



Memorandum

To: Vail Town Council

From: Public Works Department

Date: September 19, 2017

Subject: Resolution No. 29 Series 2017-Transportation Impact Fee Schedule

I. SUMMARY

On July 11, 2017 the Town of Vail adopted an amendment to Title 12 of the Vail Town Code to add a new Chapter 26, Transportation Impact Fee. The proposed transportation impact fee applies to new developments, including creation of any new residential dwelling units, or any new commercial floor area. The fee does not apply to residential remodels where no additional units are added, or to commercial remodels that do not increase square footage or change use. This new fee will be paid by the owner or developer, and will be collected by the Community Development Department at the time of issuance of a building permit. Revenues from this fee will be used by the Town of Vail for new transportation related infrastructure projects that are necessary due to the increased traffic from the incremental new development.

II. BACKGROUND

A transportation impact fee is a development fee assessed to offset costs that a jurisdiction will incur to improve transportation infrastructure as a result of increased traffic from new developments. The Town of Vail has collected transportation fees for certain development zone districts, including Public Accommodation(PA), Public Accommodation-2(PA-2), Lionshead Mixed Use-1(LMU-1), and Lionshead Mixed Use-2(LMU-2), and Special Development Districts (SDD)since 1999.

In 2016, the Town of Vail hired the consulting firm TischlerBise to develop an updated transportation impact fee. The adopted impact fee codified the previous traffic mitigation fee to help fund future transportation related projects identified in the Vail Transportation Master Plan. The proposed fee will be applied in all zone districts, and will require developers to pay their proportional share for the necessary transportation infrastructure improvements that are directly related to the impacts created by the new development.

Over the past year there have been multiple public discussions regarding the codification of a transportation impact fee. These public discussions were as follows:

- January 2016: Town Council: Staff confirmed direction from Council to move forward with an updated Transportation Impact Fee nexus study so that a Transportation Impact Fee could be codified. A Review of the current traffic mitigation fee and the previous effort to codify a traffic impact fee in 2009, along with discussion around the proposed 2009 fees and that it was anticipated that 2017 fees would be much higher.
- June 2016: Town Council: Discussion with consultant, TischlerBise, regarding:
- What is a traffic impact fee?
 - Why implement a traffic impact fee?
 - What's wrong with our current mitigation fees?
 - Can the Town waive fees for certain types of developments?
- Nov. 2016: Town Council: Review and confirmation of each of the Transportation Master Plan listed capital projects and to what extent (percentage) a transportation impact fee can fund these projects.
- January 2017: Town Council: Presentation by TischlerBise of the draft schedule of transportation impact fees based on the completed Nexus Study.
- February 2017: Town Council: Two meetings to have a more detailed review and discussion of the impact fee and the individual capital projects that would be funded and to what extent. Council provided direction to move forward through the process to codify the presented Transportation Impact Fees at the second February meeting.
- March 2017: Public Open House: Review and discuss the proposed transportation impact fees with attendees.
- April 2017: PEC: Review and discussion of the impact fee and the capital projects list.
- May 2017: PEC: Review of an application for a prescribed regulations amendment to Title 12, the Transportation Impact Fee Study, and the proposed ordinance. The recommendation of the PEC to the Town Council was for approval of the transportation impact fee and ordinance as presented by staff (Vote 4-3).
- June 2017: Town Council: Two meetings to approved on First Reading Ordinance No. 4 Series 2017, for the amendment to Title 12. (Vote 7-0)
- July 2017: Town Council: Approved on Second Reading Ordinance No. 4 Series 2017, for the amendment of Title 12. (Vote 4-2) Council delayed fee schedule resolution until September.

The public comments that were heard during the Town Council adoption of the Transportation Impact Fee Ordinance are summarized below along with staff's responses;

- The growth assumed in the Nexus Study and the Vail Transportation Master Plan is unrealistic. The Town should defer these impact fees until an updated Vail Master Plan can be completed to understand where and how the Town will develop in the future.

