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## FINAL REPORT

# MILPITAS TRANSIT AREA INFRASTRUCTURE FINANCING TECHNICAL REPORT

Prepared for:

City of Milpitas

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# I. INTRODUCTION AND SUMMARY

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## BACKGROUND

Over the past several years, the City of Milpitas has been planning for the redevelopment of a largely commercial/industrial area located immediately south of the Great Mall Retail District bisected by Montague Expressway and the Great Mall Parkway. Portions of this area have recently been the focus of developer investment and planning for new housing and additional commercial development. In response to these proposals and in anticipation of the BART extension to San Jose that will pass through this area, the City began the preparation of a *Transit Area Specific Plan (TASP)* for the area in 2004. Because of concerns regarding the fiscal and financial implications of intensification of the development of the area, two companion documents, the *Transit Area Specific Plan Financing Plan* and the *Transit Area Fiscal Analysis*, were also prepared.<sup>1</sup>

The *Financing Plan* provides an analysis of financial feasibility given the need for major infrastructure improvements in the Transit Area, a set of financing principles and policies, as well as recommended financing mechanisms and strategies needed to assure consistency with City policy. The *Financing Plan* determined that the cost of infrastructure improvements would be significant, and moreover, that development, in one manner or another, would be capable of paying its proportional share of these costs. A set of financing techniques and a financing strategy were included to guide financing of needed improvements.

One of the major components of the *Financing Plan's* recommended financing strategy was the use of an "area development impact fee." As proposed, this fee would be enacted by City Ordinance and would require development within the Transit Area to pay the fee for basic infrastructure on a per-unit basis (e.g., per each new house or per square foot basis for nonresidential uses). The proposed *Transit Area Development Impact Fee (TADIF)* is not intended to replace the need for existing development impact fees (except for the Sewer Treatment Plant Fee which will not be collected in the Transit Area)<sup>2</sup> and charges levied by the City and other agencies for citywide improvements (e.g., schools, storm drainage, etc.).

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<sup>1</sup> Both documents prepared by Economic & Planning Systems, Inc. (EPS)

<sup>2</sup> The Basic Improvement Plan for the Transit Area does include roughly \$8 million in costs to increase sewer capacity.

## PURPOSE OF THE PROPOSED FEE AND REPORT

The *TADIF* is a development impact fee adopted by the City of Milpitas pursuant to the provisions of Government Code Section 66000 (AB 1600). The impact fee will fund a set of local infrastructure improvements identified as the *Basic Infrastructure Program (BIP)*, provided in **Appendix B**, and will be the centerpiece for developer financing of the basic infrastructure required within the Transit Area. The *TADIF* will be integrated with other funding sources in meeting overall funding needs, including existing fees, tax increment, and other regional funding sources.

This Report provides the necessary technical analysis establishing a schedule of fees to be enabled by a *TADIF* Ordinance and set by an accompanying Resolution consistent with the provisions of AB 1600. This Report and the technical information it contains should be maintained and reviewed periodically by the City to assure that the *TADIF* generates sufficient funding to build required infrastructure improvements in the Transit Area.

## TADIF RECOMMENDED FEE SCHEDULE

**Table 1** illustrates the recommended fee levels for the *TADIF*.

**Table 1. TADIF Recommended Fee Levels – Summary**

<b>Development Prototype</b>	<b>Fee Level [1]</b>
Residential (per unit)	\$23,800
Retail (per square foot)	\$16.70
Office (per square foot)	\$25.00
Hotel (per hotel room)	\$9,000

[1] In 2008 dollars, includes 2% administrative fee.

Source: Economic & Planning Systems

## SUMMARY AND CONCLUSIONS

1. *The additional basic infrastructure needed in the Transit Area is estimated to cost \$208.3 million.*

Basic infrastructure needed to serve the area includes road and related improvements, water and sanitary sewers, storm drainage, and various public facilities. The largest cost categories of the basic infrastructure are the road-related improvements costs (\$82.7 million) and costs to acquire and develop parks and open space (\$79.8 million). The road improvements are necessary to bring existing transit infrastructure up to City standards, to serve new development, and to accommodate increasing citywide and regional traffic flows. Parks and open space are needed to provide a sufficient level of park and recreation space for the Transit Area's residents and employees. It is important to note that one element of the road-related improvement costs, traffic mitigation, represents the share of costs allocated to the Transit Area for regional improvements. The total costs for the regional road improvements are described in **Appendix A** (Transportation Impact Fee Study).

2. *The portion of basic infrastructure costs directly attributable to development in the Transit Area is estimated to be \$197.8 million and, thus, should be funded by development-based sources.*

The cost of basic improvements in the Transit Area can only be partly allocated to new development because existing residents in the Transit Area and citywide residents contribute in some measure to the need for these improvements. Accordingly (and on the basis of a cost allocation methodology applied in this Report), the costs of additional improvements in the Transit Area have been divided into a developer share of \$197.8 million.

