

**City of Visalia
Agenda Item Transmittal**

Meeting Date: 4/6/2015

Agenda Item Number (Assigned by City Clerk): 17.

Agenda Item Wording: Continued Public Hearing for City Council to consider update of the Transportation Impact Fee Program for collector and arterial streets in the City of Visalia and adoption of updated Transportation Impact Fee Rates. Resolution 2015-08 required

Deadline for Action: 4/6/2015

Submitting Department: Community Development

Contact Name and Phone Number:

Jason Huckleberry, Engineering Development Manager, 713-4259
Chris Tavarez, Administrative Services Manager, 713-4540
Chris Young, Community Development Director, 713-4392

Department Recommendation: Staff recommends that City Council continue the Public Hearing opened on March 16, 2015 to approve the update to the Transportation Impact Fee Program for implementation of collector and arterial streets within the City of Visalia and adopt updated Transportation Impact Fee Rates. Resolution 2015-08 required. The new fee schedule will be effective sixty days after Council approves this resolution.

During its presentation on March 16, 2015, staff recommended that Council approve the proposed fee schedule as shown in Table 1 below. These updated fees would increase all categories by 11% thereby providing an "economic incentive" for both industrial/service commercial and hotel/motel development.

Council directed staff to bring back two additional fee schedule options for their consideration. Staff recommends that Council consider approval of one of the three options listed below:

- 1) Authorize fee updates (as originally proposed by staff) with an increase of 11% for all fee categories providing economic incentive for both industrial/service commercial and hotel/motel development as noted in the "Proposed Fees" listed in Table 1 below, or
- 2) Authorize the maximum justified fee for all fee categories except Industrial/Service Commercial providing an economic incentive for industrial types of development, or
- 3) Authorize the maximum justified fee for every fee category, this would mean an increase of 55% for Hotel/Motel and 43% for Industrial/Service Commercial

COUNCIL ACTION: Approved as Recommended Page 1 of 1

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Not Risk: Nelson

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The proposed fee updates increase most fee categories by up to 11%. There are options to continue targeted fee reductions from the maximum allowable fee for Hotels/Motels and/or Industrial/Service Commercial development categories to continue past efforts to be mindful of economic activity for those categories.

TABLE 1 – Proposed Transportation Improvement Fund Fee Schedule

Fee Category	Current Fee	Proposed Fee **	% change	Maximum Justified Fee	% change w/ Maximum Fee
<u>Residential (per dwelling unit)</u>					
Single family	\$ 4,808	\$ 5,332	11%	\$ 5,332	11%
Multi family	\$ 3,376	\$ 3,745	11%	\$ 3,745	11%
Senior/Assisted	\$ 1,750	\$ 1,940	11%	\$ 1,940	11%
<u>Non-residential (Per 1,000 square feet)</u>					
General retail <125 KSF	\$ 11,868	\$ 13,164	11%	\$ 13,164	11%
General retail >125 KSF	\$ 7,915	\$ 8,780	11%	\$ 8,780	11%
Hotel/Motel (per room)*	\$ 2,105	\$ 2,333	11%	\$ 3,271	55%
<u>Gasoline Service Station (per position)</u>					
1st - 4th	\$ 22,609	\$ 25,079	11%	\$ 25,079	11%
5th - 8th	\$ 16,957	\$ 18,809	11%	\$ 18,809	11%
9th - 12th	\$ 12,718	\$ 14,107	11%	\$ 14,107	11%
13th - beyond	\$ 9,538	\$ 10,579	11%	\$ 10,579	11%
General Office	\$ 5,309	\$ 5,882	11%	\$ 5,882	11%
Medical/Dental Office	\$ 12,932	\$ 14,344	11%	\$ 14,344	11%
Government Office	\$ 22,887	\$ 25,386	11%	\$ 25,386	11%
Industrial/Service Commercial *	\$ 1,659	\$ 1,839	11%	\$ 2,374	43%
Warehouse/Distribution (0-20 KSF)	\$ 1,659	\$ 1,678	1%	\$ 1,678	1%
Warehouse/Distribution (20-100 KSF)	\$ 1,194	\$ 1,245	4%	\$ 1,245	4%
Warehouse/Distribution (100+ KSF)	\$ 732	\$ 811	11%	\$ 811	11%
Mini Storage	\$ 777	\$ 862	11%	\$ 862	11%
School	\$ 3,621	\$ 4,017	11%	\$ 4,017	11%
Church	\$ 2,727	\$ 3,024	11%	\$ 3,024	11%

