



THE CITY OF SAN DIEGO  
**REPORT TO THE CITY COUNCIL**

DATE ISSUED: April 9, 2008 REPORT NO: 08-049

ATTENTION: Council President and City Council  
Agenda of April 14, 2008

SUBJECT: Regional Transportation Congestion Improvement Program

REFERENCE: Report to the City Council, November 7, 2007, "CIP Prioritization Policy," Report #07-188  
Regional Arterial System, November 30, 2007  
Nexus Study for TransNet Regional Transportation Congestion Improvement Program

REQUESTED ACTION:

Recommend City Council adoption of the Regional Transportation Congestion Improvement Program (RTCIP) Impact Fee Nexus Study;

Recommend City Council approval of the RTCIP and associated impact fees; and,

Recommend City Council approval of the establishment of a separate interest bearing fund 30319 for the deposit of the RTCIP fees.

STAFF RECOMMENDATION:

Recommend that the City Council adopt the RTCIP Impact Fee Nexus Study, prepared by the consulting firm of MuniFinancial, dated September 5, 2006, as accepted on September 22, 2006 by the SANDAG Board of Directors "for the purpose of distributing it to local jurisdictions for their use in implementing the funding program" and as subsequently revised into the final Study, dated November 26, 2007.

Recommend that the City Council approve the RTCIP and associated fees to be assessed, upon building permit issuance, on residential units, exclusive of affordable housing. Approval of the RTCIP will result in a development impact fee for qualifying residential development of \$1,865 per multi-family unit and of \$2,331 per single family unit. Assessment of such fees, in communities which do not currently/nor in the past have contributed an average \$2,000 per residential unit, will be additional to development impact fees currently assessed for provision of community serving infrastructure.

Recommend establishment of a special interest bearing fund available for deposit of RTCIP fees. All revenue and appropriations to eligible projects identified in the RTCIP may come from RTCIP fees, Facilities Benefit Assessment (FBA) funds, or other identified funding sources. Additionally, establishment of this fund is necessary in order to meet the monitoring requirements of SANDAG and of the RTCIP. A maximum of 3% of fund revenue may be utilized to reimburse administrative expenses, up to 1% to SANDAG, as billed, and up to 2% to the City of San Diego.

## SUMMARY:

### **Background**

In November 2004, voters approved Proposition A to extend the TransNet half-cent sales tax for transportation projects through 2048. Passage of Proposition A resulted in the establishment of the Regional Transportation Congestion Improvement Program (RTCIP). “The purpose of the RTCIP is to ensure that new development directly invests in the region’s transportation system to offset the negative impact of growth on congestion and mobility. The RTCIP provides for the collection of a fee per new dwelling unit to ensure future development contributes its proportional share of the funding needed to pay for the Regional Arterial System (RAS) and related transportation facility improvements, as defined in SANDAG’s most recently adopted Regional Transportation Plan (RTP).” If a local agency does not comply with the RTCIP the agency can lose TransNet sales tax funding for local roads.

### **Regional Transportation Congestion Improvement Program**

Key components of the RTCIP include:

- Beginning July 1, 2008, each local jurisdiction must contribute \$2,000 from exactions imposed on new development for each additional residential unit;
- Beginning July 1, 2008, City of San Diego communities which demonstrate a Maintenance of Effort in contributing an average \$2,000 through payment of a FBA will not be required to pay an additional average \$2,000 RTCIP fee upon building permit issuance;
- Although the RTCIP does not specify a revenue source for this contribution, it is anticipated that collection of this revenue will occur through imposition of a development impact fee imposed upon additional residential units upon building permit issuance;
- Revenues must be expended within the parameters defined under the Mitigation Fee Act (California Government Code Sections 66000 through 66025) and in a manner consistent with the expenditure priorities in the most recently adopted RTP;
- The Independent Taxpayer Oversight Committee, created by SANDAG for the TransNet Program is responsible for reviewing local agency implementation of the RTCIP; and,
- If a local agency does not comply with the RTCIP the agency can lose TransNet sales tax funding for local roads.

## **Nexus Study**

Under California's Mitigation Fee Act, the City of San Diego has the authority to impose impact fees for urbanized communities; and under Ordinance 15318, "Procedural Ordinance for Financing of Public Facilities in Planned Urbanizing Areas," for planned urbanizing communities as defined in the 1979 Progress Guide and General Plan. In order to comply with the Mitigation Fee Act, the City is required to make findings demonstrating a reasonable nexus between the collection of fees, the need for facilities created by new development, and the expenditure of fee revenue to benefit new development.

