September 14, 2005

2004 GENERAL PLAN TRAFFIC IMPACT MITIGATION (TIM) FEE PROGRAM FINAL REPORT (DEVELOPMENT FEE TECHNICAL REPORT)

Overview

As part of the implementation of the 2004 General Plan, during the summer of 2004 the El Dorado County Board of Supervisors began a process to revise and update the County's road development fee program.

Currently, the County has four independent, and sometimes overlapping, road development fee programs. The direction of this fee update process was to simplify, integrate and update the current programs and to ensure that the fees conform with all of the policies in the 2004 General Plan.

During the past year, the Department of Transportation (DOT) has worked closely with a Citizens Advisory Committee to explore development fee options. The General Plan policies and findings affecting the fee program were extensively discussed and dozens of alternative fee scenarios were developed for consideration.

This report outlines the major policies and findings resulting from this process, and sets forth DOT's recommendation for an interim road development fee program for the unincorporated area of Western El Dorado County.

Road System / Analysis Zones

The attached Exhibit A shows the road system and analysis zones considered as part of the development fee program update process. Several variations of the zones were evaluated at the offset, and it was recognized that these zones might serve as building blocks for the ultimate fee zones. The recommended fee scenario combines zones 2 (Cameron Park) and 3 (Missouri Flat).

Growth Projections

The County retained the firm of Muni Financial to develop the growth projections used for this development fee update. These projections are contained in the attached Exhibit B.

While this development fee update is based on a horizon year of 2015, these projections are complimentary to and consistent with the projections made by the firm Economic and Planning Systems (EPS) as part of 2004 General Plan preparation process.

Because the 2004 Plan was the subject of a referendum at the time the initial growth projections were developed, staff developed two sets of growth projections—those likely to occur if the referendum passed and the writ remained in place, and those likely to occur if future growth was guided by the 2004 General Plan. However, by the time the alternative development fee proposals were prepared the referendum election had occurred and the 2004 Plan was validated by the voters. Therefore, all proposals evaluated assumed that County would grow under the land use designations, policies and standards in the 2004 General Plan and in rough accord with the economic assumptions used to develop that plan.

Traffic Projections / Improvement Needs / Projected Costs

The County retained the firm of Fehr & Peers to develop the traffic projections based on the 2015 growth projections and to identify the basic road system improvement needs resulting from this growth. These projections and system needs are contained in the attached Exhibit C.

Supplementing this analysis, the County identified major intersection improvement needs, examined roadways less than 24-feet of pavement, and identified left turn lane needs on two-lane roadways.

Additionally, the County retained the firm of URS to examine specific improvement needs at several major interchanges along Hwy 50. This analysis is attached as Exhibit D.

The improvement needs identified in the above processes were combined; specific projects were scoped; and cost estimates for those projects were prepared. Exhibit E, attached, summarizes the improvement needs and costs for both the Writ and the 2004 General Plan growth projections. However, as previously indicated, the alternative development fee proposals were prepared based on the 2004 General Plan growth projections and assumptions and were evaluated under the standards and policies contained in that Plan.

The project cost estimates are detailed in the attached Exhibit G and are summarized for the eight analysis zones as follows:

Zone #	Location of the Zone	Program Costs Within Zone ($ Millions)
# 1	Area east of Pollock Pines	0.1
# 2	Cameron Park and Rescue	224.5
# 3	Area west of Placerville along Highway 50	115.0
# 4	Northwest area of the County	7.1
# 5	Area along Highway 50 east of Placerville	3.0
# 6	Area southeast of Placerville	2.2
# 7	Southwest corner of the County	2.0
# 8	El Dorado Hills	275.7
	TOTAL	**629.6**

Of this amount, $365.4 million is attributable to the HOV lanes, auxiliary lanes and eight interchange projects along Hwy 50 between Placerville and the Sacramento County line.

Non-Development Fee Revenues

Other than the development fees, the major source of revenues available to the County for roadway improvements are Federal and State grant funds. All Federal / State transportation funds are project specific grant allocation of Federal / State. The El Dorado County Transportation Commission has provided the following estimate of these funds:

Description	Cost ($ Millions)
STIP & RTIP	74.8
CMAQ	20.0
Regional STIP Rural	1.1
Regional STIP Urban	9.2
STIP ITIP share-State	41.2
STP Guarantee (For FAS)	2.2
Total to be Received:	**148.5**

Of this amount, it's estimated that the unincorporated portion of the County will receive 2/3's or $98.9 million, and the City of Placerville will receive 1/3 or $49.6 million. The anticipation is that these project specific grant funds will be allocated for the Hwy 50 HOV lane and the interchange improvements along Hwy 50 between Placerville and Sacramento County. These Federal and State transportation grant funds have been applied to reduce the costs to the program of those projects seen as eligible for these grants and likely to receive these grant funds.

