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Date: August 8, 2006

Board of Supervisors
330 Fair Lane
Placerville, California 95667

**Title: 2004 General Plan Traffic Impact Mitigation (TIM) Fee Program –
Public Hearing to Certify Supplement to General Plan EIR and
Adopt Final Fee Program**

Meeting Date: August 22, 2006

District/Supervisor: All Districts / All Supervisors

Dear Members of the Board:

Recommendations:

The Department of Transportation (DOT) recommends that the Board of Supervisors:

- 1) Conduct a Public Hearing regarding adoption of the proposed 2004 General Plan Traffic Impact Mitigation Fee Program;
- 2) Approve Resolution certifying the Supplement to the 2004 General Plan Environmental Impact Report; issuing a supplemental statement of overriding considerations; and making supplemental findings of fact;
- 3) Approve Resolution setting the new traffic impact fees; and
- 4) Authorize the Chairman to sign the resolutions for CEQA review and adoption of the new Fee Program.

Background:

As part of the process to implement Measure TC-B of the 2004 El Dorado County General Plan, during the summer of 2004, the El Dorado County Board of Supervisors set into motion a process to revise and update the County's Road Development Fee Program.

Per your Board's direction, the Department returned to your Board on September 20, 2005 with a proposed Fee Program for consideration and possible adoption. After a noticed

Public Hearing was held, your Board adopted the Interim 2004 General Plan Traffic Impact Mitigation (TIM) Fee Program based on the public input and the information contained in the Final Report (Development Fee Technical Report, September 14, 2005), along with its exhibits filed with the Clerk of the Board of Supervisors, that provides information on how the Interim Fees were developed. The Interim Fees went into effect 60 days later – November 19, 2005.

Additionally, your Board directed that the Department continue to review and fine-tune the fee calculations, and return to participate in a Public Workshop in January 2006. At that Workshop, your Board heard a presentation by staff regarding progress, took public testimony, and discussed several issues with staff. At the end of the Workshop, your Board gave the Department additional direction in the form of answers to policy questions posed by staff, and directed the Department to continue to refine the proposed Fee Program for final adoption (at that time scheduled for March 2006).

In late February 2006, your Board directed the Department to prepare and circulate for public review and comment, a Draft Supplement to the 2004 General Plan Environmental Impact Report (EIR). That supplement was prepared and released for a 45-day public review and comment period on March 17, 2006. The review period closed on May 1, 2006. Staff has reviewed the comments and prepared a Final Supplement to the 2004 General Plan EIR, which includes copies of all comments received and provides responses to each of the comments.

In mid-May of this year, it was determined that an adjustment for the inflation in the cost of construction of the necessary road improvements needed to be made to the Interim 2004 General Plan TIM Fees. On June 20, 2006, your Board adopted Resolution #189-2006 raising the Interim TIM Fee rates by 44 percent, effective August 19, 2006. If adopted by your Board, the proposed 2004 General Plan TIM Fee Program would replace the Interim Program.

The August 22, 2006 Public Hearing for review and possible adoption of the new 2004 General Plan TIM Fee Program has been properly noticed. In addition, we have provided all the members of the Citizen's Advisory Committee (CAC) copies of all of the final documents and backup material.

Summary of the Process:

Identification of Needed Improvements:

- Determine/Develop Land Use Base – 2004 General Plan Forecasts
- Determine Anticipated Road Deficiencies – Traffic Model Runs
- Identify Needed Improvements – Achieve General Plan Level of Service (LOS) Standards
- Confirm Improvements – Confirming Traffic Model Runs

Develop Fee Rates:

- Prepare Cost Estimates
- Develop Fee Zone Boundaries

- Determine project shares for zones
- Identify and quantify existing and alternative funding sources
- Calculate fee rates by zone and development type

California Environmental Quality Act (CEQA) Review:

- Prepare and circulate TIM Fee Program Draft Supplement to the General Plan EIR (Draft Supplement)
- Receive comments on the Draft Supplement
- Prepare responses to Draft Supplement comments
- Complete TIM Fee Program Final Supplement to the General Plan EIR (Final Supplement)

County Consideration and Approval:

- Prepare the appropriate staff report and background information
- Publish and mail the required public notices
- Hold a Public Hearing at the Board of Supervisors
- Adopt Resolution certifying the Final Supplement, Supplemental Statement of Overriding Considerations, and Supplemental Findings of Fact
- Adopt TIM Fee Program and new fee rates
- New fees go into effect 60 days after adoption

Overview of the Supplement to the 2004 General Plan Environmental Impact Report:

The Supplement to the General Plan EIR was prepared in connection with the consideration and adoption of a proposed Traffic Impact Mitigation (TIM) Fee Program in order to implement Measure TC-B of the El Dorado County General Plan. Measure TC-B states, in part, that the *“traffic fees should be designed to achieve the adopted level of service standards and preserve the integrity of the circulation system.”* The TIM Fee Program is an implementation measure called for by the General Plan and constitutes a subsequent activity contemplated by the General Plan EIR. The Supplement to the General Plan EIR provides environmental documentation for the TIM Fee Program and the Final Supplement certified by the County Board of Supervisors will become a component of the General Plan EIR.

In and of itself, the adoption of mitigation fees to accomplish the road projects contemplated in the General Plan EIR would not have required additional CEQA review. However, the more refined analysis performed in developing the TIM Fee Program resulted in certain changes being made in the roadway improvements from those studied in the General Plan EIR. It was those changes, not the adoption of fees themselves, which triggered the additional CEQA review contained in the Supplement.

The General Plan EIR included analysis of the traffic-generating impacts of the various General Plan alternatives and the traffic levels of service that were anticipated as a result of adoption of any of the General Plan alternatives. In order to analyze potential traffic impacts of the final version of the General Plan that was being considered for adoption by the Board of Supervisors, the consultant retained to perform the traffic analysis (*Fehr &*

Peers) focused on the traffic level of service standards contained in the proposed General Plan and generally sized a roadway system to achieve those levels of service. The traffic analysis identified the anticipated traffic impacts of adoption of the General Plan on various roadway segments within the County.

As part of the development of the proposed TIM Fee program, the County retained the services of *Dowling Associates, Inc. (Dowling)* to provide more detailed traffic analysis and roadway design which was needed for the development of the TIM Fee Program. That analysis is contained in two *Dowling* reports attached to this staff report, "*US 50 Strategic Corridor Operations Study – Ponderosa Road to Mather Field Road*" and "*El Dorado County Traffic Impact Mitigation Fee Update 2005*". One required element of a TIM Fee Program is the determination of the estimated cost of the proposed road system so that appropriate fees can be developed. This required a more detailed analysis of required roadway improvements to achieve General Plan LOS standards than was done for the General Plan EIR.

The TIM Fee Program Analysis prepared by *Dowling* had the same focus as the General Plan EIR Analysis prepared by *Fehr & Peers* – to design a road system capable of achieving the traffic level of service standards of the General Plan. However, the TIM Fee Program Analysis allowed a more refined definition of the precise road specifications that would be needed than was possible with the General Plan EIR because of the more detailed work done, such as consideration of specific traffic volumes and traffic movements along specified segments of roadways (in contrast to the General Plan EIR Analysis which was based on only "generic" level of service traffic volumes and road configurations), consideration of the effects of specific interchange and intersection improvements, and more precise construction detail. Therefore, certain roadway segment improvements recommended by *Dowling* as the basis for the TIM Fee Program differ from those assumed by *Fehr & Peers* in the General Plan EIR.

Thus, in developing the proposed TIM Fee Program, the County has refined certain elements of the traffic and circulation analysis in the General Plan EIR and has identified a set of roadway improvements that is slightly less extensive than that analyzed in the General Plan EIR, but that meets the level of service standards contained within the General Plan Policies. However, the analysis conducted in association with the development of the proposed TIM Fee Program determined that with the roadway improvements identified in the TIM Fee Program Analysis in place, traffic level of service on a limited number of roadway segments, while meeting the LOS Standards in the General Plan Policies, are projected to vary from those presented in the General Plan EIR.

Both the General Plan EIR and the TIM Fee Program Analysis considered traffic operations on 184 roadway segments within the County. Of these, the General Plan EIR Analysis identified 75 roadway segments that were projected to experience declines in levels of service that exceed the thresholds of significance used in the General Plan EIR Review (Level of Service "C" where the General Plan Policies allow for Level of Service "D" and "E" depending on location, and Level of Service "F" on selected road segments). (Note that although 75 segments were projected to exceed level of service thresholds in the General Plan EIR Analysis, certain documentation for the General Plan EIR and CEQA Findings erroneously referenced that 74 segments were projected to exceed the threshold.

