

REPORT TO SHASTA COUNTY RTPA

SUBJECT	MEETING DATE	ITEM NUMBER
Accept Phase 1 Fix 5 Traffic Impact Fee Program & Recommend Adoption (Public Hearing)	10/23/07	5

RECOMMENDATION

It is recommended that the Board:

1. Conduct a public hearing;
2. Review and comment on the attached draft Fix 5 Partnership Memorandum of Understanding (MOU) to be approved by the Board in February;
3. Accept the Phase I Fix 5 Partnership Program and cooperative funding strategy as detailed in the attached reports; and
4. Recommend that the cities, counties, and Redding Rancheria adopt the Fix 5 Partnership Program and traffic impact fee (TIF) in the amount of \$1,697 per equivalent dwelling unit (EDU) in the Shasta Region and \$1,894 per EDU in the Tehama Region consistent with **Table 2** below.

SUMMARY

The Fix 5 Partnership (Partnership) Phase I studies have been completed in consultation with regional partners and the public. A cooperative funding plan has been developed to add a new lane on Interstate 5 in each direction between Corning and Shasta Lake. The Fix 5 Program and TIF, if adopted, will address the impending deterioration of traffic conditions on Interstate 5 (I-5). Despite local dependence upon I-5, no local funding component currently exists. Hundreds of millions of dollars may be available from state and federal resources to help fund needed improvements, but only if a fair share of the financial burden is borne at the local level. The proposed TIF, developed in accordance with the Mitigation Fee Act (AB1600), is fair, equitable, and the most preferred local funding option. TIF amounts per residential and non-residential building types are the lowest possible amounts that, when combined with outside funding sources, will fully fund the proposed improvements. Although higher TIF amounts are legally justifiable, the Partnership believes that higher fees are not necessary due to the high potential to compete for scarce state and federal transportation tax dollars.

If an agency elects to participate in the Partnership, they will receive:

- 1) substantial state and federal funds for I-5 congestion relief projects in their city/county;
- 2) priority for construction of I-5 projects in their city/county;
- 3) CEQA relief from conducting project-by-project studies on I-5 mainline impacts and mitigation; and
- 4) all other mobility, economic, and social benefits associated with a functioning I-5.

It is recommended that the Phase I Program and TIF be presented to the city councils, boards of supervisors, and Rancheria tribal council for uniform adoption. Support documentation is attached.

BACKGROUND:

The Partnership is a multi-regional effort to address impending congestion on the sixty-one mile stretch of I-5 between Corning and the City of Shasta Lake. Through proper planning and collaboration, the Partnership seeks to avoid congestion with its related economic and quality of life impacts currently experienced in larger metropolitan areas such as Sacramento and the Bay Area.

Agencies considering participation in the Partnership are Shasta Lake, Redding, Anderson, Shasta County, Redding Rancheria, Red Bluff, Corning, and Tehama County. Other members of the Partnership with funding, policy, and oversight roles are the Shasta County RTPA, Tehama County RTPA, and Caltrans.

Due to its multi-regional nature and early-intervention approach, the Partnership is unique in California and has already gotten the attention of state policy-makers; most recently through a successful \$27 million grant to add lanes on I-5 north of Cottonwood.

The Partnership is funded by a \$585,000 state grant. The effort has been underway for almost two years. Development of the TIF has included an unprecedented level of open dialogue and consultation. The extensive public, agency, and media involvement is shown in the attached documentation.

PURPOSE AND NEED

The project purpose and need are detailed in the *Fix 5 Partnership Phase I Impact Fee Nexus Study*. A summary is provided below:

Congestion: The attached documentation shows that I-5 will experience routine stop-and-go traffic in the next 10 to 15 years. A trip from Shasta Lake to Corning that takes 50 minutes today will take nearly double that time in 12 years. The beginning signs of congestion are already evident in the morning and evening commute hours.

Much, but not all, of this rising congestion is due to local traffic. According to a recent survey, over half of Shasta and Tehama residents use I-5 four to seven days a week (see attached public opinion survey). On average, I-5 carries up to 70,000 vehicles a day through Redding. Over half of these trips begin and end within the region. Studies show that without local growth and local development, the existing four-lane I-5 facility would meet travel demands over the next 20 years. With local growth, a new lane is needed in each direction.

The direct effects of congestion include lost work- or personal-time spent stuck in traffic, increased fuel consumption and vehicle maintenance costs, and increased safety hazards.

