



STAFF REPORT TO THE CITY COUNCIL

DATE: Regular Meeting of February 26, 2019

TO: Members of the City Council

SUBMITTED BY: Holly Smyth, AICP Planning Director

SUBJECT: 2019 West Contra Costa County Subregional Transportation Mitigation Program (STMP) Fee Update

RECOMMENDED ACTION: Hold a public hearing and consider a) Waiving the first reading and Introducing an Ordinance amending Title 10, Chapter 17 – West County Subregional Transportation Mitigation Program of the Hercules Municipal Code and b) Adopting a Resolution Authorizing the City Manager, City Clerk and City Attorney to Execute The Master Cooperative Agreement Between the West Contra Costa Transportation Advisory Committee (WCCTAC) and the City of Hercules and other member Agencies in its current substantive form (with Exhibit A - 2019 Nexus Update of the STMP Impact Fee and Exhibit B- STMP Administrative Guidelines as a reference), and incorporate the new STMP Nexus Fees into the City's Master Fee Schedule effective July 1, 2019.

COMMISSION/SUBCOMMITTEE ACTION AND RECOMMENDATION:

The West Contra Costa Transportation Advisory Committee (WCCTAC), our local regional transportation agency that oversees the STMP program in coordination with each member jurisdiction, has completed a 2019 Nexus Update report supporting an update to its fee program. The WCCTAC Board has authorized its Chair to sign the Master Cooperative Agreement and is requesting that its member jurisdictions do the same. Additionally, WCCTAC is requesting that its STMP partners each adopt a new ordinance to implement the fee update effective July 1, 2019.

WCCTAC staff and their consultant, Fehr and Peers, will attend the Council meeting to make a presentation to review the current STMP program, share highlights from the nexus report, present the key elements of the updated program, and respond to questions.

FISCAL IMPACT OF RECOMMENDATION:

The attached ordinance outlines the new STMP fees to be charged at 75% of the maximum potential with an annual automatic increase using the Engineering News-Record Construction Cost Index for the San Francisco Bay Area calculated by WCCTAC as stated therein. The following Table No. 1 shows the recommended increase for the developer fees by unit type.

Table 1: Developer Fee Increase by Unit Type

Unit Type	FY 2017-18 if indexed (1.42% annually)	Current Fee in Hercules	Maximum Potential Fee	Board Recommended Fee set at 75% of the maximum
Single Family (per unit)	\$3,697	\$2,904	\$7,252	\$5,439
Multi Family (per unit)	\$2,348	\$1,844	\$3,572	\$2,679
Office (per sq. ft.)	\$5.00	\$3.927	\$11.63	\$8.72
Retail (per sq. ft.)	\$2.59	\$2.036	\$8.79	\$6.59
Industrial (per sq. ft.)	\$3.49	\$2.741	\$7.41	\$5.56
Senior Housing (per unit)	\$995	\$784	\$1,958	\$1,469
Hotel (per room)	\$2,789	\$2,197	\$4,641	\$3,481
Storage Facility	\$0.75	\$0.593	\$1.02	\$0.76
Other (AM peak hour trip)	\$	\$3,924	\$9,800	\$7,350
Church (per sq. ft.)	\$2.24	\$1.768	-	-
Hospital (per sq. ft.)	\$5.98	\$4.710	-	-

The Building Department staff continues to collect the prescribed STMP fees at the building permit stage of development, and will begin to collect the new increased STMP fees per the new Ordinance, thereafter passing the funds through to WCCTAC.

DISCUSSION:

Documents:

Model STMP Ordinance: WCCTAC developed a model ordinance for its STMP partners to use as a template. Each jurisdiction adopted a similar ordinance in 2006. Each party is now requested to adopt its own ordinance, based on this Model STMP Ordinance, in order to update the STMP program.

STMP Master Cooperative Agreement. This document is an agreement between WCCTAC and local jurisdictions to formalize the institutional arrangements for the collection, oversight and expenditure of the 2019 STMP fees and the close out of the 2006 STMP program. All parties signed the current agreement in 2006. All parties are now requested to sign the new version as substantively provided.

Final Report of the 2019 Nexus Update of the Subregional Transportation Mitigation Program (STMP) Impact Fee. This report contains the analysis legally required to update the STMP fees. This document is provided for reference and is attached to the STMP Master Cooperative Agreement as Exhibit A.