3. *The basic infrastructure costs required to support the Phase 1 development are roughly equal to the fee revenue projected to accrue during the first eight years of development.*

Certain infrastructure projects will need to be built in advance of the development that they are intended to serve. City staff conducted a detailed analysis of the basic infrastructure required in the Transit Area to determine those items that must be in place to support the development expected during "Phase 1" (approximately the first eight years) of development. The costs of infrastructure necessary to serve Phase 1 projects are estimated to total \$99.4 million. During this time TADIF revenue, assuming a cost allocation equivalent to the method proposed, would generate \$96.1 million. However, because of the need to have much of this

infrastructure in place before or during construction, a variety of supplemental financing mechanisms or advances must be instituted as a part of the City's implementation efforts.

**4. *The unfunded portion of the basic infrastructure costs is estimated to be \$91.4 million.***

Certain infrastructure costs either cannot or will not be attributed to new development in the Transit Area. Of these costs, about \$10.5 million is for pedestrian bridges associated with the future BART alignment which are needed to allow non-vehicular, site circulation. Outside funding is required for these improvement costs. The other portion of the costs is associated with regional transportation projects for which outside funding is also needed (see **Appendix A** for the regional transportation projects analysis).

**5. *Existing fees charged by the City and other agencies add substantially to the total fee burden associated with Transit Area development.***

When the *TADIF* is combined with an estimate of other fees and charges levied by the City and other agencies, the total fee burdens are estimated to be approximately \$29,300 for residential units, \$29 per square foot for office uses, \$21 per square foot for retail uses, and \$10,300 per hotel room. These aggregate fee levels generally fall within real estate industry standards for such costs; however, fees (and other costs) associated with retail and hotel uses may in some cases inhibit desired development.

## II. TRANSIT AREA SPECIFIC PLAN

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The *TASP* was approved as a General Plan Amendment by the City of Milpitas on June 3, 2008. The *TASP* covers approximately 437 acres of territory and establishes a transit-oriented land use plan for the Transit Area, including a detailed assessment of infrastructure needed to support and provide municipal services to proposed development. **Figure 1** presents a map of the territory included in the Transit Area.

The *TASP* created a significant amount of new development capacity for residential and commercial development in the area. For example, if all the undeveloped and underdeveloped residential designated areas were constructed at the midrange of permitted densities, an additional 7,900 residential units could be constructed. A number of factors make this level of residential development unlikely, including the current fragmented parcel pattern, existing land uses, and various other constraints. Because of these constraints, a more conservative "development scenario" was used as the basis of the *TADIF* technical analyses. This development scenario assumes that the development projects that have been officially submitted for processing and/or are in the planning stages will be built as submitted and other development potential will be reached over time.

Where detailed project plans were available, the related development programs were incorporated; otherwise, 90 percent of the midpoint of the allowable density was assumed for each of these proposed projects. Actual development in the Transit Area will vary somewhat from the numbers used herein depending on market conditions and the refinement of development plans that will occur over time. However, the variation will fall within the development parameters established in the *TASP*.

**Table 2** shows the estimated development scenario by land use. The 7,100 residential units planned and proposed all fall into the multifamily type of development, ranging from townhomes and multistory apartment to stacked condominium flats and condominium towers (up to 20 stories, allowed in certain areas with a use permit). The *TASP* includes minimum and maximum densities for residential uses ranging from about 30 to 60 units per gross acre. The development scenario also includes 287,000 square feet of retail space, mostly in mixed-use format. Currently, there are no active development plans for office or hotel space within the Transit Area. For planning purposes, City staff has assumed that at build-out the Transit Area could include a total of about 994,000 square feet of office space and a 350-room hotel. These development estimates are based on 90 percent of the midpoint of the allowable density provided by the *TASP* and on assessments of individual parcels within the Transit Area.

Figure 1. Map of Transit Area Specific Plan



**Table 2. Development Program Summary**

Prototype	All Development Phases			
	Units	Sq.Ft.	Rooms	Total
<b>Residential</b>				
Units [1]	7,109	--	--	7,109
<b>Nonresidential</b>				
Retail	--	287,075	--	287,075
Office	--	993,843	--	993,843
Hotel Rooms	--	--	350	350
Total, Nonresidential [2]		1,280,918	350	

