TO:      HONORABLE CITY COUNCIL
FROM:    CITY MANAGER
         DEPARTMENT: PLANNING AND
         COMMUNITY ENVIRONMENT
DATE:    JANUARY 20, 2004
SUBJECT: APPROVAL OF RESOLUTION DECLARING COUNCIL POLICY
TO MITIGATE DEVELOPMENT IMPACTS AND INITIATING
PROCEEDINGS TO ESTABLISH A TRANSPORTATION IMPACT
FEE CITYWIDE

RECOMMENDATION
Staff recommends that the City Council adopt a Resolution (Attachment A) providing the
legal framework and policy direction necessary for the City to use “placeholder” fee
conditions in anticipation of the Council adopting a citywide Transportation Impact Fee.

BACKGROUND
Creation of a Citywide Transportation Impact Fee (TIF) is a task included under two of the
“Top 5” Council Priorities: “City Finances” and “Alternative Transportation/Traffic
Calming.” In study sessions on June 11 and August 27, 2003, the Planning and
Transportation Commission (PTC) discussed draft “conceptual alternatives” for
establishment of a citywide, multimodal transportation impact fee. The TIF would
supplement two existing ordinances that pertain only to the Stanford Research Park (1986)
and the environs of San Antonio/West Bayshore (1989) and are also limited strictly to
traditional intersection mitigations of traffic congestion. Staff is currently revising the
proposal presented to the PTC on August 27, based on Commission comments and public
testimony, outreach to the business community (mainly through the Palo Alto Chamber of
Commerce), and results of independent legal review. Staff will return to Council with a
detailed recommendation regarding a citywide Transportation Impact Fee after completing
these revisions.

DISCUSSION
The effect of the attached resolution is to direct the City Manager and City Attorney to take
steps immediately so that development projects are charged their fair share of impacts on the
City’s transportation system and on transportation within the community. The proposed TIF
structure being prepared is predicated on the following 15 principles (subject to further
modification prior to and after PTC final review):
1) Applicability of the fee citywide.

2) Uniformity of the fee citywide.

3) Assessment of the fee on a per PM peak-hour trip basis.

4) Assessment of projects of all sizes (i.e. regardless of peak-hour trip generation).

5) Peak-hour trip generation estimation to be consistent with the Santa Clara Valley Transportation Authority’s Transportation Impact Analysis Guidelines.

6) Levy of the fee as a one-time (not annual) charge.

7) Levy fees on new trips generated by a change in land use.

8) Fee level adjustments to be made annually in line with the Construction Cost Index.

9) Focus proceeds on alternative modes (cycling, walking, shuttle transit) and citywide traffic signal system investments.

10) Development and redevelopment projects remain responsible for mitigating significant impacts on nearby intersections, along with payment of the per-peak hour trip fee. (Thus the existing Stanford Research Park/El Camino Real and San Antonio/Bayshore intersection congestion mitigation impact fees would remain in place).

11) Intersection congestion mitigation impact fees would remain in place.

12) Citywide TIF proceeds would be usable on projects citywide (an alternative approach would be to allocate a portion of the fees collected for use on any project citywide and a portion solely for the geographic area of the development project generating the fees.

13) Geographic equity is to be ensured through a geographically balanced expenditure plan. (An alternative approach would be to allocate a portion citywide and a portion to the geographic area [or “zone”] of the development project).

14) Credits (fee forgiveness) would be given for transportation demand management efforts.

15) Exemptions would be similar to those for other City impact fees (e.g. for 100 percent affordable housing projects, day care centers, public schools, etc.).

**BOARD/COMMISSION REVIEW AND RECOMMENDATIONS**

The Planning and Transportation Commission comments during study sessions on June 11, 2003 and August 27, 2003 focused on several key areas. These included the TIF level; the desirability of geographic equity in funding projects from the proposed TFI; the need to outreach to the business community; and the nature and extent of exemptions from the fee. PTC comments were supportive of a citywide TIF and of an expenditure plan for TIF
proceeds that reflects the policy framework of the Palo Alto Comprehensive Plan Transportation Element. The PTC will formally review a staff recommendation for the citywide Transportation Impact Fee on February 4, 2004. PTC recommendations on the full particulars of a TIF will be forwarded to the Council at a date to be scheduled.

ATTACHMENTS
A. Resolution declaring council policy to mitigate development impacts and initiating proceedings to establish a Transportation Impact Fee.

PREPARED BY: ____________________________________________________________
JOSEPH KOTT
Chief Transportation Official

DEPARTMENT HEAD: _______________________________________________________
STEVE EMSLIE
Director of Planning and Community Environment

CITY MANAGER APPROVAL: _______________________________________________
EMILY HARRISON
Assistant City Manager

cc: Planning and Transportation Commission
Chamber of Commerce