STMP Administrative Guidelines: These were developed by WCCTAC and its member agencies to provide a resource for local agency and WCCTAC staff on day-to-day operational details and procedures. The guidelines are intended to be updated from time to time if necessary, following review by the WCCTAC TAC (Technical Advisory

Committee) and approval by the WCCTAC Executive Director. This document is provided for informational purposes and is attached to the STMP Master Cooperative Agreement as Exhibit B.

What is the WCCTAC?

The West Contra Costa Transportation Advisory Committee (WCCTAC) is one of four Regional Transportation Planning Committees (RTPCs) in Contra Costa County and represents the West Contra Costa sub-area. The Committees were created in 1988 to guide transportation projects and programs included in the Measure C, half-cent, transportation sales tax approved by Contra Costa County voters. Measure C was succeeded by Measure J in 2004.

WCCTAC is a public agency, governed by a Joint Exercise of Powers Agreement between the following member agencies: the cities of El Cerrito, Hercules, Pinole, Richmond, San Pablo; Contra Costa County; and the transit operators, AC Transit, BART, and WestCAT. WCCTAC's operating revenues are derived from dues paid by member agencies as well as from numerous grants.

WCCTAC aims to improve the transportation system in West Contra Costa through the development and coordination of transportation plans, projects, programs and policies for the West Contra Costa area. In addition to directing some funds from Measure J, WCCTAC administers the Sub-regional Transportation Mitigation Fee Program (STMP) which collects impact fees from development projects built in the West Contra County and applies them to transportation improvements.

WCCTAC also manages a Transportation Demand Management (TDM) Program using the '511 Contra Costa' brand which is aimed at vehicle trip reduction. Programs include: outreach to assist employers with development of trip reduction programs, bicycle programs, carpool and transit incentive programs and other projects to encourage alternative to driving alone.

What is the STMP?

In 1988 Contra Costa County residents adopted Measure C, a half-cent sales tax measure for transportation projects and programs which voters renewed in 2004 with the passage of Measure J. These ballot measures require that local jurisdictions develop a program of regional traffic mitigation fees, assessments, or other mitigations, as appropriate, to fund regional and subregional transportation projects. In developing these fee programs, local jurisdictions are required to consider such issues as jobs/housing balance, carpool and vanpool programs, and proximity to transit service in the establishment of the regional traffic mitigation program.

The West County Subregional Transportation Mitigation Program (STMP) is an important mechanism for regional collaboration in West County. Regional, multi-jurisdictional fee programs are more complicated than local mitigation fee programs administered by a single jurisdiction; however, regional programs offer a forum for cooperation and coordination that allows the agencies involved to make more comprehensive transportation investments than any single jurisdiction could do on its own.

The STMP was developed with the participation and concurrence of local jurisdictions in

determining the most feasible methods of mitigating regional traffic impacts. The Cities of El Cerrito, Hercules, Pinole, Richmond, and San Pablo, as well as the County of Contra Costa have each adopted an ordinance implementing this fee program. These jurisdictions share a desire to assure that new development in West County pays its fair-share toward regional circulation and transit improvements that are proportional to the traffic impact the new development will generate. The STMP is not a return-to-source program. The local fees collected in West County provide congestion relief to mitigate traffic on regional routes and through improved transit service throughout West County.

WCCTAC first implemented a transportation impact fee via the STMP in 1997. Impact fees are established under a state law known as Assembly Bill (AB) 1600, the Mitigation Fee Act. WCCTAC conducted an update of the fee program in 2005/2006 to help fund an expanded list of regional transportation improvements.

Participating jurisdictions are responsible for collecting the STMP fee, filling out a quarterly report form and forwarding the fees to WCCTAC. WCCTAC is empowered to coordinate and administer revenues for the regional transportation improvements funded with these fees. Measures C and J also require that all Contra Costa County jurisdictions participate in the regional transportation mitigation program. Jurisdictions that are not participating in such a program are at risk of losing their annual Measure C (and subsequently Measure J) local street maintenance and improvement (return-to-source) funds.

