



CITY OF HAYWARD

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Cover Memo

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DATE: May 3, 2022

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT

Proposed Traffic Impact Fee and Nexus Study

RECOMMENDATION

That the Council reviews and provides feedback on the proposed Traffic Impact Fee recommendations.

SUMMARY

A traffic impact fee (TIF) is a one-time fee imposed on new development projects to help mitigate the cumulative transportation impacts of development growth. As importantly, a TIF will bring much-needed certainty to Hayward's development process at the onset of the application.

TIFs imposed on new development are based on the concept that traffic generated by the proposed development will cause a nearby traffic deficiency, such as an intersection exceeding a specific level of service or capacity. A TIF does not replace any transportation analysis requirements imposed by the California Environmental Quality Act (CEQA). Also, while a TIF addresses cumulative impacts of all future development projects, it does not address specific or direct impacts from a proposed development. As a result, in some cases, a Local Transportation Analysis (LTA) may still be necessary.

Traffic consultants TJKM prepared the Multimodal Improvement Plan and TIF Nexus Study (Nexus Study) (Attachment II) that identifies locations of future traffic deficiencies as a result of future development, develops mitigations to these deficiencies, calculates total cost of capital improvements required to implement the mitigations, and provides a calculated maximum allowable traffic fee that would be legally defensible based on projected cumulative traffic impact from different development types.

To ensure that the City's proposed TIF rates are reasonable and will not impact the City's competitiveness and the desirable development in the City, the City retained economic consultants, Community Attributes, Inc. (CAI), to review the Nexus Study and assist the City in developing recommendations for adopting appropriate fees. The goals were for the proposed fees to be below the maximum allowable, based on current economic conditions and development feasibility and to maintain competitive overall development fees when compared to surrounding jurisdictions.

Council Infrastructure Committee. On February 23, 2022, staff presented the TIF recommendations to the Council Infrastructure Committee (CIC) for review and feedback. The CIC expressed support for staff's recommendation and also suggested additional public outreach and coordination with transit agency partners. In response to CIC guidance, staff scheduled outreach meetings with the Chamber of Commerce and conducted one additional stakeholder meeting, which was held on March 31, 2022. Staff also met with representatives from AC Transit to discuss the inclusion of transit projects to the list that could be funded by the TIF. Many of the projects identified by AC Transit and City staff have been included in the approved project list, which resulted in a nominal increase in the amount of the traffic impact fees.

Planning Commission. On April 14, 2022, staff presented the TIF recommendations to the Planning Commission for review and feedback. The Planning Commission expressed support for staff's recommendations but asked questions about the reduction of the single-family residential fee and whether it should be increased. Additionally, the Planning Commission expressed interest in whether the TIF ordinance includes provisions regarding credits to developers for grandfathered changes or for developers who opt to pay to build improvements rather than paying the TIF.

As a result of the feedback received during the outreach processes, staff recommends that the Council adopts the TIF at the maximum allowable rates identified in the Nexus Study, but levy the fees according to the following:

1. Reduce residential developments by 70% and non-residential developments by 30% below the maximum allowable TIF.
 - It was determined that these reductions will ensure that the City maintains development feasibility while offering competitive rates with surrounding cities.
2. Reduce the fee for multi-family, retail, and office developments by 100%.
 - These land uses were hit the hardest by the pandemic and are still recovering; additionally, CAI prepared a financial feasibility analysis that demonstrated that a TIF at this time may disincentivize development of these land uses in the City. As a result, staff recommends reducing the proposed traffic impact fees for these land uses by 100% to allow more time for these types of development to recover from the pandemic. The reduction of these fees will be revisited after a three (3) year monitoring period.
3. Include an automatic annual construction inflation index adjustment.
 - The cost of construction materials normally increases annually due to inflation - an issue that contractors faced even prior to the pandemic. Building materials supply chains have been interrupted and labor has become scarce increasing the magnitude of construction inflation costs due to the pandemic. It is typical practice for local jurisdictions to adjust fees annually based on the California Construction Cost Index for the San Francisco Bay Area published by the Engineering News Record.
4. Revisit TIF reductions in the Master Fee Schedule after three (3) years.
 - Three years seems like the appropriate amount of time to revisit the TIF program as to whether the reductions should be extended or modified. The reductions may be adjusted due to changes in proposed improvements and traffic patterns that are expected to change in the upcoming years from employers allowing employees to telecommute.

A summary of staff recommendations is presented in the table below and codified in the draft Ordinance in Attachment III.

Land Use Category	Maximum Allowable	Reduction from Maximum Allowable	Recommended Fee	Feasibility	100% Reduction
Single Family Residence / Unit	\$11,584	70%	\$3,475	Marginal	No
Multi-Family Residence / Unit	\$7,761	100%	-	Marginal	Yes, for development feasibility purposes
Retail/ KSF*	\$19,460	100%	-	Challenged	Yes, for development feasibility purposes
Office / KSF	\$16,449	100%	-	Challenged	Yes, for development feasibility purposes
General Industrial / KSF	\$4,633	30%	\$3,243	Promising	No
Distribution or e-commerce / KSF	\$8,224	30%	\$5,757	Promising	No

*ksf is one thousand square feet

The Council Work Session is the culmination of a series of meetings related to the TIF as summarized:

1. February 9, 2022: Stakeholder Meeting #1 to introduce the proposed TIF and solicit feedback from the business/broker/development communities.
2. February 23, 2022: CIC review and comment.
3. March 31, 2022: Stakeholder Meeting #2 to solicit feedback from the business/broker/development communities.
4. April 14, 2022: Planning Commission
5. May 3, 2022: Council Work Session

Following this work session, staff will address Council feedback and finalize the Nexus Study and Ordinance for Council consideration at a public hearing tentatively scheduled for Tuesday, May 17, 2022.

ATTACHMENTS

- Attachment I Staff Report
- Attachment II Nexus Study
- Attachment III Draft Traffic Impact Fee Ordinance