

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
December 9, 2008
Timed: 2:00 p.m.

To: Board of Supervisors

From: Department of Transportation

Subject: Public Hearing On Adoption Of A Resolution Approving An Update To The Sacramento County Transportation Development Fee Program (SCTDF) And Nexus Analysis And Introduction Of An Ordinance Updating The SCTDF Development Impact Fees: Waive Full Reading And Continue The Ordinance To December 16, 2008, For Adoption (Continued From 9/30/08, #24)

Supervisory
Districts: All

Contact: Daniel Shoeman, Chief, Planning and Programs, 874-6222

Overview

The Department of Transportation has prepared a comprehensive update to the Sacramento County Transportation Development Fee Program (SCTDF). This program will fund improvements to the County's major roadway, transit, bicycle and pedestrian facilities needed to accommodate travel demand generated by new development through 2032. The SCTDF Update was heard by the Board on September 30, 2008. The matter was continued to December 9, 2008, in order to address written comments and issues raised in testimony by interested stakeholders at the hearing.

Recommendations

1. Adopt the attached Resolution Approving the Update to the Sacramento County Transportation Development Fee Program and Nexus Study.
2. Adopt the Capital Improvement Program contained in the Update to the Sacramento County Transportation Development Fee Program and Nexus Study.
3. Establish a two year phasing of the fees detailed in Exhibit "B".
4. Consider the policy question regarding the possible lowering of certain fees for commercial, office, industrial and affordable housing developments from the levels recommended in the update, as described in this report.
5. Introduce the Ordinance amending Chapter 16.87 of the Sacramento County Code adjusting Roadway and Transit Fees to reflect the transportation needs based on 2032 development forecasts prepared by Sacramento Area Council of Governments (SACOG).
6. Waive full reading and continue the item to December 16, 2008, for adoption.

Measures/Evaluation

The success of this program can be measured by the completion of roadway and transit projects funded all or in part by the program.

Fiscal Impact

The total estimated funding for transportation improvements that would be made available by the updated SCTDF program is approximately \$1.52 billion through 2032. Approval of the update would result in fees ranging from \$106 to \$12,576 per dwelling unit equivalent (DUE). The new fee ordinance calls for an annual adjustment to the fees based on a “construction cost index”. Additionally, the program also recommends an update to the SCTDF program at least every five years or when there is a major change in the General Plan. This request is consistent with applicable elements of the 11-Point Budget Plan.

BACKGROUND

The SCTDF was adopted August 31, 1988, by Ordinance No. SCC 0742, establishing County Code Chapter 16.87 (Roadway and Transit Development Fees), and Ordinance No. SZC 88-0069, establishing Zoning Code Section 115-44. The purpose of the SCTDF program is to fund the construction of roadway, bicycle, pedestrian and transit improvements needed to accommodate traffic and transit ridership generated by new land development allowed by the present County General Plan and land use zoning. Assessing a development fee is also a condition of receiving Measure “A” Transportation Sales Tax allocations. The Roadway portion of the current SCTDF program was last updated in 1993. The Transit portion of the program has not been updated since its inception in 1988.

On October 25, 2005, the Board approved a contract with DKS Associates for professional engineering services to prepare the SCTDF Update and provide associated services.

On February 21, 2006, the Board adopted an ordinance amending Chapter 16.87 of the Sacramento County Code adjusting Roadway and Transit Fees to reflect an increase in the construction costs of roadway and transit facilities. This action only provided for an interim increase in the fee rates pending completion and adoption of the SCTDF Update, and did not change any other provisions of the current program.

DKS Associates completed the draft report on the Update of the SCTDF on July 30, 2007. After release of the draft for public review, the Sacramento County Department of Transportation (SACDOT) held over fifty stakeholder meetings to gather comments on the update (see Exhibit “A”).

MuniFinancial, a subcontractor for DKS Associates, prepared the Nexus Study for the SCTDF program in accordance with the procedural guidelines established in AB1600 which is codified in California Government Section 66 *et. Seq.* The Nexus Analysis is included as part of the SCTDF Update.