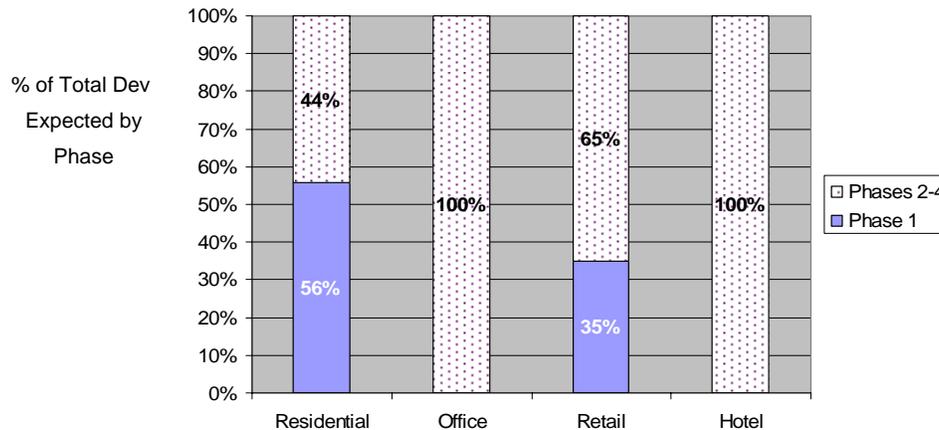
[1] Of the total number of residential units, about 2,249 are assumed to be rentals. In addition, 15% inclusionary housing is assumed for residential development located within the Redevelopment Agency's Project Area.

[2] Assuming 550 square feet per room, hotel space is estimated at 175,000 square feet total. Adding this to the retail and office totals brings total, noncommercial square feet to roughly 1.47 million.

Source: Transit Area Specific Plan; City of Milpitas; Economic & Planning Systems

The development program is further specified by development phases, as defined in the TASP and based on information provided by City staff. Phase 1 development includes only current development proposals within the Transit Area that are expected to reach completion within the next eight years. As shown in Figure 2, it is estimated that approximately 56 percent or about 3,970 dwelling units may be constructed during Phase 1, while about 35 percent (100,000 square feet) of retail is likely to be developed during this initial phase. All remaining development is expected to occur in later phases. Table 3 details this breakdown by phase.

**Figure 2. Estimated Phasing of Development, by Land Use**



**Table 3**  
**Development Program - Detail by Phase and Type**  
**Milpitas TASP, Financing Plan; EPS #17107**

Prototype	Development Phase 1			Development Phase 2			Development Phase 3			Development Phase 4			
	Units	Sq.Ft.	Total	Units	Sq.Ft.	Total	Units	Sq.Ft.	Total	Units	Sq.Ft.	Rooms	Total
<b>Residential</b>													
For-Sale, Multifamily	1,153	1,202,000	1,153	235	240,932	235	340	349,398	340	29	29,448	--	29
Rental, Multifamily	1,184	1,065,600	1,184	87	78,062	87	126	113,205	126	11	9,541	--	11
<b>Mixed Use</b>													
For-Sale, Multifamily	565	--	565	512	--	512	743	--	743	63	--	--	63
Rental, Multifamily	1,065	--	1,065	388	--	388	563	--	563	47	--	--	47
Retail	--	100,022	100,022	--	72,715	72,715	--	105,450	105,450	--	8,888	--	8,888
Office	--	--	--	--	386,346	386,346	--	560,275	560,275	--	47,222	--	47,222
<b>Other</b>													
Hotel	--	--	--	--	--	--	--	--	--	--	--	350	350
<b>Public Land Acreage</b>													
Parks/Plazas/Cmmnty Fac/Linear Parks/Trails	--	--	14.00	--	--	5.67	--	--	5.67	--	--	--	5.67
<b>Totals, By Phase</b>													
Total Units	<b>3,967</b>	--	<b>3,967</b>	<b>1,221</b>	--	<b>1,221</b>	<b>1,771</b>	--	<b>1,771</b>	<b>149</b>	--	--	<b>149</b>
Total Retail	--	<b>100,022</b>	<b>100,022</b>	--	<b>72,715</b>	<b>72,715</b>	--	<b>105,450</b>	<b>105,450</b>	--	<b>8,888</b>	--	<b>8,888</b>
Total Office	--	--	--	--	<b>386,346</b>	<b>386,346</b>	--	<b>560,275</b>	<b>560,275</b>	--	<b>47,222</b>	--	<b>47,222</b>
Total Hotel Rooms	--	--	--	--	--	--	--	--	--	--	--	<b>350</b>	<b>350</b>
Total Public Land	--	--	<b>14.00</b>	--	--	<b>5.67</b>	--	--	<b>5.67</b>	--	--	--	<b>5.67</b>
<b>TOTAL, ALL PHASES</b>													
Total Units	<b>7,109</b>	--	<b>7,109</b>										
Total Retail	--	<b>287,075</b>	<b>287,075</b>										
Total Office	--	<b>993,843</b>	<b>993,843</b>										
Total Hotel Rooms	--	--	<b>350</b>										
Total Parks/Rec. (acres)	--	--	<b>31.00</b>										

Source: Transit Area Specific Plan; City of Milpitas; Economic & Planning Systems

### III. BASIC INFRASTRUCTURE PROGRAM

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A *BIP* has been developed to organize and prioritize the basic infrastructure needed to serve the Transit Area. These improvements were originally identified as a part of the *TASP* preparation and were refined during preparation of the *Financing Plan*.