Congestion on I-5 also has far-reaching indirect effects as follows:

Economy: Congestion on I-5 also leads to indirect effects on our economy and our ability to accommodate new development. Although I-5 is an interstate, it is also a local workhorse moving more local people and goods than any other roadway in the region. I-5 and our quality of life in the region are touted by our local economic development partners as

primary assets. Just as a free-flowing I-5 has served to boost our regional economy, a congested I-5 can turn it into an economic liability.

California Environmental Quality Act (CEQA): Despite our local dependence on I-5 and the local benefits it brings, I-5 receives no local funding. This has created contention during the CEQA process as cities and counties approve development projects. Under CEQA, developments must mitigate for their fair share of impacts to public facilities regardless of ownership. In the absence of the regional solution offered by the Partnership, mitigation of impacts to I-5 is problematic at best, especially for large development projects. Many local agencies, including Redding and Shasta County, have attempted to fulfill this obligation to mitigate by conditioning project approvals to participate in the Partnership TIF, if adopted.

This obligation to mitigate I-5 impacts under CEQA has resulted in a continued and escalating risk of CEQA lawsuits against local lead agencies and developers. Suits can be filed by Caltrans but, more frequently, they come from third-party challengers. To date, Caltrans has not filed such a lawsuit in our region but has in other areas of the state. Obviously, Caltrans and the other Partnership members prefer the solution offered through adoption of the Fix 5 Program.

Leveraging: Local agencies have not funded I-5 mainline improvements because none have been needed; cities have been drawing-down on excess capacity as the region has grown over the past 40 years. The local expectation of many has been that since state and federal agencies built I-5, they must now pay to widen it. The state and federal position is that they will maintain the four lanes they provided, but they cannot fully fund new lanes unless locals pay a fair share based on local traffic contributions. This stance is similar to that of a local city or county when one of their facilities is impacted by another entity, and they have insufficient funds; they would expect funding to offset impacts pursuant to CEQA.

The Partnership recognized the need for a funding plan to pay for the widening of I-5 to six lanes. The Partnership seeks to fund a majority of the improvement costs through state and federal resources generated through existing taxes paid by existing residents. The remainder of the improvement need would be funded through local traffic impact fees.

Securing funds through Sacramento has become a competitive process and Sacramento is now looking to leverage from regions as much as we look to leverage from them. In fact, local funds now constitute the majority of expenditures on California state highways.

Impacts on New Development: Although the proposed TIF will add to development costs, the cumulative fee burden is consistent with other California regions. Partnership analysis shows that the fee burden will be offset by several benefits associated with a functioning I-5 over the long-term. Offsetting benefits include, but are not limited to, the following:

- Reduced haul cost, mobilization, and goods movement cost, including those associated with construction
- Reduced developer costs for CEQA studies and litigation
- Reduced developer fees over the long term by spreading the improvement cost over time and across jurisdictions
- Reduced developer fair-share costs through better leveraging of limited state and federal transportation funds
- Reduced burden on local street and road improvement needs and costs
- Increased highway construction jobs and dollars infused into the local economy
- Reduced public discontent and anti-growth sentiment where growth is managed in a fiscally responsible manner
- Strengthened economic development climate
- Reduced fuel costs and vehicle maintenance costs

FIX 5 PARTNERSHIPS: PHASE I IMPACT FEE NEXUS STUDY

The Nexus Study provides an analysis for all local agencies to use when adopting the TIF. It ensures that development within their respective jurisdiction contributes legally adequate mitigation toward its impact on mainline I-5. The nexus analysis presents the maximum legally defensible development impact fee amounts as well as the proposed minimum impact fee amounts that - when combined with state and federal funding contributions - represents a fully funded improvement program.

The Nexus Study offers the following conclusions:

- Traffic impact fees can be legally imposed up to 30% higher than those currently proposed. Through the negotiating strength of the Partnership and through early development of a fee program, it is envisioned that sufficient funding can be leveraged to avoid the higher fees. A more conservative assumption would be to assess the maximum justifiable if we want better assurances that the improvements could be built on schedule.
- Planned residential and nonresidential development in Shasta and Tehama County through 2030 will grow at a rate of 1% to 2% depending on the development type;
- The impacts of new development on traffic levels of service (LOS) for I-5 reveal that almost every segment of I-5 is projected to reach failing levels of service by 2030 if no capacity enhancements are made;
- The total cost of expanding I-5 to three lanes of travel in each direction is estimated at \$546 million for the 61-mile project span. This includes two bridge replacements over the Sacramento River in Red Bluff;
- Necessary improvements could be fully funded if a fair share portion of the cost is charged to new development through an impact fee program;

- Since the TIF is focused on I-5 impacts, small commercial projects will pay a lower proportionate share than larger projects with a regional draw. This is accounted for in equivalent dwelling unit (EDU) calculation factors;
- The funding plan is based on a 20-year planning horizon in Shasta County. Fees would be indexed annually based on inflation;
- The TIF would apply within the South Central Urban Region of Shasta County. An area that encompasses all of the three cities and the surrounding valley and foothill communities of the county including but not limited to Centerville, Old Shasta, Mountain Gate, Bella Vista, Palo Cedro and Cottonwood (See Page 19, Figure 4, of report); and
- The TIF was calculated for the Shasta and Tehama regions so that each could proceed independently if a multi-region consensus is not reached.

