

Memorandum

To: Dan Little, Shasta County RTPA
From: Jeff Kay, Willdan
Date: February 23, 2009
Re: Fix Five Fee Program Update – Technical Analysis Summary

This memorandum summarizes proposed changes to the Fix Five fee program to create an expanded Shasta County Regional Improvement Program (SCRIP). In general, the proposed program update provides two significant areas of differentiation from the original Fix Five proposal:

1. Establishment a funding source for regionally significant local improvement needs beyond mainline I-5, without creating a corresponding fee increase; and
2. Enhanced local control of revenues and expenditures by partner jurisdictions.

This is made possible because – under the proposed, broader definition of eligible improvements included in the SCRIP – Regional Transportation Improvement Program (RTIP) funds are freed up for mainline I-5 improvements.

The analysis presented below builds upon the Fix Five Partnership Impact Fee Nexus Study dated March 21, 2008. This revised analysis uses the same assessment of regional impacts on mainline I-5, but also includes a new improvement list comprised of regionally significant local projects outside of mainline I-5. All additional projects included in the SCRIP were identified in consultation with the participating local agencies.

The goal of this revised program is to develop a more comprehensive funding program to address regional transportation needs in Shasta County. By conducting a broader assessment of both improvement needs and available revenue sources, this program can ensure funding for an expanded improvement program, without requiring impact fees that exceed the amounts presented in the original Fix Five Nexus Study. This goal can be achieved because the SCRIP represents a broader assessment of available needs and revenues and therefore represents a more comprehensive regional planning effort. By including projected RTIP funding in the analysis, it is also possible to incorporate an expanded list of projects. The revised program also provides enhanced flexibility, as local agencies will have more freedom to direct funding based on current needs and the availability of matching funds.

The SCRIP allocates local fee revenue to local projects, thereby enhancing local control of the program. The distribution of proposed improvements within the region allows local jurisdictions to control the vast majority of regional fee revenues collected within their respective boundaries. Those revenues will then be used for regional improvement projects located within the collecting jurisdiction.

The remainder of this memorandum is organized as follows:

- ◆ Explanation of the reasons for, and expected benefits from, an expanded SCRIP.
- ◆ Summary of the need to expand mainline I-5 within Shasta County as presented in the original Fix Five Nexus Report.
- ◆ Documentation of the additional improvement projects and projected RTIP funding proposed to be included in the SCRIP.
- ◆ Proposed implementation guidelines designed to maximize local control of revenues and fee expenditures.
- ◆ Options for phasing in the fee program to eliminate negative impacts on local development activity during the current economic downturn.

Pending review and comments from local agencies and stakeholders, we anticipate incorporating this new analysis into a Shasta County Regional Improvement Program Nexus Study.

Benefits of an Expanded Regional Improvement Program

The amended improvement program has been designed to incorporate feedback received during the outreach process for the Fix Five Nexus Study. The new program will produce all of the original Fix Five mainline benefits as well as a series of additional benefits, including:

- ◆ A more comprehensive solution for a larger set of regionally significant transportation improvements that support the regional economy;
- ◆ Greater use of RTIP funds for Interstate 5 and additional local revenue for local needs, while maintaining regional flexibility for how the funds are used;
- ◆ Solidified regional funding for improvements that are only partially funded under existing local fee programs, thus ensuring that the local fees can truly provide the improvements that developers are being required to contribute to;
- ◆ Offset or reduction of fees in existing programs or new programs under consideration by local agencies.
- ◆ The ability to advance construction of off-mainline improvements to regional facilities in accordance with local priorities and the availability of matching funds;
- ◆ Enhanced leveraging of State and Federal funds, with the ability to direct fee revenues to local projects if matching funds for I-5 do not materialize;
- ◆ Local control of 90% of fee revenues, ensuring that partner agencies maintain the greatest possible control over locally generated funds, while still providing planned funding for an expanded group of regionally significant improvements.
- ◆ Added CEQA relief for new development by creating a mechanism to mitigate for cumulative traffic impacts beyond I-5 mainline.
- ◆ Coordinated planning with the ongoing Regional Transportation Plan (RTP) update, resulting in long-term guidance for equitable distribution and use of RTIP funds.

