



**PUBLIC WORKS DEPARTMENT**

CITY HALL

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**CITY COUNCIL STAFF REPORT**

Meeting: August 15, 2017

Subject

Adoption of City of Cupertino Transportation Impact Fee Nexus Study.

Recommended Action

Adopt draft resolution adopting the Cupertino Transportation Impact Fee Nexus Study.

Direct Staff to draft ordinance to implement City Wide Traffic Impact Fee to be presented to City Council at the September 19, 2017 Council meeting.

Background

The need for transportation infrastructure improvements needed to support the growth of new development has traditionally been determined through traffic impact analyses (TIA's) performed for individual development projects during the entitlement process. The TIA would evaluate the traffic impacts to the street network resulting from trips generated by the specific project and, if certain thresholds of delay or volume-to-capacity ratio were exceeded that resulted in a substandard Level of Service (LOS) to intersections or street segments, the project would be required to mitigate the impact to raise the LOS to an acceptable level.

While this approach is effective in ensuring the necessary improvements are completed, it is inequitable in that only the development project which ultimately trips the LOS threshold is responsible for funding and completing the improvement, regardless of their relative contribution to traffic congestion, while earlier development projects that potentially generated a greater number of trips would not be responsible for contributing funding merely because they developed sooner and did not exceed any LOS threshold at the time. The establishment of a Traffic Impact Fee (TIF) eliminates these inequities by requiring all new development projects to contribute funding for transportation infrastructure improvements in relation to their actual contribution to traffic congestion (based on trip generation). The contributions are held in an account to be managed by the City, and used (along with other funding) to complete the infrastructure improvements in time as they are needed.

The Transportation Impact Fee Nexus Study provides the City of Cupertino with the necessary technical documentation to support the adoption of a new Citywide Transportation Impact Fee Program. The City of Cupertino General Plan (General Plan: Community Vision 2015 - 2040), adopted on December 4, 2014, specifically identifies the need to implement a TIF to help fund transportation improvements necessary to accommodate and mitigate the impacts of future development in the City. Impact fees are one-time charges on new development collected and used by the City to cover the cost of capital facilities and infrastructure that are required to serve new growth. As such impact fees must be based on a reasonable nexus, or connection, between new growth and development and the need for a new facility or improvement. Impact fee revenue cannot be used to cover the operation and maintenance costs of these or any other facilities and infrastructure. In addition, impact fee revenue cannot be collected or used to cover the cost of existing needs/deficiencies in the City transportation capital improvement network.

To support the TIF program, the City must prepare a Nexus Study that will provide a legal basis for requiring development impact fees consistent with the Mitigation Fee Act (AB 1600/ Government Code Section 66000 et seq.). The Mitigation Fee Act allows the City to adopt, by resolution or ordinance, the Transportation Impact Fee consistent with the supporting technical analysis and findings provided in the Nexus Study. In establishing, increasing, or imposing a fee as a condition for the approval of a development project, Government Code 66001(a) and (b) state that the local agency must:

1. Identify the purpose of the fee;
2. Identify how the fee is to be used;
3. Determine how a reasonable relationship exists between the fee use and type of development project for which the fee is being used;
4. Determine how the need for the public facility relates to the type of development project for which the fee is imposed; and
5. Show the relationship between the amount of the fee and the cost of the public facility.

## Discussion

The Fee Program described in the Nexus Study is based on land use, growth projections and transportation infrastructure requirements identified in the General Plan and supporting documents (e.g., Environmental Impact Report). The Nexus Study quantifies the potential allocation of the proposed transportation improvements to new

growth in the City and calculates the maximum allowable transportation impact fee schedule by land use category.