Table 1 shows the cost, amount of funds to be leveraged, and the amount of funds to be generated through the TIF. As indicated, the total project cost omits bridge replacement costs over the Sacramento River in Red Bluff where Caltrans anticipates that state/federal taxes will fund 100%.

TABLE 1:

<u>Shasta County</u>		
Total estimated cost:		\$ 231,775,000
Outside funding (state & federal):		\$ 115,887,500
Impact Fee Revenue Required:		\$ 115,887,500
 <u>Tehama County</u>		
Total estimated cost*:		\$ 195,175,000
Outside funding (state & federal):		\$ 130,767,250
Impact Fee Revenue Required:		\$ 64,407,750
 <i>*Excludes \$119,380,000 bridge costs to be funded via the State's 'SHOPP' account</i>		

Table 2 shows the proposed minimum fee amounts and equivalent dwelling unit (EDU) factors to fully fund I-5 improvements:

TABLE 2:

Proposed Fix Five Impact Fee Schedule						
Land Use	Cost per EDU	EDU Factor	Fee¹	Fee / Ft.	Sq.	
Tehama County and Incorporated Cities						
<u>Residential</u>						
Single Family	\$ 1,894	1.00	\$ 1,894			N/A
Multi-family	1,894	0.80	1,515			N/A
<u>Nonresidential</u>						
Neighborhood Commercial	\$ 1,894	1.05	\$ 1,990	\$	1.99	
Regional Commercial	1,894	2.51	4,758			4.76
High-Generation Commercial	1,894	4.34	8,222			8.22
Office	1,894	2.20	4,164			4.16
Industrial	1,894	0.81	1,529			1.53
Shasta County and Incorporated Cities						
<u>Residential</u>						
Single Family	\$ 1,697	1.00	\$ 1,697			N/A
Multi-family	1,697	0.80	1,357			N/A
<u>Nonresidential</u>						
Neighborhood Commercial	\$ 1,697	1.05	\$ 1,782	\$	1.78	
Regional Commercial	1,697	2.51	4,262			4.26
High-Generation Commercial	1,697	4.34	7,364			7.36
Office	1,697	2.20	3,730			3.73
Industrial	1,697	0.81	1,370			1.37

¹ Fee per dwelling unit for residential or per 1,000 building square feet for nonresidential.

PHASE I TIF COMPARED TO PHASE II

At the onset, the Partnership envisioned a Phase I TIF program followed by Phase II. As the program developed, the Phase I scope took in much of the Phase II work. The Phase II scope is now limited but may include optional items at the discretion of each individual agency. To provide assurances that Phase II will not result in substantial changes in local revenues needed, limitations are set forth in Section 10 of the attached draft MOU.

The minimum necessary scope of Phase II work affecting total project cost involves added improvements for interchange merges (i.e., ramp metering) and traffic detection devices. Staff anticipates that these elements will raise the total improvement need by less than 20% in Phase II.

In addition, optional elements may be supported in the study at the discretion of any one agency. These include TIFs for interchanges and parallel routes. If any local agency declines to participate in these optional elements, it would not prohibit them from participation in the

Fix 5 Partnership and receiving the accompanying benefits.

The remaining Phase II elements will not change the amount of local revenue needed; it will instead consider refinements on how to spread the costs. Possible modifications include adjustment to the equivalent dwelling unit (EDU) factors; establishment of zones of benefit for higher or lower fees in certain areas depending on I-5 usage and benefits; and fee reductions for developments which significantly reduce vehicle trips.

PUBLIC OPINION SURVEY

The Partnership commissioned the attached public opinion survey of 500 registered voters in the proposed TIF area with a margin of error of 4.4%. The results, consistent with other traffic count data, show that the vast majority of local residents routinely utilize I-5. A vast majority of respondents also believe congestion on I-5 is an important issue and that new lanes in each direction are warranted. Fifty-four percent of those surveyed stated they would support county and city governments in adopting an impact fee to help fund the additional lanes. Overall, the survey indicates a 3 to 1 preference for an impact fee over any other local revenue source, including a local sales tax increase.