STMP Update:

In late 2016, WCCTAC began the process of updating the STMP and its nexus study. This update has been a multi-step process during which WCCTAC's staff and consultants have worked closely with the WCCTAC Technical Advisory Committee (WCCTAC TAC) and made periodic check-ins with the WCCTAC Board. The consultant team developed a series of technical memos which evaluated the 2005/2006 STMP, reviewed West County existing conditions and growth projections, developed criteria for a project list, and identified projects and determined the nexus between the projects and the maximum potential fee that could be charged. These memos are available on the WCCTAC website: https://www.wcctac.org/app_pages/view/210. The technical memos are summarized in the Final Report of the 2019 Nexus Update of the STMP Impact Fee. WCCTAC anticipates that the updated STMP will become effective July 1, 2019.

Final Report of the 2019 Nexus Update of the STMP Impact Fee

The purpose of this report is to provide the technical basis for updating the STMP. The focus of the updated program is to support a regional multimodal transportation system in West County that serves the expected future demand. This report documents the analytical approach for establishing the required nexus between anticipated future development in West Contra Costa County and the need for regional transportation improvements.

2005/2006 STMP Revenue and Disbursements

As shown in Table 2-3 of the Final Report, the STMP generated about \$11.6 million in revenue as of December 1, 2018, including \$8.7 million between 2005 and 2018. About \$5.9 million has been disbursed as of December 1, 2018; total disbursements by project are summarized in Table 2-4. As shown in Table 2-3, an account balance of about \$5.7 million

remains as of December 1, 2018. A portion of the remaining account balance has been allocated to projects on the current STMP project list; however, not all the allocated amount has been disbursed to the project sponsor agencies to date. WCCTAC recently completed a 2018 Call for Projects and its Board agreed to disburse the remaining balance for transportation capital improvements that fall under the project list identified in the 2005 Update of the STMP. The WCCTAC Board further agreed to designate revenues generated between December 1, 2018 and June 30, 2019 (the proposed last day of the 2005/2006 STMP) to specific projects from the 2018 Call for Projects. This action essentially will result in no or very few dollars from the 2005/2006 STMP remaining unprogrammed at its conclusion.

STMP Update: New 2019 Project List

The WCCTAC TAC recommended, and WCCTAC Board approved, a final list of capital improvement projects for inclusion in the updated STMP. The detailed project list is included in the Final Report of the “2019 Nexus Update of the STMP Impact Fee” contained in Exhibit A. Summarized versions are available as Table 3-1 in the same report as well as in the Master Cooperative Agreement and the Model Ordinance. This list contains a combination of projects currently in the STMP, as well as projects that have been identified through the review of recent planning documents, the application of project eligibility criteria, and feedback from the TAC and Board. Overall, the purpose of the projects remains the same as when the STMP was first adopted. These projects are intended to provide congestion relief and mitigate traffic impacts on regional routes through capacity improvements on those routes, improved transit services for subregional and regional travel, and improved facilities that allow West County residents to more efficiently access regional routes and transit services. There are twenty projects included in the STMP 2019 Nexus Update and their overall total project cost is \$855 million. Only a portion of this overall cost can be attributed to the impact of new development.

Table 2-3: STMP Revenue and Disbursements (as of December 1, 2018)¹

Period	Revenue	Disbursements	Balance²
1998 – 2004	\$2,942,031.00	\$2,235,826.70	\$706,204.30
2005 – 2018 ³	\$8,668,484.55	\$3,652,097.91	\$5,722,590.94
Total to Date	\$11,610,515.55	\$5,887,924.61	\$5,722,590.94

Notes:

1. Information presented in Table 2-3 is based on the best information available at this time, however, the records may not be complete.
2. A portion of the remaining account balance has been allocated to projects on the current STMP project list; however, not all the allocated amount has been disbursed to the project sponsor agencies.
3. Reporting period as of December 1, 2018.

