Council Meeting: December 17, 2013

SUBJECT: Discussion and Possible Action to Update the Transportation Strategic Program and Adopt a Resolution Amending the City's Master Fee Schedule for Traffic Impact Fees

BACKGROUND
In November, 2003 the City approved the Transportation Strategic Program and adopted a Transportation Impact Fee on land development that generated new automobile trips. The fee is a revenue source for major transportation capital improvements in the City. Impact fees require periodic updating of the technical basis that supports the fee. Staff has completed an update of the City’s traffic model based on build-out conditions in the current General Plan. Output from the model was used to update a proposed program of transportation projects to be funded by the fee (Attachment A).

During development of the updated Land Use and Transportation Element (LUTE) in 1997, it became clear that a comprehensive program of major transportation capital improvements was required to support planned land use plans. At the time of adoption of the LUTE, no financing program had been identified to fund these improvements. The Transportation Strategic Program was initiated in 1998 to provide the financial basis for the City's current land use and transportation plan through adoption of a Transportation Impact Fee and identification of matching fund sources.

EXISTING POLICY
Land Use and Transportation Element Policy LT-5.7, Pursue local, state and federal transportation funding sources to finance City transportation capital improvement projects consistent with City priorities.

ENVIRONMENTAL REVIEW
Updating of the Transportation Impact Fee is a funding mechanism not subject to environmental review pursuant to CEQA guideline 15378 therefore, no CEQA action is necessary. Environmental review of individual projects to be funded by impact fee funds would occur at the time of approval of the projects for construction.
DISCUSSION

Over the last two decades the City has adopted a number of long range land use plans including the Futures Study, the Lockheed Site Master Use Permit, the Downtown Development Plan, and the Tasman/Fair Oaks, East Sunnyvale, and Fair Oaks Junction industrial to residential plans. These plans and the Land Use and Transportation Element (LUTE) of the Consolidated General Plan identify transportation mitigation required to support the plans, and specify funding from assured sources. The LUTE called for development of a solid financial plan to mitigate negative impacts on the transportation system.

The cost of this mitigation is considerable, currently estimated at $287.8 million. In order to fund projects that support City plans, a Transportation Impact Fee was approved by Council on November 11, 2003 (RTC 03-385).

Transportation impact fees require a detailed study of revenue generation potential for legal justification of the scope and amount of the fee. Cost estimates of improvements that would be eligible for fee revenue are also necessary. Crafting a logical package of revenue sources and a proposed set of capital improvements is another component of these studies. Regular updating of the technical basis for the fee amount is required by law. At this time staff has updated the program to address certain land development related transportation improvements, and the funding needed from local commitments over the life of the City’s general land use plan.

Impact Fee Structure and Funding Levels

The Transportation Impact Fee is based on the following components and concepts of which only a few are funded in the current long-term plan of the Fiscal Year 2013/14 Budget:

- A two-tiered transportation impact fee on new development
  - one tier for areas outside of the Moffett Industrial Park ($94.2 million)
  - a second tier for the industrial area north of Route 237 (Moffett Park Specific Plan area) that includes funding of a local share of Mathilda/237 area improvements ($41.8 million)
- Outside funding ($102.4 million) with appropriate funding contribution by the City from transportation impact fees ($67.8 million) for Lawrence Expressway grade separations
- Funding for offsetting bicycle and pedestrian improvements identified in the City’s adopted bike plan and VTA-approved Citywide Deficiency Plan ($11.3 million)
- Funding for additional projects that were not included when the original fee was created. These include the Mathilda Improvements at Routes 237 and 101 ($12.3 million) and local access improvements (future traffic signal construction, Lawrence/Wildwood intersection, Mathilda/Maude left turn, $9.1 million)
- Outside funding ($53.4 million) with appropriate City match from transportation impact fees ($50.3 million) for Mathilda/237 corridor
improvements (Mathilda/237 interchange reconstruction, Mary Avenue Extension) and a Bernardo Avenue Caltrain bicycle/pedestrian undercrossing

The Transportation Impact Fee was adopted by ordinance effective January 1, 2004. Updated transportation forecasting models show that new development over the life of the General Plan will cause transportation capacity deficiencies at various locations around the City. The cause of these deficiencies is not attributable in large fashion to development of any one parcel or area of the City, but rather is due to general traffic growth in the City and the region. Transportation impacts forecast on Lawrence Expressway and at the Mathilda/237 interchange are subject to more regional traffic than City intersections. Therefore, the City Transportation impact fee is proposed to fund only a share of improvements to these locations with outside funding coming from regional, state or federal sources. The Transportation Impact Fee tier for the Moffett Industrial Park funds the local share of major improvements necessary for the Mathilda/237 area (Mathilda/237 interchange reconstruction, Mary Avenue Extension), consistent with the impact of, and benefit to, development of the area.