Another source of non-development fee revenue for the County is the Master Circulation and Funding Plan (MC&FP) for the Missouri Flat area. These funds are to be used for the Missouri Flat interchange and the Pleasant Valley Connector. The net available revenue from MC&FP over the next ten years for these projects is estimated to be $10.3 million.

Currently Available Development Fee Revenues

Early in the process to update the development fees, it was estimated that $122.6 million of fee revenues were currently available for projects. However, on further review, it was found that this amount must be reduced to $89.4 million as follows:

Fund Balances

Fund	Fund Balances	Encumbrances Outstanding	Net Available
RIF	$15,474,452	-$13,440,000	$2,034,452
Silva Valley Parkway	$16,767,213		$16,767,213
County TIM	$21,038,378		$21,038,378
State TIM	$21,319,671	-$1,775,000	$19,544,671
Interim Hwy 50	$14,756,872		$14,756,872
	$89,356,586	-$15,215,000	$74,141,586

Also noted in the above table are current encumbrances outstanding against these available funds. The resultant net available fund balances total approximately $74,142,000.

As closely as possible, the available balances were allocated or credited to the costs of those projects in the original programs remaining in the current program.

Cost Summary

Accounting for anticipated non-development fee revenues over the next ten years and the currently available development fee revenues, the revenue needed to fully fund the project list is as follows:

	($ Millions)
Project Cost	629
Fund Balances	- 74
MCFP Funds	- 10
Fed/State$	- 99
Remainder	446

As a point of comparison, over the next ten years (through 2015) the current fee structure would be estimated to generate approximately $169 million.

Potential Alternative Funding

As part of the process to identify ways to fully fund the program, the firm Economic and Planning Systems (EPS) briefly investigated on the County's behalf alternative funding sources. They identified four potential funding options: 1) general obligation bonds, 2) increased sales tax, 3) assessment district, and 4) Mello-Roos CFD. None of the four options are seen as holding potential within the immediate future, without a more thorough examination. Such an examination will take place over the next year.

Basic Cost Allocation Methodology

The travel demand modeling used for this effort to update / revise the County's development fee program is able to account for individual vehicle trips, from their origin to their destination. Therefore, on any given road segment, it is possible to determined where the trips using this road segment came from and are destine to, by analysis zone. These model runs are termed "nexus allocations". This information was utilized for cost allocation purposes.

When a road segment is identified as needing improvements, the costs of these improvements are allocated equally to each of the vehicle trips using this road segment; generally half of the costs are allocated to each end (the origin and the destination) of each vehicle trip.

For purposes of this effort, two separate "nexus allocations" were prepared and compared.

With the first approach, when one end of a vehicular trip was outside of the County's unincorporated area, the total costs of this trip (costs which would normally be equally split to each of the two trip ends for cost allocation purposes) were assigned to the end of the trip located within the unincorporated area. Under this approach, the only project costs assigned external to the unincorporated area were in those instances where both ends of the vehicular trip are outside of the County's unincorporated area. This approach minimizes costs being allocated external to the jurisdiction of the County, and therefore potentially contributing to an un-funded element within the program.

With the second approach, the project costs were allocated strictly according to the trip ends, irrespective of whether these trip ends were located outside of the jurisdiction of the County. This approach is seen as having a stronger nexus, in other words, the allocated project costs are more closely tied to the cause generating these project costs.

Under the first cost allocation approach, approximately $20 million of the total $630 million program costs are allocated "external" to the jurisdiction of the County. Under the second cost allocation approach, approximately $150 million of the total $630 million program costs are allocated "external" to the County.

For purposes of this interim fee, the second approach has been selected. While this approach creates an unfunded element, this approach fully mitigates the transportation system impacts associated with growth occurring within the unincorporated area of El Dorado County. During the ensuing year, alternative funding approaches will be further examined to address this unfunded element.

Costs Attributable to Residential vs. Non-Residential Development

The growth projections are for total households and employment (jobs). These projections were converted to vehicle trips for cost allocation purposes.

For example, a trip generation rate of 9.2 vehicle trips per household was used for single family homes. Recently measured actual trip generation rates for single-family homes ranged from approximately 5 trips per household to a little more than 12 trips per household.

Based on the trip generation rates used within this analysis, approximately 60% of the total project costs are directly attributable to trips to and from residential land uses with the remaining 40% attributable to trips to or from non-residential uses. However, EPS reports that a substantial portion (65%) of the anticipated new non-residential uses is directly attributable to the newly anticipated residential growth in the County. Without developing new non-residential land uses to serve that growth, the new residential uses would cause significantly more traffic on the roads. Thus, this 65% portion of the project costs that would have been other wise seen as attributable to non-residential trips that serve the new residential growth were re-allocated to the residential uses. This resulted in a cost distribution with approximately 84% of the total project costs being allocated to residential growth, and the remaining 16% allocated to non-residential growth.