- *The growth assumptions are based on future development projects that have already been through the entitlement process and/or have had some level of master plan effort; the growth projections also recognize that most remaining large surface parking lots in the Vail and Lionshead village areas and the west vail commercial area will likely redevelop in the future. The majority of the development, 1813 of the projected 1982 units, and 495,000 of the projected 521,000 SF of commercial are based on the following specific projects;*
 - *Ever Vail (573 units / 56,000 SF Comm.) Entitlements approved.*
 - *ERWSD Area (26 units / 24,000 SF Comm.) Considered relocation and becoming 'part' of Ever Vail at one time, not entitled at this time*
 - *LH Parking Structure redevelopment/Lodge at Lionshead/Lionshead Center (203 units / 59,000 SF Comm.) Plans developed at one time, however did not complete entitlement process.*
 - *Vail Transportation Center / Evergreen Lodge (95 units / 64,000 SF Comm.) Plans developed at one time, however did complete entitlement process.*
 - *Vail Valley Medical Center (140,000 SF Comm.) Currently in entitlement process for 110,000 SF of expansion. Have the potential to increase square footage in the future at both the Hospital site and the US Bank building site.*
 - *West Vail Commercial Area (474 units /152,000 SF Comm.) Planning exercise completed in order to understand what a live work commercial area concept could look like within the West Vail Commercial Area.*
 - *Timber Ridge (50 units) Assumed density increase at Timber Ridge based on past development efforts.*
 - *Marriott Residence Inn (210 units) Entitlements approved.*
 - *Chamonix Housing (32 units) Approve.*
 - *Other Employee Housing Units (150 units) Assumed additional new construction employee housing units based on the goal of having 1,000 additional EHU's in Vail.*
- *Also to keep in mind; based on the 2010 US census data the number of units in Vail increased by 1841 units in ten years from 2000 to 2010. The current projection is a similar amount of development over a much more extended period of time of 25+ years.*
- *If Vail changes direction, and begins to limit development, the Ordinance and fee schedule will still be applicable; the net result would be collection of less impact fees, and therefore funding less transportation improvement projects. The fee schedule can be and should be updated at least every other year to keep pace with any changing development master plans and change in construction costs.*
- In lieu of an impact fee which adds to the burden of development, the Town Council should propose an increase in sales tax to spread the burden to all users.
 - *Council gave staff direction to adopt an impact fee to codify the existing traffic mitigation fees, not to propose an increase in sales tax. The impact*

fee could generate up to ~22% of the anticipated cost of the identified future transportation improvements. The remaining 78% would need to be generated by other means and thus is already spread out amongst all users (i.e. existing sales tax, VRA TIF funding, project level improvements, etc...). However for comparison, an equivalent sales tax increase to offset the recommended impact fees would be approximately 0.13%.

- The proposed capital projects from the Vail Transportation Master Plan are not necessary, and based on inflated traffic projections, and will lead Vail to having 4-9 lane Frontage Roads.
 - *The traffic projections are based on the development projections as described above. The resulting transportation projects have been reviewed in detail with both PEC and Council. None of the projects were perceived as being unnecessary. The effect of the road improvements are;*
 - *to continue the 4 lane frontage road median section that exists in front of the Vail Village and extend it west through the future Ever Vail site,*
 - *to add a roundabout as a single point main access for a future West Vail commercial redevelopment,*
 - *to add left turn lanes along the frontage roads where necessary to access residential roads (i.e. Buffehr Creek Rd., Red Sandstone Rd., etc...),*
 - *to increase capacity at the Vail Town Center and West Vail roundabouts as necessary.*
- An adopted fee schedule needs to include a start date and an exemption for those projects already in the process.
 - *Staff recommends enacting the fees by January 1, 2018; exempting all projects that are approved or in the process prior to that date. Prior to that date existing regulations and/or developer agreements will still apply. (i.e. PA, LMU & SDD's)*
- The Medical Facilities category is targeted to the Vail Valley Medical Center, and when based on square footage is not appropriate because the VVMC is mainly decompressing existing space not adding space or services.
 - *Staff recognizes the intent of the VVMC redevelopment is to decompress existing square footage, which is why a more in depth traffic study was completed and approved. The traffic study is based on site specific traffic studies, existing and projected employees, and existing and proposed parking space numbers. The traffic study includes an additional reduction in vehicular trips as a result of the robust employee shuttle program, which also provides the reduction in parking space requirements from 707 spaces to 604 spaces. This site specific traffic study projects 118 new net new PM peak hour vehicular trips, 22 more than what is accounted for in the existing developer improvement agreement from 2015. As stated in the existing developer improvement agreement, the traffic mitigation fee shall be based on the final net new PM peak hour trips or the new codified Transportation Impact Fee rate, for comparison;*