A broadly applied transportation impact fee on new development is best suited to addressing transportation capacity needs at these locations. It ensures that each development project that address new trips to the street network pays a fair share of future transportation improvement costs. As the City collects fees under the program it can prioritize which projects are most in need as traffic patterns change. This fee is based on transportation impacts caused by future growth as determined by the modeling effort. Staff believes that linking traffic impacts to development at a citywide level is an equitable, reasonable way to apply mitigation. One purpose of the fee is to provide improved predictability and efficiency to the transportation mitigation process. The Transportation Strategic Program and associated development fees address major roadway improvement needs associated with development Citywide.

The level of the fee is corroborated to the level of new development allowed in the City by the General Plan, the amount of (automobile) trips generated by that development, and the cost of roadway system improvement needs necessitated by build out of the General Plan, as forecasted by the transportation model and included in adopted plans. A “cost per new trip” is the output of the process, which is then applied to the trip making characteristics of proposed land-use changes.

The proposed Sunnyvale impact fee also includes the cost of certain sidewalk and bicycle improvements and anticipated future traffic signal construction. These improvements are justified to be included in the fee assessment by virtue of their ability to address regional congestion management requirements, or “deficiency planning.” The City currently has a deficiency plan in place because traffic volumes at build out conditions show that not all intersections in the regional Congestion Management Plan meet level of service goals. The
intersection of Wolfe Road and El Camino Real/Fremont Avenue is projected to fall below regional standards in the future and no feasible mitigation has been identified. State Congestion Management Program rules allow for levels of service at certain locations to decline if offsetting improvements are made at other locations and/or to other modes of transportation. The sidewalk, traffic signal and bicycle improvements proposed to be supported by the transportation impact fee have been selected to offset the deficiency in level of service at Wolfe and El Camino Real/Fremont.

Fee amounts are recommended to be set by modification of the fee schedule and will be effective February 15, 2014 per Government Code 66017. The proposed fee update results in a slight reduction of fees per trip for land uses south of Route 237 (-2.7%) and an increase in fees per trip for land uses north of Route 237 (14.6%). Fees per trip in the south of 237 area drop due primarily to a slight increase in forecast traffic from development in this area of the City. Fees per trip increase in the north of 237 area are due primarily to increases in the projected cost of Mathilda/237 corridor and Lawrence Expressway corridor improvements.

In comparing the proposed traffic impact fees to other cities in the area, the proposed fees are significantly lower than current fees in North San Jose, below Los Gatos, proximate to Gilroy, and slightly higher than Palo Alto’s base fee although Palo Alto charges additional exactions depending upon the location of development. Cupertino and Mountain View rely on project-specific exactions. Santa Clara charges a nominal fee that does not cover the cost of planned improvements.

Fee levels will be reviewed annually hereafter during the annual fee resolution adoption in June of each fiscal year. Fees are adjusted annually for inflation based on the Engineering News Record cost index for construction.

Fees amounts would be as follows:

<table>
<thead>
<tr>
<th>Table 1: Impact Fees south of Route 237</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Use</td>
</tr>
<tr>
<td>SF Detached</td>
</tr>
<tr>
<td>MF Attached</td>
</tr>
<tr>
<td>Office</td>
</tr>
<tr>
<td>Retail</td>
</tr>
<tr>
<td>Industrial</td>
</tr>
<tr>
<td>R&amp;D</td>
</tr>
</tbody>
</table>
Hotel $1,295 $1,260 Per room