I-5 Improvement Needs and Cost Allocation

New development through 2030 is projected to cause severe congestion on I-5 from the southern County line through the Mountain Gate overcrossing. Although the majority of this segment currently meets local level-of-service standards, almost the entire segment is projected to fail by 2030. The impacts of worsening congestion range from increased hours of vehicle delay for residents and commuters to economic stagnation resulting from inhibited movement of goods and services throughout the region. Travel demand modeling indicates that the planned widening of I-5 would restore acceptable levels of service, thereby increasing consumer access to goods and services through enhanced regional mobility.

The local share of funding needed to fully fund mainline expansion of I-5 in Shasta County is unchanged from what was presented in the Fix Five Nexus Study. That study used traffic data and an Origin & Destination Study to determine that roughly 65% of the trips on I-5 in Shasta County reflect local, rather than external or interregional, travel. Accordingly, a defensible impact fee could assess new development up to 65% of the project costs. Due to the potential for State and Federal funding, however, the Fix Five Partnership determined that the improvements could be fully funded with a fee program that contributed only 50% of the Shasta County costs to widen I-5. The total widening cost, including outside funding assumptions and SCRIP fee per EDU is shown in **Table 1** below.

Table 1: Potential Outside Funding Scenarios

	<u>Shasta County</u>
I-5 Widening Costs (from County line to Mountain Gate)	\$ 231,775,000
% Outside Funding	<u>50.0%</u>
Outside Funding	\$ 115,887,500
Impact Fee Revenue Required	\$ 115,887,500
New Development EDUs	<u>68,300</u>
Fee Per EDU	<u>\$ 1,697</u>

Note: Potential non-fee funding sources include state and federal grants. Contributions shown represent assumed funding scenarios. Actual funding has not yet been secured.

Source: Willdan Financial Services.

Additional Regional Improvement Needs

The SCRIP expands upon the Fix Five fee analysis by incorporating expected RTIP funding (\$100 million through 2030) and several additional improvement projects of regional significance. The expanded project list has been developed in consultation with the Cities of Anderson, Redding, and Shasta Lake, and the County of Shasta.

A summary of the additional projects is shown below in **Table 2**, including the projected cost of each improvement and all funding sources currently identified.

Table 2: Shasta County Regional Improvement Program - Additional Projects

Project	Funding Sources
CITY OF REDDING	
<u>Oasis Rd I/C</u>¹	
I/C and related projects	
Total Cost	\$ 54,600,000
Redevelopment Tax Increment Revenue	16,900,000
NRTBD Area-of-Benefit Fees	31,800,000
SC Regional Improvement Program	5,900,000
<u>South Bonnyview I/C</u>	
Total Cost	\$ 7,000,000
SC Regional Improvement Program	7,000,000
<u>Airport/44 I/C</u>	
Total Cost	\$ 18,000,000
SC Regional Improvement Program	18,000,000
<u>Airport Road Widening (2 to 4 lanes, SR44 to Dersch)</u>	
Total Cost	\$ 50,000,000
Citywide TIF	14,000,000
Tax Increment	2,800,000
SC Regional Improvement Program	28,950,000
Other Revenues	4,250,000
Total Program Funding for Redding Projects	\$ 62,650,000
CITY OF ANDERSON	
<u>Ox Yoke / Riverside Ave Corridor</u>^{2,3}	
Total Cost	\$ 33,400,000
Property Tax Increment	1,250,000
Local Impact Fees, Study Pending	21,853,000
SC Regional Improvement Program (Anderson share)	6,881,000
SC Regional Improvement Program (County contribution)	3,416,000
Total Program Funding for Anderson Projects	\$ 6,881,000

Table 2: Shasta County Regional Improvement Program - Additional Projects (cont.)