- A fee based on Net New PM Peak Hour Trips at the recommended rate of \$11,200, yields \$1,321,600. Less the original payment of \$624,000, netting a balance of \$697,600.
- A fee based on the recommended Square Foot Impact Fee @ \$9.93/SF, yields \$1,092,534 less the original payment of \$624,000, netting a balance of \$470,534
- Staff's assumption is that the recommended Transportation Impact Fee by square foot is more desirable for the VVMC.

III. FEE SCHEDULE

The recommended fee schedule was initially presented to Council this past January, approved with modifications by the Planning and Environmental Commission in May, and identified within the nexus study that is referenced within the recent adoption of Title 12-26.

The recommended fee schedule is based on the allowable fees as determined by the nexus study completed by TischlerBise. The fee schedule can be implemented as presented or reduced by some percentage as long as the reduction is equally applied over all uses. However by reducing the fee, Council recognizes that the shortfall of revenue projection will have to be made up by the Town of Vail.

In general, for every 5% reduction in fees, the Town of Vail will need to subsidize an additional \$900,000. The recommended fee schedule is as follows along with example reductions;

Maximum Supportable Transportation Impact Fees		Recommended	5%	10%	15%	20%
<u>Residential Dwellings (per Unit)</u>						
	Dwelling, Two Family or Multiple Family (In the Core Area)	\$ 5,960.00	\$ 5,662.00	\$ 5,364.00	\$ 5,066.00	\$ 4,768.00
	Dwelling, Two Family or Multiple Family (Outside the Core Area)	\$ 7,450.00	\$ 7,077.50	\$ 6,705.00	\$ 6,332.50	\$ 5,960.00
	Dwelling, Single Family	\$ 9,686.00	\$ 9,201.70	\$ 8,717.40	\$ 8,233.10	\$ 7,748.80
	Employee Housing Unit	\$0	\$ -	\$ -	\$ -	\$ -
<u>Accommodation Unit (per Unit)</u>						
	Accommodation Unit (In Core Area)	\$ 5,960.00	\$ 5,662.00	\$ 5,364.00	\$ 5,066.00	\$ 4,768.00
	Accommodation Unit (Outside Core Area)	\$ 7,450.00	\$ 7,077.50	\$ 6,705.00	\$ 6,332.50	\$ 5,960.00
<u>Commercial (per square foot of floor area)</u>						
	Restaurant & Retail Establishments	\$ 13.90	\$ 13.21	\$ 12.51	\$ 11.82	\$ 11.12
	Facilities Health Care	\$ 9.93	\$ 9.43	\$ 8.94	\$ 8.44	\$ 7.94
	Office & Other Services	\$ 6.20	\$ 5.89	\$ 5.58	\$ 5.27	\$ 4.96
	Total Projected Revenue	\$ 18,244,320.00	\$ 17,332,104.00	\$ 16,419,888.00	\$ 15,507,672.00	\$ 14,595,456.00
	Total Additional Amount Subsidized by Town	\$ 2,553,860.00	\$ 3,466,076.00	\$ 4,378,292.00	\$ 5,290,508.00	\$ 6,202,724.00

