

MEMORANDUM

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From: Linda Rhine

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Subject: Countywide Congestion Mitigation Fee

Introduction

A congestion mitigation fee is a fee paid by new development based on its projected traffic impacts on the regional transportation system. The revenue generated from the fee would be used to help fund regional multi-modal transportation projects that address future congestion. In this way, the fee would help ensure that new growth directly mitigates its traffic impacts on the regional transportation system by helping to fund needed transportation improvements.

After considerable discussion with the Congestion Management Program (CMP) Policy Advisory Committee (PAC) and other stakeholders, the Los Angeles County Metropolitan Transportation Authority (Metro) has concluded that a congestion mitigation fee program in Los Angeles County is feasible. The fee would meet regional mitigation requirements under the Congestion Management Program (CMP) and the California Environmental Quality Act (CEQA), ensuring the continued flow of more than \$95 million in gas tax revenue to local governments in the Metro region.

Background

As the state-mandated Congestion Management Agency for Los Angeles County, Metro is responsible for developing a countywide program to meet its regional congestion mitigation requirements. In response to the rapid growth and the impact this growth is having on the regional transportation system in many communities throughout the county, Metro investigated the feasibility of a congestion mitigation fee. This fee would bring a much needed new source of funding to help implement new transportation projects in the County beyond those for which funding is already programmed.

Nexus Study

As part of its approval of the 2003 Short Range Transportation Plan, the Metro Board authorized work on a nexus study to explore the feasibility of working with local jurisdictions to implement a congestion mitigation fee. Metro completed Phase I of the nexus study in June 2005. The first phase focused primarily on public outreach to local agencies and stakeholders regarding the feasibility of such a fee as well as establishing the preliminary fee framework and policies. Phase II of the study was launched in October 2006 with the creation of a Policy Advisory Committee with the tasks of considering policy alternatives and examining various fee options. By February 2007 the Metro Board's Planning and Programming Committee had adopted "guiding principles" for the Congestion Mitigation Fee Feasibility Study. Metro submitted its Draft Congestion Mitigation Fee Feasibility Study Report to various stakeholders within the county in January 2008, requesting review and comments by April 25, 2008. Metro staff is conducting outreach before submitting a completed Feasibility Study Report to the Metro Board in June 2008. They will then work with local jurisdictions to confirm growth forecasts and identify local projects with regional benefits. The final Metro Board action on adoption of a Congestion Mitigation Fee program is not anticipated until July 2009.

Metro Responsibilities

As mentioned, Metro staff is responsible for completing the nexus study, which must then be approved by the Metro Board. In addition, Metro must ultimately authorize the countywide congestion mitigation fee and develop program guidelines. Metro will also monitor each jurisdiction's compliance with the fee program.

City Responsibilities

While the fee is countywide, it will be implemented locally. Each city must adopt its own congestion mitigation fee ordinance. The cities will be responsible for collecting developer fees, administering the fee program, managing the local fee account and implementing projects. The cities will select projects subject to regional criteria. The fee will be used to build new regional transportation projects that reduce congestion and improve air quality.

Cities may participate with other local jurisdictions in creating a sub-regional or multi-jurisdictional mitigation fee district. Metro encourages such fee districts since they provide greater opportunities to generate revenues for larger capital improvement projects that may have a greater regional mobility benefit.

Fee Structure

The proposed Congestion Mitigation Fee Program is a one-time fee applied to new development. The proposed program is a single, countywide minimum fee applied across all land uses. The actual fee amount will be determined as part of the final Metro Board adoption. Cities would be permitted to adopt a fee amount higher than the minimum fee if they have identified growth trends that compel them to build additional transportation projects requiring additional revenues over the countywide minimum amount. The cities also have the option to pool funds for sub-regional projects.

The fee will be calculated according to a standard process, consistent with governmental regulations to which all mitigation fee programs in California must conform. The first step is to convert population and employment forecasts into land use projections. ITE trip generation rates are then used to determine the number of daily trips that would be generated by these land uses. The total project cost,

calculated from the project list, is divided by the total number of trips generated to get an estimated cost per trip generated. A fee schedule is then created for each land use category based on the cost per trip generated and the average daily trips for that land use.