This miscount does not represent a substantive change in the conclusions of the General Plan EIR.)

The analysis conducted in developing the proposed TIM Fee Program determined that of the 184 segments analyzed, 94 segments are projected to exceed the General Plan EIR thresholds of significance. As compared to the General Plan EIR Analysis, this results in an additional 19 segments that are projected to exceed the General Plan EIR thresholds of significance under the TIM Fee Program Analysis. In all instances, the levels of service identified through the TIM Fee Program Analysis are projected to achieve the level of service standards contained within the General Plan Policies.

Although these changes in projected levels of service occur in limited instances and have been determined to be fully consistent with the policies contained in 2004 General Plan, the County decided to supplement the information presented in the General Plan EIR documentation to provide a full and updated analysis of the traffic and circulation impacts of the General Plan that would occur if only those improvements identified through the TIM Fee Program are built. It should be noted that the adoption of the proposed TIM Fee Program would not preclude the County from additionally pursuing some or all of the improvements identified in the General Plan EIR Analysis that are not included in the TIM Fee Program.

Summary of Impacts

The environmental analysis conducted for the proposed TIM Fee Program considered potential differences between the impact conclusions of the General Plan EIR and those associated with the findings of the analysis of the proposed TIM Fee Program. The analysis identified an increase in the severity of one significant and unavoidable impact identified in the General Plan EIR (Impact 5.4-2). This impact is associated with variation in the projected traffic levels of service on certain roadway segments under the TIM Fee Program Analysis when compared to the General Plan EIR Analysis, as discussed above. However, all levels of service are projected to achieve General Plan Policy requirements.

The proposed TIM Fee Program was developed using an iterative process which identified 1) Projected roadway deficiencies over a 20-year period (through 2025) based on projected growth under the General Plan, 2) Necessary roadway improvements through 2025 to achieve the levels of service required by General Plan Policies, and 3) Projected levels of service in 2025 for each of the roadways with the improvements in place.

This process resulted in the exclusion of several roadway improvements identified in the General Plan EIR Analysis. However, not all of the improvements identified in the General Plan EIR Analysis are required to achieve the levels of service mandated in the General Plan. The TIM Fee Program Analysis sought to more specifically identify the roadway improvements required to achieve General Plan level of service policy requirements. The more detailed analysis conducted for the TIM Fee Program identified several roadway improvements that are not necessary to achieve General Plan Policy requirements. The proposed TIM Fee Program is limited to those roadway improvements identified as necessary to achieve General Plan level of service standards, with certain additional improvements deemed necessary by the County.

While both the General Plan and TIM Fee Program Analyses determined that General Plan level of service standards would be achieved through the roadway improvements identified in the respective analyses, each also determined that certain roadway segments would exceed the threshold used for the General Plan EIR to determine whether an increase in daily and peak-hour traffic would be significant. Impact 5.4-2 of the General Plan EIR determined that the growth under the General Plan would result in a significant and unavoidable impact associated with an increase in daily and peak-hour traffic. The General Plan EIR Analysis determined that the impact identified as Impact 5.4-2 was significant based on a threshold of significance that held that a reduction of roadway levels of service to below LOS "C" on roadways presently operating at LOS "C" or better, or the addition of 10 or more vehicles during a peak hour on roadways presently operating at LOS "D, E or F" constituted a significant impact. Based on that criterion, the General Plan EIR Analysis projected that 75 roadway segments would exceed the threshold and contribute to Impact 5.4-2.

The TIM Fee Program Analysis identified improvements on 19 roadway segments for which recommended improvements vary from those identified in the General Plan EIR Analysis. (These variations are listed in Table 5 of Section 2.3.2 of the Draft Supplement.) The TIM Fee Program Analysis determined that these changes would achieve General Plan policy level of service requirements for these roadway segments, but would result in lower levels of service on 14 of the 19 segments when compared to those projected in the General Plan Analysis. Using the same thresholds of significance used for the General Plan EIR Analysis, the TIM Fee Program Analysis determined that 94 roadway segments (as opposed to the 75 identified in the General Plan Analysis) would operate at levels of service that would trigger the threshold used to determine level of service impact significance, and would, therefore, create an increased contribution to Impact 5.4-2. Each of the roadway segments considered in the analyses, level of service projections and threshold exceedance determinations are listed in Table 1 of the Draft Supplement. Table 2 of the Draft Supplement provides a summary comparison of the conclusions of the analyses.

The General Plan EIR identified potential mitigation measures for Impact 5.4-2, which were adopted by the Board of Supervisors to the extent the Board determined those measures were feasible. No additional mitigation has been identified for the increased contribution to Impact 5.4-2.

The evaluation conducted for the Supplement determined that the variation in impacts associated with the proposed TIM Fee Program (when compared to the impacts identified in the General Plan EIR) are solely associated with the level of service variations discussed above. A review of other resource issues addressed in the General Plan EIR determined that, with the exception of Impact 5.4-2, the proposed TIM Fee Program would not cause new, previously unidentified significant impacts or substantially increase the severity of any significant impacts previously identified in the General Plan EIR.

Overview of the Development of the Proposed Fees:

During 2005, the Department worked closely with a Citizens Advisory Committee (CAC) to explore different development fee options. Policies impacting the fee program were extensively discussed and dozens of alternative fee scenarios were developed for consideration. Additionally, your Board has provided guidance and direction concerning various proposed alternatives over the past many months.

Based on your Board's direction, the major changes from the Interim TIM Fee Program to the proposed TIM Fee Program include: A shift from a ten year program to a twenty year program, a more refined analysis of the Highway 50 improvement needs, use of the 2004 General Plan Land Use Forecast information, updated improvement program and project cost estimates, a revision in how the "external/internal" trips are handled, and an updated calculation of the fee rates for non-residential uses. Additionally, staff has been working on proposals to allocate the expected Federal and State transportation funding to offset a portion of the fee obligations of specific uses including affordable housing projects and nonresidential uses.

Road System / Analysis Zones

The Dowling "*El Dorado County Traffic Impact Mitigation Fee Update 2005*" (attached to this staff report) lists the basic road system used for the Fee Program Analysis. This road system incorporates all of the same roadway segments that were analyzed in the 2004 General Plan EIR. The listing consists of Highway 50 as the main circulation trunk in the County and those roads that meet the test of carrying primarily through traffic. Generally these are the main trunk roadways within various communities in the County and the primary roads connecting those communities.

The fee program zones considered in developing the fee program are shown on the El Dorado County TIM Fee District Map, a copy of which is attached to this staff report and to the proposed adopting resolution (also attached to this staff report). Several variations of the zones were evaluated at the outset of developing the TIM Fee Program. Proposals considered included a single zone for the entire West Slope of the County and a wide variety of proposals with varying numbers of zones with various boundaries.

An eight-zone structure was ultimately selected as appropriate to recognize the different land use characteristics of various areas of the County, while keeping the number of zones manageable for ease of fee calculations, updates and implementation. The boundaries of these zones were based on a combination of the market areas included in the general plan environmental analysis, historic community boundaries, traffic flow sheds, rural verses urban development patterns, etc.

The proposed TIM Fee Program Fee Zone scenario combines Zone 2 (Cameron Park) and Zone 3 (Missouri Flat) for the purpose of residential and non-residential fee rates and the attendant calculations as these two zones have very similar characteristics and straddle Highway 50. Zone 8 (El Dorado Hills), was held separate primarily due to pre-existing agreements and due to development of this area under a previously created fee program referred to as the El Dorado Hills/Salmon Falls Area Road Improvement Fee (RIF) Program.

Growth Projections

Once the determination was made to utilize a 20-year time horizon for the proposed Fee Program, the Department went back to the land use growth forecasts developed by *Economic and Planning Systems (EPS)* for the 2004 General Plan Analysis. These forecasts gave the Department land use figures for both residential and non-residential uses for the years 1999 (the base year for the 2004 General Plan) and 2025.

The County retained the firm of *Dowling Associates* to provide traffic modeling support for developing the fee program. As a part of that work, *Dowling Associates* reviewed earlier work conducted by *MuniFinancial* for the Interim 2004 General Plan TIM Fee Program and developed an "existing" base year of 2005 and a 2015 land use forecast needed for the effort to develop a final TIM Fee Program.