**Appendix B** presents a database listing of the *BIP*. The *BIP* does not include the “in-tract” improvements normally constructed by developers (e.g., neighborhood streets) as a part of project development.

**Table 4** shows a summary listing of improvement items included in the *BIP*. Total costs for infrastructure improvements for the Transit Area are estimated to be \$208.3 million. Approximately 50 percent of these costs or \$99.4 million will be required in Phase 1 of the planned development. The remaining \$98.4 million of infrastructure costs represents improvements that may be postponed until after Phase 1, approximately eight years, and may occur in one or more additional phases of development.

It is important to note that the items listed in the *BIP* are conceptual and are provided for documentation purposes. As planning and development projects move forward, the specific projects are likely to change. The *BIP* substantiates fees for general types of improvements (Roads, Parks/Trails, etc.) rather than specific improvements. Over time the individual improvement line items may be modified, replaced or funded with other sources that become available.

The most significant cost items are the road-related improvements which make up 40 percent of the *BIP*. These include backbone-road improvements located within the Transit Area, streetscape improvements on major thoroughfares within the Transit Area, and the Transit Area’s share of regional traffic improvements. Together, these road-related improvements total \$82.7 million. Park and recreation facilities make up the second largest category of costs. The acquisition and development of parks, plazas, community facilities, linear parks, and trails are estimated to be \$79.8 million, about 37 percent of total infrastructure costs. Following these categories in cost-magnitude are water improvements (\$30.1 million) and sewer improvements (\$14.4 million).

**Table 4  
Infrastructure Costs Summary  
Milpitas TASP, Financing Plan; EPS #17107**

Infrastructure Cost Category	Total Costs <i>a</i>	Other Sources Total <i>b</i>	Net Development Share <i>c = a - b</i>	Development Phase	
				1 <i>d</i>	2-4 <i>e</i>
Roadway/Intersection - Backbone [1]	\$26,223,960	\$10,500,000	\$15,723,960	\$0	\$15,723,960
Traffic Mitigation [2]	\$40,992,500	\$0	\$40,992,500	\$5,207,500	\$35,785,000
Streetscape Improvements [3]	\$15,490,592	\$0	\$15,490,592	\$6,204,584	\$9,286,008
Parks/Plazas/Community Facilities	\$76,568,530	\$0	\$76,568,530	\$40,971,240	\$35,597,290
Linear Parks/Trails	\$3,195,000	\$0	\$3,195,000	\$1,860,000	\$1,335,000
Sewer	\$14,418,200	\$0	\$14,418,200	\$14,418,200	\$0
Water	<u>\$30,057,150</u>	<u>\$0</u>	<u>\$30,057,150</u>	<u>\$30,057,150</u>	<u>\$0</u>
<b>Total</b>	<b>\$206,945,932</b>	<b>\$10,500,000</b>	<b>\$196,445,932</b>	<b>\$98,718,674</b>	<b>\$97,727,258</b>
<b>Specific Plan Preparation</b>	<b><u>\$1,331,000</u></b>	<b><u>\$0</u></b>	<b><u>\$1,331,000</u></b>	<b><u>\$665,500</u></b>	<b><u>\$665,500</u></b>
<b>Total</b>	<b>\$208,276,932</b>	<b>\$10,500,000</b>	<b>\$197,776,932</b>	<b>\$99,384,174</b> <i>50%</i>	<b>\$98,392,758</b> <i>50%</i>

[1] Includes improvements to Falcon Drive and Trade Zone Boulevard and the construction of five bridges spanning Piper Drive, Montague Expressway, and Penitencia Creek.

[2] Total costs shown are TASP share of regional traffic improvements. See Kimley-Horn report (**Appendix A**). Total transportation costs identified in the report sum to \$158.3 million. Of this amount, \$40.9 million is allocated to the Transit Area as its regional share.

[3] Includes streetscape improvements to Great Mall Parkway and Capitol as well as to Montague. Total streetscape improvements to all streets in the Transit Area are estimated at \$42.4 million.

