4) Approach to public outreach.
- 5) Project schedule.

On May 5, 2015, the Board took the following actions:

- 1) Received and filed information on the traffic analysis methodology, existing and future deficiency analysis results, alternative funding, and summary of initial public outreach and focus groups.
- 2) Confirmed that the four TIM Fee Zone geography options presented are appropriate for further analysis.
- 3) Directed staff to select one parcel in each existing Zone and demonstrate at a future Board meeting how the TIM Fee rate for said parcel would be affected in each Zone change scenario.
- 4) Provided input on the land use categories.
- 5) Directed staff to proceed with the 2035 General Plan Land Use Scenario for the purposes of creating a draft CIP list and preliminary TIM Fee structure.

A note about Baseline Assumptions

The baseline assumptions confirmed by the Board at the February 10, 2015 meeting were founded on the best information available at that time. Multiple projects currently in process could result in new or revised information relative to these assumptions. These projects include:

- *Sacramento Area Council of Government's (SACOG) 2016 Metropolitan Transportation Plan/Sustainable Communities Strategy (MTP/SCS)*. The MTP/SCS is scheduled for public review and comment in Fall 2015 and adoption in Winter 2015/16. Staff was informed in July 2015 that the City of Folsom was working with SACOG to modify growth assumptions in the area south of US Highway 50 as part of the MTP/SCS process.
- *Missouri Flat Master Circulation and Financing Plan (MC&FP) Phase II*. On March 30, 2015, the Board directed staff to come back with a fiscal report/presentation demonstrating the fiscal viability of an MC&FP Phase II. The County's consultant Economic and Planning Systems, Inc. has been diligently working on providing information to present to the Board in November/December. If the Board determines to continue proceeding with MC&FP Phase II, an analysis will be conducted as part of the scope of work to determine what improvements, if any, are required for the Missouri Flat Interchange as well as any other local roadway improvements which can potentially be added to the TIM Fee Program.
- *Targeted General Plan Amendment/Zoning Ordinance Update (TGPA-ZOU)*. A Board hearing will be scheduled in November to consider adoption of the TGPA-ZOU.
- *Joint Power Authority (JPA) Southeast Connector*. The JPA Southeast Connector (Connector) is currently working on a CEQA analysis for White Rock Road running through the City of Folsom through El Dorado County (from Prairie City Road to Latrobe Road). As part of the Connector's CEQA analysis, the revised traffic numbers from Folsom as part of SACOG's 2016 MTP/SCS update have been taken into account.

- *Major Development Proposals, including Central El Dorado Hills Specific Plan, Village of Marble Valley Specific Plan, Lime Rock Valley Specific Plan, Dixon Ranch and San Stino.* Several General Plan amendment projects are moving forward and anticipate going to the Board for consideration of approval by the end of 2015 or early 2016.

Approval or implementation of any of the aforementioned projects may require future updates to the Travel Demand Model (TDM), CIP and/or TIM Fee Program. The County continually updates the TDM and conducts annual CIP and TIM Fee updates to incorporate new information as necessary. If any of these projects are approved and/or result in new information, the County will update the CIP and TIM Fee as appropriate during the next annual update. Incorporating new information at this point (e.g., new forecasts per the MTP/SCS) would delay the Major CIP/TIM Fee Update project. The amount of delay depends on what pending projects listed above the County would wait for a decision on; the delay could vary from two to six months. The cost to amend the growth projections, provide a revised a future deficiencies analysis (TIM Fee list), potentially revised CIP cost estimates, and revise draft TIM Fee Structures could cost \$60,000 of consultant time (depending on the results of the deficiencies analysis).

It is standard practice to choose a point in time and base calculations based upon best the best information available at that time. Changing baseline assumptions mid-process and/or waiting for new information that appears to be forthcoming will lead to considerable delays and cost overruns. Again, if any of these projects are approved and/or result in new information, the County will update the CIP and TIM Fee Program as appropriate during the next annual update.

DISCUSSION

To continue moving forward with the project and keep to the schedule, staff is recommending the Board review, discuss, provide preliminary feedback, and receive and file the following draft information (further discussion on the seven items is provided below):

- 1) Proposed 2035 TIM Fee project list
- 2) Proposed 2035 TIM Fee project component assumptions
- 3) Status of proposed CIP project list
- 4) Alternative funding sources
- 5) Updated project schedule
- 6) Draft TIM Fee structure
- 7) Proposed CEQA document for the TIM Fee Program

1. Proposed 2035 TIM Fee Project List

The proposed 2035 TIM Fee Project list (Attachment 9C) was developed by identifying what roadway improvements would be required over a 20-Year period (through 2035) as a result of growth. At the May 5, 2015 Board Study Session #2, Kittelson & Associates (KAI) presented the Draft Technical Memorandum 2-3: *Existing and Future Deficiency Analysis*. This Draft Technical Memorandum has been updated to reflect the Board's direction to use only the existing General Plan for the proposed update (Attachment 9D). This memorandum summarizes the existing and future deficiency analysis including the Mitigation Fee Act nexus justification for the improvement concepts to be advanced as part of the Major CIP and TIM Fee Update.

