



CITY OF HAYWARD

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Cover Memo

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DATE: May 17, 2022

TO: Mayor and City Council

FROM: Director of Public Works

SUBJECT

Traffic Impact Fees: Adoption of a Resolution Adopting a Nexus Study and Introduction of an Ordinance Adding Article 30 to Chapter 10 of the Hayward Municipal Code Regarding Traffic Impact Fees for Developers

That the Council takes the following actions:

- Adopt a resolution (Attachment II) adopting the Nexus Study (Attachment IV) in support of the proposed Traffic Impact Fee; and
- Introduce an ordinance (Attachment III) adding Article 30 to Chapter 10 of the Hayward Municipal Code regarding Traffic Impact Fees for Developers.

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 IV) 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 requested economic consultants

Community Attributes, Inc., (CAI) 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 Review and Recommendation

At a Special Council Infrastructure Committee (CIC) held on February 23, 2022, the CIC received a report on TIF. At the meeting, an AC Transit representative asked for inclusion of more transit-oriented projects in the Nexus Study (as discussed later in this report, this was later accomplished to the satisfaction of AC Transit). Kim Huggett, Chamber of Commerce President requested additional meetings. CIC members asked about projects that have been submitted already and are in the pipeline, and suggested that they should be exempt from TIF. After some discussions, the CIC members commented that the proposed TIF had taken a "very fair and balanced approach". The CIC unanimously recommended TIF's approval to Council.

Planning Commission Review

On April 14, 2022, staff presented the TIF recommendations to the Planning Commission for review and feedback. The Commission expressed support for staff's recommendation and asked questions about the proposed reduction of single-family residential TIF and whether it should be increased. Additionally, 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.

City Council Work Session

On May 3, 2022, staff presented the TIF recommendations to Council in a Work Session for review and feedback. The Council expressed support for staff's recommendation, discussed the single-family residential TIF, and the type of modifications to the TIF program that can be made after the initial three-year period. Council also inquired about the intended use of the TIF revenues and discussed the potential of subjecting large retail to TIF. Council appreciated the comprehensive multimodal project list, the thorough financial feasibility comparisons to other local jurisdictions, and the extensive outreach to the development community.

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 the single family maximum allowable fee by 70%, reduce the townhome maximum allowable fee by 55% (newly added fee category), and non-residential general industrial and distribution/e-commerce fee 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. Add a specific fee category for Townhome developments in Hayward with a reduction of 55% from the multi-family maximum allowable fee to make clear that new townhome developments are subject to the fee. Townhome units generally include units which are comparable in size to the single-family detached homes, have comparable number of bedrooms, and are similar in financial feasibility to single family detached units and therefore, can support a fee consistent with the single-family fee.

3. Reduce the fee for multi-family residential (excluding townhomes), retail, and office developments by 100%.
 - 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 TIF at this time may disincentivize development of these land uses in the City. As a result, it is recommended to reduce TIFs for these land uses by 100% to allow more time for these types of development to recover from the pandemic. The reduction of these development types will be revisited after a three (3) year monitoring period.
4. 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.
5. 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.

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
Townhome/Unit	\$7,761	55%	\$3,492	Marginal	No

Multi-Family/Unit (All Other, Excl Townhomes)	\$7,761	100%	-	Challenged	Yes, for development feasibility purposes
Office/KSF	\$16,449	100%	-	Challenged	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

ATTACHMENTS

Attachment I Staff Report
Attachment II Resolution
Attachment III TIF Ordinance
Attachment IV Nexus Study