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# REPORT

To the Honorable Mayor and City Council  
From the City Manager

January 9, 2006

## **Subject**

Extension of Downtown exemption to Transportation Impact Mitigation Fee (TIMF) for new projects.

## **Recommendation**

Approve the recommended amendment to Section 18.253 A.8 of the City Code, which would extend the TIMF exemption for projects in the Downtown area as an incentive for development for 18 months or until a revised program is adopted.

## **Background**

In April of 2000, the City Council approved Article XV, Transportation Impact Fee, of the Municipal Code to provide for the financing of street, mass transit, and pedestrian improvements throughout Redwood City, with the exception of Redwood Shores. A study was prepared that detailed projects, financing, and related fee calculations based on PM peak hour trips.

In January of 2003 an amendment to the ordinance was adopted which created an exemption from this fee for the Downtown area. This exemption expired on July 1 of this year. Then, as is the case now, the revitalization of the Downtown was a high priority for the City Council. There were concerns that the TIMF would discourage new development Downtown during a period of economic downturn and the construction of the "On Broadway" retail/cinema project. All new uses (except offices) were exempted from paying the TIMF. The area of exemption is bounded by Veterans Boulevard, Maple Street, El Camino Real, and Brewster Avenue.

This ordinance amendment currently under consideration would extend the exemption to reflect the fact the Peninsula economy has still not fully recovered from the downturn and that the Redevelopment projects have taken longer to complete than originally expected. The recommended amendment would extend the exemption by 18 months.

The Downtown Precise Plan currently being developed will focus heavily on the creation of housing and an enhanced retail environment in the Downtown area. Redevelopment projects such as the On Broadway retail/cinema project, Courthouse Square, and streetscape improvements are being undertaken in large part to stimulate new private sector investment in Downtown. The proposed extension of the TIMF exemption supports these objectives by extending the incentive for private sector

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development in the Downtown an additional 18 months. Staff feels that this is a critical period of time during which Downtown needs to attract the first difficult wave of private sector development. This initial investment will result in subsequent waves of development not likely to need incentives as the economic viability of Downtown will be established.

Under the original exemption, any loss of Transportation Impact Fees was offset by Redevelopment Agency funding of the pedestrian and traffic improvements currently under construction in the Downtown area. Under the proposed extension of the exemption, losses in revenue to the TIMF program will either be directly replaced from another source, or will be offset by Redevelopment Agency funding of TIMF projects listed in the original study. Staff estimates that a TIMF program revenue shortfall created by this extended exemption, if any, should not exceed \$200,000.

The reason that revenue shortfalls for the program will be minimal is due to the "credits" granted by the ordinance which created the fee. Not all new businesses and buildings pay the full fee, and some pay no fee. Only new buildings or businesses which are projected to generate more vehicle trips than the prior building/business on the same site must pay the fee, and in these instances they only pay for the additional trips, not all trips.

The proposed Ordinance amendment would require approval of the land use by December 31, 2006, and substantial construction must be undertaken by December 31, 2007, to secure the exemption. The previous exemption expired on July 1, 2005 so this amendment to extend the exemption would be made retroactive to July 1, 2005.

The proposed amendment reads as follows:

#### Section 18.253 Exemptions and Credits

18.253 A. 8. (a) Any use commenced on or after July 1, 2005, except professional, medical, business, and administrative office use, as said terms are defined below in subsection (b), within the Exempt Downtown Area (bound by Veterans Boulevard, Maple Street, El Camino Real, and Brewster Avenue) shall not be required to pay the Impact Fee if (1) a Notice of Official Action giving approval of the use is issued by the Zoning Administrator by December 31, 2006, and (2) substantial construction pursuant to an approved building permit has been undertaken by December 31, 2007. Portions of buildings or structures that do not qualify for an exemption shall be required to pay the Impact Fee in accordance with the Impact Fee Schedule.

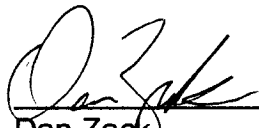
It should also be noted that revisions to the project list and the fee structure of the TIMF program are currently being developed. The new fee structure will be completed in 2006.

