

Mayor  
John Murray  
Mayor Pro Tem  
Mary Hornsby  
Council Members  
John Flourde  
Willard Rodarmel  
William Siegel



Office of the  
City Manager

119 Fox Street  
Lemoore • CA 93245  
Phone • (559) 924-6700  
FAX • (559) 924-9003

**To: Lemoore City Council**  
**From: JP Prichard, Administrative Analyst**  
**Date: August 11, 2010**  
**Subject: Westside Traffic Impact Fees**

Item # 5

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**Background:**

During the July 20, 2010 Council study session, staff updated the Council on the current status of the West Side Traffic Impact Fee Study and associated fees. A link to the agenda item is attached for reference: [http://www.lemoore.com/agendas/2010/jul20/data/7\\_20\\_10\\_ss\\_item\\_3\\_1.pdf](http://www.lemoore.com/agendas/2010/jul20/data/7_20_10_ss_item_3_1.pdf)

In September 2008, Colgan Consulting Corporation, who had completed the comprehensive study for all other fees in 2006, was contracted to complete a study for West Side Traffic Impact Fees. The study was created through a plan-based method used in the previous study for traffic impact fees. Specific capital improvements were taken from the Circulation element of the General Plan, with costs divided proportionally among land use types by the amount of traffic each land use type generates. Obtaining cost estimates for necessary 2030 improvements, and addressing concerns from interested stakeholders, extended the timeline project to the present. The City staff, impact fee consultant, and City Attorney have exhaustively reviewed the methodologies and defensibility of the study, and are confident that it is both adequate and accurate in supporting proposed fees.

In order to proceed, there are a couple of issues that need to be resolved before deeming the traffic impact fee study complete. Depending on the significance of any changes, stakeholders may be invited to provide further input. Once finalized, the study will need to be publicly noticed, after which Council may considering adopting the fee which would take effect 60 days later.

**Areas of Concern:**

*Consideration of Undesignated Land Use outside the City Limit*

Costs for the interchange at Highway 198 and Marsh will fall entirely on west side development. This improvement alone will cost in excess of \$12 million, and accounts for a full 28% of the calculated traffic impact fees for these developments. There is an area south of Highway 198 at Marsh identified in the 2030 General Plan for long-term development that would also served by the interchange, if it is ever developed. Although it is currently well outside of the City limits, Council may wish to consider this future development when dividing the costs of the interchange. Doing so could reduce overall fees to the area presently under study. As area south of Highway 198 is designated as an "employment reserve", which does not have clearly defined amount of traffic that would be associated with it. If the Council wishes, staff may request that Colgan

Consulting determine if this area may be legally included, and what effect doing so may have on the fees.

*Consideration of Possible Sharing of Hwy 41/Bush Interchange with East Side*

At initial construction, the existing interchange was built with capacity to serve the entire East Side at build-out conditions. However, Council may wish to consider whether a portion of the new interchange improvements should be attributed to East Side development as well (based on defensible traffic models for new development). This would not lower the cost of the needed improvements: it would simply transfer some of the burden of those improvements to the East Side, ie. higher East Side Traffic Impact Fees. Please note that the East Side fees, due to improvement needs identified in the new General Plan, will already need to be increased even without a share of the interchange.

*Magnitude of Fee Affecting Amount of West Side Development*

Currently, there is only of active development on the West Side: Walmart has working with the City for the past seven years on the possibility of locating a new center in the West side commercial area near Highway 41. They have expressed that the burden of the proposed traffic impact fees could make their project unfeasible. During the July 20, 2010 study session, Council questioned that if the fees stop Walmart, what effect might the fees have on a developer without the resources of the nation’s largest retailer?

To make comparison easier, the table below shows impact fees and other costs related to the development of a Single Family Residential home in Lemoore on both the East and West sides:

<b>Estimated Development Costs Single Family Residential (SFR) (Assumes 2797 sq ft home)</b>	<b>Current East Side</b>	<b>Current West Side</b>	<b>Proposed West Side</b>
<b>Construction Estimates*</b>			
Noise Mitigation Measures	\$ -	\$ 20,000	\$ 20,000
Flood Mitigation Measures	\$ -	\$ 1,500	\$ 1,500
<b>Planning Fees</b>	\$ 322	\$ 322	\$ 322
<b>Building Fees</b>	\$ 2,136	\$ 2,136	\$ 2,136
<b>Connection Fees</b>	\$ 381	\$ 381	\$ 381
<b>Impact Fees</b>			
County Fees	\$ 2,264	\$ 2,264	\$ 2,264
School Fees	\$ 8,997	\$ 8,997	\$ 8,997
City Misc. (Non-Traffic)	\$ 9,635	\$ 10,376	\$ 10,376
Streets/Thoroughfares**	\$ 1,065	\$ 340	\$ 3,806
<b>Totals</b>	<b>\$ 24,800</b>	<b>\$ 46,316</b>	<b>\$ 49,782</b>