Table 2 – Impact Fee, Industrial Area
North of Route 237

<table>
<thead>
<tr>
<th>Land Use</th>
<th>Existing Fee</th>
<th>Proposed Fee</th>
<th>Unit of Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>$3,602</td>
<td>$4,129</td>
<td>Per 1,000 sq. ft.</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>$4,763</td>
<td>$5,459</td>
<td>Per 1,000 sq. ft.</td>
</tr>
<tr>
<td>Destination</td>
<td>$11,420</td>
<td>$13,087</td>
<td>Per 1,000 sq. ft.</td>
</tr>
<tr>
<td>Retail Neighborhood Retail</td>
<td>$5,710</td>
<td>$6,543</td>
<td>Per 1,000 sq. ft.</td>
</tr>
<tr>
<td>Hotel</td>
<td>$3,725</td>
<td>$4,269</td>
<td>Per room</td>
</tr>
</tbody>
</table>

The fee amounts stated here are illustrative of the level of fees that would be anticipated given the amount of forecast growth with current and pending land use plans, and the resultant trip generation. Fees collected are placed in a Transportation Impact Fee Fund, which is available to pay for the costs of those specific transportation projects identified in Attachment A as necessary to mitigate future growth.

The list of projects to be funded by Transportation Impact Fees no longer includes a number of local intersection improvement projects comprised of various turn lane improvements (includes Mary/El Camino Real, Sunnyvale-Saratoga/Remington, Mary/Fremont, Fair Oaks/Arques, and Wolfe/Old San Francisco). Modeling shows that these improvements are no longer necessary to meet the City’s transportation capacity needs.

**FISCAL IMPACT**
Collectively, staff is projecting that successful implementation of the Transportation Strategic Program will result in approximately $287 million in projects for future transportation needs, of which approximately $136 million would be direct costs to the City with the remainder funded through grants or by other outside agencies. Revenue to cover the City’s share of the plan will come from Traffic Impact Fees.

**PUBLIC CONTACT**
Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's Web site.
Additionally, numerous community meetings, meetings with stakeholders, publication of fact sheets, polling of stakeholders, study sessions, and public hearings were held in 2002 and 2003 during consideration of adoption of the Transportation Impact Fee.

Outreach for the current fee update included a community meeting held the afternoon of November 26, 2013 and a meeting with the Moffett Park Business Association Board. Notices of the community meeting were mailed to 140 developers, construction firms, architects, and property owners. One concern expressed was that fees for retail development in the Moffett Park area were high, which may discourage retail development in the area.

**alternatives**
1. Approve the list of projects to be funded by Transportation Impact Fees and adopt the resolution amending the fee schedule to update Transportation Impact Fees as noted.
2. Direct staff to pursue a modified set of financing strategies.
3. Take no action at this time.

**recommendation**
Staff recommends Alternative No. 1: approve the list of projects to be funded by Transportation Impact Fees and adopt the resolution amending the fee schedule to update Transportation Impact Fees as noted. An updated Transportation Impact Fee provides additional funding for roadway capacity, bicycle, and pedestrian improvements shown to be needed by current transportation modeling efforts. Linking traffic impacts to development at a citywide level is an equitable, reasonable way to apply mitigation.

Reviewed by:

Kent Steffens, Director, Public Works
Prepared by: Jack Witthaus, Transportation and Traffic Manager

Approved by:

Gary M. Luebbers
City Manager

**Attachments**
A. List of Improvements
B. Resolution Amending Fee Schedule
ATTACHMENT A
## Attachment A – List of Improvements