BURDEN ANALYSIS

The attached *Comparative Survey of Fees Charged to New Development* illustrates the cumulative burden of all fee programs 1) for all jurisdictions within the Partnership; 2) in relation to comparable jurisdictions in the North State; and 3) in relation to jurisdictions throughout California as a whole.

The overall fee burden on new development was found to be reasonably consistent with other jurisdictions in the Partnership and within the fee range of similar jurisdictions in Northern California. Statewide, the Fix 5 TIF Program was found to be generally lower than other areas, in part because the Program is being considered for adoption prior to major congestion. On average, the Phase I TIF Program will result in an additional fee burden of 1.77% of market value.

PUBLIC AND AGENCY INVOLVEMENT

The Fix 5 Partnership is founded upon an extraordinary level of public and agency involvement. Outreach has included the following:

- Multiple duly noticed public meetings in each county
- Citizen and agency participation on the Technical Advisory Committee
- City manager and chief administrative officer participation on a Fix 5 Executive Committee
- Presentations or offers of presentation to interested civic and professional groups
- Meetings, interviews and correspondence with television, print, and radio media (articles attached)
- A total of 20 prior presentations to governing boards of all cities, counties, the Redding Rancheria, and the RTPA's
- Collection of written comments and preparation of responses

Public outreach is documented in the attachments. All input has been considered in development of the Nexus Study and support documents. On July 30, 2007, the Executive Committee unanimously recommended that the Phase I TIF proceed to each Fix 5 partner agency for adoption.

As expected, there appears to be unanimous support about the need to widen I-5 but disagreement regarding who should pay. Some development interests and tax payer advocacy groups who participated on the TAC (i.e., Shasta Builders' Exchange and ShastaVoices) oppose the TIF. Other development representatives on the TAC such as the Associated General Contractors or general-concerned citizens were in favor of the TIF. The Partnership has attempted to solicit viable alternatives that would be supported by TIF opponents on the TAC. No such alternatives have been suggested.

ADOPTION BY PARTICIPATING AGENCIES

Pending direction from the RTPA Board, the Partnership will present the Phase I TIF Program and MOU to Fix 5 partners within Shasta County for adoption. The following dates/times are tentative:

<u>Date</u>	<u>Partner</u>	<u>Time</u>
December 4	City of Shasta Lake	7:00pm
December 4	City of Anderson	7:00pm
December 11	Redding Rancheria	12:00pm
December 18	City of Redding	7:00pm
January 8	Shasta County	1:00pm

The Tehama County Transportation Commission (TCTC) will present the Phase I TIF Program to Fix 5 Partners in Tehama County between January 15 and 29 (tentative). A sample TIF resolution, ordinance, and the final MOU will be provided to each agency.

Critical to implementation of the Phase I TIF Program is its uniform adoption among the Partnership. The attached draft MOU provides that, at a minimum, the Partnership will move forward if there is a city/county consensus within any one county or within both counties. Where there is not city/county consensus within a county, all agencies voting affirmative in that county will have the opportunity to reconsider participation under a revised MOU.

If adopted, the Phase I TIF Program will go into effect uniformly on May 1, 2008. The attached Draft MOU (Section 5.2) provides that local agencies may ramp-up to the full fee amount over time, provided the final increase is adjusted to make up the amount that otherwise would have been collected. Agencies may also opt into the program at a later time; however, the TIF amounts they adopt would need to be adjusted upwards accordingly.

MEMORANDUM OF UNDERSTANDING

The attached Fix 5 Partnership draft MOU is a result of ongoing negotiations with Caltrans and outlines the terms and conditions of the Partnership. The MOU is an integral component of the Phase I program and must be accepted and adopted concurrently.

This MOU is important in that it memorializes agency and public expectations. It will hold each agency accountable to each other and to the public. Key provisions, by section, generally include the following:

- Section 3.2: Principles of consensus in adopting fee
- Section 4.1: CEQA relief for new development
- Section 4.2: Strictly limits Caltrans project cost
- Section 4.3: Reaffirm Caltrans support in leveraging funds
- Section 6-9: Uniform fee payment, collection and distribution
- Section 10: Limits Phase II scope and total cost increases
- Section 15: Consequences of withdrawal or delayed participation

The MOU is a work in progress and comments from the RTPA Board are encouraged. The MOU still must undergo review by Executive Committee members. A final MOU will be presented to the RTPA for approval at the February meeting.