EPS conducted market based studies to determine the extent to which increased fees might suppress the occurrence of these land uses; thereby changing the allocations. EPS noted that there was no market tolerance for fee increases to office fees, a modest tolerance for fee increases for high end retail, and that there was an bility for residences over $500,000 to tolerate increased fees in the range of our alternatives. These reports are Exhibits K and L.

With these results indicating limited tolerance of non-residential uses to absorb increased fees, the 35% of the non-residential jobs growth was revisited. The original 84/16 split was based on the fact that 65% of the anticipated growth in jobs was directly tied to the increased retail and service needs of the new residential development.

Upon review, it was determined that well over half of the remaining anticipated growth in jobs is within the "finance/insurance/real estate", construction, transportation, entertainment and wholesale trade sectors, all of which are also directly attributable to the new anticipated residential growth in the County. This coupled with the realization that if these non-residential uses are economically priced out of western El Dorado County due to the lack of market tolerance for fee increases and given that residences would then have to drive further for these goods and services thereby causing greater transportation impacts, it is seen as justified to hold the non-residential fees generally at their current levels.

In recognition of the fact that increased fees on non-residential uses would suppress anticipated growth, thereby worsening road conditions while stymieing the County's ability to achieve many of the other goals contained in the General Plan, the interim fees do not increase the non-residential fees from current levels. As a result, a portion of the costs previously allocated to non-residential have been reallocated to residential uses to reflect this added element of jobs also being directly attributable to residential thereby creating a split between residential / non-residential uses approximating 94 / 6 versus the original 84 / 16 split.

Additionally, the existing fees are seen as disproportionately allocating costs to office uses. The existing fee programs did not differentiate between fees for retail and office.

However, retail uses generate substantially more traffic than office uses. As noted previously, the EPS study noted that office uses had no flexibility to absorb increased fees, and that in fact, the County's fees were already high enough to suppress the development of office uses. In the updated interim program, retail use fees are held, and the fees for other non-residential uses are proportioned back from these fees in direct proportion to their traffic impacts.

"20-year" Projects vs. "10-year" Projects

Most of the projects identified as part of this process to update the development fee program are scoped to handle 10 years of growth. However, several large interchange projects on the project list are scoped to handle 20 years of anticipated growth. This includes interchange improvement projects at:

- El Dorado Hills Blvd.
- Silva Valley
- Bass Lake
- Cambridge
- Cameron Park, and
- Ponderosa / S. Shingles

Each of these interchange projects are anticipated to be constructed as a series of incremental improvements over the next 20 years. The delivery increments will be identified within subsequent, more detailed planning / design processes for these improvements. It is expected that these more detailed project planning efforts will allow delivery of critical incremental improvements in a timely fashion so as to minimize levels of service falling below community expectations.

For the purposes of these interim development fees, the total improvement costs for these large projects scoped to handle 20 years of growth were spread over the projected growth expected within the next 20 years (through 2025).

Potential Financing

The County retained the firm of the firm Economic and Planning Systems (EPS) to briefly investigate the potential for financing part of the program. The focus was on potentially financing over 20 years, those projects noted above as sized to handle 20 years of growth. EPS determined that it would be feasible to finance the cost of these improvements. Further, they indicated that to do so, would add approximately 10% to the expected fees over the next ten years. However, the proposed financing arrangement would have the County's General Fund as ultimate security, and as such, further consideration is necessary before advancing this as a recommended approach. This potential financing arrangement will be investigated more thoroughly during the ensuing year.

Fee Calculations

The attached Exhibit M describes the fee calculations. Basically, three fee components are individually calculated, a local component for El Dorado Hills, a local component for the remaining areas within the County's west slope, and a State Highway component for the whole of the unincorporated area of the County's west slope.

Accounting for anticipated non-development fee revenues over the next ten years and the currently available development fee revenues, the program cost reduction associated with incremental delivery of the 20-year projects, and the unfunded element associated with external trips the remainder is revenue anticipated within the proposed development fees is as follows:

	($ Millions)
Project Cost	629
Fund Balances	- 74
MCFP Funds	- 10
Fed/State$	- 99
Cost reduction for incremental delivery of 20-year projects	-128
Unfunded element associated with external trips	-77
Remainder	241

Recommendation

It is recommended that the Board of Supervisors approve the attached resolution (Exhibit N) adopting interim development fees to remain in place while potential alternative funding alternatives are more thoroughly explored and potential financing options are considered during the ensuing year.