The Update of the SCTDF Program was heard at the Board on July 15, 2008. Several stakeholder groups had provided written comments and made presentations to the Board at that hearing and had requested a continuance of the item so that their outstanding issues with the Program could be addressed. The Board continued the item to September 30, 2008, and directed SACDOT staff to meet with the stakeholder groups and to report back on how their issues should be addressed. On September 30, 2008, the Board heard from SACDOT on the status of the

SCTDF Update and the program recommendations resulting from the stakeholder meetings. The stakeholders requested a continuance to meet again with SACDOT to resolve outstanding issues regarding the program.

DISCUSSION

Following is a summary of the issues presented by the stakeholders groups at the September 30, 2008, Board hearing and the resolution to those issues recommended by SACDOT staff.

Construction Cost Estimates Developed for the SCTDF Program

Issue: SACDOT agreed at the September 30, 2008, Board hearing to reduce project cost estimates developed for a portion of the SCTDF Capital Improvement Program (CIP) by 20 percent to reflect the current bidding climate. The stakeholder groups wanted a further reduction based on comparable estimates from other jurisdictions.

Resolution: The stakeholder groups provided SACDOT with bid documents for two similar projects recently awarded in Elk Grove. Based on a review of recent construction bids including those above, and communication with surrounding jurisdictions, SACDOT did not find that it is appropriate to reduce the prior estimates by more than 20 percent. This results in a reduction of approximately \$173 million in the total cost of the projects in the CIP.

Soft Costs Estimates Developed for the SCTDF Program

Issue: SACDOT agreed at the September 30, 2008, Board hearing to adjust the soft costs to 45 percent and right-of-way costs at 10 percent. The soft costs were adjusted as follows: 10 percent for engineering, 15 percent for construction management, 5 percent for environmental mitigation, and 15 percent for contingencies. Right-of-way costs for purchasing property for the project are not considered soft costs. The stakeholder groups wanted a further reduction in the soft costs and right-of-way costs along with the reduction in the cost estimates described above.

Resolution: The soft costs and right-of-way costs above are consistent with projects estimated in the 7-Year Transportation Improvement and Program Guide and publicly bid projects in the financing plans.

Frontage Improvements Are Included In the Fees

Issue: The project estimates developed for the SCTDF CIP include construction of the curb lane and frontage improvements with the proposed roadway projects. The proposed fees could be reduced if the frontage improvements were excluded from the CIP estimates and assumed to be financed and constructed by fronting developments.

Resolution: The Board has previously supported the inclusion of curb lane and frontage improvements in financing districts, and has expressed the desire to incorporate these improvements in the SCTDF as well, in order to eliminate the “sawtooth” effect of partial improvements and ensure continuous sidewalks and frontages. SACDOT has agreed to revise

the Program to exclude curb, gutter and sidewalk from the project estimates but include \$5 million in the program for curb, gutter and sidewalk improvement at select gap locations.

Impact of Fee Increases on the County's Competitiveness

Issue: SACDOT recommended at the September 30, 2008, Board hearing to consider the following reductions in the proposed commercial, office, and industrial fees to be comparable with surrounding jurisdictions:

- General Commercial: Set the maximum fee at \$12 per square foot for all districts. Estimated reduction in SCTDF revenues: \$39.5 million
- General Office: Set the maximum fee at \$10 per square foot for all districts. Estimated reduction in SCTDF revenues: \$31.3 million
- Industrial: Set the maximum fee at \$6 per square foot for all districts. Estimated reduction in SCTDF revenues: \$44.7 million

The fees recommended in the Update are supported by the findings of the nexus analysis, and are appropriate based on the trip generating characteristics of new development and the improvements needed to mitigate the impacts to the transportation system. Lowering the proposed commercial, office and industrial fee rates to be competitive with surrounding jurisdictions is a Board policy decision. Such a reduction in fee rates would also reduce the revenues generated by the Fee Program and impact the County's ability to construct the projects proposed in the CIP. It would not be advisable to offset the reduction in revenues resulting from lower commercial, office or industrial fees by increasing residential development fees.