Table 2-4: STMP Disbursements by Project (as of December 1, 2018)¹

Project	Total Amount Committed	Total Amount Disbursed to Date
Richmond Intermodal Station	\$527,000.00	\$223,116.36
I-80/San Pablo Dam Road, I-80/Central Avenue, SR 4/ Willow Avenue Interchange Improvements	\$2,800,435.39	\$2,800,435.39
Capitol Corridor Improvements (Hercules Passenger Rail Station)	\$1,000,000.00	\$988,774.00
Ferry Service to San Francisco from Richmond and/or Hercules/Rodeo	\$300,000.00	\$0.00
BART Access and/or Parking Improvements (El Cerrito Plaza, El Cerrito Del Norte, and/or Richmond BART Stations)	\$1,186,200.00	\$813,991.86
Bay Trail Gap Closure	\$500,000.00	\$487,365.06
San Pablo Dam Road Improvements in Downtown El Sobrante	\$0.00	\$0.00
San Pablo Avenue Corridor Improvements	\$0.00	\$0.00
North Richmond Connection Project	\$0.00	\$0.00
Hercules Transit Center	\$304,963.13	\$304,963.13
Del Norte Area TOD Public Infrastructure Improvements	\$300,000	\$0.00
Administrative ²	N/A	\$269,278.81
Total	\$6,918,598.52	\$5,887,924.61

Notes:

1. Information presented in Table 2-4 is based on the best information available at this time, however, the records may not be complete for every project on the list.
2. Includes disbursements for administrative purposes and those that were not otherwise categorized.

Source: WCCTAC, December 2018.

STMP Update: Growth Projections

An important step in quantifying the nexus relationship is to determine the amount of new development anticipated in the planning horizon (year 2040) of the study. Fehr & Peers reviewed the historical and projected housing and job growth in West County provided by the Association of Bay Area Governments (ABAG) and summarized in Table 4-1. Based on the information presented in Table 4-1, the WCCTAC TAC recommended, and the WCCTAC Board approved, a 0.9 percent annual housing growth rate and 1.2 percent annual job growth rate for use in the nexus study update. These projections were incorporated into the year 2040 land use file of the Contra Costa Transportation Authority (CCTA) travel demand model in the appropriate Transportation Analysis Zones (TAZs) for the West County region. Table 4-2 shows the amount of new development anticipated based on applying those growth rates; the number of dwelling units in West County would increase by 18,725 units (17 percent of total 2040 amount), and the number of jobs would increase by 18,794 jobs (21 percent of total 2040 amount). As shown in Table 4-3, total “service population” in West County, which is the sum of population plus jobs, is expected to increase by 82,037 (19 percent of total 2040 amount).

Table 4-1: West County Annual Growth Rate Comparison

Year Range	Annual Housing Growth Rate	Annual Job Growth Rate
2000 – 2005 (Historical)	0.9%	0.7%
2005 – 2010 (Historical)	-0.1%	-2.1%
2010 – 2015 (Historical)	0.9%	1.7%
2015 – 2040 (Forecast, based on ABAG <i>Projections 2013</i>)	1.2%	1.2%
2015 – 2040 (Forecast, based on ABAG <i>Projections 2017</i>)	1.0%	1.4%

Table 4-2: Forecasted Housing and Job Growth in West County

Year	Residential (Dwelling Units)			Non-Residential (Jobs)			
	Single-Family	Multi-Family	Total	Office	Retail	Industrial	Total
2018	65,727	28,657	94,384	45,920	16,172	9,525	71,617
2040	70,412	42,697	113,109	60,528	19,485	10,398	90,411
Net Increase	4,685	14,040	18,725	14,608	3,313	873	18,794
Net Increase as % of Total 2040 Amount	7%	33%	17%	24%	17%	8%	21%

Table 4-3: Forecasted Service Population Growth in West County

Year	Total Population	Total Jobs	Service Population (Population + Jobs)
2018	267,305	71,617	338,922
2040	330,548	90,411	420,959
Net Increase	63,243	18,794	82,037
Increase as % of Total 2040 Amount	19%	21%	19%

STMP Update: Nexus Analysis

An important part of a nexus analysis is to establish whether the transportation facilities that will be addressed by projects in the fee program are currently operationally deficient. Existing deficiencies should be accounted for in the fee calculations to ensure new development pays its fair share and is not being charged to correct an existing problem. Fehr & Peers conducted an evaluation of existing transportation conditions based on a review of recent studies that contain information pertaining to the current operations along Routes of Regional Significance, existing transit services, and existing pedestrian and bicycle infrastructure.

In light of these conditions, the STMP calculations presented here have been conducted by calculating the growth in West County development as a percentage of the total future population and jobs.