\* Estimate of additional construction costs required for noise/flood mitigation  
 \*\* East Side likely to increase due to improvements now identified in the 2030 General Plan

*Timeliness*

The traffic impact fee study is based on information that was current at the time the study began. If there is significant further delay in the adoption of fees based on the study, elements of study

have the potential to change in the interim (land use changes/Walmart traffic study, costs for improvements), potentially rendering it invalid. Allowing further delays risk having to begin the study again.

**Possible Adoption Strategies:**

Given the above concerns outlined above, staff suggests that the following adoption strategies are available to the City:

1. Adopt fees exactly as proposed by the study, and direct staff to work to pursue ways of reducing their burden when possible: As the fee accurately describes the needed improvements and land uses in accordance with the General Plan, there is no escaping the costs associated with the development of the West Side if land use and development occur as planned. However, there is always the possibility that a previously unforeseen funding source (grants from Caltrans or the Economic Development Administration, for example) could pay for some portion of the improvements in the future. Mitigation Fee Act requires that if improvement costs are less than estimated or alternative funding is acquired, fees should be reduced or refunded according to circumstances.
2. Adopt fees at an amount less than supported by the current study: At the Council's discretion, fees may be adopted at an amount below what is supported by the study. However, if such action is taken, the Mitigation Fee Act requires that a source of funding be identified to make up for the planned shortfall. In effect, the fee levels would remain as proposed in the study, the City would dedicate funds, etc.) to pay the difference. For example, if the Council were to determine that fees should be set at 80% of proposed levels, the City would only be able to fund 80% of the cost of an improvement with impact fees – another source such as RDA Capital or General Fund would be required to be identified if other sources such as grants were not available.
3. Delay the adoption of fees until such time as alternative funding for traffic improvements has been acquired: CEQA would still require that developers mitigate near and long term impacts to the traffic system as a condition of approval of any project – this would cover any traffic improvement specific to their project only. Relying on the CEQA process for all developments to determine accurate traffic impacts could require traffic studies for even small projects, making the development process much more cumbersome (time constraints, costs, less certainty, etc.) for both the developer and the City. Additionally, as the CEQA process would address traffic impacts specific to the project, and not as a component of West Side comprehensively, certain negative results are likely: Earlier developers would not necessarily be required to emplace traffic improvements in consideration of future as-yet-undetermined developments; this would result in a shifting of a greater portion of “shared” improvements to later developers, or the City could end up funding improvements that could not be directly attributed to any particular developer. Almost certainly, some improvements or portion thereof would need to be funded by the City as opposed to development. Essentially, it would be like returning to “pre-Mitigation Fee Act-days”. Delaying would also likely require a new traffic impact fee study.

**Budget Impact:**

Depending on the adoption strategy undertaken by the Council, the traffic impact fees could 1) fully fund traffic improvement on the West Side with no impact on the existing City budget, 2) require the dedication of a specific funding source (RDA Capital, General Fund, etc.) to make up

shortfalls by the adoption of a lesser fee, or 3) affect the budget by an indeterminate amount based on as-yet-undiscovered traffic improvement deficiencies.

**Recommendation:**

Staff requests that Council provide direction regarding:

- 1) Sharing the cost of the Highway 41/Bush interchange with East Side Development
- 2) Inclusion of the “employment reserve” area south of Highway 41.

Given the size of the proposed fee and its potential impact on future development on the West Side, it will be necessary to discuss which fee adoption strategy (if any) should be adopted:

- 1) Adopt fees exactly as proposed by the study, and direct staff to work to pursue ways of reducing their burden when possible
- 2) Adopt fees at an amount less than supported by the current study (requires identifying source of funding to overcome shortfall)
- 3) Delay the adoption of fees until such time as alternative funding for traffic improvements has been acquired

Should the Council direct staff to proceed with any of the above adoption strategies, staff recommends that a publicly noticed workshop be held before the Council with staff, Colgan Consulting, City Engineer, and interested stakeholders.