In September 2006, SANDAG completed a RTCIP Nexus Study to satisfy the nexus requirement of the Mitigation Fee Act. On September 22, 2006 the SANDAG Board of Directors approved the "RTCIP Impact Fee Nexus Study," dated September 5, 2006, as prepared by MuniFinancial.

### **RTCIP Impact Fee Calculation**

SANDAG staff developed the RTCIP contribution amount of \$2,000 per residence using an approach that allocated transportation system improvements proportionately across both existing development and projected growth. The methodology can be found in the RTCIP Impact Fee Nexus Study, page 3 (Attachment 1).

The methodology, as described in the Study, assumes that all development, existing and new, has the same impact on the need for RAS improvements based on the amount of travel demand generated (vehicle trips). Thus existing and new development should share proportionately in the cost of transportation system improvements.

The September 5, 2006 RTCIP Impact Fee Nexus Study identifies RTCIP fees for non-exempted future residential development, which does not pay an equivalent amount or greater through FBA, as follows:

|                                    |          |
|------------------------------------|----------|
| New Multi-Family Residential Unit  | \$ 1,865 |
| New Single Family Residential Unit | \$ 2,331 |

It is anticipated that these fee amounts will satisfy the RTCIP requirement, that an average \$2,000 per non-exempted residential unit will be collected in FY 2009 for future funding of RAS improvements.

Listed in Attachment 2, "Communities in Which RTCIP Impact Fee Will Be Imposed Upon Non-Exempt Residential Units," are communities where construction of a new non-exempted residential unit will require the payment of the RTCIP development impact fee.

Listed in Attachment 3, "Communities in which RTCIP Impact Fee Will Not Be Imposed Upon Non-Exempt Residential Units," are communities which are contributing FBA impact fees in an amount greater than \$2,000 average per residential unit and which have therefore demonstrated a Maintenance of Effort in financing the RAS.

## **Exemptions**

The RTCIP program exempts the following residential units from the impact fee:

- New moderate, low, very low and extremely low income residential units as defined in Health & Safety Code Sections 500.79.5, 50093, 50105, 50106, and by reference in Government Code Section 65585.1;
- Government/public buildings, public schools and public facilities;
- Rehabilitation and/or reconstruction of any legal residential structure and/or the replacement of a previously existing residential unit;
- Development projects subject to development agreements prior to the effective date of the TransNet Ordinance (May 28, 2004) that expressly prohibit the imposition of new impact fees, however if the terms of the development agreement are extended beyond July 1, 2008, the requirements of the RTCIP shall apply;
- Guest dwellings;
- Additional residential units located on the same parcel regulated by the provisions of any agricultural zoning;
- Kennels and catteries established in conjunction with an existing residential unit;
- The sanctuary building of a church, mosque, synagogue, or other house of worship eligible for property tax exemption;
- Residential units that have been issued a building permit prior to July 1, 2008; and,
- Condominium conversions.

## **Affordable Housing Exemption**

The San Diego Housing Commission has provided an estimate of 7,965 future units which would be developed through 2030 and would be exempt from payment of the RTCIP fee. The Commission estimate is based upon consideration of the following methods and assumptions:

1. Due to inclusionary housing requirements 10% of all new construction units would be affordable;
2. The pattern and amount of affordable development through 2030 would look like the pattern/number of affordable units developed through 2008; and,
3. Commission knowledge of proposed projects/development constraints on a community by community basis.

The final number of affordable housing units, estimated by the Housing Commission and included in estimates for units subject to the RTCIP, was based upon an analysis of the three methods identified above.

For purposes of definition, Housing Commission employed the definition of affordable units to be exempted from the fee as all units that meet the affordability requirements of the Inclusionary Ordinance (Municipal Code 142.1309) by providing on-site units and moderate income units consistent with Health and Safety Code Section 50093.

## **RTCIP Revenue Projections**

Approved public facilities financing plans utilize a methodology which projects full community development at 2020 or 2030, depending on the latest census data available when the financing plan was prepared. Utilizing 2030 for purposes of estimating the number of single family residential building permits which will be issued in any given fiscal year beginning July 1, 2008, excluding affordable housing and Maintenance of Effort communities' residential permits, it is estimated that an average single family residential building permit activity of 100 to 125 units will result in the annual generation of \$233,100 to \$291,375 in RTCIP revenues for FY 2009.

Due to the variation in the magnitude of multi-family units from a duplex to a several hundred unit development, phasing of building permit issuance for construction of large scale developments, and to the imposition of fees upon the date of building permit issuance, it is extremely difficult to estimate multi-family RTCIP revenue. Additionally, with the downturn in housing construction, previous years' activity are not reliable indicators of future residential construction activity.