Metro Air Park (MAP) stakeholders requested a further reduction of industrial rates to \$4.00 per square foot for all districts (Exhibit D).

Resolution: The Metro Air Park net fee is now estimated at approximately \$1,594 per DUE, which yields a cost of only \$1.45 per square foot for industrial and \$0.70 per square foot for warehouse. These fees are significantly lower than the proposed maximum fees described above. SACDOT has no justification for further reducing the proposed industrial fee cap at \$6 per square foot.

Affordable Housing

Issue: The increase in fees for affordable housing projects could increase the burden on local redevelopment funding programs that support these projects. The result would be fewer local dollars available to support affordable housing projects.

Resolution: Reducing the fees for affordable housing is a Board policy decision. SacDOT recommends that the Board consider a reduced fee for qualifying affordable housing projects so that the cost per DUE is approximately the same as the current residential fee. Such a fee reduction would result in a reduction in SCTDF revenues of approximately \$45 million over the 24 year life of the program.

Framework for Policy Changes in North Vineyard Station Financing District

Issue: Comments from the development community focused on the high fee structure (specifically retail fees) in the North Vineyard Station Specific Plan (NVSSP) area. Staff testimony indicated that the high fees are likely the result of the significant amount of infrastructure required for this area, and to develop the associated conditions of development (with infrastructure delivery tied to development thresholds). The Board directed staff to work with representatives from the development community to develop a framework to address potential changes to the NVSSP Fee Program.

Resolution: Staff from several County departments met with several development community representatives serving both residential and non-residential markets to develop the framework. The attached framework is the result of this effort (see Exhibit C). Staff proposed a quicker interim update to the NVSSP Fee Program that would focus on whether reductions could be achieved for some, and possibly all categories, by updating dwelling unit equivalent factors and other CIP changes. The development representatives unanimously agreed that the County not waste its time on that effort and that the focus be on an update of the financing plan and related specific plan, and land use approvals including whether the program should be combined with the Florin Vineyard Comprehensive Plan (FVCP) area. The framework suggests an initial policy discussion at a Board Workshop to receive the Board's input on potential policy changes. Depending upon the direction received, development interests would submit a combined application to revise the NVSSP, financing plan, and several separated land use approvals with associated conditions of development. This effort will likely take more than a year and require significant property owner/community outreach. The FVCP with its draft Financing Plan would continue on its own path but could be updated to reflect any decisions that affect both plans without slowing the progress of that effort.

The SCTDF Program will be updated when an updated NVSSP Fee Program and a new FVCP Fee Program are approved and implemented. The fees will be adjusted so that there is no overlap between projects financed through the SCTDF and these fee programs. Every effort will be made to coordinate the fee programs to ensure a reasonable and appropriate total fee burden.

Folsom SOI and Cordova Hills

The SCTDF Program fees presented to the Board on September 30, 2008, allocated a share of the costs of all the projects in the unincorporated area to assumed development in the Folsom Sphere of Influence (SOI) south of US 50. While it was recognized that development in the Folsom SOI would only occur after it is annexed by the City of Folsom, the intent of the fee calculations was to provide the County with an estimate of the share of transportation infrastructure costs that should be paid by the Folsom SOI as part of the annexation process.

As part of a recent analysis of infrastructure financing for the Easton project, SACDOT has found that the SCTDF Program calculation assumes that the Folsom SOI would contribute a substantial amount to transportation improvements some distance from the Folsom SOI. While the County should expect the Folsom SOI to contribute to a share of SCTDF Program

improvements throughout eastern Sacramento County, SACDOT does not feel it prudent to assume the level of contribution assumed in the September 30, 2008, fee estimates.