Source: Transit Area Specific Plan; City of Milpitas; Economic & Planning Systems

## IV. TRANSIT AREA DEVELOPMENT IMPACT FEE

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### TADIF CONCEPT

Local-area development impact fee ordinances have become a common way of funding infrastructure needed by newly developing areas. In concept, the proposed impact fee requires new development in the Transit Area to pay, through a fee charged on a per-unit (e.g., each new house) basis, its proportional share of local infrastructure necessary to serve the new development. Rather than individual fees related to each specific improvement category, the proposed *TADIF* is comprehensive, including the range of basic infrastructure categories required to serve the developing Transit Area.

The *TADIF* was not conceived as the solitary local financing mechanism in the Transit Area but rather as the mechanism that secures the obligation of individual projects to pay a proportional share of improvement costs no later than when building permits are obtained. In actuality, it is assumed that developers may, in many instances, build needed improvements before the building permits are issued. It may also be helpful to establish one or more land-secured financing districts (assessment district or Mello-Roos Community Facilities District [CFD]) to provide timely funding of required improvements. There is also the potential for funding certain infrastructure items or community facilities with redevelopment tax increment financing since the area is largely within the City's Redevelopment Project Area. Funding derived from these alternative mechanisms should be a credit against the *TADIF* obligation. Commitments for such advanced funding from developers should generally be accompanied with development agreements—contracts between a developer and the City establishing entitlements to ensure that development is consistent with the *TASP* and individual project approvals.

### QUALIFICATIONS AND ASSUMPTIONS

Several major assumptions directly affect the results of the fee calculations. Although it is necessary to make certain assumptions to conduct the burden analysis and derive the required fees, these assumptions may change over time. Any major change in these assumptions could affect the financial results described in this Report. The *TADIF* Ordinance should provide for an annual review of these assumptions and related factors to assure that adequate funding is secured in the Transit Area within the context of overall policy objectives. These key assumptions include the following:

- Infrastructure cost estimates included in the *BIP* have been provided by City staff and/or a consulting engineer and represent "preliminary engineering cost estimates." Subsequent and more refined planning and engineering efforts should produce more precise cost estimates which may vary from the cost estimates used in

this analysis. Adequate contingency assumptions have been used in the cost estimates to avoid any significant impact to the financial analysis as a result of the more refined engineering estimates.

- A set of market values or unit prices has been assumed for each of the residential unit types, which is based on current projects in Milpitas and expectations about the Transit Area. The financial burden analysis included in the Cost Allocation Model uses the average residential unit values as a means of testing the overall feasibility of the project. The actual values will vary by project; thus, actual burdens may be slightly higher or lower for individual projects than those reported here.
- The analysis is based on a projected development schedule provided by City staff and upon development applications that have been submitted to or discussed with the City. This schedule represents the likely year that each project would begin construction by type of unit and how long it would take to complete. During Phase 1, between 350 and 450 units per year are expected to be developed over an eight- to ten-year time period, which represents the overall likely absorption that the Transit Area is expected to experience, given market conditions. A slower absorption schedule would imply slower accrual of fee revenues and, possibly, deferred construction of improvements.
- The *TADIF*, similar to other impact fees, is calculated on a per-unit basis. Therefore, if development occurs, on average, at higher than the midrange of allowed density, or more than 7,100 units are constructed, excess revenue may be produced. On the other hand, if development occurs, on average, at lower than the midrange of allowed density or fewer than 7,100 new units are ultimately constructed, a revenue shortfall will occur. This problem is inherent with unit-based fee programs. Pursuant to Government Code Section 66001(e), any excess revenue will need to be returned to property owners, in one manner or another, pursuant to the Ordinance and related programs adopted by the City. On the other hand, ongoing monitoring can identify and predict funding shortfalls which may lead to fee increases that can contribute to adequate funding, subject to “nexus” principles.

## NEXUS FINDINGS

This section presents the findings that describe the necessary nexus between development in the Transit Area and the proposed community facilities, as required under Government Code Section 66000 (AB 1600). The technical analysis supporting these findings is presented in a subsequent section of this Report and in the related technical appendices. Nexus findings are provided for each major facility type, addressing: (1) the purpose of the fee, with a related description of the facility for which fee revenue will be used, (2) the specific use of fee revenue, (3) the relationship between the facility and the type of development, (4) the relationship between the need for the facility and the type of development, and (5) the relationship between the amount of the

fee and the proportionality of cost specifically attributable to development. The specific findings are presented for each of the following facilities:

- Roadway and Regional Improvements
- Parks, Plazas, and Community Facilities
- Linear Parks and Trails
- Sanitary Sewer Improvements
- Domestic Water Supply
- Specific Plan and Supporting Documentation Preparation

## ROADWAY AND REGIONAL IMPROVEMENTS

### **Purpose**

The *TADIF* will help to maintain adequate levels of service on public roads in the Transit Area and will contribute the Transit Area's share to regional roadway improvement projects. Road improvements will also include streetscape improvements on certain roads, consistent with standards identified in the *TASP*.