ALTERNATIVES

Several alternatives have been considered in addition to the staff recommendation:

Alternative A: Recommend the maximum legally defensible fee of \$2,190 per EDU in Shasta County. A goal of the Partnership was to develop the lowest TIF possible while aggressively pursuing state and federal resources through leveraging. It is possible that these aggressive outside funding assumptions may not fully materialize. A more conservative approach is to assess the maximum legal TIF, \$2,190 in the Shasta region. This alternative is not recommended since the Partnership is attempting to minimize the burden on new development and is committed to aggressively seeking outside funds.

Alternative B: Pursue a local sales tax measure rather than, or in addition to, a TIF. A quarter-cent local sales tax could generate the local share needed. Based on public involvement feedback, the public opinion survey, experiences in other regions, and the consultant teams professional opinion, a local sales tax would not be supported by the voters unless they are satisfied that local development is paying a fair share of the I-5 costs attributable to new development. A local sales tax without a development impact fee funding component is commonly viewed as a subsidy by existing residents for new development.

Alternative C: Lobby federal and state agencies to raise gas or sales taxes and pay for all of Interstate 5. State/federal transportation taxes were last raised in 1990 and there is little interest in the state or federal legislature to raise gas or sales taxes further. The sentiment in the legislature is that they raised taxes by the proper amount to build and maintain the system that exists today. Since the need to expand the system is based in large part on local demand, they will not pay to expand the system unless there is some kind of local funding and accountability.

Alternative D: Defer action until congestion on I-5 becomes intolerable. While public and business support for a local fee/tax on I-5 will grow with congestion, failure to make the hard decisions now will result in an

increased burden for future generations. By the time the deferred improvements are built, the negative consequences of congestion will already be felt. Although the Partnership expects to face some criticism for adopting a TIF now, the Partnership anticipates far more criticism in the future. Delaying hard decisions today will result in the need for more extreme actions in the future.

Alternative E: Limit growth. This alternative - assuming it could be successfully implemented - would avoid the need to widen I-5 but it would put development at a standstill and have grave economic consequences that would far exceed those of a TIF.

Alternative F: Get people to drive less. This has been attempted in many regions with limited success. The reality is that people will drive less when it becomes inconvenient or too expensive to do so. Congestion on our roads, including I-5, could get people to drive less; however, mobility is a universal need and I-5 would remain congested for those that rely upon it whether for transit, goods movement, work, or other needs. Letting the freeway fail is a choice many communities have made, but not a sacrifice we need to make at this stage in our region's growth.

Alternative F: Do nothing. This would mean more of the status quo but escalated over time: Increased CEQA litigation over I-5 impacts; lost opportunities to leverage hundreds of millions of state and federal funds; and more public discontent in the future. The ramifications of this alternative are evident in any big city commute. The price of congestion (air pollution, losses in productivity, reduced traffic safety, increased good movement costs, traffic spillover onto local roads, reduced quality of life, etc.) must be weighed in comparison to the proposed TIF amount.

FINANCING

The Fix 5 Partnership TIF Program will give the RTPA and local agencies a place at the state negotiating table so we can leverage needed funds to widen I-5. With the majority of urban areas offering local funds for local impacts, we are no longer effectively approaching the state empty handed with hat in hand. With a congested I-5, we can expect the same economic impacts currently experienced in larger regions. If we wait until I-5 congestion becomes intolerable before acting, we will need to make up for lost revenues and leveraging opportunities with higher fees/taxes.

CONCLUSION

There is broad community support and recognition that I-5 needs to be widened to six lanes. The only issue concerns who pays. The Fix 5 Partnership has developed a funding program that best balances local, regional, state, and federal needs along with a minimal fair share cost assigned to new development. It also represents a compromise between costs that should be paid by new development versus cost that can be shouldered by existing residents through existing taxes. Because the program is unique in its geographic scope and proactive solutions, the Partnership believes that it will garner much-needed attention in Sacramento to competitively leverage state and federal funds. While the decision to assess a TIF now is a tough one, waiting will place more of a burden on future residents and business. Staff recommends that the Board accept the studies and recommend approval to the cities, counties, and tribal council.

Daniel S. Little, AICP, Executive Director

DSL/DTW/jac

Attachments:  Phase I Traffic Impact Fee Nexus Study
Burden Analysis Report
Memo: Adjusted Allocation Factors for commercial
Development
Godbe Research Fix 5 Voter Survey Report
Memorandum of Understanding (MOU) AND Operating
Agreement
Phase I Ordinance and Resolution (template)
Fix 5 Partnership Fee Program Calendar
Technical Advisory Committee (TAC) and Executive
Committee minutes from most recent meetings
(July 30, 2007)
Correspondence
News media coverage
Transporter Newsletter