



CITY OF CORONADO

CITY COUNCIL STAFF REPORT

April 15, 2025

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ADOPTION OF “A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORONADO, CALIFORNIA, ADOPTING A REVISED SCHEDULE FOR A REGIONAL TRANSPORTATION CONGESTION IMPROVEMENT PROGRAM FEE TO MITIGATE THE IMPACTS OF DEVELOPMENT OF RESIDENTIAL UNITS ON THE SAN DIEGO REGIONAL TRANSPORTATION ARTERIAL SYSTEM FOR FISCAL YEAR 2025-26, INCREASING THE EXISTING UNIFORM TRANSPORTATION MITIGATION FEE BY SIX PERCENT, FROM \$2,875.06 TO \$3,047.57 FOR EACH NEWLY CONSTRUCTED RESIDENTIAL UNIT”

RECOMMENDATION:

Conduct a public hearing and adopt “A Resolution of the City Council of the City of Coronado, California, Adopting a Revised Schedule for a Regional Transportation Congestion Improvement Program Fee to Mitigate the Impacts of Development of Residential Units on the San Diego Regional Transportation Arterial System for Fiscal Year 2025-26, Increasing the Existing Uniform Transportation Mitigation Fee by Six Percent, from \$2,875.06 to \$3,047.57 for Each Newly Constructed Residential Unit.”

BACKGROUND:

Per the voter-approved TransNet sales tax initiative, all San Diego County cities must collect a mitigation fee to remain eligible for TransNet funding. The program took effect in July 2008 and authorized the San Diego Association of Governments (SANDAG) to adjust the minimum fee annually for inflation.

On March 18, 2008, the City Council adopted Ordinance No. 1991, adding Chapter 82.34 to the Coronado Municipal Code establishing a uniform transportation mitigation fee to help fund planned regional transportation facilities. At the same meeting, Council adopted Resolution No. 8276, creating a Regional Transportation Congestion Improvement Program (RTCIP) fee of \$2,000 for each non-exempt and newly constructed residential unit in Coronado.

The TransNet ordinance requires annual RTCIP fee adjustments based on the Engineering Construction Cost Index (CCI), with a minimum increase of 2%. These funds can only be used to improve roadways included in the San Diego Association of Governments (SANDAG) Regional Arterial System (RAS), which in Coronado currently includes only SR-75.

ANALYSIS:

At its February 28, 2025, meeting, the SANDAG Board of Directors were presented with a recommendation to increase the minimum RTCIP fee amount by 6%. The reasoning behind this recommendation was described within the SANDAG staff report (and “Discussion Memo”) to the Board of Directors and is summarized using excerpts as follows:

“SANDAG staff evaluated changes recorded in the ENR Construction Cost Index for Los Angeles (ENR CCI-LA). The index is based on monthly price changes in four areas: lumber, cement, structural steel, and labor. It helps track construction cost fluctuations over time.”

“For over a decade (from Fiscal Year (FY) 2010 through FY 2021), construction costs rose by less than 4% per year. FY 2022 marked the first sharp rise in costs (7.9%) and was followed by two more years of strong cost increase (4.9% in FY 2023 and 10% in FY 2024). The data available for FY 2025 show an abrupt drop in cost growth. Construction costs are averaging 1.4% (in the

first six months of FY 2025 from July to December 2024). The slower growth is a welcome change and suggests that construction costs are rising at a much slower rate than general inflation.”

“In light of the trends observed in FY 2024 and the first half of FY 2025, staff recommend a 6% increase (equivalent to \$172.50) to the RTCIP fee for FY 2026. This proposed increase marks the first time an adjustment above the 2% minimum has been recommended for two consecutive years... This recommendation is less than the 10% increase observed in the construction cost index. It strikes a balance between two objectives – that is, reducing the risk of further erosion in the RTCIP’s purchasing power and ensuring continued investment in critical transportation infrastructure, while simultaneously recognizing the challenges of housing affordability in the region.”

The new minimum mitigation fee takes effect July 1, 2025. This increase is expected to have a minimal impact on Coronado due to the City’s low rate of “new” residential development. Only units that create a net increase in City’s total residential count are subject to RTCIP fees, which typically amounts to just a few units annually.

Projects exempt from the fee include replacement construction (demolishing an existing unit to build a new one), Accessory Dwelling Units (ADUs), carriage houses, and condominium conversions.

While SANDAG oversees the TransNet program, each municipality is responsible for assessing and collecting the mitigation fees. Adopting the attached resolution will align Coronado’s transportation mitigation fee with SANDAG Board of Directors’ requirements, ensuring the City remains eligible for TransNet funding under the initiative’s provisions.

FISCAL IMPACT:

Revenue from the collected fee remains with Coronado and must be used for projects that improve movement on SR 75 (a regional arterial road). Historically, less than \$20,000 of RTCIP funds are collected on an annual basis. The funding is deposited into the RTCIP fund (211) and used to augment the City’s transportation program. The estimated balance in Fund 211, as of June 30, 2025, is \$32,381.

ALTERNATIVE:

None.

CALIFORNIA ENVIRONMENTAL QUALITY ACT:

Not Applicable.

PUBLIC NOTICE:

A legal notice for a change of fees imposed as a condition of approval of a development project must be published twice to the general public, with the first publication a minimum of ten days prior to a public hearing and the second at least five days after the first publication. The legal notice was published in the Coronado Eagle & Journal on April 2, 2025 and April 9, 2025.

ATTACHMENTS:

1. Resolution 2025-15
2. Declaration of Publishing/Public Notice

Submitted By: Public Services and Engineering Department / Jim Newton