The concept of this nexus study is to determine the proportion of the cost of each project that is reasonably attributable to new development within West County, and therefore could be included in the STMP fee. The primary analytical tool available to estimate the proportion of usage on each facility coming from new growth in West County is the CCTA regional travel demand model.

The percentages were applied to the cost of each STMP project, and the resulting amount represents the portion of the cost of each project that was used when calculating the STMP fee. Using these calculations, the STMP program could capture about \$162 million, which is approximately 19 percent of the overall total project cost of \$855 million. Other funding sources would be needed to cover the remainder of the costs, to account for the travel demand generated by existing West County residents as well as existing and future travelers who pass through West County on their way to other destinations.

The STMP Update's nexus analysis determined that the STMP could legally justify collecting a maximum potential of \$162 million (approximately 19%) of the \$855 million cost of the STMP Update Project List based on future West County growth from new development. The consultants then calculated what the maximum potential STMP fee that could be charged to new development for common land use categories.

It is important to note that the fee calculation is intended to represent the maximum potential fee that is justified through this nexus analysis and that could be charged to each land use type to support the list of STMP projects. Setting new fee levels is a policy decision of the WCCTAC Board. The WCCTAC Board in making its recommendation considered that if it set fees lower than the maximum potential fee, the STMP program would generate less revenue than estimated and would take longer to generate the estimated funding for projects on the list.

STMP Update: WCCTAC Board Recommended Fee Levels

Although permitted to index the 2005/2006 STMP fees for inflation, there has not been consistent indexing over time. An inflation index to reflect changes in construction costs is a common practice in fee programs. To assist in making comparison to similar other fees, the consultants calculated what the 2005/2006 STMP fees would be if they had been indexed annually for inflation.

The maximum potential STMP fee was compared to the current STMP fees and to other similar, Measure J required sub-regional fee programs in Contra Costa. The new maximum potential fees calculated are higher than the current non-indexed and indexed STMP fees in all land use categories and compared to other sub-regional transportation areas and shown in Table 5-3. For residential uses, the new maximum STMP fee is somewhat higher than the residential fee charged in the Tri-Valley area, and lower than the residential fees in East County and Lamorinda. For non-residential uses, the new maximum STMP fee is higher than the comparable fees in East County and Tri-Valley, and roughly similar to the non-residential fees in Lamorinda.

Table 5-3: Comparison to Other Sub-Regional Fees

Jurisdiction	Single-Family (per unit)	Multi-Family (per unit)	Office (per sq. ft.)	Retail (per sq. ft.)	Industrial (per sq. ft.)
West County Area					
WCCTAC Maximum Potential Fee	\$7,252	\$3,572	\$11.63	\$8.79	\$7.41
WCCTAC (original 2005) ¹	\$2,595	\$1,648	\$3.51	\$1.82	\$2.45
WCCTAC (if indexed) ²	\$3,697	\$2,348	\$5.00	\$2.59	\$3.49
Other Sub-Regional Fees in Contra Costa					
East County	\$18,186	\$11,164	\$1.56	\$1.80	\$1.56
Lamorinda	\$7,269	\$5,088	\$7.78	\$7.78	\$7.78
Tri-Valley	\$4,369	\$3,010	\$7.43	\$3.48	\$4.32

Notes:

1. Reflects the 2005 STMP Fee Schedule.
2. Reflects the 2005 STMP Fee Schedule if it had been consistently indexed to year 2018. The index is based on the Engineering-News Record Construction Cost Index for the San Francisco Bay Area.

Source: Fehr & Peers, 2018.

At the September 28, 2018 meeting, the WCCTAC Board recommended that fee levels be set at 75 percent of the maximum potential fee calculations shown on the above Table 1. Setting the fees at these levels is expected to generate an estimated \$121.3 million (of the \$162 million potential) through year 2040 to the WCCTAC STMP program.

ATTACHMENTS:

1. WCCTAC Transmittal Letter
2. Draft Ordinance amending the Hercules Municipal Code Title 10, Chapter 17
3. Draft Resolution Approving Master Cooperative Agreement and putting fees in Master User Fee Schedule Effective 7/1/2019
4. Master Cooperative Agreement with WCCTAC
 - A. 2019 Nexus Update of the Subregional Transportation Mitigation Program (STMP) Impact Fee
 - B. STMP Administrative Guidelines