The TIM Fee project list includes the following types of projects:

- Projects needed to address future level of service (LOS) deficiencies (e.g., Green Valley Road, Highway 50 improvements). This also includes parallel capacity projects (e.g., Saratoga, White Rock Road, and Country Club).
- Projects with current reimbursement obligations (e.g., Silva Valley Interchange).
- Line items for bridge replacement grant match funds, intersection improvements, transit capital improvements and program administration.

The existing TIM Fee Resolution Exhibit B, adopted in 2012 has been included as Attachment 9E as a reference point. The proposed 2035 TIM Fee Program project list (Attachment 9C) was completed by determining which roadway improvements would be required by 2035 based on the growth projection as directed by the Board on April 8, 2014 (1.03% annual growth rate, with 75% of growth occurring within Community Regions and 25% occurring outside of Community Regions) and consistent with General Plan policies inclusive of Measure Y. This list was created based solely on a quantitative analysis and did not take into account any other factors.

Attachment 9F provides information on the successful completion of TIM Fee Program roadway projects. Attachment 9G provides a list of roadway projects which have been modified, added or deleted when compared to the 2012 TIM Fee Program roadway list.

To the extent an approved development project considered, as part of its environmental review, a CIP project now proposed for removal, subsequent discretionary approvals for such a project may have to be reanalyzed if:

- a) Substantial changes are proposed in the project which will require major revisions of the Environmental Impact Report (EIR); or if
- b) Substantial changes occur with respect to the circumstances of the project being undertaken which will require major revisions to the EIR; or if
- c) New information, which was not known and could not have been known at the time the EIR was certified as complete, becomes available to determine if conditions of approval or mitigations would require changing as a result of the update to the TIM Fee and/or CIP program.

This analysis will occur as needed on a project-by-project basis.

Staff has also received questions regarding whether TIM Fees paid for prior development projects are impacted if the TIM Fee Project list or Fee amount changes as part of this update process. Specific questions include:

- Does the County have an obligation to *refund* any TIM Fee revenue paid/collected in the past should the TIM Fee be *reduced* as a result of this update process?
- Does the County have an obligation to *require any additional* TIM Fee revenue from applicants that have paid past TIM Fees should the Fee be *increased* as a result of this update process?

The answer to both these questions is “no.” Section 66001(d) of the Mitigation Fee Act (Government Code Sections 66000 through 66025) requires that all fee programs undergo

periodic review to justify continued holding of unexpended fund balances and continued collection of a fee. The TIM Fee Program update is designed to comply with this statutory requirement. Should the maximum justified fee decline as a result of the update, the County should revise and implement a new fee schedule as soon as practicable to avoid overcharging new development projects. Prior development projects that paid under the current (higher) fee schedule would not be due a refund because their fee amount was based on the most current nexus analysis available at the time of payment. Similarly, if the fee increased as a result of the TIM Fee Program update, prior development projects would not be obligated to supplement a prior fee payment. At the time of adoption of the TIM Fee Program update, any unexpended fund balances along with future fee revenues would be directed to the revised projects justified under the TIM Fee Program update.

2. Proposed TIM Fee Project Component Assumptions

Quincy Engineering was tasked with preparing cost estimates for all projects to be included in the updated CIP projects, including the TIM Fee projects. Cost estimates are only provided for the draft TIM Fee project list at this time; cost estimates for all other (non-TIM Fee) CIP projects will be provided at a future Board Study Session. The assumptions and parameters used in the generation of the cost estimates and the cost estimates are included in Attachment 9H.

Discussion Point

The existing TIM Fee Program includes right-of-way costs and frontage improvements (sidewalk, curb and gutter) for some projects. Staff's preliminary recommendation is to remove sidewalk, curb and gutter, and right-of-way from the TIM Fee Program in locations where future development could provide right-of-way and construct frontage improvements at their own cost and without reimbursement. See Attachment 9I for an overview of alternatives in removing right-of-way and/or sidewalks from project costs. If the Board agrees with this recommendation, an ordinance requiring development to construct its frontage improvements and dedicate right-of-way would be necessary. This practice is consistent with many other local jurisdictions, including Placer County. This ordinance would be processed along with the CIP and TIM Fee Update project.

