



CITY OF HAYWARD

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Cover Memo

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DATE: February 23, 2022

TO: Council Infrastructure Committee

FROM: Director of Public Works

SUBJECT

Review of Draft Traffic Impact Fee Recommendations

RECOMMENDATION

That the Council Infrastructure Committee (CIC) reviews and provides feedback and recommends approval of the Traffic Impact Fee program structure to Council.

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 process.

TIFs imposed on new development are linked to 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 (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.

Economic consultants Community Attributes, Inc., (CAI) reviewed the Nexus Study and assisted the City in developing recommendations for adopting appropriate fees, below the maximum allowable, based on current economic conditions and development feasibility and to maintain competitive overall development fees when compared to surrounding jurisdictions.

Staff recommends the following:

1. Reduce fees for residential developments by 70% and non-residential developments by 30% below the maximum allowable TIF.

- It was determined that these reductions ensure that the City maintains development feasibility while offering competitive rates with surrounding cities.
2. Postpone implementation of a TIF for multi-family, retail, and office developments.
 - These land uses were hit the hardest from the pandemic and are still recovering; additionally, CAI prepared a financial feasibility analysis that demonstrated that a traffic impact fee at this time may disincentivize development of these land uses in the City. As a result, it is recommended to allow more time for these types of development to recover from the pandemic and to re-evaluate their feasibility in several years.
 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 material 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 to align with inflation related to construction.
 4. Reevaluate TIF program after three years.
 - Three years seems like the appropriate amount of time to reevaluate the TIF program as to whether the postponement of the three land uses - multi-family, retail, and office - should continue. The maximum allowable TIF may also require adjusting 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 are presented in the table below.

Land Use Category	Maximum Allowable	Reduction from Maximum Allowable	Recommended Fee	Feasibility Impacts	Postponement?
Single Family Residence / Unit	\$11,431	70%	\$3,429	Marginal	No
Multi-Family Residence / Unit	\$7,659	-	-	Marginal	Yes, for development feasibility purposes
Retail/ KSF*	\$19,203	-	-	Challenged	Yes, for development feasibility purposes
Office / KSF	\$16,232	-	-	Challenged	Yes, for development feasibility purposes
General Industrial / KSF	\$4,572	30%	\$3,201	Promising	No
Distribution or e-commerce / KSF	\$8,116	30%	\$5,681	Promising	No

*ksf is one thousand square feet

ATTACHMENTS

Attachment I Staff Report

Attachment II TIF Nexus Study