County of San Diego Transportation Impact Fee Program, California

The County of San Diego, anchored by 70 miles of coastline, features both beaches and mountains and is home to numerous nature preserves. Strong in agriculture, it is the nation's leading producer of nursery crops and avocadoes. It contains 16 marine and naval installations, including the primary training center for the U.S. Navy SEALs. It has a high cost of living, is a major tourist destination, and has been called the "Craft Beer Capital of America."

<u>Financial Need and Indicative Solution</u>

The County was undergoing rapid growth, especially in its unincorporated areas. But a 2002 court decision, in accordance with the California Environmental Quality Act, prohibited the use of a de minimus exception to avoid mitigating traffic impacts. This decision left hundreds of private development projects in the unincorporated County without a financially feasible way to ease their cumulative impact (the result of both local projects and regional growth) on traffic.

To ensure that adequate transportation facilities would be available to meet the projected future access and circulation needs of the unincorporated areas, the County worked with shareholders and identified the need for Transportation Impact Fees (TIF). TIFs, which fund the construction of identified transportation facilities and allocate the fair share of costs equitably among future developing properties, were already in use in the State of California—one of the first three States to implement them.

In 2004, voters approved local Proposition A extending the TransNet ½ cent sales tax to fund the region's transportation system for 40 years. A 2007 Regional Transportation Plan (RTP) detailing the need for $58 billion in transportation improvements showed, of that total, $27 billion in funding would come from a variety of State and Federal sources. The remaining $31 billion would come from local funding sources including the TransNet sales tax extension, generating approximately $8 billion. The Regional Transportation Congestion Improvement Program (RTCIP) was created to ensure that new development directly invests in the region's transportation system to offset the negative impacts of growth on congestion and mobility.

<u>Transportation Impact Fees (TIFs)</u>

The County adopted the inaugural TIF program in January of 2005. It became operative on June 19, 2005 and was updated in 2008. The County's TIF collects funds based on Local, Regional, State Routes and Ramps, and Regional Transportation Congestion Improvement Program (RTCIP)/Regional Arterial System (RAS) facility needs.

The TIF is assessed to developments and collected as a condition of approval of a subdivision map or prior to issuance of a development permit, including a building permit, to defray the actual or estimated costs necessary to mitigate the increased traffic they generate. The revenue, when combined with public funds, provide capital improvements to ensure a well-functioning transportation system. However, it cannot be used to address existing deficiencies from prior development.

TIF revenue in the County goes toward improvements in mobility element roads, the regional arterial system, and certain State routes, ramps, and interchanges. Specifically, it is used for roadway widening, roadway extension, traffic signal installation, coordination, and other improvements that enhance capacity.

The California Transportation Impact Fee Assembly Bill 1600, passed in 1989, regulates the way impact fees are imposed on development projects. The agency imposing the fee must: (1) identify its purpose; (2) identify how it will be used; (3) show a reasonable relationship between the fee's use and the type of development project; (4) show a reasonable relationship between the public facility to be constructed and the type of development; and (5) account for and spend the fees only for the purposes and projects specifically used in calculating the fee.

The impact fee is determined by defining a cost per trip that can be applied to the project based on its land use category, size, applicable trip generation rate, and the costs associated with the new or expanded transportation facilities needed to mitigate the impact. Administrative costs are included and applied on a regional or community basis to ensure that road improvements will serve the development project that paid the fees. To keep fees fair, the calculation formula removes pass-by trips not attributable to future development and adjusts costs to remove improvements necessitated by existing deficiencies and trips originating outside the unincorporated county. If a developer privately funds or constructs arterial road improvements, which must be done with strict adherence to ordinance guidelines, credits can be issued to offset the fee.

In certain circumstances, such as developments for affordable housing or those intended to be used three years or less, impact fees can be waived. They can also be disputed, though this can be difficult because new development almost always requires transportation improvements. If a building or development permit is cancelled, voided, or expires before any construction occurs or fees are spent, the impact fee paid plus interest can be refunded.

The Implementation Process

The RTCIP formation process involves: (1) preparing an initial funding program; (2) preparing fee adoption documents for council action; (3) preparing for a council hearing and fee adoption; (4) adopting the RTCIP and funding program at a council meeting and submitting them to an independent taxpayer oversight committee; (5) incorporating the fee and funding program; and (6) collecting the fee.

More specifically, it necessitates estimating annual revenues, identifying the regional arterial system improvements (location and description) that are needed, and estimating their costs. An estimate must also be made for the construction schedule and TIF for the improvements identified, with a minimum planning horizon of five years. For improvements that include funding from other revenues, their anticipated source, amount, and timing must be identified. Adjacent local agencies must be worked with if improvements extend beyond boundaries. Fee adoption documents must be prepared for council action, and a draft ordinance and resolution must be passed to enable the local agency to impose a TIF. At least 14 days prior, a mail notice must be sent to any interested party that has requested it by writing. At least 10 days prior to this, the nexus study, funding program, and fee schedule must be made available to the public. At least 10 days prior to the council meeting, a public notice must be published.

Once the TIF and funding program are adopted, they are incorporated into the local agency's budget with an appropriate annual estimate of fee revenues and expenditures. Fees become effective no sooner than 60 days following adoption, and are deposited into a separate account after collection.

The RTCIP has the following directives. Beginning July 1, 2008, each local agency must contribute $2,000 from exactions imposed on the private sector for each new residence constructed within their jurisdiction. The $2,000 fee per new residential unit will be updated annually by San Diego Association of Governments for cost inflation following initial adoption by local agencies. Development impact fees may be used as a revenue source to satisfy local agency contributions to the RTCIP, and the fees would be imposed on new dwelling units at building permit issuance. Revenues must be expended on improvements to the Regional Arterial System in a manner consistent with the expenditure priorities in the most recent adopted RTP. The Independent Taxpayer Oversight Committee (ITOC), which created for the TransNet program, is responsible for reviewing local agency implementation of the RTCIP. If a local agency does not comply with the RTCIP, the agency can lose TransNet sales tax funding. Cities have the authority to impose impact fees under the Mitigation Fee Act contained in California Government Code sections 66000 through 66025. Finally, each local agency is required to make findings demonstrating a reasonable nexus between the collection of fees, need for facilities created by new development, and expenditure of fee revenues to benefit new development.

The County's RTCIP has been used with great success. For example, in FY 2018-2019, after capital improvement expenditures, it had an ending balance of $21,987,640. This includes cumulative balances since 2005, when the county's TIF program began. This is enough to fund many of the transportation capital improvements that will be necessitated by new development over the next five years.

As a result of its TIF program, the County has the revenue it needs to mitigate the cumulative impact on traffic caused by projected future development, ensuring safe, well-maintained roads that can fully accommodate traffic growth. Further, other agencies can choose to implement this successful strategy for their own applications if additional funding is required to complete necessary infrastructure projects.

Resources:
Explore San Diego
San Diego County - Wikipedia
San Diego County - Transportation Impact Fee
Federal Highway Administration - Development Impact Fees
San Diego County - Fee Schedule
San Diego County - Transportation Impact Fee (TIF) and Regional Transportation Congestion Improvement Program (RTCIP)
Transportation Impact Fee Program 2013 Annual Report (background on page 2)
San Diego County TIF 2012 Annual Report