Project	Funding Sources
CITY OF SHASTA LAKE	
<u>Shasta Gateway Access Road (2 lanes, Shasta Gateway to Cascade)</u>	
Total Cost	\$ 11,200,000
SC Regional Improvement Program	4,627,000
Property Tax Increment and Local Contributions	6,573,000
 Total Program Funding for Shasta Lake Projects	 \$ 4,626,647
SHASTA COUNTY	
<u>Main Street I/C⁴</u>	
Total Cost	\$ 9,781,000
South County Impact Fees	1,068,000
SC Regional Improvement Program	8,713,000
<u>Gas Point Rd I/C⁴</u>	
Total Cost	\$ 12,235,000
South County Impact Fees	3,522,000
SC Regional Improvement Program	8,713,000
<u>Knighton I/C^{3,5}</u>	
Total Cost	\$ 20,000,000
Shasta County Impact Fees	15,000,000
SC Regional Improvement Program	5,000,000
 Total Program Funding for Shasta County Projects ⁶	 \$ 25,842,000
TOTAL SCRIP FUNDING	\$ 100,000,000

¹ Implementation of the Regional Improvement Program will result in a reduction to the City of Redding traffic impact fee of \$403 per equivalent dwelling unit.

² The Riverside /Ox Yoke improvements will add new capacity in both the City of Anderson and unincorporated Shasta County. Accordingly, this analysis assumes a funding contribution from the County.

³ Project provides a critical improvement link to the Airport Road improvements.

⁴ Adoption of the Regional Improvement Program will solidify RIP funding assumptions of \$5m for both the Main Street and Gas Point interchanges and facilitate a reduction of the South County Impact Fees.

⁵ Adoption of the Regional Improvement Program will solidify RIP funding assumptions of \$5m for the Knighton interchange.

⁶ Includes County contribution for Ox/Yoke Riverside widening (see City of Anderson).

In general, funding for improvements included in the Shasta County Regional Improvement Program serve one of three purposes:

1. Establish a new funding source for a previously unfunded project, including projects where fee programs are currently being considered;
2. Solidify a regional funding assumption that was made as part of a local impact fee or funding program;
3. Provide an opportunity to reduce local impact fees to reflect the new, regional funding contribution.

Table 3 below shows the funding status of each proposed improvement relative to the funding options noted above.

Table 3: Additional Project Funding Implications

Project	New Funding Source	Solidify Funding Assumption	Facilitate Fee Reduction
<i>City of Redding</i>			
Oasis Rd I/C			✓
South Bonnyview I/C	✓		
Airport/44 I/C	✓		
Airport Road Widening	✓		
<i>City of Anderson</i>			
Ox Yoke / Riverside Ave Corridor	✓		
<i>City of Shasta Lake</i>			
Shasta Gateway Access Road	✓		
<i>Shasta County</i>			
Ox Yoke / Riverside Ave Corridor	✓		
Main Street I/C		✓	✓
Gas Point Rd I/C		✓	✓
Knighton I/C		✓	

Updated Fee Calculation

Because the proposed SCRIP adds equal amounts of improvement cost and RTIP funding, the result is a fee amount that is equal to the previously proposed Fix Five fees. **Table 4** shows the calculations for the proposed Shasta County Regional Improvement Program impact fees. **Table 5** shows the proposed fee schedule, which is calculated by multiplying

the cost per equivalent dwelling unit (EDU) from Table 4 by the EDU factors derived in the Fix Five Nexus Study.

Table 4: Proposed Impact Fee per EDU

Costs

I-5 Widening Costs (from County line to Mountain Gate)	\$	231,775,000
Program Funding for Non-Mainline Improvements		<u>100,000,000</u>
Total Project Costs	\$	<u>331,775,000</u>

Revenues

State and Federal Funding for I-5	\$	115,887,500
RIP Funding		<u>100,000,000</u>
Total Projected Revenues	\$	<u>215,887,500</u>

Fee Funding Required	\$	115,887,500
New Development EDUs		<u>68,300</u>

Fee Per EDU	\$	<u>1,697</u>
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Source: Tables 1 and 2; Willdan Financial Services.