### **Use of Fee**

Fee revenue will be used to fund specific roadway improvements that include the improvements to existing arterials, construction of new roadways, pedestrian and vehicular overcrossings, intersections, and related roadway landscaping identified in the *Basic Improvement Program* (see **Appendix B**). These improvements compose the largest cost category in the Transit Area.

### **Relationship**

New development in the Transit Area, including residential and commercial uses, will increase trips on local as well as citywide and regional roads, leading to a potential deterioration of service levels. Fee revenue will be used to expand capacity that will facilitate traffic flow, consistent with the adopted standard.

### **Need**

Each new development project (residential or commercial) will add to the incremental need for roadway capacity. The Transportation Impact Fee Study conducted for the *TASP* Environmental Impact Report (EIR) by Kimley-Horn and Associates concluded that alterations and expansions to City and regional roadways are required to maintain an acceptable level of service (LOS) as a result of development in the Transit Area (see **Appendix A**, Chapter 5.0). In addition, improvements to reconfigure roadways and provide overcrossings within the Transit Area are identified in the *TASP*. These improvements would be necessary to meet the City's LOS standard in the Transit Area when considering the existing travel demand and the incremental travel demand expected both from new development in the Transit Area and from regional traffic.

## Proportionality

The proportion of road costs funded by the *TADIF* was based on a methodology (described in detail in **Appendix A**) that: determines transportation improvements needed to serve new development, excludes costs to correct existing deficiencies and costs which may be covered by other funding sources, and then allocates the remaining costs to each land use based on PM, peak hour trips generated.<sup>3</sup> This methodology is applied to roadway projects included in **Appendix A** and backbone roadway improvements and streetscape improvements itemized in **Appendix B**.

## PARKS, PLAZAS, AND COMMUNITY FACILITIES

### Purpose

Standards for parkland are established in the *TASP* based on those established in the Milpitas Midtown Specific Plan (which the majority of land in the Transit Area is a part of, except for the Piper/Montague subdistrict). The *TASP* calls for a minimum of 3.5 acres of open space per thousand residents, with 2.0 acres per thousand residents to be public park land.

### Use of Fee

The fee revenues will be used to build parks, plazas, and community facilities as described in the *TASP*.

### Relationship

New development adds population, and employment adds to demands for parks, plazas, and community facilities. The City used a standard of 2.0 acres of publicly accessible parkland per 1,000 new residents to establish the park acreage in the Transit Area.

### Need

There are no parks, plazas, or community facilities in the area at this time.

### Proportionality

The costs of parks, plazas, and community facilities have been allocated to new development on a population basis.

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<sup>3</sup> See **Appendix A**. Kimley-Horn describes four methods to allocate costs to *TASP* development: LOS/Delay Proportion; Project Traffic over Total Traffic; Project Traffic over 2004-to-2030 Traffic Growth; and Primary Benefit Considerations.

## LINEAR PARKS AND TRAILS

### **Purpose**

The *TASP* incorporates a set of linear parks and trails. These improvements provide pedestrian and bicycle access throughout the Transit Area and also recreational opportunities for residents, visitors, and employees.

### **Use of Fee**

The fee will be used to build the linear parks and trails identified in the *TASP*.

### **Relationship**

New development will add to the City's residential population, in turn adding demand for travel and recreational opportunities. Linear parks and trails, in addition to providing a recreation amenity, create opportunities for pedestrian access to transit, shopping, and recreational facilities that would otherwise require a vehicle trip.

### **Need**

There are no linear parks or trails in the Transit Area at this time.

### **Proportionality**

The costs of linear parks and trails have been allocated to new development on a population basis.

## SANITARY SEWER IMPROVEMENTS

### **Purpose**

Sanitary sewer wastewater originating in the City is pumped to the San Jose/Santa Clara Water Pollution Control Plant. Improvements needed within the Transit Area to the existing sewer mains are identified in the 2004 Sewer Master Plan Revision and the Draft 2007 Sewer Master Plan Update. The *TADIF* will provide funding to construct the improvements necessary to transport wastewater from developing portions of the Transit Area to the City's sewage treatment trunk lines connecting the City to the treatment plant.

### **Use of Fee**

Fee revenue will be used to fund specific sanitary sewer improvements, which include improvements to existing main lines required to serve newly developing parcels. Funds will also be used to purchase additional capacity at the Water Pollution Control Plant and additional pumps at the Main Sewer Pump Station. Generally, the improvements to the main lines will be made in concert with major road improvement projects listed in the *BIP*.

### **Relationship**

New development in the Transit Area, including residential and commercial uses, is required to be connected to the City's sanitary sewer system for public health and safety reasons.

