



City of Palo Alto

Department of Planning and Community Environment
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UNDERSTANDING THE CITYWIDE TRANSPORTATION IMPACT FEE

WHAT ARE IMPACT FEES?

Impact fees are assessed against a project that will have impacts on the city. The amount of the fee is designed to recover some of the costs to the City of mitigating that impact, usually through investment in capital projects. Palo Alto has fees for impacts on parks, libraries, community centers, affordable housing, and traffic congestion. The Citywide Transportation Impact Fee is designed to recover approximately 7% of the costs associated with relieving traffic congestion from new development through 2025.

HOW DOES THE CITYWIDE TRAFFIC IMPACT FEE DIFFER?

The citywide traffic impact fee (TIF) is calculated differently from other impact fees in the city. Other fees are based on the additional residential units or commercial building area created by a project above and beyond what was originally on the site. The citywide TIF, on the other hand, is calculated based on the number of additional vehicle trips generated. In some cases, that could mean projects that otherwise would not be subject to impact fees may be subject to the TIF, if they increase traffic without increasing the commercial area or residential units on the site. On the other hand, some projects may increase the commercial area, but still decrease traffic. Such projects would be subject to other impact fees, but not the TIF.

HOW ARE VEHICLE TRIPS CALCULATED?

Vehicle trips are calculated based on traffic engineering principles and the Institute of Traffic Engineers Trip Generation Manual. The manual gives formulas that may be used to project the number of vehicle trips a type of business or land use will generate, based on its size. You may request an estimate of the fee for your project by filling out a request form and sending it to the Transportation Section by fax (650-329-2154) or by mail.

When you actually submit your project, you may be told that a traffic study is required. In this case, your actual fee may be substantially higher or lower than your estimate. Traffic studies are typically required for new developments that will generate substantial additional vehicle traffic.

WHAT PROJECTS DOES THIS APPLY TO?

Any development project that will increase traffic. If you are rebuilding or expanding a building, adding or replacing commercial area, or adding residential units to a site, you may be subject to the fee.

DOES THIS APPLY TO TENANT CHANGES?

It does not. It only applies if additions are made to a building, or the building is demolished.

ARE THERE ANY OTHER EXEMPTIONS?

Yes. The following uses are exempt from the Citywide Transportation Impact fee:

- Small retail establishments (less than 1,500 square feet)
- Public school buildings or structures.
- Affordable housing, either for sale or rental, which, by recordable means, is permanently obligated to be 100% affordable.
- Day care centers used for childcare, nursery school or preschool education.
- Below market rate housing units above and beyond the minimum number required for projects subject to the city's below market rate (BMR) housing program. The additional units must be offered and constructed consistently with the requirements of the BMR program.

HOW IS THE FEE ASSESSED FOR “SHELL” BUILDINGS?

If your commercial building does not yet have a tenant, you will be assessed the retail rate for all area on the ground floor, and the office rate for area above the first floor. You will have the opportunity to apply for a fee refund if your first tenant or tenants generate less traffic than you were assessed for.

WHEN IS THE FEE DUE?

The fee is due at the time a building permit is issued. The fee is increased annually on July 1 of each year, but the fee you pay will be the fee in effect at your first planning approval, or, if no planning approval was required, at the time of building permit issuance.

WHAT IS THE EFFECTIVE DATE OF THE FEE?

The fee applies to all applications submitted after August 17, 2007.

WHERE CAN I GET MORE INFORMATION?

Call the Transportation Section at 650-329-2520. You may also see the adopting ordinance codified in Palo Alto Municipal Code Chapter 16.59.