



# CITY OF CORONADO

## CITY COUNCIL STAFF REPORT

April 16, 2024

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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 2024-25, INCREASING THE EXISTING UNIFORM TRANSPORTATION MITIGATION FEE BY 4.9%, FROM \$ 2,741.97 TO A MINIMUM OF \$2,875.06 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 (FY) 2024-25, increasing the existing uniform transportation mitigation fee by 4.9%, from \$2,741.97 to \$2,875.06 for each newly constructed residential unit.”

**BACKGROUND:**

On March 18, 2008, the City Council adopted Ordinance No. 1991 which added Chapter 82.34 of the Coronado Municipal Code adopting a uniform transportation mitigation fee for the purpose of defraying actual or estimated costs of constructing planned regional transportation facilities. At the same meeting, Resolution No. 8276 was adopted which established a Regional Transportation Congestion Improvement Program (RTCIP) fee of \$2,000 for each and every non-exempt and newly constructed residential unit in the City of Coronado.

The TransNet ordinance requires that the RTCIP fee be adjusted annually in an amount not to exceed the percentage increase set forth in the Engineering Construction Cost Index (CCI), but not less than two percent. RTCIP funds can be used for improvements to roadways included in the Regional Arterial System (RAS) adopted by the San Diego Association of Governments (SANDAG); for Coronado the RAS currently includes SR-75. In accordance with the voter-approved TransNet initiative, each city in San Diego County is required to collect a mitigation fee for new residential units in order to be eligible to receive TransNet sales tax money. The program, which went into effect in July 2008, contains a provision for SANDAG to annually adjust the minimum traffic mitigation fee for inflation.

**ANALYSIS:**

At its February 23, 2024, meeting, the SANDAG Board of Directors were presented with a recommendation to increase the minimum RTCIP fee amount by 4.9%. The reasoning behind this recommendation was described within the SANDAG staff report to the Board of Directors and is summarized using excerpts from said report as follows:

*“SANDAG staff evaluated changes recorded in the ENR Construction Cost Index for Los Angeles (ENR CCI-LA). For about ten years (from 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 another strong year of cost increase (4.9% in FY 2024). Only the first six months of data are*

*available for FY 2024, suggesting another year of strong cost escalation. Strong construction cost increases mark the last two years. Despite this, SANDAG staff had recommended the 2% minimum, maintaining that the RTCIP fee could preserve the purchasing power needed to complete necessary transportation improvements. However, the region is now entering its third year of construction costs rising well above 2%, even as general economic conditions are improving (inflation is easing and fears of a recession are receding). Between FY 2021 and FY 2023, construction costs increased by 13% while the RTCIP fee grew by 4%. The gap is likely to widen in FY 2024 based on how construction costs are rising in the first half of FY 2024. As a result of these conditions, staff recommend a 4.9% increase (\$133.09) to the RTCIP fee for FY 2025. The increase will bring the RTCIP fee to \$2,875.06. The proposed 4.9% increase will be the third time (since FY2009) that staff recommends an increase above the 2% minimum.”*

The increased minimum mitigation fee must be collected beginning July 1, 2024. It is not anticipated that this increase will have a significant impact on Coronado due to the small number of new residential units constructed within the City. New residential units subject to RTCIP fees are units that create a net increase in the number of residential units in a city. Only a few new residential units are typically added in Coronado per year. Tearing down an existing unit and building a new one in its place would not be subject to the fee. Accessory Dwelling Units (ADUs), carriage houses and condo conversions are also exempted from RTCIP fees.

Although SANDAG has oversight of the TransNet program, it is the responsibility of each agency to assess and collect the mitigation fees. Adoption of the attached resolution will increase the existing transportation mitigation fee to be consistent with the SANDAG Board of Directors' action and will allow the City of Coronado to continue to receive TransNet funding under the provisions of the initiative.

**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 current balance in Fund 211, as of March 13, 2024, is \$24,388.15.

**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 3 and April 10, 2024.

**ATTACHMENTS:**

1. Resolution 2024-26
2. Declaration of Publishing/Public Notice

Submitted By: Public Services and Engineering Department / Jim Newton