### **Need**

Adequate sanitary sewer facilities and allocated capacity at the Water Pollution Control Plant are needed to serve developing portions of the Transit Area.

### **Proportionality**

The full cost of sanitary sewer facilities and the additional treatment capacity in the *BIP* will be funded by new development because the improvements are only required by new development and provide no significant benefit to existing development. The cost of sewer improvements has been distributed using a sewer flow rate based on average sewer flow factors in Milpitas for various types and densities of development, as documented in the Draft 2007 Sewer Master Plan Update.

## **DOMESTIC WATER SUPPLY**

### **Purpose**

Potable water is provided by the City of Milpitas through its municipal water system. The City purchases water from both the San Francisco Public Utilities Commission and the Santa Clara Valley Water District (SCVWD). Purchased and transported water from these two sources are physically separated from one another throughout the delivery process to prevent water quality issues which may arise from blending. The Transit Area lies primarily within the SCVWD's service zones. The increase in water demand expected to be generated by redevelopment in the Transit Area can be met through supplies available from the SCVWD. The *TADIF* will provide the additional main lines needed to connect the developing portions of the Transit Area to the City's domestic water system and infrastructure necessary to support expansion of the City's recycled water system to accommodate development in the Transit Area.

### **Use of Fee**

Fee revenue will be used to fund water main improvements, which include the improvements to existing main lines and extension of new main lines required to serve the intensification in development of many parcels. Generally, these improvements will be made in concert with major road improvement projects listed in the *BIP*.

### **Relationship**

New development in the Transit Area, including residential and commercial uses, is required to be connected to the City's water system for public health and safety reasons.

### **Need**

Adequate water lines needed to serve redeveloping portions of the Transit Area do not currently exist.

### **Proportionality**

The full cost of water main lines in the *BIP* will be funded by new development because the improvements are required by new development and provide no significant benefit to existing development. The costs of water improvements have been distributed using a water flow rate based on average water flow factors in Milpitas for various types and densities of development, as documented in the 2007 Water Master Plan Update.

## **SPECIFIC PLAN AND SUPPORTING DOCUMENTATION PREPARATION**

### **Purpose**

State law requires consistency between a Specific Plan, General Plan, and all planning policies and decisions. The *TASP* was prepared at City direction, pursuant to this law. The *TADIF* will reimburse the City for expenses associated with preparing the *TASP* and supporting documents.

### **Use of Fee**

Fee revenue will be used to reimburse the City for expenses incurred during the preparation of the *TASP* and supporting documentation. This item is listed in the *BIP*.

### **Relationship**

As adopted, the *TASP* is part of the City's General Plan and has the binding legal authority to guide land use, circulation, and infrastructure within the Transit Area. New development in the Transit Area, including residential and commercial uses, will be guided by the *TASP*.

### **Need**

The Milpitas Midtown Specific Plan, which covers the Transit Area, called for the creation of a detailed, precise plan for the area around the proposed BART station. The *TASP* fulfills this requirement.

## Proportionality

The full cost of the analysis and documentation preparation in the *BIP* will be funded by new development because planning was required in advance of any new development approvals. The cost of the plan has been allocated to the variety of land uses based on the generation of residential population and employment.

## COST ALLOCATION

This section describes the technical basis and methodology used to determine the *TADIF*. The development assumptions and costs of required infrastructure assumed to occur in the Transit Area were described in **Chapter V** of the *Transit Area Specific Plan Financing Plan*.

### COST ALLOCATION PROCEDURES

The Cost Allocation Model incorporates the *TADIF* obligations with existing fees charged by the City and evaluates the financial feasibility of the burdens associated with each land use. For this analysis, the costs of *BIP* items have been distributed to particular land uses based on the general nexus principles, as required by AB 1600. **Table 5** summarizes the cost allocation techniques used to proportion infrastructure costs to the various types of development proposed in the Transit Area. A range of technical sources were used to derive the allocation factors. In most instances, these factors are derived from documents specifically applicable to the Transit Area, including the *TASP* EIR and related technical documents.

Cost allocations have been made using factors that estimate the relative benefits of various improvements for each development type. Different land uses are assigned relative weights for each of these measures based on their demand for each facility, and the resulting factors are used to distribute benefits and costs among land uses of different types. The methodology used in this analysis is the same as that used in the *Financing Plan*; the actual factors have been revised and updated to reflect more accurately the demand for infrastructure from each land use product type.

**Table 6** reports the results of this cost allocation, identifying the relative proportion of costs by cost type for each land use. Based on the development program illustrated in **Table 2**, the recommended fee levels are shown by land use in **Table 7**. An administrative fee of 2 percent is added to this amount. The resulting, recommended fee levels are shown in this table.

