

DRAFT MEMORANDUM

To: City of Cupertino
From: Jason Moody, EPS
Subject: Notes from City of Cupertino Proposed Traffic Impact Fee Public Workshop #1; EPS #161085
Date: September 7, 2016

The Economics of Land Use



This memorandum summarizes the discussion from the first City of Cupertino Public Workshop on a proposed Traffic Impact Fee (TIF). The workshop was held on Tuesday, August 16, at the Cupertino Community Hall (10350 Torre Ave.).

The TIF Public Workshop #1 was attended by at least 15 community members who signed in as well as City staff and members of the consultant team (EPS and Stantec). The presentation by the consultant team can be found on the City's website at www.cupertino.org/tif.

The Consultant Team

The City has retained Economic & Planning Systems (EPS) and Stantec to help develop a TIF Program to be adopted by the City. EPS will be managing the study, calculating fees, and conducting the economic and financial analysis. Stantec's role includes transportation modeling and calculating facility cost estimates. Jason Moody, a Managing Principal with EPS, and Joy Bhattacharya, a Project Manager with Stantec, will lead the efforts.

Traffic Impact Fee Overview

A TIF is a one-time fee to ensure development and redevelopment projects pay their "fair share" to mitigate traffic impacts. This fee CANNOT be used for ongoing capital projects, operation/maintenance cost or to address current traffic problems. The fee will be used for transportation infrastructure needed to accommodate the new trips and related transportation capital facility impacts generated from new development.

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A Nexus Study will set the maximum amount the City can charge for the fee. The Nexus Study will determine the relationship between the impacts of a new development and the need for new transportation infrastructure. The Nexus Study also estimates the cost of the required transportation infrastructure. The basic formula for the TIF is provided below.

$$\frac{\text{Total New Transportation Infrastructure Costs Attributable to Development}}{\text{New Trips from Development}} = \text{Maximum Allowable TIF}$$

Infrastructure projects eligible for funding by the TIF are not limited to vehicular improvement projects. They can be applied to any type of transportation capacity enhancement project including bike, pedestrian, transit, and vehicular. Other projects the fee can be applied to include safety related/quality of life projects, streetscape, landscape, and urban design treatments.

The TIF will require approval from City Council. The City Council may also exempt groups from the fee. For example, other cities have exempted nonprofits from the fee.

Nexus Study Context and Issues

The TIF was identified as a mitigation measure in the adopted general plan amendment (Community Vision 2015-2040). The Community Vision 2015-2040, proposed project master plan documents, and proposed project conceptual plans, Bicycle Transportation Plan and Pedestrian Transportation Plans have identified future transportation infrastructure needs.

Some of the challenges with conducting the study are the uncertain timing for future development, in-fill and redevelopment nature of new growth, evolving transportation needs and travel patterns, and external traffic generators.

Question and Answers from Public Workshop # 1

A summary of the key questions and answers discussed at the community meeting with direct relevance to the study effort is provided below.

- ***Will the TIF be sufficient to mitigate the traffic problems associated with new growth?*** The TIF is designed to fund transportation projects that mitigate the traffic impacts of new growth but it does not itself approve or authorize growth. Because the TIF is not a land use or planning policy that does not approve or authorize new development, it does not require the preparation of an Environmental Impact Report (EIR) pursuant to the California Environmental Quality Act (CEQA) or National Environmental Protection Act (NEPA). The TIF can only be used to charge new development and redevelopment its "fair share" of the costs for transportation infrastructure needed to address traffic problems. As such, the TIF cannot charge developers the cost of correcting existing deficiencies in transportation infrastructure.
- ***What is the anticipated schedule for completion of the TIF? Are approved and/or projects initiated before TIF approval exempt?*** The City anticipates Council's adoption of the TIF in early 2017. City Staff is currently imposing a TIF on all future development projects regardless of whether they commence and/or are approved before completion of the

TIF study. Future projects that commence before approval of the TIF will pay fee based on a preliminary estimate of the actual fee.

- ***What type of transportation projects would be funded by the TIF and how will these projects be identified?*** The consultant team will rely on existing City transportation planning documents to identify the list of eligible transportation projects.
- ***How will funding from TIF revenue be allocated and prioritized among eligible transportation projects?*** City staff will be responsible for allocating the TIF revenue to the list of eligible transportation projects to be identified in the TIF Nexus Study. The timing and prioritization for funding these projects will likely be based on a variety of factors, including "readiness", funding availability, need, and policy considerations.
- ***How will TIF levels differ between various land use categories (e.g., residential, office, retail)?*** The TIF Nexus Report Study will calculate different fee levels for specific land use categories based on their respective trip generation rates. Generally speaking, land uses that generate more trips per unit of development (e.g., per square foot) pay a proportionately higher fee. The Consultant Team will utilize trip rate data by land use categories published and updated in a manual published by the Institute for Transportation Studies (ITS).
- ***Can a TIF be charged on an existing building (as opposed to new development) upon change of occupancy?*** Jurisdictions can charge impact fees on the redevelopment of existing structures when the redevelopment increases the trips generated. For example, if a lower intensity warehouse space is converted to a higher density office, a jurisdiction may be able to charge a TIF that corresponds to the net increase in trip generation from the site associated with the new use.
- ***Does the traffic model account for congestion impacts associated with the construction phase of a project, especially those associated with roadway improvements (e.g., temporary closures or delays)?*** No, the traffic modelling used to evaluate the congestion impacts of new development is based on long-term travel patterns and trip generation rates associated with various types of land uses. Temporary impacts associated with new construction are excluded from the TIF calculation.
- ***Why is the TIF only being considered for new development in Cupertino, especially since congestion issues and related solutions are regional in nature?*** The City only has the authority to impose a TIF on development within its jurisdiction. Many other cities in the region, although certainly not all, already have or are in the process of approving their own impact fee programs. As part of this study effort the consultant team will provide information on the fee levels in other jurisdictions. While multi-jurisdictional fee programs do exist in other areas of the State, they generally require a high degree of cooperation and coordination between jurisdictions.