The benefits to removing right-of-way, sidewalk, curb and gutter are:

- Overall TIM Fee Program costs could be reduced by approximately \$18.9 million.
- Developers could be required to provide necessary right-of-way to the County and/or pay for frontage improvements as part of the project approval and development process, rather than leaving these items in the TIM Fee Program and spreading these costs across all new development subject to the TIM Fee.

The potential downside to removing right-of-way, sidewalk, curb and gutter are:

- If the County constructs a TIM Fee road project, different funding sources may potentially need to be secured.
- Certain development projects may incur increased costs.

3. Status of Proposed CIP Project List

Draft Technical Memorandum 2-3: *Existing and Future Deficiency Analysis* lists projects that are scheduled to be included in the updated TIM Fee Program. Projects no longer necessary to accommodate future implementation of the General Plan can still be included in the CIP with funding from other sources, but they no longer meet the nexus requirements to use TIM fee funding.

The list of preliminary (non-TIM Fee funded) CIP projects will be provided at a future Board Study Session. Currently the CIP is in draft form and staff is still receiving comments from the public to ensure that it captures and reviews all potential CIP needs. Staff will continue to take input until August 31, 2015, and will then finalize the draft CIP list.

4. Alternative Funding Sources

Alternative funding for the CIP includes all federal, state, and local sources other than TIM Fee revenue. El Dorado County receives some federal and state transportation revenue directly from the funding agencies. Other federal and state transportation funding is programmed through the Regional Transportation Planning Agency or Metropolitan Planning Organization; in the case of El Dorado County those agencies are the El Dorado County Transportation Commission (EDCTC) and SACOG, respectively. Federal and state transportation funding is typically programmed formulaically or through a competitive process.

EDCTC has provided the County a draft projection of available funds for the next 20 years as part of the Financial Element of the Draft El Dorado County Regional Transportation Plan 2015-2035 (RTP) for use in the CIP and TIM Fee Update (Attachment 9J). The Draft RTP Financial Element is developed in close coordination with SACOG and determines the transportation revenue likely to be realized throughout the region over the 20-Year planning horizon. The Draft RTP Financial Element projections reveal the state and federal transportation funding through 2035 for both the west slope of El Dorado County and the City of Placerville.

The grant revenue estimate for the updated program is based on a conservative assumption that the County will get only 70% of the total EDCTC projected revenue even though the unincorporated area contains 93% of the West Slope's population. Based on the last 11 years of revenue history for the TIM Fee, the County could anticipate \$196,000,000 in grant funding over the next 20 years. However, for conservative purposes, the draft TIM Fee structure only assumes that the County will receive \$188,000,000, and of that amount only \$119,000,000 will be applied to the TIM Fee Program. Further discussion on the grant funding and its uses will take place in November/December.

Attachment 9K, Draft Technical Memorandum 3-2: *Project Policy Guidance and Technical Assumptions*, provides a full discussion on the alternative funding. Outside of the TIM Fees, other local funds are primarily derived from contributions from the MC&FP.

5. Updated Project Schedule

Board Study Session #3 was originally scheduled to occur on July 28, 2015. However, due to additional analysis requested of the consultants (i.e., further analysis on Missouri Flat

Interchange and Bass Lake Interchanges, and review of cost estimates with and without frontage improvements), Board Study Session #3 was rescheduled to September 22, 2015. As a result, the remaining Board Study Sessions have also been rescheduled. See Attachment 9L for the updated project schedule.

6. Draft TIM Fee Structure

Attachment 9M contains the preliminary draft TIM Fee Structures for four alternative TIM Fee Zone geographies:

1. Best Fit (Existing)
2. Smoothed (8 Zones)
3. Population Based (5 Zones)
4. Fee Based (4 Zones)

These draft Fee calculations are based on the draft TIM Fee project list, direction given by the Board on May 5, 2015 to consolidate fee categories (Attachment 8D), and cost estimates to construct the TIM Fee projects. These draft Fee structures will be discussed in detail during the next round of focus group sessions, public workshops and the next Board Study Session in November/December. Based on the Board action to combine items and create new categories, the draft TIM Fee Structure provides some of the following results (for the Smoothed 8 Zone alternative):

- The overall draft TIM Fee program has been reduced from \$804.3 million to a proposed \$468.7 million, a 42% reduction.
- The residential fees, commercial and lodging fees go down substantially across all zones, with the potential exception of Zone 2. The fees are decreasing due a combination of factors, including but not limited to a revised and reduced growth forecast and revised project cost estimates.
- The only fee increases in are in the church, office, industrial, and warehouse categories in Zones 2, 3, and 8. While the increase in these categories and zones are by large percentages, the absolute dollar increases are modest.
- With regards to the warehouse category, the Board on May 5, 2015 agreed with staff's recommendation to merge the industrial and warehouse categories to reduce the incentive for developers to build a shell building and push the incremental industrial fee onto future tenants when they build out improvements. The result is a larger increase in the fees for the warehouse category. This change will address a significant issue that has been raised by many people over the years.

