TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER
DEPARTMENT: PLANNING AND COMMUNITY ENVIRONMENT
DATE: MAY 21, 2007
CMR: 247:07

SUBJECT: RECOMMENDATION OF THE FINANCE COMMITTEE TO ADOPT AN ORDINANCE ESTABLISHING A CITYWIDE TRANSPORTATION IMPACT FEE AND AMENDING THE PALO ALTO MUNICIPAL CODE, TITLE 16 (BUILDING REGULATIONS) BY ADDING CHAPTER 16.59 - CITYWIDE TRANSPORTATION IMPACT FEE.

RECOMMENDATION
Staff and the Finance Committee recommend that the City Council adopt the attached ordinance implementing a citywide transportation impact fee (TIF).

In addition, staff recommends that the City Council direct staff to return with a recommendation for modifying the Stanford Research Park Transportation Impact Fee to include a credit for trip reduction measures or mitigations undertaken as part of any future project in that area.

COMMITTEE REVIEW AND RECOMMENDATIONS
Staff presented the attached ordinance to the Finance Committee on April 17, 2007, and the Committee unanimously recommended approval.

Two issues were raised at the meeting requiring further staff research. The first was a concern raised by Jean Snider, representing the Stanford Research Park, that the total fee impact on businesses there would be disproportionate to the impact on the rest of the city. The Finance Committee was unable to discuss that topic due to conflicts of interest. The second issue related to Park Impact Fee projections, and is addressed below.
Relationship to the Stanford Research Park Transportation Impact Fee

As proposed to the Finance Committee, both the Citywide TIF and the Stanford Research Park TIF would apply to new development in the Research Park. At maximum, the Citywide TIF would be $3.38 per net new square foot. The Stanford Research Park TIF is currently $9.25 per net new square foot. With the addition of the Citywide TIF, the Stanford Research Park would be subject to higher fees than any other area in the City. The total fee load would be higher than any other city surveyed for the July 19, 2005 staff report on Palo Alto’s impact fees, and how they compare to other cities (CMR:323:05, Comparative Data on Impact Fee Levels).

If directed by the City Council, staff will study ways to allow developments subject to the Stanford Research Park TIF to receive credit for measures taken to reduce the amount of new traffic generated, and will return to Council with recommendations. Possibilities include a credit for traffic mitigations required as conditions of approval of the project or for trip reduction measures, such as on-site amenities or a transportation demand management program. Similar provisions are included in other area-specific TIFs, such as the West Bayshore / San Antonio TIF, and are meant to provide an incentive for reducing the amount of new traffic generated, rather than merely paying to mitigate the effects.

Ordinance Revision

Staff has made one revision to the ordinance presented to the Finance Committee to clarify the in-process projects to which the fee applies. In the Finance Committee staff report, staff stated that development projects would be exempt from the fee if an application for a planning entitlement or building permit had been filed prior to the effective date of the fee, which is sixty days from the date of adoption of this ordinance. Staff has modified the ordinance so that this exemption only applies to projects under 100,000 square feet, which will mean that the fee will apply to the Stanford Medical Center and Shopping Center expansions.

Revised Park Impact Fee Projections

Staff received a comment at the Finance Committee that the park impact fee and parkland dedication fee projections included in the staff report seemed high. The projections were based on Association of Bay Area Governments (ABAG) housing projections. A revised projection is included (Attachment B) which uses Advance Planning Section housing projections previously submitted to ABAG for consideration. Staff believes these revised projections are consistent with the alternate proposal for park fee reductions described in the Finance Committee report.
### Projected Revenue from Parks Fees 2010-2020

<table>
<thead>
<tr>
<th>Before adoption of Parkland Dedication Fee (Park Impact Fee only)</th>
<th>Residential</th>
<th>Commercial</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 4,358,250</td>
<td>$ 5,070,650</td>
<td>$ 9,428,900</td>
<td></td>
</tr>
<tr>
<td>Current Fees (Parkland Dedication + Park Impact Fee)</td>
<td>14,715,000</td>
<td>5,070,650</td>
<td>19,785,650</td>
</tr>
<tr>
<td>Alternative Proposal (eliminate commercial Parks Impact Fee)</td>
<td>14,715,000</td>
<td>-</td>
<td>14,715,000</td>
</tr>
</tbody>
</table>

The above projections are based on 2010-2020 job growth projections by ABAG and 2010-2020 housing growth projections by the City's Department of Planning & Community Environment. See Attachment E for more details.

### POLICY IMPLICATIONS

The proposed Citywide TIF implements the following 1998-2010 Palo Alto Comprehensive Plan Transportation policies and programs:

- Program T-4: Consider the use of additional parking fees and tax revenues to fund alternative transportation projects.

In addition, projects to be funded by the TIF will implement several Comprehensive Plan Goals, including:

- Goal T-1 (Less Reliance on Single-Family Vehicles)
- Goal T-2 (A Convenient, Efficient, Public Transit System that Provides a Viable Alternative to Driving)
- Goal T-3 (Facilities, Services, and Programs that Encourage and Promote Walking and Bicycling)
- Goal T-4 (An Efficient Roadway Network for All Users)

### RESOURCE IMPACT

The Citywide Transportation Impact Fee is designed to recover 7.9% of projected transportation project costs, for a total of $10.2 million dollars through 2025. To provide this amount of capital project funding through General Fund contributions, rather than an impact fee, would require an average contribution of nearly $570,000 per year.
ENVIRONMENTAL REVIEW
The creation of a government funding mechanism that does not involve commitment to a specific project is exempt under the California Environmental Quality Act.

ATTACHMENTS
A. Revised Draft Citywide Transportation Impact Fee Ordinance
B. Revised Park Impact Fee Projections
C. CMR 187:07 (Proposed Citywide Transportation Impact Fee)

PREPARED BY:

JON ABENDSCHEIN
Administrator

LIBBY DAME
Senior Financial Analyst

DEPARTMENT HEAD REVIEW:

STEVE EMSLIE
Director of Planning and Community Environment

CITY MANAGER APPROVAL:

EMILY HARRISON
Assistant City Manager

COURTESY COPIES
Sandra Lohnquist, Palo Alto Chamber of Commerce
Jean McCown, Stanford University
Beverley Bryant, Home Builder’s Association
Lee Wieder