**Alternatives**

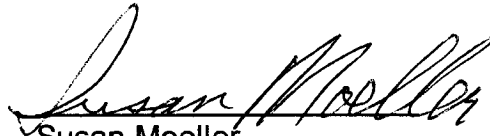
1. Allow the previous exemption to expire.
2. Make the exemption permanent.
3. Exempt office uses also.

**Fiscal Impact**

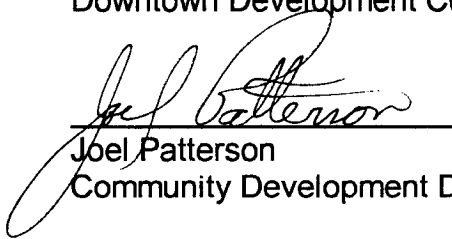
There is no impact to the General Fund. If the TIMF fund experiences substantial revenue shortfalls due to this exemption then the funds will have to be replaced from other sources. This is not likely to amount to more than \$200,000.

  
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Susan Moeller  
Redevelopment Manager

  
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Joel Patterson  
Community Development Director

  
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Ed Everett  
City Manager

**Attachment**

Proposed Ordinance Amendment

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ORDINANCE NO. \_\_\_\_\_

**ORDINANCE AMENDING ARTICLE XV, SECTION 18.253 TO CHAPTER 18 OF THE CODE OF THE CITY OF REDWOOD CITY RELATING TO EXEMPTIONS AND CREDITS TO THE TRANSPORTATION IMPACT FEES FOR USES EXCEPT PROFESSIONAL, MEDICAL, BUSINESS AND ADMINISTRATIVE OFFICE USES WITHIN A CERTAIN DEFINED DOWNTOWN AREA.**

**WHEREAS**, this Council, concerned about increasing traffic volumes and congestion, and desiring an equitable and uniform method for each new development to bear a proportionate share of citywide improvements that mitigate the traffic impacts of development, authorized preparation of a Redwood City Traffic Impact Mitigation Fee Study by Fehr & Peers Associates, Inc., dated February 18, 2000 (the "Study"); and

**WHEREAS**, the Study identified the required transportation improvements to mitigate impacts caused by new residential and non-residential development within the City of Redwood City for a 20-year period; and

**WHEREAS**, the revitalization of the Redwood City Downtown is the highest priority for the City Council and for the Redwood City community; and

**WHEREAS**, this Council desires to exempt uses except professional, medical, business and administrative office uses within a certain defined Downtown area.

**NOW, THEREFORE**, the Council of Redwood City does ordain as follows:

**SECTION 1.**

The Council of Redwood City determines and declares that:

- A. The revitalization of the Downtown is the highest priority for the City Council and the Redwood City community.

- B. The imposition of the Impact Fee on new uses within a certain portion of the Downtown (the "Exempt Downtown Area") could be a substantial barrier to new development.
- C. The exemption from the payment of Impact Fee for new uses except professional, medical, business and administrative office uses within the Exempt Downtown Area will create an incentive for the development of housing and will enhance the retail environment.
- D. There will be no significant loss of revenue and any potential loss will be offset either by replacement of lost revenues from other sources or by Redevelopment Agency funding of Traffic Impact Mitigation Fee projects.

**SECTION 2.** Chapter 18, Article XV, Section 18.253.A.8 (a), is hereby amended to read as follows:

"Any use commenced on or after July 1, 2005, except professional, medical, business, and administrative office use, as said terms are defined below in subsection (b), within the Exempt Downtown Area (bound by Veterans Boulevard, Maple Street, El Camino Real, and Brewster Avenue) shall not be required to pay the Impact Fee if (1) a Notice of Official Action giving approval of the use is issued by the Zoning Administrator by December 31 2006, and (2) substantial construction pursuant to an approved building permit has been undertaken by December 31, 2007. Portions of buildings or structures that do not qualify for an exemption shall be required to pay the Impact Fee in accordance with the Impact Fee Schedule."

**SECTION 3.**

This ordinance shall be effective thirty (30) days after the date of its adoption.

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