For the initial year of RTCIP fee assessment and collection, it is projected that minimal multi-family building permits will be issued and that revenues collected will be programmed in FY 2010. Should a large scale development generate significant revenue, project appropriations could be proposed for Council approval mid fiscal year.

Additionally, communities which fund RAS improvements through payment of FBA will continue to pay an equivalent of \$2,000 per residential unit or higher through FBA payment upon building issuance.

## **Selection of RTCIP Projects**

The selection of the proposed projects that may be fully or partially funded by the RTCIP are based upon the RTCIP eligibility criteria and the City Council approved CIP Prioritization Policy. RTCIP impact fee revenues must be expended on improvements to the RAS. The RAS is defined as meeting one of the three criteria:

- Provides parallel capacity in high-volume corridors to supplement freeways, state highways, and /or other regional arterials (Corridor);
- Provides capacity and a direct connection between freeways or other regional arterials, ensuring continuity of the freeway, state highways, and arterial network throughout the region without duplicating other regional facilities (Cross-corridor); or
- Provides all or part of the route for existing or planned regional and/or corridor transit service that provides headways of 15 minutes or less during the peak period.

Once a roadway has been identified as a RAS, as designated in the Regional Transportation Plan, then the RTCIP impact revenues may be used for any capital costs associated with improving the RAS including costs associated with:

- Arterial widening, extensions, and turning lanes;
- Traffic signal coordination and other traffic improvements;

- Reconfigured freeway-arterial interchanges;
- Railroad grade separations; and
- Expanded regional express bus service.

Revenues collected through the Funding Program shall be used for preliminary and final engineering, right-of-way acquisition, and construction that will be needed to accommodate future travel demand generated by new development throughout the San Diego region.

### **Maintenance of Effort**

Demonstrated on Attachment 4, "RTCIP Maintenance of Effort," is the analysis of maintenance of effort contributed by identified communities where infrastructure is financed through FBA.

### **Use of Revenues**

As discussed in Selection of RTCIP Projects, impact fee revenues must be expended on improvements to the RAS in a manner consistent with the expenditure priorities in the most recently adopted RTP. Based on the criteria provided, Engineering and Capital Improvements Department created a list of eligible CIP and Planning projects in need of funding, (see Attachment 5) and categorized them based on the Council Policy on "Prioritizing Transportation and Drainage CIP Projects." The qualified project categories that best fit the RTCIP criteria are new roadways, roadway widening, roadway reconfigurations and traffic signals, and improvements required for regional express bus and rail transit. As revenues are collected, these projects will be selected based on their priority scores among the planning, design and construction phases. According to the Council Policy, a minimum of five percent (5%) of transportation resources will be allocated to projects in the planning phase, a minimum of thirty percent (30%) to projects in the design phase, and a minimum of sixty-five percent (65%) to projects in the construction phase. We will attempt to adhere to these percentages as we move forward with the selection of projects.

### FISCAL CONSIDERATIONS:

With the implementation of the RTCIP Program, effective July 1, 2008, revenue will be collected and deposited into a special interest bearing fund for appropriation to transportation projects as identified as eligible under RTCIP criteria and the CIP Prioritization Policy.

### PREVIOUS COUNCIL and/or COMMITTEE ACTION:

The Regional Transportation Congestion Improvement Program report was approved by the Land Use and Housing Committee on March 12, 2008.

### COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

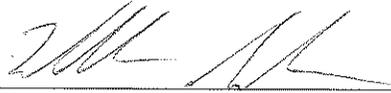
By April 1, 2008, the City of San Diego's proposed Regional Transportation Congestion Improvement Program will be submitted to SANDAG's Independent Taxpayers Oversight Committee for review.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

All property owners with new residential building activity which is not exempted through affordable housing or Maintenance of Effort provisions will be required to pay a RTCIP fee of \$2,331 for each new single family unit and \$1,865 for each new multi-family unit.



David Jarrell  
Deputy Chief of Public Works



William Anderson, FAICP  
Deputy Chief Operating Officer:  
Executive Director of City  
Planning and Development

- Attachments:
1. Nexus Study for TransNet Regional Transportation Congestion Improvement Program
  2. Communities in Which RTCIP Impact Fee Will Be Imposed Upon Non-Exempt Residential Units
  3. Communities in Which RTCIP Impact Fee Will Not Be Imposed Upon Non-Exempt Residential Units
  4. RTCIP Maintenance of Effort
  5. RTCIP Projects List

Note: Due to the size of Attachment 1, only a limited distribution was made. A copy is available for review in the Office of the City Clerk.