

TransNet Regional Transportation Congestion Improvement Program Proposed Fee Adjustment

Overview

The [TransNet Extension Ordinance](#) requires the 18 cities in the San Diego region and the County of San Diego to collect a Regional Transportation Congestion Improvement Program (RTCIP) fee from the private sector for each new housing unit constructed in their jurisdiction.

The purpose of this fee (sandag.org/rtcip) is to help ensure that future development contributes its proportional share of the funding needed to pay for the impact of new growth on the Regional Arterial System and related regional transportation facility improvements, as defined in the most recent Regional Transportation Plan adopted by SANDAG.

Key Considerations

SANDAG is required to adjust the minimum RTCIP fee amount on July 1 of each year based on an analysis of construction cost indices, but never less than 2 percent. The purpose of this annual adjustment is to ensure that the RTCIP retains its purchasing power to improve the regional arterial system.

Based on an analysis of construction cost trends and relevant indices, staff recommends a 2 percent fee adjustment to the RTCIP, raising the minimum RTCIP fee from \$2,483.48 to \$2,533.15 beginning July 1, 2019 (Attachment 1).

The Independent Taxpayer Oversight Committee (ITOC) reviewed the proposed RTCIP fee adjustment at its February 13, 2019, meeting and had no comments.

Next Steps

In accordance with *TransNet* Extension Ordinance provisions, each jurisdiction's RTCIP Funding Program¹ must be submitted for review by the ITOC by April 1 of each year to remain eligible for *TransNet* local street and road funding. The annual submittal of RTCIP funding programs by local jurisdictions is scheduled for review at the April 10, 2019, ITOC meeting.

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Attachment: 1. Discussion Memo

Action: Approve

The Board of Directors is asked to approve a 2 percent adjustment to the Regional Transportation Congestion Improvement Program, raising the minimum fee from \$2,483.48 to \$2,533.15, beginning July 1, 2019.

Fiscal Impact:

Pending approval by the Board of Directors, the minimum Regional Transportation Congestion Improvement Program fee would increase from \$2,483.48 to \$2,533.15 beginning July 1, 2019.

Schedule/Scope Impact:

The Regional Transportation Congestion Improvement Program fee is collected for each new housing unit constructed and may be used for projects on the Regional Arterial System, such as new or widened arterials, traffic signal coordination, freeway interchange and related improvements, railroad grade separations, and improvements required for express bus and rail transit.

¹ Section 9 of the *TransNet* Extension Ordinance requires that local jurisdictions establish a program or mechanism for funding the Regional Arterial System. For purposes of the RTCIP, the Regional Arterial System is defined in the most recent Regional Transportation Plan adopted by SANDAG.

Discussion Memo

Background

The *TransNet* Extension Ordinance requires the 18 cities and the County of San Diego to collect a fee from the private sector for each new housing unit¹ constructed in that jurisdiction for contribution to the Regional Transportation Congestion Improvement Program (RTCIP). RTCIP revenue is required to be used to construct improvements on the Regional Arterial System, such as new or widened arterials, traffic signal coordination and other traffic improvements, freeway interchange and related freeway improvements, railroad grade separations, and improvements required for express bus and rail transit.

The Ordinance further requires SANDAG to adjust the RTCIP fee amount each year, and states that in no event shall the adjustment be less than 2 percent per year or more than the percentage increase set forth in the Engineering Construction Cost Index (CCI) published by the Engineering News Record (ENR), or a similar CCI. The purpose of this annual adjustment is to ensure that the RTCIP retains its purchasing power to improve the Regional Arterial System and to help ensure future development contributes its proportional share of the funding needed to pay for the impact of new growth on 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 must maintain their RTCIP funding programs and comply with specific administrative requirements in order to remain eligible for *TransNet* local street and road funding.

The RTCIP has been implemented in the San Diego region since July 1, 2008. Annual RTCIP fee adjustments, funding program reports, and related audits can be found at sandag.org/rtcip. Relevant excerpts can be referenced at [TransNet Extension Ordinance](#) and [SANDAG Board Policy No. 031](#).