The concerns members of Council expressed previously were with regards to perception that the fees are too high and that the fees might deter desired developments within the Town. The Town's policies have leaned towards incentivizing the development of Commercial uses and Accommodation Units. Some of these incentives were adopted as a result of the Lionshead Master Plan process ~20 years ago. That process significantly increased allowable Gross Residential Floor Area (GRFA), increased unit density, permitted Accommodation Units to not count towards

density, and encouraged first floor retail expansions. However, it also adopted language within the PA and LMU zone districts to require pedestrian and vehicular traffic impact mitigation. The mitigation requirement recognized that incentivizing redevelopment and increasing GRFA/Density would result in additional vehicular and pedestrian traffic which would need to be mitigated in some capacity. The intent of the language was to have the developer pay for the cost of the mitigation.

Staff recommends that this consideration continues, where Commercial uses and Accommodation Units can still be incentivized, with the requirement that in exchange for development incentives the developer should pay for the transportation related impacts caused by the development. This policy, which has been in effect for the past 20 years, has not deterred development as exemplified by Vail's Two Billion Dollar Redevelopment phase between 2004 and 2010. During that time the town assessed a total of \$3.4 Million in negotiated traffic mitigation fees for Multiple Family, Commercial, and Accommodation Unit developments. The fee assessed during that time beginning in 2005 was \$6500 per net PM peak hour traffic trip generated. An equivalent 2016 fee, adjusted for local construction escalation, would be approximately \$13,000 to \$16,705 per net PM peak hour traffic trip generated. The recommended fee schedule presented above reflects an equivalent amount of only \$11,200 per PM peak hour traffic trip generated. Therefore, taking into account local construction cost inflation, the recommended fee schedule is actually 14% to 33% less than the relative cost of traffic mitigation in 2005.

In addition, showing that the recommended impact fee is not likely to deter development, this past August, Town Council adopted on first reading a traffic mitigation fee of \$11,200 per PM peak hour trip (with an exemption for EHU's) for phase II of the Mountain View SDD development. This past January the Marriott Residence Inn SDD, was approved on first reading to have an impact fee of \$11,200 per PM peak hour trip, and it is in the final Developer Improvement Agreement process to further solidify this amount. These two recent approvals are equivalent to the recommended transportation impact fee schedule, and do not include a reduction.

IV. CREDITS & APPEAL

At the previous Council work session on September 5th, Council requested information regarding the ability to waive/credit/negotiate Transportation Impact Fees under special circumstances for unique projects. Staff has discussed the adopted ordinance, specifically section 12-26-4 with the Town Attorney and can identify multiple accommodations for such ability to not waive but provide credits for pending impact fees, during the development review process;

- provided for any dedication or conveyance of land
- provided for any construction of Town-approved System Level transportation infrastructure or facilities as identified in the Vail Transportation Impact Fee Study
- provided for any transportation services provided by the applicant at the applicant's cost, that offset the transportation impacts of the project, as approved by the Town

- The value of said credits shall be determined by the Town, in its reasonable discretion.

The third bullet being the most broad in definition and could apply to such unique developments as the Vail Health redevelopment.

V. ACTION REQUESTED OF THE TOWN COUNCIL

In order to implement Title 12-26, Transportation Impact Fee the Town Council should adopt by Resolution a Transportation Impact Fee Schedule.

VI. STAFF RECOMMENDATION

Staff recommends adopting Resolution No. 29 Series 2017 with the recommended fee schedule as noted above which is referenced in the Transportation Impact Fee Nexus Study, with clarifications as identified in the attached Fee Schedule, with its implementation occurring on January 1, 2018.

VII. ATTACHMENTS

Attachment A – Resolution No. 29, 2017

Attachment B – Ordinance No. 4, Series 2017

Attachment C – Vail Transportation Impact Fee Study, March 10, 2017

Attachment D – Presentation