To create a data set for 2005 to use as the base year for the fee calculations, they utilized a straight line pro-rating of the *EPS* 1999 and 2025 figures. This new data set was then compared to the earlier *MuniFinancial* work to confirm the reasonableness of the forecasts for the fee program. Additionally, *Dowling Associates* used the same methodology to generate a set of 2015 land use figures should your Board choose at some point to select a ten year fee program.

Traffic Projections / Improvement Needs / Projected Costs

Dowling Associates provided two reports documenting their work in support of the fee program development process (attached). The first report is the "*El Dorado County Traffic Impact Mitigation Fee Report 2005*". This work involved review of the traffic analysis work prepared for the 2004 General Plan by *Fehr & Peers*, and then using that analysis to identify the basic road system improvement needs resulting from the growth forecasted for 2025 in the 2004 General Plan. The work and the report focus on the County roads and the State highways, except Highway 50. This report details these projections, and resulting system needs are included as one of the exhibits to the technical report. The 2025 traffic forecasts contained in the *Dowling "Traffic Impact Mitigation Fee Report"* are the same as those contained in the *Fehr & Peers* July 7, 2004, Technical Memorandum - *Modified 1996 General Plan Alternative Modeling* - prepared in support of the adoption of the 2004 General Plan.

The Department also directed *Dowling Associates* to undertake a more thorough analysis of Highway 50 due to its large portion of the total program costs, its role as County's main transportation corridor, and its importance as a regional corridor. This analysis is contained in their report, "*US 50 Strategic Corridor Operations Study*". Sections of this report and its analysis are also included in *Dowling's "Traffic Impact Mitigation Fee Report"* described above. This report details the expected traffic volumes along Highway 50 from the County Line east to the Ponderosa Road Interchange, and the improvements needed to accommodate that traffic. The improvements described as necessary in that report are the Highway 50 improvements included in the proposed TIM Fee Program.

As described above in the section regarding the need to complete a Supplement to the General Plan EIR, *Dowling's* analysis of Highway 50 led to differences between the road system shown in the 2004 General Plan EIR Analysis and that funded by the proposed TIM Fee Program. The General Plan Analysis was based on a basic level of service volume calculation. This calculation utilized tabular data that provided estimated levels of service based on the volume of vehicles using a road segment during the peak-hour. This method used the same volumes for the level of service calculations without considering functional issues such as roadway alignment (straight or curved, flat or hilly) or conflicting movements (on-ramp merges, lane ending merges, etc.) This level of analysis was appropriate and adequate for the General Plan EIR.

Dowling's assessment of necessary Highway 50 improvements, as described in the attached reports, provided for more detailed consideration of specific factors affecting roadway levels of service. They duplicated the traffic volume forecasts using both the General Plan 2025 Traffic Model and the Sacramento Area Council of Governments' (SACOG) SACMET 2027 Traffic Model to ensure use of the worse-case scenario for the level of service analysis.

For the freeway level of service and operations analysis, *Dowling* again took their work beyond that of the General Plan. They used a Freeway Operations Modeling Program titled *FREQ*. *FREQ* is a macroscopic freeway facility operations simulation model that uses many more inputs than were included in the General Plan EIR Analysis, and then calculates such outputs as traffic speed, vehicle density, volume to capacity ratios, etc. More information regarding this portion of the *Dowling* Highway 50 Analysis can be found in Chapter 2 of the "*US 50 Strategic Corridor Operations Study Report*" (attached).

Supplementing these more detailed traffic analyses, the Department retained the firm of *URS* to refine the improvement needs and cost estimates for all of the fee program projects. As part of this work, *URS* was asked to further examine specific improvement needs at four major interchanges along Highway 50 – Bass Lake Road, Cambridge Road, Cameron Park Drive, and Ponderosa Road. *URS* was asked to re-analyze the 2025 traffic and required improvements at those interchanges and update the costs for the improvements. In addition, they were asked to identify the improvements needed at those interchanges to achieve General Plan level of service policy requirements in the year 2015 and provide estimates of the cost of the improvements. (This additional year 2015 work was to provide your Board with supplemental information necessary for identifying funding requirements for a 10-Year Fee Program).

Additional information regarding interchange improvement needs and costs came from the current project delivery efforts in the Department to improve the interchanges at El Dorado Hills Boulevard, Missouri Flat Road, and El Dorado Road, and to construct a new interchange at Silva Valley Parkway. The Department's current cost estimates for these projects are used in the Fee Program. For those projects that did not have current cost estimates (i.e., El Dorado Road) the Department's older estimates were adjusted with the Caltrans Construction Cost Index figures to bring their estimated costs current.

For non-interchange improvements, *URS* reviewed the earlier cost estimates generated for the Interim Fee Program and updated them as needed to reflect changes in costs over the past 18 months. In cases where new cost estimates had been prepared by the Department, those new cost estimates were incorporated into the *URS* report. Finally, *URS* developed new cost estimates for those projects not included in the Interim Program because they were scheduled for construction more than ten years in the future (2016-2025) This *URS* Analysis is included in their final report attached to this staff report.

The total estimated cost of improvements is \$840.5 million. Of this \$840.5 million, \$327.1 million, or approximately 39% of the total cost, is attributable to the High Occupancy Vehicle (HOV) lanes, auxiliary lanes, truck climbing lanes, and the eight interchange projects along Highway 50 between the west County Line and the City of Placerville.

Currently Available Development Fee Revenues

While developing the Interim TIM Fee Program, the Department reviewed existing revenue balances from earlier fee programs to determine what existing revenues are available to offset the costs of the improvements in the new program. The Department estimated that a total of \$89.4 million in revenues from previous traffic impact fee programs are available (at the time the fee program fee calculations were made) to pay for projects in the new program. These amounts were broken down as follows:

Existing Fund Balances			
Fund	Fund Balances	Encumbrances Outstanding	Net Available
RIF	\$15.5	-\$13.4	\$2.0
Silva Valley Parkway	\$16.8		\$16.8
County TIM	\$21.0		\$21.0
State TIM	\$21.3	-\$1.8	\$19.5
Interim Hwy 50	\$14.8		\$14.8
Total	\$89.4	-\$15.2	\$74.1

The existing balances are adjusted to reflect existing encumbrances against the accounts including existing reimbursement agreements. As shown in the table, the net available fund balances total approximately \$74.1 million.

These available balances were then allocated, or credited, to the costs of those projects that were in the earlier programs and that remain in the proposed TIM Fee Program. This has the effect of reducing the need for new fee revenue for those projects as a portion of the costs are being paid for by previously approved development.

Revenues From Sources Other Than Development Fees

The major source of non-development fee revenues are Federal and State project specific grant funds which are anticipated to be received by the County over the next twenty years.

These funds are allocated on a regional basis, such as the west slope of El Dorado County, including the City of Placerville. The El Dorado County Transportation Commission (the Transportation Commission) provided the Department with an estimate for these funds over the next twenty years totaling \$271 million. Of this amount, it was estimated that the unincorporated portion of the County would receive two thirds, approximately \$181 million, and the City of Placerville would receive one third, approximately \$90 million. It is anticipated that these project-specific grant funds will be used to construct projects such as the Highway 50 HOV lanes and a portion of the interchange improvements along Highway 50 between the west County Line and the City of Placerville.

In response to several comments regarding these estimates, the Department requested *HDR*, the consultant firm providing support to the County on the Highway 50 Corridor, to confirm the accuracy of these estimates with Caltrans and the Sacramento Area Council of Governments (SACOG). *HDR* confirmed the Transportation Commission's estimates closely match SACOG's and Caltrans' forecasts. *HDR* concluded that the Transportation Commission's estimates were reasonable for use in the fee program and considered the projected percentage split between the County and Placerville to be very conservative.

The Department did not allocate these Federal and State funds to specific projects in the proposed TIM Fee Program rate calculations, since it is speculative to project exactly what projects would be eligible for the grants and at what point the grant monies will be available. In the Interim Fee Program, the Federal and State funds were deducted from the overall program costs, and used to reduce the fees for all development. In the proposed TIM Fee Program, the Federal and State funds are being used to fund the "external to external" trips' share of program costs and to offset the TIM fees for both affordable housing and non-residential projects.

A second source of non-development fee revenue for County roads is the Missouri Flat Area Master Circulation and Funding Plan (MC&FP). The net available revenue from the MC&FP projects is estimated to total approximately \$30 million over the next 20 years. These funds are to be used for the Missouri Flat Interchange and the Missouri Flat Road Connector; the projected revenue was deducted from the project costs for these two projects.