* - City Council has the option to increase this fee category up to the maximum justified fee

** - Originally proposed by staff at the March 16th Council Meeting

Two Warehouse categories adjust to less than 11% due to ITE trip rates changing to more accurately reflect modern warehousing practices and the assumptions in the earlier study were too conservative, at least by current standards. The proposed rates more accurately reflect the impacts that different size warehouses have on the Visalia transportation network. In addition, Downtown and Infill Area credits of 25% respectively are recommended to remain in place.

The impact of increasing the Hotel/Motel and Industrial/Service Commercial fees are outlined below in Table 2. Since the initial reduction of these fee categories by City Council to

encourage development in these areas, the results are mixed. There have been few Hotel/Motel developments, however, there are a some currently interested in development in the City. Hotels are location sensitive, so applying the full justified might not discourage hotel development if the local market for additional hotel rooms strengthens.

In regards to the industrial and service commercial fee categories, there have been several developments over the past few years; however, gauging whether a substantial increase will make a significant difference in whether or not these types of developments come to Visalia is difficult. Industrial development is less location sensitive, and competing industrial parks are located along the Highway 99 and Interstate 5 corridor. There are several other location options for these types of companies and despite the infrastructure and services that Visalia could offer, a significant difference in impact fees could lead to impediments to attract more of this type of development. Furthermore, when large industrial projects present themselves, developers are quick to request fee information in order to compare development fees with other potential project locations.

Table 2: Hotel/Motel and Industrial/Service Commercial Fee Categories Impact of Fee Changes

Hotel/Motel

100	Rooms @	\$ 2,105.00	p/room =	\$ 210,500.00	Current Rate
100	Rooms @	\$ 2,333.00	p/room =	\$ 233,300.00	Proposed Rate (11% Increase)
100	Rooms @	\$ 3,271.00	p/room =	\$ 327,100.00	Max Allowable Rate (55% Increase)

Industrial/Service Commercial

10,000	square feet @	\$ 1,659.00	p/1,000sf =	\$ 16,590.00	Current Rate
10,000	square feet @	\$ 1,839.00	p/1,000sf =	\$ 18,390.00	Proposed Rate (11% Increase)
10,000	square feet @	\$ 2,374.00	p/1,000sf =	\$ 23,740.00	Max Allowable Rate (55% Increase)

100,000	square feet @	\$ 1,659.00	p/1,000sf =	\$ 165,900.00	Current Rate
100,000	square feet @	\$ 1,839.00	p/1,000sf =	\$ 183,900.00	Proposed Rate (11% Increase)
100,000	square feet @	\$ 2,374.00	p/1,000sf =	\$ 237,400.00	Max Allowable Rate (43% Increase)

Background Discussion: Staff and a consultant team lead by TJKM Transportation Consultants (with Mark Thomas and Company) have prepared an update to the Transportation Impact Fee (TIF) Program for the implementation of collector and arterial street improvements as identified in the City’s adopted General Plan Circulation Element. This recommended update has been thoroughly discussed with stakeholder groups (including the Chamber of Commerce, Building Industry Association, Visalia Economic Development Corporation, developers, and

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private sector engineers) and their comments have been addressed by staff and incorporated where appropriate. Currently, the TIF Fund has a negative cash balance of over \$2 million. This update will help to “right size” the fund and associated capital project list to ensure that the appropriate fees are collected for street projects needed throughout the City without increasing the TIF Fund’s current negative balance.

The challenge is to update the TIF Program so that needed street projects (identified thru a detailed analysis of the Circulation Element) are properly funded to expand our streets network to accommodate projected growth. This funding cannot be used for street maintenance. The TIF Fees charged must both show a “nexus” to the impact of new development. Further, because street improvements to be funded by TIFs are driven exclusively by the need to serve future growth, the fees must accurately reflect the cost of improvements and be spread proportionally over the various growth categories.