Table 5. Proposed Regional Improvement Fees

<u>Land Use</u>	<u>Cost per EDU</u>	<u>EDU Factor</u>	<u>Fee¹</u>	<u>Fee / Sq. Ft.</u>
Shasta County and Incorporated Cities				
<u>Residential</u>				
Single Family	\$ 1,697	1.00	\$ 1,697	N/A
Multi-family	1,697	0.80	1,357	N/A
<u>Nonresidential</u>				
Neighborhood Commercial ²	\$ 1,697	1.05	\$ 1,782	\$ 1.78
Regional Commercial ³	1,697	2.51	4,262	4.26
High-Generation Commercial ⁴	1,697	4.34	7,364	7.36
Office	1,697	2.20	3,730	3.73
Industrial	1,697	0.81	1,370	1.37

¹ Fee per dwelling unit for residential or per 1,000 building square feet for nonresidential.

² Refers to stand-alone commercial establishments up to 10,000 building square feet; stand-alone supermarkets and drug stores; and shopping centers up to 100,000 combined building square feet, with three or more stores.

³ Refers to stand-alone commercial establishments exceeding 10,000 building square feet; shopping centers up to 100,000 combined building square feet with fewer than three stores, and shopping centers that exceed 100,000 building square feet.

⁴ Refers to 24-hour convenience markets; gas stations; fast-food, with and without drive-throughs; and banks with drive-throughs

Sources: Table 4; Willdan Financial Services.

Local Control of Revenues and Expenditures

An important goal of this effort is to create a regionally coordinated program that is completely under the control of each local agency. The off-mainline improvements funded by the proposed program have been selected such that fee revenue, by jurisdiction, will closely mirror the distribution of improvement costs by jurisdiction. Consequently, the program will remain fully funded if each jurisdiction were to hold 90% of fee revenues and use those revenues for the improvements assigned to it in Table 2. This arrangement will yield a high level of local control in terms of project prioritization and planning. Local agencies will also be assured that fees collected locally will be used on nearby improvement projects. The remaining 10% of fee revenues will be held by each jurisdiction in a separate I-5 mainline account which together with RTIP fund will achieve the I-5 mainline expansion.

Based on project readiness and available RTIP funds, the RTPA may also opt to use a share of the RIP revenues to provide advance funding for some local projects. In these cases, the local jurisdiction would use both locally collected fees and RTIP funding to advance the improvements, but would contribute future fee revenues to the I-5 mainline account until the 10% set aside is restored. The increased I-5 contribution would equal the amount of RTIP funding used for the local improvement. The overall funding by the jurisdiction would remain unchanged, but this scenario would allow jurisdictions to capitalize on the program's flexibility to complete projects earlier than would otherwise be possible.

An MOU will be developed to detail the above stipulations.

Phased and Delayed implementation of Regional Fees

Each of the Shasta County agencies recognizes that the current economic climate makes the adoption of new impact fees inopportune. At the same time, the lack of building activity means that delayed fee implementation will not result in significant revenue loss. Accordingly, this program proposal involves a fee phase-in that will take place over several years. Although the exact mechanics of the phase-in will be determined based on feedback from local stakeholders, fee implementation is not expected to begin for at least two years. At that point, gradual phasing in of the fee amounts may be tied to a regional economic indicator such as population growth to ensure that fees are not implemented until the development cycle has improved.

For example, the average annual population growth in Shasta County has been 1% over the past 10 years. This rate has not been achieved within the past three years. After a two-year delay, it may be appropriate to begin phasing in the fees in the first year after 1% population growth occurs. In the first year of fee implementation fees would be set at 25% of the full amounts. An additional 25% of the fee amounts would be added annually until the fees reached 100% in year four.

Appendix: Proposed Off-Mainline Improvement Projects