It is conceivable that additional sources of revenue will become available in the future. For example, this November there is a state Infrastructure Bond Proposal that, if passed by the voters, will provide an additional \$17.6 billion of transportation funding statewide. Some of the revenue will come directly to El Dorado County while other funds will be available through a competitive process. None of these potential future revenues have been considered in the TIM Fee Program Analysis.

External/Internal Trip Allocations

Per your Board's direction, the Department has revised its calculation methodology to include "external to internal" and "internal to external" trips in a way that spreads the traffic impacts of these trips to the internal trip end. This decision was based on a number of factors, the primary one being the determination that inclusion of these costs is appropriate

since only those costs associated with that portion of the trip occurring within El Dorado County are included. Presumably costs associated with roadway improvements outside of the County can be recovered by other agencies.

Fee Calculations

There are numerous calculations that went into the development of the proposed fee rates. The cost for each individual project was adjusted based on the availability of non-fee revenues such as the MC&FP and existing fee program revenues. The adjusted project cost was then spread to each of the eight fee zones proportionally, based on the traffic volumes using that specific project from each of the zones. For example: if a project costs \$12 million and Zone 5 contributes 10% of the traffic using the road where that project is located, then Zone 5 is responsible for 10%, or \$1.2 million, of the project costs.

The total of these allocations for each of the individual projects included in the proposed Fee Program are then summed for each zone giving a total amount that is the responsibility of new development within that zone. Added to this is a pro-rated share of the non-location specific program costs, such as the transit improvements and the costs for fee program development.

Project Costs by Zone		
Zone #	Location of the Zone	Prorated Project Costs (\$ millions)
1	Area East of Pollock Pines	1.8
2	Cameron Park and Rescue	251.6
3	Area West of Placerville Along Highway 50	169.6
4	Northwest Area of the County	14.3
5	Area Along Highway 50 East of Placerville	15.3
6	Area Southeast of Placerville	12.3
7	Southwest Area of the County	19.6
8	El Dorado Hills	337.0
	External-External Trips	18.9
	TOTAL	840.5

NOTE: The above costs for the total project costs and have not been reduced to account for reductions due to the use of available funds such as the existing fund balances or the MC&FP.

The total costs for each zone were then converted to the proposed initial fee rates based on the total cost for the zone, divided by the projected growth in the zone using the five different land use categories used in the General Plan Traffic Model (single family residential, multi-family residential, retail jobs, service jobs, and other jobs) and the applicable trip generation rates for each use (*ITE Trip Generation Manual, 7th Edition*).

Three fee components were individually calculated, a local component for just El Dorado Hills, a local component for the remaining unincorporated portion of the County, and a Highway 50 component for all unincorporated areas of the County. From these initial rates, the final proposed fee rates are calculated after making the non-residential adjustments

described below and reserving funds for affordable housing and "external/external" trips.

Costs Attributable to Residential vs. Non-Residential Development

Based purely on an analysis of trip ends used in the Traffic Modeling Analysis, approximately 60% of the total project costs would be allocated to residential land uses and 40% allocated to non-residential uses. However, *EPS* reported that substantial portions (approximately 65%) of the future non-residential uses are directly attributable to growth in the County's population, i.e., residential growth. These include non-residential uses such as grocery stores. Taking this into account, the result is a cost distribution where approximately 84% of the total project costs are reasonably allocated to residential growth, and the remaining 16% allocated to non-residential growth. Theories exist that could support a different split, however staff recommends this allocation as a reasonable allocation for this County, where growth has been, and continues to be, driven by new residences, not by new commercial development.

When adopting the Interim Fee, your Board recognized the severely limited ability of non-residential land uses to absorb increased fees, and recognizing that a substantial portion of the projected non-residential growth is directly attributable to the projected increases in residential land uses, chose not to increase the Commercial Fee Rates from their previous levels. (Within the Interim Fees, the current Commercial Fee Rates remained at the level established in the El Dorado Hills/Salmon Falls Area Road Improvement Fee Program, the County Traffic Impact Mitigation (TIM) Fee Program, the State TIM Fee Program, and the Interim Highway 50 Corridor Variable TIM Fee Program, and the fees for other non-residential uses are proportioned back from these fees in direct proportion to their traffic impacts.) This resulted in a 94/6 cost allocation between residential uses and non-residential uses within the program.

For the final 2004 General Plan TIM Fee Program, staff was directed to base the fees on a 84/16 cost allocation between residential uses and non-residential uses. However, the Board expressed its ongoing concern regarding the ability of non-residential projects, and affordable residential projects, to absorb the fee increases. The Board recognized that the imposition of higher fees on non-residential uses would likely drastically reduce creation of additional jobs within the County and lead to a further unbalancing of the jobs/housing ratio. Given that, the Department was directed to develop a methodology that would maintain the 84/16 split, but look for other methods, such as identifying other revenue sources, to reduce the impact of the fee increases on non-residential uses.

The Department determined that if it did not use the projected Federal/State grant funds to reduce the costs of specific projects, which reduced the fees for all types of uses within the areas where those projects were located, those Federal/State funds could be used to meet the Board's various policy objectives, including their goal to keep the commercial rates at a more competitive level.

First, the Federal and State funds were allocated to paying for the portion of the road network made necessary for trips beginning and ending outside the unincorporated County (the "external/external" trips) to ensure that the program would be 100% funded. Next, a portion of those Federal/State funds are allocated to reduce the fees for affordable housing

projects, to assist the County in achieving its affordable housing goals. (*See Affordable Housing Section below for additional discussion of this*). Finally, the Federal and State funds will be used to offset a portion of the fees for non-residential uses.

The Department therefore recommends that \$92 million dollars be used to offset the fee increases for non-residential uses. This would result in a fee increase for non-residential uses of only 5%. This would result in using only \$128 million of the estimated \$181 million Federal/State funds for external trips, affordable housing offsets and non-residential offsets; so even if the County does not obtain all of the Federal/State funds that the Transportation Commission projects, the program would be fully funded.

The Department recommends this conservative approach, given the uncertainty of forecasting everything from growth in land use, traffic modeling, funding amounts, and project costs over twenty years. If the Federal /State funds come in as high as or higher than projected, the funds could be used to offset any unexpected cost increases or other unforeseen variables, to further reduce fees, or to achieve other policy objectives. The use of Federal/State funds to "buy down" the costs for non-residential uses and affordable housing does not raise any nexus issues since no segment of the development market is having its fees increased beyond that determined appropriate in the nexus analysis.

Affordable Housing

Your Board has long recognized that high traffic impact fees, while appropriate to address the traffic impacts from the development, have a negative effect on a developer's ability to deliver housing for those individuals with lower incomes. As such, your Board asked the Department to explore methods to offset the TIM fees for affordable housing and to include some type of relief in the proposed program. The Department is proposing to use a portion of the Federal and State revenue set-aside described above to provide that relief.

The proposal is to set aside \$1 million per year for a total of \$20 million over the life of the Twenty-Year Program to offset the TIM fees for affordable housing. This funding would be cumulative, e.g., if no affordable housing TIM fees were offset during a particular year that amount would be carried over and added to the next year's set aside.

The Department is only proposing the set-aside at this time, not how it would actually be allocated to the three income categories of affordable housing – Very Low, Lower, and Moderate. Some type of a sliding scale might be appropriate. An example would be that Very Low might have the TIM fee fully offset, while Lower would have one half of its fee offset, and Moderate would have one quarter of its fee offset.

The Department will work with Human Services and Development Services to determine a recommendation to your Board for how to calculate and administer these fee reductions for affordable housing projects.

Fee Program Cost Summary

The following is provided to summarize the overall proposed TIM Fee Program. Accounting for anticipated non-development fee revenues over the next twenty years, the currently available development fee revenues, and the unfunded element associated with external trips, the remainder is the revenue anticipated to be provided with the proposed development fees as follows:

	\$ (millions)
20-year project costs necessary to meet General Plan LOS policies	\$840.5
<i>Reductions</i>	
Existing revenue fund balances	-\$74.1
MCFP Funds anticipated to be collected in 20 years	-\$29.9
<i>Offsets/Reductions from Federal and State Revenue</i>	
Project costs attributed to external to external "pass thru" trips	-\$15.6
Affordable housing pool	-\$20.0
Reduction of non-residential rates	-\$92.4
<i>Remaining</i>	
Required Fee Revenue	\$608.5

NOTE: The above external to external costs have been reduced to account for reductions due to the use of available funds such as the existing fund balances or the MC&FP.

As a point of comparison, over the next ten years (through 2015) the current Interim Fee structure (including the 44% inflation increase) would be estimated to generate approximately \$347 million in fee revenue. This revenue estimate is based on the information developed for the Interim TIM and increased to account for the 44% inflation increase approved by your Board.