As discussed with City Council on February 2, 2015, the challenge to updating the TIF Program is that street projects identified thru a detailed analysis of the Circulation Element need to be properly funded to expand our street network to accommodate projected growth. This funding specifically must be used for improvements necessitated by development and may not be used for maintenance. The fee charges must show a “nexus” to the impact of new development. Due to the fact that the fees are driven exclusively by the need to serve future growth; the fees must accurately reflect the cost of improvements and be distributed proportionally to the various growth categories identified by the City.

California cities rely on development impact fee programs to fund the construction and expansion of the infrastructure needed to accommodate the demands created by community growth. The TIF Program allows the City of Visalia to fund the construction and widening of collector and arterial status streets in order to meet the transportation needs of a growing city. The City of Visalia’s TIF has been used to complete many streets including the following projects: Ben Maddox from K Street to Caldwell Avenue, connecting the St. John’s Parkway to Riggin Avenue, the Riggin Avenue improvements near the City’s Industrial Park, as well as the Whitendale Avenue at Mooney Boulevard Intersection improvements. Future projects needed, but delayed due to lack of funding, include: Tulare Avenue from McAuliff to Lovers Lane, Santa Fe Street from Houston Avenue to Riggin Avenue and improvements along Riggin Avenue near Akers (near future middle school).

Not only does this fund pay for City led capital projects, it is also responsible for reimbursing developers for street improvements made to arterial or collector streets in accordance with the City’s Circulation Element. The Transportation Impact Fee Ordinance revised in March 2013, requires the City to reimburse developers no later than ten years after the City accepts the improvements. As of June 30, 2014, the Transportation Impact fund has a negative cash balance of \$2.3 million (which includes \$1.5m in Developer Reimbursement Contracts).

With the TIF Fund in a negative cash balance of \$2.3 million, only four projects were budgeted in Fiscal Year 2014/15. Two of these projects are for obligated developer reimbursements and

administration costs. Many needed projects have been put on hold until the fund is not in a negative cash balance. In addition, \$4.4 million in needed capital improvement projects have been suspended in the adopted 2 year budget due to lack of funding, and in the six year planning period adopted by City Council there is over \$20 million in needed capital projects put on hold until funding is available. In the last fee update effort, in June 2010, fees were decreased by 21.5% through a combination of projects deferrals, updating revenues and cost estimates and by suspending a cost index increase (ENRCCI 6.5% which has been reinstated) in order to provide an economic incentive to development. This current update "right sizes" the fees reflecting costs related to the implementation of the TIF Program and projects determined by the traffic circulation plan in the new General Plan.

It is important to note that if fees are not maintained at appropriate levels funding will not be available for critical circulation projects needed due to development in the City, which could hamper economic vitality of the City and increase frustration within the community with an inadequate street system.

During this update process, TJKM Transportation Consultants and their sub consultant Mark Thomas and Company and JLB Traffic Engineering have updated costs for construction and right of way, as well as worked closely with City staff to update revenue projections and expenditure projections over the course of the program. Formal outreach has been done with three formal meetings with interested stakeholders, which included participation from the Home Builders Association, Visalia Chamber of Commerce, Visalia Economic Development Corporation, developers and other interested parties. In addition, one City Council work session has been held and public comment was received in which no significant changes were requested or issues presented. Staff believes that the information presented is the best available at this time for the update and provides a solid foundation for the update without a dramatic adjustment to fees. If significant future cost fluctuations or revenue projections take place causing a significant change to the TIF Program, they can be implemented in future updates.

Comparison to other cities: Although comparison of Visalia's fees to other agencies is difficult to portray accurately due to the inherent nature of differences in each agency's impact fee programs and what each agency has to offer development, a comparison was prepared in order to show a cursory view (see Attachment 'F'). However, in comparison to other communities, the update to Visalia's fee schedule does not appear to be a significant change to where Visalia currently compares to some nearby communities. Staff believes that the update to the TIF Program will provide residents and businesses a beneficial transportation system to keep the network as efficient and supportive of goods and services movement to promote and protect the public health, safety and welfare of people within the City.

Fiscal Impact: The proposed fees recommended for adoption will be effective 60 days from the date of approval. The adjusted fees will help ensure the TIF Fund is properly funded to deliver important street projects in the future.

