



**BOARD OF DIRECTORS
FEBRUARY 22, 2013**

**AGENDA ITEM NO. 13-02-11
ACTION REQUESTED - APPROVE**

**REGIONAL TRANSPORTATION CONGESTION
IMPROVEMENT PROGRAM: FEE ADJUSTMENT
AND SURVEY RESULTS**

File Number 1500100

Introduction

The Regional Transportation Congestion Improvement Program (RTCIP), an element of the *TransNet* Extension Ordinance, requires the 18 cities and the County of San Diego to collect an exaction from the private sector for each new housing unit constructed in their jurisdiction. The RTCIP has been implemented in the San Diego region since July 1, 2008. The *TransNet* Extension Ordinance requires SANDAG to

adjust the RTCIP fee amount on July 1 each year. The purpose of this annual adjustment is to ensure the RTCIP retains its purchasing power to improve the regional arterial system.

The most recent annual adjustment to the RTCIP was approved by the Board of Directors on February 24, 2012, and became effective July 1, 2012. At the February 2012 meeting, Board members asked staff to reach out to local jurisdictions to collect information about each agency's overall development impact fee schedule. This report presents a summary of the survey information gathered. In addition, staff has evaluated construction cost trends and relevant indices, and based on this analysis, a 2 percent fee adjustment is recommended. This would raise the minimum RTCIP exaction from \$2,165 to \$2,209 beginning July 1, 2013.

Discussion

Background

The purpose of the RTCIP is to help ensure future development contributes its proportional share of the funding needed to pay for the regional arterial system and related regional transportation facility improvements, as defined in the most recent Regional Transportation Plan adopted by SANDAG. The RTCIP funding programs fall under the responsibility of the 19 local jurisdictions, which have established these programs under the state's Mitigation Fee Act. The jurisdictions must maintain their RTCIP funding programs and comply with specific administrative requirements in order to remain eligible for their *TransNet* local street and roads funding.

Section 9 of the *TransNet* Extension Ordinance requires the RTCIP exaction to be adjusted annually in an amount not to exceed the percentage increase set forth in the Engineering Construction Cost Index published by the Engineering News Record (ENR), or a similar cost of construction index. However, the Ordinance also states that in no event shall the increase be less than 2 percent per year.

Recommendation

The Board of Directors is asked to approve a 2 percent adjustment to the Regional Transportation Congestion Improvement Program, raising the minimum fee from \$2,165 to \$2,209 beginning July 1, 2013.

Analysis of Construction Cost Indices

The Ordinance allows for flexibility in choosing an appropriate index. SANDAG staff evaluated changes recorded in the Engineering Construction Cost Index published by ENR and the Caltrans Construction Cost Index (CCI). Each index collects a different set of cost factors to determine construction cost trends. The ENR CCI represents an average from 20 cities across the nation and is based on monthly price changes in four areas: lumber, cement, structural steel, and labor. Over the past year, the ENR CCI for Los Angeles (no index for San Diego is available) between February 2012 and February 2013 (latest available) has increased 1.91 percent. The Caltrans CCI is based on quarterly price changes gathered from transportation project bids from throughout the state for earthwork, aggregate, concrete, asphalt, and steel. The Caltrans CCI fell -5.71 percent over the past year.

Based on staff's evaluation, the ENR CCI for Los Angeles has more closely tracked the trends SANDAG has been experiencing in its project bid prices over the past year than the Caltrans CCI. Although over the past year the ENR CCI Los Angeles has recorded a 1.91 percent increase in price levels, the minimum adjustment allowed by the *TransNet* Extension Ordinance RTCIP provisions is 2 percent.

Staff's analysis of the Caltrans CCI revealed that the earthwork (excavation) element of the index was primarily responsible for the overall decline in the index, and over this past year earthwork was not a major part of the projects that were released for bid for the San Diego region. From a broader perspective, construction activity is showing signs of revival for the first time since the start of the Great Recession at the end of 2007; locally the number of housing units sold has been rising, reducing the inventory of for sale units and pushing up the median home price. This increase in activity has led to a rise in residential permits issued and a slight increase in construction employment. A similar trend has occurred over this past year in regions throughout the nation. However, these increases in construction activity have not yet led to sustained rises in the cost of construction.

Survey of Transportation Impact Fees

On February 24, 2012, Board members asked staff to reach out to local jurisdictions to collect information about each agency's overall development impact fee schedule. To determine the current level of transportation impact fees (TIFs) around the region, staff contacted each jurisdiction's city manager, finance director, and Cities/County Transportation Advisory Committee (CTAC) representative to collect fee schedule information. Every jurisdiction responded with detailed information, and all jurisdictions confirmed collection of the RTCIP fee.

For those jurisdictions collecting fees in addition to the RTCIP, the basis for fee collection varies widely by jurisdiction. Some jurisdictions calculate fees per unit (or "equivalent dwelling unit"), and some fees are calculated on the basis of average daily trips generated by a particular type of development. Other jurisdictions calculate fees by community planning area or on a per project basis. In addition, within a single jurisdiction fee types and fee amounts can vary greatly. Therefore, to ensure comparability across jurisdictions, the attached survey (Attachment 1) summarizes fee information gathered as a range per single family and multi-family residential dwelling unit. CTAC reviewed and verified the attached survey information at its February 7, 2013, meeting.

Fee types and fee amounts vary significantly by jurisdiction. Overall TIF amounts range from \$2,165 to \$34,030. Accordingly, the RTCIP fee (\$2,165 for FY 2013) constitutes anywhere from 6 to 100 percent of overall TIF amounts collected by each jurisdiction. Overall, of the 19 jurisdictions:

- six only collect the RTCIP as their transportation fee; and
- thirteen collect the RTCIP as well as other transportation impact or traffic signal fees.

For the City of San Diego, in some community areas only the RTCIP is collected, while in other areas both the RTCIP and other TIFs are collected. For the City of Chula Vista, in some community areas only other TIFs are collected, while in other areas both the RTCIP and other TIFs are collected.

The survey also showed that an increase to the RTCIP does not automatically trigger an increase to a jurisdiction's overall TIF. Of the 13 jurisdictions that collect TIFs in addition to the RTCIP, five (the Cities of Carlsbad, Chula Vista, San Diego, Santee, and the County of San Diego) reported an overall average annual increase between 2 and 5 percent during 2008 – 2012. Six did not raise their non-RTCIP fee rates during this same four-year period. The two remaining jurisdictions, the Cities of Solana Beach and Vista, reported an average increase of just 1 percent, and a decrease of 6.3 percent during the same four-year period, respectively. By comparison, the RTCIP experienced an overall average annual increase of 2 percent since 2008.

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Attachment: 1. Survey of Transportation Impact Fees by Local Jurisdiction

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