Public Comments Regarding Policy Issues:

Several comments were received during public review of the Draft Supplement which did not address environmental issues, but instead raised policy issues and preferences. While the Final Supplement includes the appropriate responses to all comments received, the Department has included discussion of certain policy-related issues here as well.

Differences in the Road Plan Based on More Refined Traffic and Road Capacity Analysis

Comments were received which expressed that the TIM Fee Program would not result in the development of all roadway improvements identified in the General Plan EIR Analysis and requested clarification of the reason for differences between the General Plan Traffic Analysis and the TIM Fee Program Analysis.

There is an important distinction that needs to be drawn in any discussion of the differences between the road plan that is the basis for the recommended TIM Fee Program and road systems that were considered previously. Specifically, most of the changes are changes from the roadway system analyzed by the General Plan EIR, not from the Circulation Element of the General Plan. The Circulation Element of the General Plan contains, among other things, policies relating to acceptable level of service standards and a Circulation Map that identifies major roads in the County. The Circulation Map identifies roads by general category and number of lanes (e.g. an 8-lane freeway), but does not specify the type or mix of lanes (e.g. mixed use, HOV, auxiliary lanes). In preparing the General Plan EIR, *Fehr and Peers* developed a proposed road system designed to meet the levels of service standards of the General Plan. This was more detailed than the information in the General Plan itself (e.g. the *Fehr and Peers* analysis included proposed lane mixes for Highway 50) and was used for the analysis in the General Plan EIR.

As discussed elsewhere in this report, *Dowling Associates* was retained to perform the more detailed analysis needed to develop the proposed TIM Fee Program. That analysis determined that in some instances the General Plan LOS policies could be met with somewhat less extensive improvements than was assumed by *Fehr and Peers* based on their more general review. Therefore, the road system used as a basis for the TIM Fee Program is different in some ways from the road system analyzed in the General Plan EIR. In all instances, the General Plan LOS policies are met. However, in some cases the actual levels of service now anticipated are different than those projected in the General Plan EIR, although within the accepted limits of the General Plan. These differences were the primary reason a Supplement to the General Plan EIR has been prepared in connection with the proposed TIM Fee Program. The differences between the road system analyzed in the General Plan EIR and that proposed as the basis for the TIM Fee Program, and the resulting impacts, are discussed in the Supplement. A summary is again provided below in this section.

Thus, most of the "changes" referred to are changes from the General Plan EIR Analysis and those differences are fully analyzed in the Supplement. They do not represent changes to or potential inconsistencies with the General Plan Circulation Map since these current recommendations fall as squarely within the Circulation Map definitions as did the system studied in the General Plan EIR. There are only two instances on Highway 50 where the road system proposed in the TIM Fee Program does not contain the full number of lanes shown on the Circulation Map. These are discussed at the end of this section.

As discussed in the Draft Supplement (pages 2-3 through 2-5), the TIM Fee Program Analysis conducted by *Dowling Associates* had the same general focus as the General Plan EIR Analysis conducted by *Fehr & Peers Associates* – to identify roadway

improvements necessary to achieve the traffic level of service standards of the General Plan. However, some road improvements included in the General Plan EIR Analysis provide roadway capacity in excess of what was necessary to achieve General Plan level of service requirements. (These road segments are listed in the Draft Supplement on pages 2-4 and 2-5.) As a result, certain roadway improvements identified in the General Plan EIR Analysis and the road system identified in the General Plan Circulation Map are more extensive than would be required solely to obtain consistency with General Plan level of service policies.

Although the TIM Fee Program has identified the need for less extensive improvements on certain road segments (*see discussion below for more information regarding differences between the two analysis*), the County's adoption of a TIM Fee Program based on the roadway improvements identified in the TIM Fee Program analysis would not preclude the County from developing additional roadway improvements for purposes other than achieving General Plan level of service requirements, should additional funding become available.

The TIM Fee Program Analysis allowed a more refined definition of the precise road specifications that would be needed than was possible with the General Plan EIR. Additional information regarding the specific differences in the analysis and conclusions between the General Plan EIR and TIM Fee Program Analyses is provided below for both non-U.S. 50 and U.S. 50 road segments.

- **Non-U.S. 50 Improvements** – The TIM Fee Program Analysis used the General Plan EIR Analysis, including identical growth projections, trip generation/distribution assumptions and criteria, for determining levels of service on non-U.S. 50 road segments. The only differences between the two analyses for non-U.S. 50 road segments are associated with the following:
 1. The TIM Fee Program utilized a reduced rounding factor for traffic volume projections (rounding to the nearest *one* as opposed to the nearest *ten*) which could have resulted in a more precise determination of levels of service and roadway improvement requirements. However, this did not change any of the level of service results, nor the proposed improvements.
 2. The TIM Fee Program Analysis was based solely on identifying those roadway improvements required to achieve General Plan level of service requirements, whereas the General Plan Analysis identified certain roadway improvements which were not necessary to achieve General Plan level of service requirements. Note that subsequent to the TIM Fee Program Analysis, County staff determined that certain road segments should also be included in the TIM Fee Program that are not necessary to achieve General Plan level of service requirements. (Page 2-5 of the Draft Supplement discusses these modifications.)
 3. As compared to the General Plan EIR Analysis, the TIM Fee Program Analysis allowed for smaller increments of improvements (i.e., widening) on certain road segments. In some instances, this resulted in the TIM Fee Program's identification

of less extensive improvements on certain roadway segments which would still achieve General Plan level of service policy requirements.

- **U.S. 50 Improvements** – The analysis conducted for the General Plan EIR considered individual segments of mainline U.S. 50, but did not account for certain specific U.S. 50 factors such as road geometry, interchanges, and interchange ramps and auxiliary lane influences on mainline operations. It used a simple volume per lane capacity formula with an adjustment factor included for High Occupancy Vehicle (HOV) lanes. This level of analysis was appropriate for the General Plan EIR.

However, the County determined that a more detailed analysis was necessary for the TIM Fee Program, to more specifically determine the U.S. 50 improvements necessary for achieving General Plan level of service requirements. As such, the *Dowling "US 50 Strategic Corridor Operations Study"* considered specific roadway geometry, HOV lane extensions, truck climbing lanes, interchange ramp locations, and auxiliary lane operations.

In addition, the TIM Fee Program Analysis of U.S. 50 considered projected traffic volumes based on two separate new model forecasts – a new run of the El Dorado County Model using the *EPS 2025 Forecasts* (which were also used for the General Plan EIR Analysis) and the Sacramento Area Council of Governments' (SACOG) SACMET Model (Metropolitan Transportation Plan 2027 version) – and identified improvements necessary based on the maximum forecast produced by the two models for each given directional segment of U.S. 50 (*see the Dowling "US 50 Strategic Corridor Operations Study" - page 2*). As a result of this more detailed modeling input and capacity and operational analysis, along with the multiple forecast inputs, the TIM Fee Program more precisely identified the minimum U.S. 50 improvements necessary to achieve General Plan level of service policies.

This is how the analysis arrived at a road plan for the TIM Fee Program that differs somewhat from that used in the General Plan EIR. However, this does not raise General Plan consistency issues. It merely requires that additional environmental analysis be done to study the potential impacts of those changes. This was done by preparing a Supplement to the General Plan EIR which discusses those potential impacts.

As mentioned above, in two instances the road improvements to Highway 50 funded through the TIM Fee Program do not include certain improvements identified on the Circulation Map of the Circulation Element of the General Plan. Again, this is because those road improvements were determined by *Dowling Associates* not to be needed in order to comply with the level of service policies of the General Plan. The proposed TIM Fee Program will fund the improvement of Highway 50 from the Cambridge Road Interchange to the Cameron Park Drive Interchange to 6 lanes, and from the Cameron Park Drive Interchange to the Ponderosa Road Interchange to 5 lanes. The Circulation Map shows these two segments as 8 lanes and 6 lanes, respectively. However, this does not represent an inconsistency between the TIM Fee Program and the General Plan.

The TIM Fee Program does not purport to fund every road improvement that may be desired in the County. Its purpose is more limited. It is intended to ensure that appropriate

fees are collected to fund improvements needed to maintain the level of service standards of the General Plan on the regional road system. General Plan Implementation Measure TC-B calls for the County to:

Revise and adopt traffic impact fee program(s) for unincorporated areas of the county and adopt additional funding mechanisms necessary to ensure that improvements contained in the fee programs are fully funded and capable of being implemented concurrently with new development as defined by Policy TC-Xf. The traffic fees should be designed to achieve the adopted level of service standards and preserve the integrity of the circulation system. The fee program(s) shall be updated annually with revised growth forecasts and construction cost estimates to ensure the programs continue to meet the requirements contained in the policies of this General Plan. [Policies TC-Xa, TC-Xb, and TC-Xg.] (Emphasis added.)