SACOT has modified the SCTDF Program calculations to 1) exclude the Folsom SOI from Fee District 3 and the program fair share calculations, 2) eliminate about \$27.1 million in projects or portions of projects that would clearly be the responsibility of the Folsom SOI (those located within the SOI or shared with the County) from the program calculations 3) assume \$10.7 million in funding from the Folsom SOI to some key SCTDF program projects in eastern Sacramento, which is equivalent to the estimated funding from the Folsom SOI to those projects in the draft fee calculations from the 50 Corridor Mobility Partnership.

To fully meet its “net fair share” contribution to other improvements in the SCTDF program, the Folsom SOI would need to contribute about \$133 million in additional fee revenue. This fair share estimate should be evaluated as part of the annexation process for the Folsom SOI.

The SCTDF Program fees presented to the Board on September 30, 2008, did not assume development in the proposed Cordova Hills project. With the Board’s recent decision to accept an application for that development, SACDOT recognizes that the Cordova Hills development should be included in the SCTDF Program calculations. It was found that inclusion of Cordova Hills as part of Fee District 3 replaces most of the funding lost by the revised funding assumptions from the Folsom SOI discussed above and thus, fee rates for Fee District 3 and other fee districts would increase by modest amounts.

CONCLUSION

It is recommended that the Board approve the attached resolution adopting the SCTDF Update and Nexus Study (with the changes described above and as directed by the Board) and introduce the Ordinance amending Chapter 16.87 of the Sacramento County Code adjusting Roadway and Transit Fees to reflect the transportation needs based on 2032 development forecasts prepared by SACOG. It is also recommended that the Board continue the Ordinance to December 16, 2008, for adoption. The Ordinance will take effect 60 days after its adoption.

MEASURES/EVALUATION

Measures or an evaluation are not applicable to this agenda item.

71-J ANALYSIS

Section 71-J of the County of Sacramento Charter is not applicable to this agenda item.

FINANCIAL ANALYSIS

Approval of the update would result in fees ranging from approximately \$106 to approximately \$12,576 per DUE. The new fee ordinance calls for an annual adjustment to the fees based upon a “construction cost index”. Additionally, the program recommends an update at least every five years or when there is a major change in the General Plan.

The total estimated cost of the improvements included in the proposed SCTDF Update is \$2.32 billion. The proposed fees will contribute approximately \$1.52 billion to these projects through 2032. Of the remaining \$800 million in project costs, approximately \$450 million would be funded by other identified sources including financing plans, Measure A and currently programmed state and federal funding, and \$350 million would come from sources that are not currently identified. Staff has determined that based on the County's experience in receiving state and federal funding, it is reasonable to assume that up to \$240 million of this amount could come from known state and federal sources. This leaves \$110 million in project costs with no known funding source, which is approximately 4.7 percent of the total program cost. The fee reductions discussed above for commercial, office and industrial development, and for affordable housing, would result in a total reduction in Fee Program revenues of approximately \$160 million should the Board approve the reductions. This would increase the unfunded portion of the SCTDF program to \$270 million or approximately 11.6 percent of the total program cost.

LEGAL ANALYSIS

County Counsel has reviewed and approved the Ordinance amending Chapter 16.87 of the Sacramento County Code adjusting Roadway and Transit Fees.

Respectfully submitted,

APPROVED:
TERRY SCHUTTEN
County Executive

MICHAEL J. PENROSE, Director
Department of Transportation

By: _____
PAUL J. HAHN, Administrator
Municipal Services Agency

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Attachments:

Resolution

Attachment 1 - Update Sacramento County Transportation Development Fee Program

Attachment 2 – Ordinance

Attachment 3 – Hypothetical Fee Memo

Exhibit A - Outreach for Sacramento County Transportation Development Fee Program

Exhibit B - Phasing of Fees

Exhibit C - Framework For North Vineyard Station Financing Plan

Exhibit D – Industrial Fee Comps

cc: Michael J. Penrose, Director, Transportation
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