<table>
<thead>
<tr>
<th>Improvement</th>
<th>Cost</th>
<th>Moffett Park Contribution</th>
<th>South of 237 Contribution</th>
<th>Outside Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mathilda Improvements at 237, 101</td>
<td>$20,500,000</td>
<td>$7,105,000</td>
<td>$5,145,000</td>
<td>12,250,000</td>
</tr>
<tr>
<td>Mary Avenue Extension</td>
<td>$67,200,000</td>
<td>$19,488,000</td>
<td>$14,112,000</td>
<td>$33,600,000</td>
</tr>
<tr>
<td>Lawrence/Kifer Grade Separation</td>
<td>$59,000,000</td>
<td>$4,130,000</td>
<td>$19,470,000</td>
<td>$35,400,000</td>
</tr>
<tr>
<td>Lawrence/Arques Grade Separation</td>
<td>$52,200,000</td>
<td>$3,654,000</td>
<td>$17,226,000</td>
<td>$31,320,000</td>
</tr>
<tr>
<td>Lawrence/Reed-Monroe Grade Separation</td>
<td>$59,000,000</td>
<td>$4,130,000</td>
<td>$19,470,000</td>
<td>$35,400,000</td>
</tr>
<tr>
<td>Complete Sidewalks</td>
<td>$9,800,000</td>
<td>$1,372,000</td>
<td>$8,428,000</td>
<td>0</td>
</tr>
<tr>
<td>Complete Bike Network</td>
<td>$1,582,115</td>
<td>$221,496</td>
<td>$1,360,619</td>
<td>0</td>
</tr>
<tr>
<td>Bernardo/Caltrain Bike/Ped Undercrossing</td>
<td>$9,451,575</td>
<td>$264,644</td>
<td>$1,625,671</td>
<td>$7,561,260</td>
</tr>
<tr>
<td>Future Traffic Signal Construction</td>
<td>$3,539,200</td>
<td>$495,488</td>
<td>$3,043,712</td>
<td>0</td>
</tr>
<tr>
<td>Lawrence/Wildwood Intersection</td>
<td>$5,231,365</td>
<td>$959,646</td>
<td>$4,271,719</td>
<td>0</td>
</tr>
<tr>
<td>Mathilda/Maude Left Turn Extension</td>
<td>$300,000</td>
<td>0</td>
<td>$300,000</td>
<td>0</td>
</tr>
</tbody>
</table>
ATTACHMENT B
RESOLUTION NO. ________

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SUNNYVALE AMENDING RESOLUTION NO. 598-13, FIXING AND ESTABLISHING FEES, RATES, AND CHARGES FOR GOODS AND SERVICES TO INCREASE TRANSPORTATION IMPACT FEES

WHEREAS, on June 25, 2013, the City Council adopted Resolution No. 598-13 fixing and establishing fees, rates, and charges for goods and services provided by the City of Sunnyvale; and

WHEREAS, Chapter 3.50, Transportation Impact Fees of the Sunnyvale Municipal Code was established to defray the costs of certain transportation improvements required to service new development within the City; and

WHEREAS, Resolution No. 598-13 requires amendment to reflect an increase in transportation impact fees;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SUNNYVALE THAT:

1. Section 8.10 of Exhibit A to Resolution No. 598-13 is hereby amended to read as follows:

SECTION 8.10 TRANSPORTATION/TRAFFIC FEES

(California Code of Regulations, Title 21, Chapter 4, Subchapter 7, Section 1411.3).

PERMITS
For each single Transportation Permit issued by the Department of Public Works authorizing the operation on certain City streets of vehicles of a size, load weight or vehicle weight exceeding the maximum specified in the Vehicle code of the State of California [Fee unchanged] $16.00 [Text unchanged]

TRANSPORTATION IMPACT FEES
Impact Fees South of Route 237
Single family detached, per dwelling unit $2,087
Multifamily attached, per dwelling unit $1,281
*Office, per 1,000 square feet $3,078
*Retail, per 1,000 square feet $3,863
*Industrial, per 1,000 square feet $1,529
*Research and Development, per 1,000 square feet $2,025
Hotel, per room $1,260
Uses not enumerated, per trip $2,087

* Fees are reduced by 50% between January 1, 2004 and June 30, 2004.
* Fees are reduced by 25% between July 1, 2004 and June 30, 2005.
Impact Fees, Industrial Area North of Route 237

*Industrial, per 1000 square feet $4,129
*Research and Development, per 1,000 square feet $5,459
*Destination Retail, per 1,000 square feet $13,087
*Neighborhood Retail, per 1,000 square feet $6,543
Hotel, per room $4,269
Uses not enumerated, per trip $5,635

* Fees are reduced by 50% between January 1, 2004 and June 30, 2004.
* Fees are reduced by 25% between July 1, 2004 and June 30, 2005.

2. The transportation impact fee amendments will take effect 60 days after approval.

3. Except as herein modified, Resolution No. 598-13 shall remain in full force and effect. 

Adopted by the City Council at a regular meeting held on _____________, by the following vote:

AYES:  NOES:  ABSENT:  

ATTEST:  APPROVED:  

________________________  ______________________
City Clerk  Mayor
(SEAL)

APPROVED AS TO FORM:

________________________
City Attorney