The highlighted language makes clear that the purpose of the TIM Fee Program is to fund improvements needed to meet the level of service standards of the General Plan. That is what the TIM Fee Program does. It does not amend the Circulation Map or otherwise restrict the County's ability to provide road improvements beyond those that are funded through the TIM Fee Program to maintain level of service standards.

Road Improvements Funding and General Plan Policies

Comments were received which expressed concerns that the proposed TIM Fee Program would not fully fund roadway improvements and that the lack the full funding for roadway improvements would be inconsistent with the General Plan.

The proposed TIM Fee Program is designed to fully fund those road improvements needed to comply with the level of service standards of the General Plan. As discussed above, the proposed TIM Fee Program is the implementation of Measure TC-B of the County's 2004 General Plan Transportation and Circulation Element. Measure TC-B requires in part that "traffic fees should be designed to achieve the adopted level of service standards and preserve the integrity of the circulation system." Measure TC-B is an implementation measure of the General Plan and addresses several policies of the General Plan which similarly focus on maintaining the level of service standards of the General Plan.

The analysis conducted for the proposed TIM Fee Program identified the road improvements necessary to achieve General Plan level of service requirements through the General Plan 20-year planning period. Based on these improvement requirements, the County developed estimated construction costs and determined that the cost of improvements over the 20-year period of the proposed TIM Fee Program is approximately \$841 million.

Except for the costs associated with "external/external" or "pass through" trips (*i.e. trips that begin and end outside the unincorporated area of the County*), which are not attributable to new development in the County, the full cost of the improvements was initially allocated to new development. Based on Board direction, County staff has developed the proposed TIM Fee Program to fund the portion of the total necessary roadway improvement costs that is attributable to new development within the unincorporated areas of the County.

Staff and consultants identified additional sources of funds that were reasonably expected to be available during the 20 year planning horizon. The primary sources include Federal and State transportation dollars, TIM fee funds already collected but not expended, and funds expected from the Missouri Flat Master Circulation and Funding Plan (MC&FP) – that apply towards these same improvement costs. These additional revenue sources are then applied to reduce the total amount of funding that must be generated by new development through the TIM Fee Program.

The result is that the total funding needs for road improvements needed to meet the level of service standards are met as follows: \$609 Million – TIM Fees; \$74 Million – existing fund balance; \$30 Million – MC&FP; \$128 Million – Federal/State Funds. The existing fund balance and MC&FP revenue will be used for the purposes originally designated for those revenues. The Federal and State funds would be applied to fund the cost of the “external/external” or “pass through” trips with the balance being used to reduce fees for affordable housing and non-residential development in order to achieve both state and local policy goals of achieving affordable housing goals and promoting non-residential development because of various benefits perceived such as the provision of jobs for local residents, moving jobs closer to homes to reduce traffic impacts, and the generation of sales tax revenues.

Estimates for Federal and State revenues are considered to be conservative and have undergone review by an outside consultant. Thus, it is expected that the TIM Fee Program will fully fund the road improvements necessary to maintain General Plan level of service standards.

As noted in the Draft Supplement (page 2-7), methods of accounting for trip origins and/or destinations outside of unincorporated areas of the County are policy decisions which would influence the specific rates necessary under the TIM Fee Program, but which do not affect the roadway improvements or level of service projections identified in the TIM Fee Program Analysis and in the Draft Supplement. The proposed fees, together with the other anticipated revenue sources, would fully fund the improvements needed to achieve the General Plan’s level of service standards. Further, new development will be subject to the General Plan’s concurrency policies, which require that necessary roadway improvements be programmed and have funding sources identified before the development can proceed. Therefore, the policy choices regarding allocation of additional revenue sources will have no effect on the Impact Analysis in the General Plan EIR and the SEIR.

Concurrency Issues

Comments were received which expressed concerns that the proposed TIM Fee Program would not fully fund roadway improvements in a timely manner and that the lack of funding for roadway improvements concurrent with development, or the inability of the County to deliver those improvement projects, would be inconsistent with the General Plan.

As noted above, over the life of the General Plan, the Road Program is fully funded, through previously collected TIM fees, expected revenues from the MC&FP, projected State and Federal funds, and new TIM Fee revenues from this program. However, the issue of concurrency – will the necessary roads be built when the uses that need the roads

are built – is more complex as it introduces several new variables such as the actual rates of development and payment of fees, lead time of projects, particularly for large interchange and freeway projects, construction time of a project, inflation of project costs, construction season timing, ability to provide necessary staffing, etc. The proposed annual updating process will be used to make adjustments to the program as these variables change over time. This information, and any needed changes to the program, will provide your Board with the information needed to ensure compliance with the General Plan's concurrency policies. Those policies are included in General Plan Goal TC-X "To coordinate planning and implementation of roadway improvements with new development to maintain adequate levels of service on County roads."

The General Plan not only calls for the development of a TIM Fee Program to ensure timely completion of needed road improvements, it also contains policies to restrict development if the concurrency policies cannot be met. Primary among these is Policy TC-Xf, which reads as follows:

Prior to occupancy for development that worsens (defined as a project that triggers Policy TC-Xe [A] or [B] or [C]) traffic on the County road system, the developer shall do one of the following: (1) construct all road improvements necessary to regional and local roads needed to maintain or attain Level of Service standards detailed in this Transportation and Circulation Element; or (2) ensure adequate funding identified and available for the necessary road improvements and those projects are programmed. The determination of compliance with this requirement shall be based on existing traffic plus traffic generated from the project and from other reasonably foreseeable projects.

Thus, concurrency is not just a concept to be funded through TIM Fees. It is a requirement of the General Plan that may be enforced through restrictions on development if sufficient progress is not made on construction of road improvements.

Both the Department of Transportation and the Development Services Department have been developing standards and protocols for the implementation of these concurrency policies consistent with the requirements of the General Plan and prior interpretations of certain of the concurrency policies. New development applications are being screened for compliance with the General Plan concurrency Policies and the implementing protocols and procedures. The Traffic Impact Study Protocols and Procedures (<http://www.co.el-dorado.ca.us/DOT/TIMdocs/TrafficImpactProcedures.pdf>) placed into effect by the Department of Transportation in November 2005, provides both applicants and staff the guides they needed to enforce those policies.

Effect of Existing Development Agreements

One commenter suggested that Development Agreements limit the payment of TIM fees and that this would reduce the fee revenue coming into the program.

Fortunately, this is not the case. All of the existing Development Agreements call for the payment of traffic fees as they may be updated and increased over time. Development subject to development agreements, like all other development in the County, is responsible for paying the fees no later than when the Building Permit is issued.

20-Year Program/10-Year Program

Comments were received which expressed concerns that the proposed TIM Fee Program would not fully fund roadway improvements during the first ten years of the program and that this would violate the concurrency policies in the General Plan.

It is important to define the difference between a 20-Year Program and a 10-Year Program as those terms are used in this context. Any fee program is expected to run at least the 20-years of the General Plan horizon. In all likelihood, unless alternate sources of funding road improvements are found, such fee programs are likely to go on indefinitely. Reference to a 20-Year Program, means that development is assumed to occur on a straight line basis over the Twenty Year Program. The fee structure is developed so that if development does occur on a straight line basis, then the fee revenues will also come in on a straight line basis over the full twenty years.

A 10-Year Program is similar, except that the fees would be structured to bring in more revenue in the first 10 years. The purpose of a 10-Year Fee would be to ensure the timely completion of road projects required for development occurring in the first 10 years should , it prove to be the case that the cost of the improvements needed in the first 10 years exceeds 50% of the 20 year total. One concern with the 10-Year Program, in addition to simply the increase in the fees, is the fact that it might be perceived that development in the first 10 years is being asked to pay for excess capacity to be used for development in the second 10 years.

When staff was developing the proposed TIM Fee Program, it looked at the improvements needed to serve the first ten years of growth using a "straight line" growth forecast based on the General Plan's Projected 2025 Growth. That resulted in a list of roadway improvements that resulted in a Ten-Year Program Cost of approximately \$616 million. This would compare to a straight line of the 20-Year Program Costs to a ten-year horizon of approximately \$420 million. This "shortfall" of \$196 million is somewhat misleading as it does not consider the fee revenue already collected but not spent or committed, or that some of the other revenue sources are not collected in a "straight line".