Eligible Projects

The funds generated by the fee must be spent on local projects that have regional significance. Eligible projects include:

- State Highway improvements such as HOV lane and carpool interchange connector construction
- Regional surface transportation improvements such as arterial widening, bottleneck intersection improvements, closure of gaps in the arterial system and grade separations
- Intelligent transportation systems such as signal synchronization, bus speed improvements, traffic control and monitoring systems
- Transit capital investments such as transit vehicle purchases
- Construction costs for transit stations, park and ride lots, commuter rail stations and transit stop improvements
- Other projects to be determined on a case-by-case basis

Exemptions

In general, all new development must pay the congestion mitigation fee. However, the following projects are exempt from paying the fee:

- Low/very low income housing as defined by California Department of Housing and Community Development
- High density residential within ¼ mile of a fixed rail passenger station
- Mixed-use development located within ¼ mile of a fixed rail passenger station
- Projects that are not subject to approval through the local entitlement process
- Reconstruction or replacement of residential or non-residential damaged or destroyed by natural disaster
- Development agreements prior to July 10, 1989

Other Fee Options

If the congestion mitigation fee does not cover all transportation projects needed in Downtown Glendale, other fees can be adopted that would supplement the countywide fee. Examples of potential fees are described below. One key difference is that while the Congestion Mitigation Fee would fund regional projects, most of the fees described below would fund local projects that do not have regional significance.

Property Business Improvement District (PBID)

Property owners are assessed a fee in a PBID in order to generate funds. Businesses located in buildings paying the fee are then provided with membership in the PBID. Money collected from PBID is typically used to fund marketing, streetscape improvements (like street cleaning, street furniture, public art and landscaping), commercial tenant recruitment and retention programs, and transportation improvements. In this way funds are both generated and spent locally.

Benefit Assessment Districts

Benefit assessments are used by local governments and special districts to pay for specific improvements or services to a particular community. Charges are assessed only to those properties that directly benefit from the services or improvements being financed. The amount of an assessment is based on a detailed benefit formula, not on the property value. Establishment of a benefit assessment district requires approval by a majority of property owners within the specified area.

A Parking Benefit District would generate funds from paid parking revenue and pay for public improvements that benefit the District itself. Projects that can be funded include transportation demand management programs, streetscape improvements and other projects that enhance the pedestrian environment. Much like the PBID, Parking Benefit District revenue will fund local projects.

Development Impact Fee

Development Impact Fees are assessed by city, county, or regional governments on new development in order to pay for the increased services and new infrastructure necessary to serve the residents and/or employees of the new development. This fee is similar to the congestion mitigation fee in that it is assessed on new development. These fees are typically based on the number of vehicle trips projected by the development. Money generated by the development impact fee is used to fund projects that will reduce vehicle trips, such as improved transit service, completion of bicycle networks and better pedestrian infrastructure and amenities. However, unlike the congestion mitigation fee proposed by Metro, a development impact fee would not have the requirement that funds be spent on regionally significant projects.

In-Lieu Parking Fee

An in-lieu parking fee program would allow developers to pay a pro-rata fee in exchange for permission from the City to forgo construction of some portion of their required parking. The money generated by the fee would be used to construct public parking, purchase private parking spaces for public use, and to fund transportation demand management programs.

Applications for Glendale

Money generated from the mitigation fee would be used to fund transportation projects in Glendale. The Glendale Downtown Mobility Study recommended a series of transportation improvements for downtown Glendale. Several of the recommended projects described in the study should be eligible under the countywide congestion mitigation fee. These include:

- A downtown shuttle that connects regional transit and key downtown destinations

- Transit signal priority on streets with high transit use, including all streets with Metro Rapid service
- An east-west transit connector service operating on the HOV infrastructure of Highway 134
- NextBus technology in all high amenity bus shelters
- Capacity enhancement and freeway access improvement program for improvements not requiring acquisition of rights-of-way

Peer Review

Pasadena and Burbank were selected as peer cities for Glendale. These cities were contacted to understand their perspectives and approach on the countywide congestion mitigation fee. Summaries of the actions taken by each city are described below.

Pasadena

The City of Pasadena adopted a Traffic Reduction and Transportation Improvement Fee Ordinance in November 2006. This ordinance established a new fee for industrial, office, retail, and residential development. The fee is based on a nexus study which identified a set of transportation improvement projects needed to address the projected traffic growth from new development. The study also developed the “fair share” cost to be collected through the fee to fund those roadway and transit improvement projects. The resulting transportation fees for net new development are as follows:

- Residential: \$2,480 per unit
- Retail: \$8.62 per square foot
- Office: \$3.72 per square foot
- Industrial: \$3.10 per square foot

The fees are adjusted annually based on the Consumer Price Index. Funds collected will be used to implement the municipal transportation projects required to address traffic generation by new development, such as enhancing street capacity and improving intersections and traffic signals. The fee will also be used to increase the frequency of service on the Pasadena Area Rapid Transit Service (ARTS).

The Pasadena Traffic Reduction and Transportation Improvement Fee was developed concurrently with the Metro Congestion Mitigation Fee Feasibility Study Report. The transportation improvement projects included and funded through the Pasadena fee satisfy the definition of “regionally significant local projects” in the Metro report. As a result, the City of Pasadena anticipates that the current Pasadena fee would not have to change if Metro adopts the Countywide Congestion Mitigation Fee Program.¹

Burbank

The City of Burbank has an impact fee program that was established in 1992. Fee revenues fund capacity enhancing transportation improvements. The City is planning to begin a new nexus study in 2009 to update their needs analysis and fee structure. Depending upon Metro’s plan for implementing the countywide fee, Burbank may adopt it as part of their local process. In that case, Burbank would

¹ Proposed Metro Congestion Mitigation Fee Update, City of Pasadena Department of Transportation, May 6, 2008

adopt the minimum fee proposed by Metro, which would be tailored to the sub-region depending on the agreed upon project list. The City would not apply a fee higher than the minimum amount.