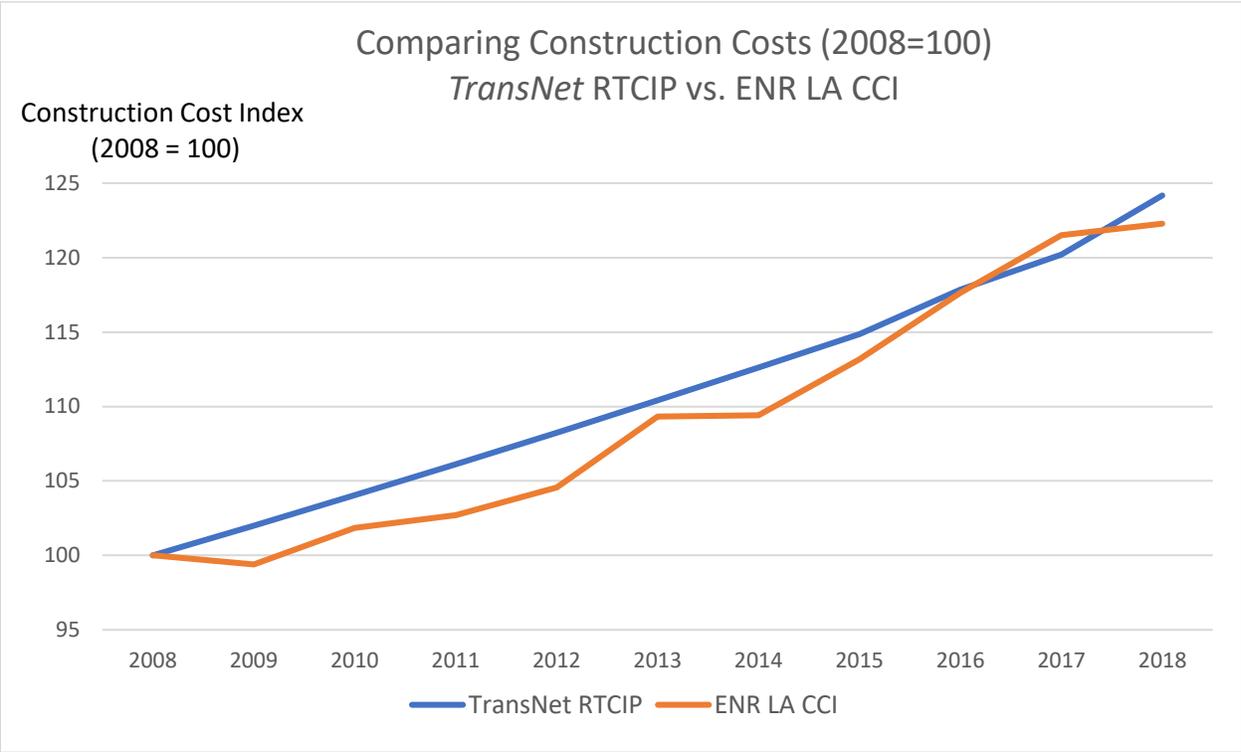
Analysis of Construction Cost Indices

SANDAG staff evaluated changes recorded in the ENR Los Angeles CCI, which is based on monthly price changes in four areas: lumber, cement, structural steel, and labor. Los Angeles reflects construction cost trends similar to those in San Diego. During the period that covers December 2017 to December 2018 (latest available data), the ENR Los Angeles CCI increased by 0.64 percent. The other CCIs grew faster, with the ENR National CCI growing 3.3 percent and the Caltrans CCI increasing 1.1 percent.

While there is general consensus that construction costs will continue to increase in 2019, there always is uncertainty in forecasting costs in the construction industry due to factors such as changes in domestic and international growth and uncertainties in global politics. In addition, all indices show some volatility, and for that reason, it is important to analyze the longer-term picture from 2008, when the RTCIP was first instituted when considering the required annual adjustment.

The cumulative growth of the RTCIP has been 24.2 percent, with the ENR Los Angeles CCI seeing a 22.3 percent growth over the same period. The ENR National CCI (33.1%) and Caltrans CCI (54.3%) both exceeded this rate over the same period. This comparison over time shows that by maintaining the annual adjustment at the minimum 2 percent increase required, the RTCIP had last year begun to fall behind the overall goal of keeping pace with inflation. While the ENR Los Angeles CCI is the slowest growing of the CCIs considered, the chart below shows it also has increased at basically the same rate as the RTCIP.

¹ Units constructed for extremely low-, very low-, low-, and moderate-income households may be exempted.



To ensure that the RTCIP fee maintains its purchasing power to complete necessary road improvements, staff recommends the minimum required 2 percent increase that would mirror the small increase in the ENR CCI for Los Angeles. Increasing the fee by a lesser percentage would not keep pace with construction inflation, meaning the RTCIP would have less ability to mitigate transportation impacts of new development, which would be inconsistent with the Ordinance.