When these items are taken into account, this shortfall at ten years between revenue and costs is estimated to be approximately \$130 million. This will require the Department to closely monitor proposed development projects' impacts and the fee program cash flow to ensure that the concurrency polices are not violated. The proposed annual updates will serve this purpose as will your Board's review and approval of the Department's Five-Year Capital Improvement Program. It should also be noted that the concurrency policies of the General Plan do not necessarily require immediate concurrency but that required revenues have been identified that will allow construction of the needed improvements within a reasonable time.

As a policy matter, your Board has provided direction that it would be more equitable to spread the cost of improvements that would serve 20 years worth of growth across all development that would occur over those 20 years rather than have the first 10 years of growth fund excess capacity. Because under the 10-Year Plan, new development in those years would be paying for a certain amount of excess capacity, the 20-Year Program

results in lower per-unit fees for all land use categories. Spreading the costs of the improvements over more development, may result in delay in collection of sufficient fees to build specific improvements. If a specific improvement is necessary to meet the level of service policies in the General Plan, and there is insufficient revenue in the Fee Program to fund the improvement, the General Plan's concurrency policies would apply and could preclude additional development that would impact that roadway until the improvement was funded. This would require that the developer either front the funds to improve that roadway or not proceed with the development until the fund balance in the fee account was sufficient to build the necessary road improvements.

The decision on a 10-Year or 20-Year Fee Program, or how and when to collect the fees, does not affect the ultimate 20-year roadway improvements being proposed in the Fee Program. The fees are still calculated so as to provide, with other projected sources, full funding of the improvements. And, due to the concurrency policies contained within the General Plan, the decision on the time period would not adversely affect the level of service on any road segment. Therefore, the choice regarding the timeframe for collection of fees would not have any affect on the Impact Analysis in the General Plan EIR and SEIR.

As discussed on page 2-1 of the Draft Supplement, and above, the County will annually update the TIM Fee Program, including the roadway improvement cost estimates, and would update/amend the fee rates each year to account for changes in estimated roadway improvement costs. The County would also reassess each of the various parameters used in determining the proposed TIM Fee Program rates during any update or major revision to the General Plan, and would propose any necessary modifications to the TIM Fee Program at that time.

Income Restricted Housing

Comments were received which expressed concerns that the proposed TIM Fee Program would create a situation where developers would not be able to cover the costs of the fees and still build income restricted housing.

Your Board asked the Department to explore options on ways to offset the TIM fees for affordable housing and to include some type of relief in the proposed program. Please see the discussion in the "Affordable Housing" Section on Page 14 of this Staff Report.

Agricultural Uses Not Required to Pay TIM Fees

Comments were received which expressed concerns that the proposed TIM Fee Program was not fully addressing the traffic impacts of agricultural and Ranch Marketing uses.

Ranch Marketing uses, such as a winery or tasting rooms, which require a Building Permit will be subject to the TIM Fees based on the building's proposed use. However, it should be noted that the proposed TIM Fee Program was developed to address county-wide circulation issues. The Fee Program does not fund local road improvements on every road in the County. Adoption of the fee will not ensure development of every road improvement needed to address the localized traffic impacts of all projects that might be developed in

the County in the next twenty years. Most of the level of service problems on the county scale are due to lack of capacity to handle weekday PM peak-hour traffic volumes. Most of the impacts of agricultural tourism and special events happen outside of this window of time and are localized traffic issues. The impact of a specific project on a specific road can be addressed by placing project-specific conditions on the project to address its impacts.

The Planning Services Division of the County's Development Services Department has begun to review the issues surrounding the traffic and other impacts due to these types of uses, especially those of large scale special events. At this time, it is unknown how these impacts may be addressed. For traffic impacts it could be through increased offsite road improvement requirements, restrictions on the size, timing or number of events, a new "Rural Roads" Traffic Impact Mitigation Fee, or a amendment to the Proposed Fee Program.

Amounts of State and Federal Funding

Comments were received which expressed concerns that the estimates of the State and Federal revenues are overstated and that there is no guarantees that revenue will be available to the County.

As discussed fully in "Revenues From Sources Other Than Development Fees" Section on Page 10 above, the Department requested that HDR confirm the Transportation Commission's estimates with Caltrans and the Sacramento Area Council of Governments (SACOG). These estimates have been verified. While this revenue, like any future revenue source, cannot be 100 percent guaranteed, the estimates, and the assumptions about their allocation are conservative. In addition, the Department has not allocated all of the estimated Federal/State revenues, so even if the estimates prove to be overly optimistic, the program would be fully funded. Finally, a primary purpose of the annual updates will be to review these revenue forecasts and make adjustments should there be any significant variation from the current estimates.

Costs for Transit Improvements and Traffic Signals

Comments were received which expressed concerns about how the costs for the transit and traffic signal improvements were developed.

The transit improvement costs included in the proposed program were developed in cooperation with the El Dorado County Transit Authority (EDCTA). Because the fee program funding can only be used to pay for capital improvements and not ongoing operational needs, the funding is best suited for projects where the ongoing operating costs are either very small or can be covered through some mechanism such as "fare-box" recovery systems.

To meet this test, two classes of proposed improvements were scoped. One is the construction of new "Park and Ride" lots. EDCTA estimated they need \$1 million for each lot to be constructed. Second was the purchase of new buses for EDCTA's existing commuter bus program on Highway 50. (Note that these new buses are to expand the service, not to replace existing buses.) EDCTA estimated the cost of each new bus at \$0.5

million. The estimates were based on three lots and 14 new buses. However, these numbers were only used for estimating purposes. The actual mix, and other possible use of the funding, is up to the EDCTA.

The construction cost estimates for a new traffic signal improvement at an intersection was set at \$0.5 million each. The Department developed, and used, a "generic" average project construction cost for a traffic signal based on past history with traffic signal projects, projects nearing construction and having more detailed construction cost estimates, and project specific variables that have an impact on the construction effort needed for the project. These variables include such items as intersection realignments, the number of turn lanes, utility relocations, drainage infrastructure requirements, and environmental constraints and mitigation requirements. To this was added another \$0.25 million each for right of way acquisition and project delivery – includes such items as design, surveying, inspection, etc.

The number of traffic signals to be constructed was determined after the Department did a review of the number of major intersections within the unincorporated west slope of the County and taking into account such constraints as future signal spacing. It was decided that there would be a need for approximately 60 signals (and average of six per year) during the first ten years of the program and a need for approximately 45 signals (an average of four and a half new signals per year) during the second ten year period. The reduction in numbers for the second ten years is due to the large number of signals being constructed in the first ten years significantly reducing the number of intersections potentially needing to be signalized.

Non-Residential 84/16 Verses 94/6

Comments were received which expressed concerns that the proposed TIM Fee Program was shifting too much of the fee burden off of non-residential uses and onto residential uses with the "94/6" split.

As noted in the discussion above, the proposed TIM Fee Program no longer contains any reference to a "94/6" split or use of that ratio. It should be noted that this ratio was the result of a back calculation from your Board's determination to set the non-residential fee rates at the same rates then in existence when your Board adopted the Interim Fee Program in September 2005. The result of that calculation was the "94/6" ratio.

While this, or other, allocations may be legally supportable depending on the analysis used, the current proposal uses a "84/16" trip allocation in determining the fee rates for residential and non-residential uses. As noted above, the proposed program would include the set-aside of a portion of the expected Federal and State revenues to be used to offset the fee rates for non-residential uses. However, this use of the set-aside would not be shifting the ratio between residential and non-residential. It would simply be the use of a specific revenue source (*i.e. State and Federal funds*) to buy down to cost to non-residential development for the policy reasons stated above once the allocation has been determined.

Nexus Concerns/Cost Allocations by Location

Comments were received which expressed concerns that the proposed TIM Fee Program would not meet nexus requirements by charging new development in some areas more than in other areas. Related comments were received which expressed concerns that the fee zones in the proposed TIM Fee Program were not appropriately delineated and would lead to development in certain areas being subject to disproportionately higher fees.

The TIM Fee Program is subject to the Mitigation Fee Act (*California Government Code Chapter 5 Section 66000-66008 Fees for Development Projects*) which governs imposing development impact fees in California. The Mitigation Fee Act requires that all local agencies in California, including El Dorado County, follow two basic rules when instituting impact fees: 1) Establish a nexus or reasonable relationship between the development impact fee's use and the type of project for which the fee is required, and 2) The fee must not exceed the project's proportional "fair share" of the proposed improvement and cannot be used to correct current problems or to make improvements for existing development. The County has determined that the proposed TIM Fee Program meets these requirements.