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Prior Council Action: July 15, 2013 - City Council authorized a contract with TJKM Transportation consultants (partnering with Mark Thomas and Company and JLB Traffic Engineering) for this comprehensive update to the TIF Program. February 2, 2015 - City Council received an update from City Staff and the consultant team on the Transportation Impact Fee Program and potential impact to the fee schedule. March 16, 2015 - Public Hearing for consideration of an update to the Transportation Impact Fee Program and update to the fee schedule. The Public Hearing was continued for further consideration of the Hotel/Motel and Industrial/Service Commercial fee categories.

Alternatives: City Council may choose to authorize the maximum fees justified or less than the maximum justified fees in the Nexus Report dated March 16, 2015.

Attachments:

- Attachment 'A': Final Transportation Impact Fee Nexus Report "Traffic Impact Fee Update" dated March 16, 2015 prepared by TJKM Transportation Consultant Team
- Attachment 'B': TIF Deferred Map with tier boundaries
- Attachment 'C': Transportation Impact Fee Program Costs
- Attachment 'D' – Infill and Downtown Credit Criteria
- Attachment 'E' – Transportation Impact Fee Program Presentation
- Attachment "F" – Comparison with Fees of Other Agencies

Recommended Motion (and Alternative Motions if expected):

I move that City Council authorize the proposed Transportation Impact Fee Update and authorize one of the following corresponding fee schedule updates:

- 1) Authorize fee updates (as originally proposed by staff) with an increase of 11% for all fee categories providing economic incentive for both industrial/service commercial and hotel/motel development or,
- 2) Authorize the maximum justified fee for all fee categories except Industrial/Service Commercial providing an economic incentive for industrial types of development or,
- 3) Authorize the maximum justified fee for every fee category, this would mean an increase of 55% for Hotel/Motel and 43% for Industrial/Service Commercial

Resolution 2015-08 required

Copies of this report have been provided to:

Environmental Assessment Status

CEQA Review: This action does not apply under CEQA (14 CCR 15273) as a rate modification necessary to maintain service within existing service areas. CEQA review would apply to individual projects prior to their construction.

RESOLUTION 2015-08

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VISALIA
AUTHORIZING AN UPDATE TO THE TRANSPORTATION IMPACT FEE PROGRAM
AND AUTHORIZING CHANGES TO THE FEE SCHEDULE TO REFLECT THE UPDATE**

WHEREAS, the City of Visalia has a Transportation Impact Fee Program to fund transportation improvements based on a planned street system described in the Circulation Element of the Visalia General Plan; and

WHEREAS, the purpose of the Transportation Impact Fee Program is to defray a portion of the costs of transportation facilities that will be used by completed development projects within the City; and

WHEREAS, the City must improve its street system in order to maintain acceptable levels of service if new development is to be accommodated in order to promote and protect the public health, safety and welfare; and

WHEREAS, the proposed Transportation Impact Fee Program update, including a description of the facilities the City plans to build using the funds from the fee program, has been documented in a report titled "Traffic Impact Fee Update" prepared by TJKM Transportation Consultants, dated March 16, 2015; and

WHEREAS, the purpose of this update to ensure that development bears a proportionate share of the cost of capital facilities, including traffic improvements, which are necessary to accommodate such development. This must be done in order to promote and protect health, safety and welfare within the City; and

WHEREAS, as shown in the report for this update, there is a reasonable relationship between the need for transportation improvements, the proposed fee, and each type of development project on which the fee would be imposed.

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Visalia adopts the schedule of Transportation Impact Fees as shown in the report titled "Traffic Impact Fee Update" dated March 16, 2015 showing the maximum justified fees and as further specified in the City Council report from April 6, 2015. The updated fee schedule shall be effective sixty calendar days after the approval of this resolution.

PASSED AND ADOPTED: April 6, 2015

MICHAEL OLMOS, CITY CLERK

STATE OF CALIFORNIA)

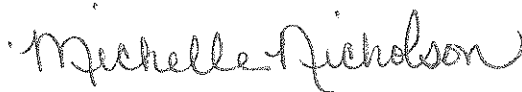
COUNTY OF TULARE) ss.

CITY OF VISALIA)

I, Michael Olmos, City Clerk of the City of Visalia, certify the foregoing is the full and true Resolution 2015-08 passed and adopted by the Council of the City of Visalia at a regular meeting held on April 6, 2015.

Dated: April 15, 2015

MICHAEL OLMOS, CITY CLERK

A handwritten signature in cursive script that reads "Michelle Nicholson".

By Michelle Nicholson, Chief Deputy City Clerk