Discussion Point - TIM Fee Zone 2

The 2006 TIM Fee Program combined Zones 2 and 3 for the purpose of residential and non-residential fee rates and calculations since they have very similar characteristics, shared infrastructure, and straddle Highway 50. No other fee zones were merged in the 2006 Program.

The two 8-Zone alternatives discussed above maintain this merger, while the 5- and 4- zone alternatives consider different zone geographies altogether. As the starting point for analysis and discussion purposes of the two 8-Zone alternatives, each of the 8 individual zones should be kept independent (i.e. not merged) to determine the true fair-share cost burdens relative to each zone.

If Zones 2 and 3 are kept independent (i.e. not merged), Zone 2's fees would increase and Zone 3's fees would decrease. The relatively higher fees in Zone 2 stem from its fair share contribution to two of the most expensive TIM Fee project in the County – US 50/Ponderosa Interchange (\$39,417,000) and US 50/Cameron Park Interchange (\$87,284,000) – and modest growth forecasted to occur within the zone over the next 20 years over which to spread those costs.

One or more of the following options could be implemented to address this issue:

1. Merge Zones 2 and 3 (i.e. maintain the status quo of the current TIM Fee program)
2. Choose different Fee Zone geography alternative - Population Based (5 Zones) or Fee Based (4 Zones)
3. Remove project(s) from TIM Fee program (would require a 4/5 vote of the Board)

The US 50/Ponderosa Interchange improvements are necessary and provide a reasonable cost/benefit ratio. The US 50/Cameron Park Interchange improvements are necessary from an LOS perspective, but may not provide a reasonable cost/benefit ratio, particularly given its impacts to surrounding land uses and Zone 2 TIM fees. The high cost for the Cameron Park Interchange is largely due to the high right-of-way costs in the area and the need to acquire commercial properties with existing businesses to accommodate the project footprint. Attachment 9N provides a preliminary outline of the right-of-way needs for the improvement of the Cameron Park Interchange.

With the four proposed TIM Fee Zone geographies, alternative fee structures have been provided (Attachment M), including:

- Alternative 1: Zones 2 and 3 **merged, including** Cameron Park Interchange project
- Alternative 2: Zones 2 and 3 **unmerged, including** Cameron Park Interchange project
- Alternative 3: Zones 2 and 3 **merged, excluding** Cameron Park Interchange project
- Alternative 4: Zones 2 and 3 **unmerged, excluding** Cameron Park Interchange project

7. Proposed CEQA document for the TIM Fee Program

Rincon Consultants, Inc. has reviewed the draft TIM Fee project list and is proceeding with an Initial Study to determine if a Mitigated Negative Declaration (as scoped and budgeted) is the appropriate document for the TIM Fee Program. The appropriate CEQA document will provide a broad overview of the potential environmental consequences of adopting and implementing the proposed program. Project specific environmental documents will be required for each proposed project when an actual construction project is initiated.

ALTERNATIVES

N/A

FINANCIAL IMPACT

There is no change to Net County Cost associated with this agenda item.

CLERK OF THE BOARD FOLLOW UP ACTIONS

N/A

STRATEGIC PLAN COMPONENT

The Major CIP and TIM Fee Update would address existing levels of traffic congestion, improve existing infrastructure and fund needed road improvements necessary to maintain LOS standards as required by General Plan policies and as part of the Infrastructure component of the County Strategic Plan.

NEXT STEPS

Following today's Study Session, staff will present the draft information contained in this report to focus groups scheduled for the week of September 21, 2015 and to the public during workshops scheduled for the week of September 28, 2015. Staff will return to the Board in November/December to present feedback from these focus group and public outreach meetings, provide new or revised information as necessary, and request the Board to provide direction regarding this information.

In the November/December Board session, staff will also present a Resolution of Intent to amend the General Plan to amend Figure TC-1 of the Circulation Element to add and/or remove roads and projects as necessary.

CONTACT

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