The proposed TIM Fee Program would apply to each development based on the fee zone within which the development is located and the type of development (e.g., single family residential, commercial, office, etc.) and would not differentiate by location within that zone nor developer. Even the approved development agreements in El Dorado Hills and elsewhere, as with development in all other locations of the County, are subject to the fees that are in effect at the time Building Permits are issued for each individual residence or other structure.

The Traffic Analysis completed for the Fee Program shows that development within any given location of the County results in a distribution of vehicle trips throughout the County. An example would be that Zone 1 contributes only a very small amount of the traffic using Highway 50 at the west County Line. Fee rates proposed within each fee zone provide a reasonable relationship between the fee and the share of the roadway improvement requirements attributable to development within that given fee zone.

Over two hundred Traffic Analysis Zones (TAZs) are contained in the Traffic Model for Land Use Forecasting, and provide the basis for the analysis that identifies the traffic deficiencies and the needed improvements to take care of those problem spots. The fee zones are then an amalgamation of the TAZs within a portion of the County.

This process looked at combining those TAZs that had similar characteristics, such as a common traffic shed, community identity, and similar use patterns. Eight fee zones were thus created with the concept that those eight could be further grouped should your Board desire that. For example, all of the more rural zones could have been combined into one larger fee zone.

The traffic modeling work reported out with a percentage of traffic from each zone using each road segment studied. For those road segments with a proposed improvement, the costs of that improvement were then allocated to each zone based on those percentages.

Those allocated costs are summed to result in a total improvement costs share which that fee zone is responsible for. That cost is then allocated to the various land uses in the zone, based on the growth forecasted for that zone. As expected, the analysis also projects that certain areas (such as those fee zones where development is less concentrated) have less effect on the need for roadway improvements in areas remote to that area, hence their total responsibility is much lower. This is offset some by the lower amount of projected growth to spread those costs over. As a result of these calculations, the proposed TIM Fee Program rates allocated to each fee zone provide a reasonable relationship between the TIM Fee and the roadway improvement requirements attributed to development within the given fee zone.

The one exception to these calculations is that of Zone 8 – El Dorado Hills. Your Board provided direction that Zone 8 was to be treated in a way that mirrored the old El Dorado Hills/Salmon Falls Area Road Improvement Fee (RIF) Program. In that program, and in the proposed program, this area was 100% responsible for the costs of the roads within that zone. Additionally, recognizing this increased responsibility, the costs of road projects outside of the boundaries of Zone 8 are not to be allocated to the zone, but rather, to all the other seven zones. The one exception is the Highway 50 mainline projects, as these have clear benefit to all residential and non-residential users in the County. These costs are allocated to all eight fee zones based on the percentages of use by each zone.

In summary, the TIM Fee Program provides funding that contributes to all road improvements necessary to achieve General Plan levels of service requirements throughout the County, and fees are not specifically accounted for use within the fee zone from which they are collected with the exception of Zone 8 – El Dorado Hills. Most of the roadway improvements that will be constructed over the next 20 years will occur within the western portion of the County, and as such, the higher TIM Fees are also located in the western portion of the County. And since Highway 50 is one of the more expensive road improvement project sets, those fee zones adjacent to Highway 50 also see a larger share of the costs.

Appendix "A" of the Draft Supplement identified specific draft TIM Fee Program rates within each of the eight fee zones. Although changing the distribution of project costs among the eight traffic impact fee zones would result in a modification to the proposed TIM Fee Program rates identified in the Draft Supplement to the General Plan EIR, such redistribution would not result in a change (either improvement or worsening) in projected traffic operations levels of service and thus, would not alter the conclusions contained within the Draft Supplement.

The traffic analysis and CEQA review conducted for the proposed TIM Fee Program identified a change in projected traffic operations levels of service on certain roadway segments within the County, and that change in impacts is what was analyzed in the Supplement. As such, fee distribution among zones is not an issue which warrants further consideration in the proposed TIM Fee Program CEQA documentation.

Annual Update Process:

General Plan implementation measure TC-B requires that the Fee Program be updated annually to maintain compliance with the appropriate General Plan polices as land use growth patterns and road improvement project costs change. To conform to this policy it is proposed that prior to May 1st of each year, project cost estimates for all the included improvement projects will be updated and the fees re-calculated to reflect any increase or decrease in those costs. The Department would return to your Board approximately the first board meeting in each May with the results of these calculations for adoption by your Board and use by the County during the following fiscal year.

The Department is proposing that for this update process, the improvement cost estimates would be adjusted by using actual construction costs for on-going and completed projects, the most current cost estimates for those projects that are far enough along in the project development cycle to have project specific cost estimates, and that the Caltrans Construction Cost Index would be used for all other projects. The Department will also incorporate any changes to the land use forecasts should new General Plan Land Use Forecasts become available. During the annual updating procedures, additional Board direction may be needed to improve previously approved assumptions so that the TIM Fee Program maintains compliance with General Plan Policies. The Department has also included funding for a major revision of the TIM Fee Program concurrently with a major amendment or update of the County's General Plan.

Overlap With Interim Fee Increase:

As your Board is aware, you adopted an inflation adjustment of 44% to the Interim 2004 General Plan TIM Fee Program in June of this year. Those new interim fee rates will take effect on Saturday, August 19, 2006 – four days before the scheduled Public Hearing for the proposed Fee Program on Tuesday, August 22, 2006. The proposed TIM Fee Program Fee Rates, if your Board chooses to adopt the proposed program, would take effect 60 days after the adoption of the program.

In all cases, the proposed new fee rates are less than those contained in the Interim Fee Program. This is particularly so with the non-residential rates shown in the new program only having a 5% increase instead of the 44% increase in the updated Interim Fee program. This has raised concerns on how to deal with those Building Permit Applications submitted between the effective date of the 44% increase to the Interim fees (August 19, 2006) and the effective date of the proposed TIM Fee Program (October 21, 2006 – should your Board adopt the new program at the August 22nd Hearing).

The Department proposes that should the new program be adopted, those applicants who apply for a Building Permit between August 19, 2006 and October 21, 2006 be required to pay TIM Fees at the new rates, rather than the Interim Rates. This will avoid the need for an applicant to withdraw their application and then re-submit once the new fee rates are in place (pursuant to the ordinance, the fees are based on the date of application, not the date the Building Permit is actually issued). The appropriate language to ensure this takes

place has been included in the resolution adopting the proposed program and the Department has already taken steps to ensure as seamless a transition as possible.

Fiscal Impact:

Adoption of the Resolution setting the new Traffic Impact Mitigation Fee Rates will provide for a twenty year traffic impact mitigation fee revenue stream and allow the County to provide funding for the capital improvement projects set forth in the attached reports and the fee program resolution.

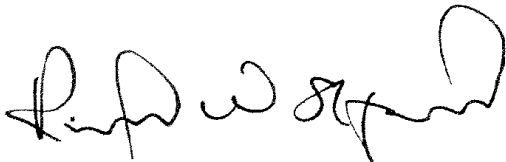
Net County Cost:

There is no net County cost.

Action to be Taken Following Approval:

The proposed fees will go into effect sixty-days from date of adoption. DOT will collect the applicable 2004 General Plan Traffic Impact Mitigation Fees on residential and non-residential Building Permits pursuant to the proposed fee schedule, once they become effective. DOT will also continue to collect the applicable Interim 2004 General Plan Traffic Impact Mitigation Fees, as described in the "Overlap With Interim Fee Increase" section above, on residential and non-residential Building Permits pursuant to the adopted fee schedules until the proposed fee rates are in effect.

Sincerely,



Richard W. Shepard, P.E.
Director of Transportation

RS:JW:cdm/kdw

Attachments:

- Fee Program Public Hearing Notice
- El Dorado County Traffic Impact Fee District Map
- El Dorado County Traffic Impact Mitigation Fee Update 2005 – *Dowling Associates*
- US 50 Strategic Corridor Operations Study – *Dowling Associates*
- Transportation Mitigation Impact Fee Program Project Update - *URS*
- Draft Supplement to the 2004 General Plan Environmental Impact Report
- Notice of Availability – Final Supplement
- Final Supplement to the 2004 General Plan Environmental Impact Report
- Draft Resolution Adopting the 2004 General Plan TIM Fee Program
- Draft Resolution Certifying the FSEIR, Making Findings and Overriding Considerations.