Impact fees are derived from a list of specific capital improvement projects and associated costs that are needed in part or in full to accommodate new growth. The existing and future land use estimates used in the TIF are based on Table LU-1 of the Land Use and Community Design Element the General Plan. These land use estimates are used to estimate future travel demand, or trips, based on a variety of assumptions related to trip rates and lengths by land use category. Capital transportation improvement projects included in the list cover the intersections/segments where significant impact(s) were identified in the General Plan Environmental Impact Report (December 2014). In addition, the projects identified in the City of Cupertino 2016 Bicycle Transportation Plan are also included in the list. Transportation projects that have been identified as mitigations in CEQA documents for specific projects (e.g., Apple Campus 2, Marina Plaza, Hamptons) have been excluded from the TIF.

The TIF nexus analysis allocates costs based on (1) the amount attributable to new versus existing development and (2) the amount covered by secured funding sources. Overall, this nexus analysis allocates approximately \$59.35 million in transportation improvement cost to the TIF. The amount represents about 31% of the approximately \$193.5 million in future transportation infrastructure costs considered in the analysis. The following table calculates the maximum TIF for each land use category, and includes a 2 percent charge needed to cover the administrative cost of administering the TIF program. These are the fee levels that would generate sufficient fee revenues to cover the full TIF cost allocation of \$59.35 million. Decisions to charge fees below the maximum fee would result in funding gaps that would need to be covered by other funding sources.

#### Maximum TIF Schedule

Land Use	Cost Per Trip	Trip Demand Factor <sup>1</sup>	Raw Fee	Admin Charge <sup>2</sup>	Total TIF per Unit
<b><u>Residential</u></b>					
Single Family	\$5,907	0.99	\$5,851	2%	<b>\$5,968 / unit</b>
Multi-Family <sup>3</sup>	\$5,907	0.61	\$3,627	2%	<b>\$3,700 / unit</b>
<b><u>Non-residential</u></b>					
Retail	\$5,907	1.59	\$9.41	2%	<b>\$9.60 / sqft.</b>
Office	\$5,907	2.79	\$16.48	2%	<b>\$16.81 / sqft.</b>
Hotel	\$5,907	0.54	\$3,207	2%	<b>\$3,272 / room</b>
Other	\$5,907	1.00	\$5,907	2%	<b>\$6,025 / trip</b>

[1] PM Trips per dwelling unit, per 1,000 building square feet, or per hotel room.

[2] Administrative charge of 2.0 percent for legal, accounting, and other administrative costs (e.g. revenue collection, mandated public reporting, and Nexus Analysis).

[3] Includes apartments, condos, and townhomes.

Staff recommends that City Council direct staff to draft an Ordinance to adopt the maximum allowable traffic impact fee as shown in the table above. The fee would be due at issuance of building permit. Additionally, staff recommends that the fee apply to all new development and redevelopment, with the following exemptions:

1. Tenant improvement projects, unless the project results in an intensification of land use;
2. Structures that have been vacant for less than one year;
3. Public facilities;
4. New or intensified development may be subject to a credit for development existing on the site and not vacant for more than one year.

### Public Outreach

Two community meetings were held by staff in order to inform the public regarding the benefits of the TIF, answer questions, and solicit feedback. These meetings were noticed through the city website, Cupertino Courier, and NextDoor. Additionally, information and project updates were given to the Cupertino Chamber of Commerce Legislative Action Committee on three separate occasions.

### Sustainability Impact

There is no impact to sustainability.

### Fiscal Impact

The traffic impact fee program necessarily doesn't cover 100% of the costs for the improvements designated (and the statutory authority of AB 16000 requires a rational nexus so that new development only cover their "fair share" of costs). Additionally, the impact fee nexus study does not identify all other funding sources (and typically these other sources are not totally secured prior to approval of the fee program since the designated improvements are likely to be required over a very long time horizon, such as build-out of a General Plan). Therefore, the City will need to identify supplemental funding sources, such as General Fund, grants, or individual developer contributions through avenues such as Developer Agreements, to provide the balance of the funding to complete the designated improvements.

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Prepared by: David Stillman, Transportation Manager

Reviewed by: Timm Borden, Director of Public Works

Approved for Submission by: David Brandt, City Manager

Attachments:

A – Draft Resolution

B – City of Cupertino Transportation Impact Fee Nexus Study