Transportation fees for new developments are as follows:

- \$5.62 per square foot for office space below 500,000 GFA, medical offices, retail, and institutional uses
- \$4.61 per square foot for office space over 500,000 GFA
- \$3.08 per square foot for manufacturing uses
- \$2,340.98 per unit for single family residential
- \$1,731.95 per unit for multiple family residential

Next Steps in the Implementation Process of the Congestion Mitigation Fee

The next steps for Glendale and the local jurisdictions to participate in the implementation of the Congestion Mitigation Fee are:

- Confirm growth forecasts provided by Metro
- Identify local projects with regional benefits
- Adopt a local Congestion Mitigation Fee Ordinance

Confirm Growth Forecasts

Metro staff will develop population growth forecasts for each jurisdiction. These forecasts will ultimately be used to determine the appropriate fee level. The local jurisdictions will have the opportunity to review the population forecasts and to advise Metro on whether the forecast is consistent with anticipated growth trends. Metro will work with local jurisdictions to confirm growth forecasts between July 2008 and January 2009.

Project Selection

Between July 2008 and January 2009, Metro staff will also work with the local jurisdictions in the selection of projects consistent with eligibility criteria. In preparation of this step, the local jurisdictions would identify and confirm regional transportation needs and transportation mitigation measures. The development community should also be contacted to discuss effective mobility strategies that would benefit new development. Cities may also contact neighboring jurisdictions in order to discuss opportunities for collaboration. Ultimately the jurisdictions will create a list of local projects with regional significance that can be funded through the Congestion Mitigation Fee. If projects are selected that must be implemented by regional or state transportation providers, the jurisdictions must coordinate with those providers to seek any necessary approvals.

Eligible projects must be included in the Congestion Mitigation Fee Transportation Network. This network includes all state highways, the adopted Countywide Significant Arterial Network, and transit corridors. If a proposed project is not included in this network, the local jurisdictions cannot use funds from the mitigation fee for the project. However, they will have the opportunity to review the

Congestion Mitigation Fee Transportation Network and recommend network modifications that would make the project eligible.

After eligible projects have been selected, Metro will evaluate these projects and determine preliminary project cost estimates in order to complete the Nexus Study. The report will then be submitted to the Metro Board for final authorization of the fee program. Authorization is anticipated in July 2009.

Local Congestion Mitigation Fee Ordinance

If the fee program is adopted by the Metro Board, beginning in August 2009 Metro staff will work with local jurisdictions to adopt a local Congestion Mitigation Fee Ordinance. Each jurisdiction will be responsible for adopting an ordinance. Metro will develop a model fee ordinance which can be used by local jurisdictions. The ordinance will include the list of projects to be funded from the fee revenues. The actual fee amount will be determined as part of the final Metro Board adoption. Local jurisdictions would be permitted to adopt a fee higher than the minimum fee determined by Metro. If a local jurisdiction is unable to generate sufficient revenues through the congestion mitigation fee to fund the proposed projects, then there are four methods for accelerating the accumulation of funding:

- Consolidate fee accounts among multiple jurisdictions: a single account would generate funds more quickly, but participating jurisdictions would have to agree upon the projects funded
- Allow developers to fund specific projects in lieu of paying the fee: incentives will include reimbursement for any additional costs above the amount the developer would have paid in fees
- Form an assessment district in collaboration with developers: the one-time fee is converted into an annual assessment placed on the Los Angeles County tax roll, allowing tax-exempt bonds to be issued in order to finance projects
- Use other available matching funds: mitigation fee dollars can be combined with other available funding sources to fully fund mitigation program projects

Summary and Next Steps for Glendale

Metro completed a Draft Congestion Mitigation Fee Feasibility Study Report in January 2008 and will be presenting the report to the Metro Board in June 2008. Adoption of a Congestion Mitigation Fee program is anticipated in July 2009. In the next year, Metro staff will be working with the local jurisdictions to confirm growth forecasts and identify local projects with regional benefits.

Glendale is encouraged to work with Metro staff to confirm growth forecast and ensure that all local projects with regional significance are included in the Regional Transportation Network. Eligible projects include both capital multi-modal projects as well as expansion of ongoing operations.

Glendale should proceed in developing a congestion mitigation fee ordinance. The City must develop a fee structure that meets the minimum of the countywide fee and has the option of implementing a higher fee amount if desirable.