

Traffic Impact Fee System Report for the City of Santa Cruz

Introduction

The recently completed City of Santa Cruz Master Transportation Study (MTS) indicates that traffic throughout the City could potentially increase by 19% over the next 20 years. Although policies and programs are described in that study to reduce this increase it is anticipated that some increase in congestion will occur over the study horizon. A number of projects have been identified in previous planning efforts as well as in the MTS that would address the impacts of new development. One method of insuring that the cumulative traffic impacts of development are addressed is through the use of traffic mitigation fees. The City is investigating the possibility of using development impact fees to offset the shortfall in transportation revenues available to the City.

The purpose of this report is to discuss the policy rationale, legislative authority, and the local experience which may effect the City's consideration of this means of financing the transportation projects needed for the future. This report is divided into these general categories and concludes with findings and recommendations. For purposes of this report, the discussion regarding development impact fees will be focused on traffic impact fees. In general however the discussion broadly applies to any public facility impact fee use.

Policy Rationale

Impact fees are generally imposed as part of an approval process for development to proceed. The approval process may apply to a discretionary permit or to a non discretionary permit. Communities typically use this form of revenue raising for the purpose of meeting the public facilities needs of new development. Typically, particularly in high growth communities such as are found in the west, public sentiment dictates that new development pay as it goes. These communities have generally concluded that new growth is not self sustaining. It has become evident to them that general fund revenues and existing funding sources are very limited in their ability to improve upon the existing transportation system. Many of these communities have turned to impact fees to fund the improvements that may be needed, in order to protect the public from the harm that may be experienced by increased delay and congestion.

It is generally accepted that new development, depending on its use and design, has an affect on the circulation system that serves it. Considerable research and numerous studies make attempts to quantify this effect. Poor site design and the traffic generated by a development can have an effect at critical intersections at a substantial distance from the site. Traffic impact fees have been created as a means of addressing these effects.

Traffic impact fees by definition are single payments required to be made by developers or builders at the time of approval and calculated to be a proportionate share of the capital project providing service to that development. It should be noted that an important aspect of the definition is that the fee is paid once at the time the effect of the development will be felt. This does not guarantee that the improvement will be in place when the development occurs but it shifts the responsibility to the

implementing agency. That the fee be a proportionate share of the facility costs is also an important aspect of the definition because it implies a notion of fairness, in suggesting fair share.

Inherent in an impact fee system are a number of responsibilities of the community.

- The community must define the circulation improvements needed for future travel.
- The community is responsible for identifying the "fair" proportionate share responsibility of the development.
- The community becomes responsible, when the fee is paid, for implementation of the needed improvements.

Legislative Authority

The exercise of police power is authorized by the California Constitution. It is this police power that authorizes attaching conditions to a development approval, whether they are dedications or development fees. Land use regulation has long been held allowable if it substantially advances a legitimate government interest. And does not deny the property owner economically viable use of his land.

The courts have indicated that the payment of a fee as a condition of development is voluntary in nature. Even though the developer cannot legally develop without doing so, he or she voluntarily decides whether to develop or not. Therefore the major controversy with respect to fees revolves around the extent and amount of fees and their use. The fee required must be used to further the same governmental purpose advanced to impose it.

The "Mitigation Fee Act" beginning in California Government Code Section 66000 established requirements that must followed by a city when imposing fees. This legislation requires that local agencies imposing fees as a condition of a permit do so using the following criteria:

- The purpose of the fee must be identified.
- The use of to which the fee is being put must be identified. The specific projects for which the fee is being used should be identified.
- A reasonable relationship between the fee's use and the type of development project on which the fee is imposed (type "nexus") must be determined.
- How there is a reasonable relationship between the need for the public facility and the type of development projection which the fee is imposed ("burden created" nexus) must be determined.

- Further, the city must determine how there is a reasonable relationship between the amount of the fee and the cost of the public facility attributable to the development on which the fee is imposed.

California law clearly states that a fee must be reasonable and that there must be a connection between the type of project and the fee use, the type of project and the need for the public facility, and between the amount of the fee and the public facility.

Two other points imposed by state law are important. The legislature has limited the time of payment of fees. The earliest occasion at which a fee may be obtained is at the time building permit is issued. In addition the legislative intent is clear that the projects for which a fee is collected should proceed expeditiously.

Local Experience

There are many examples of traffic fee systems in California. A number of examples exist in Santa Cruz County. The County of Santa Cruz initiated a simple traffic impact fee system around 1977. Since that time the system has been amended several times. Two other jurisdictions in the County have imposed traffic impact fees on new development. The discussion of local experience will be limited to the experience in Santa Cruz County. The following table describes the present fee and its basis for each of these agencies.

Santa Cruz County Traffic Impact Fee Programs

Agency	Basis of fee	Fee per single family unit	Fee per unit basis
Santa Cruz County	Trips/Day	\$2,000	\$ 200/ trip
City of Scotts Valley	Square Feet Parcel	\$3,510	\$ 6.96 / sq. ft
City of Watsonville	Trips/Day	\$1,820	\$130 / trip

The County has established several different traffic improvement fee areas generally encompassing most of the urbanized area. The City of Watsonville program is Citywide as is the City of Scotts Valley's program.

Options for the City of Santa Cruz

At this time the City has a number of developing areas with fairly well defined traffic projects to address the impacts of the new development. The Beach South of Laurel Area Plan identified a number of traffic mitigations needed for the impact of development. Development on the far Westside has been studied extensively in recent environmental documents. Several projects can be identified in those documents that are needed for the traffic impacts anticipated.

Once the City approves the Master Transportation Study a program of projects for the entire City may be developed which would provide the documentation for a Citywide traffic impact fee area. Until that time the City may wish to test the process by establishing several test traffic impact fee areas. This will allow development that is consistent with existing plans to proceed in an orderly manner and still insure that cumulative traffic impacts will be addressed. Project specific impacts would still be addressed through the impact identification and mitigation implementation process.

Conclusions and Recommendations

The City of Santa Cruz is in need of funding to address the traffic impacts of new development.

The City obtains federal and state funding whenever possible to fund the necessary projects.

Traffic impact fees have the potential to bridge the gap between available grant sources and total funding needs. In fact traffic impact fees may be used to leverage additional grant funds to the area.

The City should adopt a traffic impact fee ordinance complying with the following guidelines.

- The fee should be based on the trip generation expected for new development. This will spread the costs of projects equitable to all new uses that generate traffic within an area.
- At this time two Traffic impact fee areas should be considered the Beach and South of Laurel Area as well as the far Westside.
- The fee should be updated every two years to reflect increases in construction costs.
- The revenue received should be tracked by property and the funds maintained in a separate account which draws interest and is not commingled with other funds.
- The funds received should be programmed for expenditure within five years of being received.
- Provisions should be made in the program for developers to construct portions of the planned projects if appropriate. Fees would be offset for costs.

A fair fee based on a reasonable plan which is financed in part by other transportation resources is very defensible and will give the City a means of addressing the cumulative transportation impacts of new development. A sample ordinance is attached that meets the recommended objectives and guidelines.