**Table 5**  
**Infrastructure Allocation Methodology**  
**Milpitas TASP, Financing Plan; EPS #17107**

<b>Infrastructure Cost Category</b>	<b>Total Costs</b> <i>a</i>	<b>Other Sources Total</b> <i>b</i>	<b>Net Development Share</b> <i>c = a - b</i>	<b>Allocation Factor</b>	<b>Allocation Factor Description</b>
Roadway/Intersection - Backbone	\$26,223,960	\$10,500,000	\$15,723,960	Trips	Trip generation analysis.
Streetscape Improvements	\$15,490,592	\$0	\$15,490,592	Trips	Trip generation analysis.
Parks/Plazas/Community Facilities	\$76,568,530	\$0	\$76,568,530	Population	Total residential population.
Linear Parks/Trails	\$3,195,000	\$0	\$3,195,000	Population	Total residential population.
Sewer	\$14,418,200	\$0	\$14,418,200	Sewer	Base Water Flow (BWF) per person estimated; multiplied by total population (residents + employees + hotel guests); proportion of total BWF allocated by land use. [1]
Water	\$30,057,150	\$0	\$30,057,150	Water	Gallons of water per day per acre estimated; total acres of each land use is applied; proportion of total gallons of water used to allocate water costs. [2]
Specific Plan Preparation	\$1,331,000	\$0	\$1,331,000	Daytime Population	Equal to residential population plus one-half employee population.
Traffic Mitigation	<u>\$40,992,500</u>	<u>\$0</u>	<u>\$40,992,500</u>	Trips	Trip generation analysis.
<b>Total</b>	<b>\$208,276,932</b>	<b>\$10,500,000</b>	<b>\$197,776,932</b>		

[1] See Draft 2007 Sewer Master Plan Update, Section 3.2.1.

[2] See September 2007 Water Master Plan Update, Section 3.2.3, Water Use Factors, which refers back to the 2002 Water Master Plan.

Source: 2007 Sewer Master Plan; 2007 Water Master Plan Update; Transportation Impact Fee Study (June 2008); Economic & Planning Systems

**Table 6  
Infrastructure Cost Allocation, All Phases  
Milpitas TASP, Financing Plan; EPS #17107**

Prototype	All Phases							
	<u>Roadway/Intersection</u>		<u>Streetscape Improvements</u>		<u>Parks/Plazas/Community Facilities</u>		<u>Linear Parks/Trails</u>	
	<i>Allocation by:</i> <i>Trips</i>	<i>Total Costs</i>	<i>Trips</i>	<i>Total Costs</i>	<i>Population</i>	<i>Total Costs</i>	<i>Population</i>	<i>Total Costs</i>
<b>Residential</b>								
For-Sale, Multifamily	17%	\$2,601,719	17%	\$2,563,106	25%	\$18,915,515	25%	\$789,294
Rental, Multifamily	13%	\$2,084,515	13%	\$2,053,578	20%	\$15,155,238	20%	\$632,388
<b>Mixed Use</b>								
Residential Condo.	18%	\$2,788,302	18%	\$2,746,919	26%	\$20,272,044	26%	\$845,898
Residential Apt.	19%	\$3,057,021	19%	\$3,011,650	29%	\$22,225,733	29%	\$927,420
Retail	4%	\$701,524	4%	\$691,112	0%	\$0	0%	\$0
Office	26%	\$4,020,379	26%	\$3,960,710	0%	\$0	0%	\$0
<b>Other</b>								
Hotel	3%	\$470,500	3%	\$463,517	0%	\$0	0%	\$0
<b>Total Costs, All Phases Infrastructure</b>	<b>100%</b>	<b>\$15,723,960</b>	<b>100%</b>	<b>\$15,490,592</b>	<b>100%</b>	<b>\$76,568,530</b>	<b>100%</b>	<b>\$3,195,000</b>

Source: City of Milpitas, Economic & Planning Systems

**Table 6  
Infrastructure Cost Allocation, All Phases  
Milpitas TASP, Financing Plan; EPS #17107**

Prototype	All Phases						Total, All Phases, Burden by Use	Fee per Unit/Sq.Ft./ Room a	Traffic Mitigation [1] b	Total Fee per Unit/Sq.Ft./ Room c = a + b
	<u>Sewer</u> Sewer Total Costs	<u>Water</u> Water Total Costs	<u>Specific Plan Preparation</u> Daytime Population Total Costs							
<b>Residential</b>										
For-Sale, Multifamily	19%	\$2,705,513	21%	\$6,282,277	22%	\$287,510	\$34,144,935	\$19,448	\$3,862	<b>\$23,310</b>
Rental, Multifamily	15%	\$2,167,675	17%	\$5,044,000	17%	\$230,355	\$27,367,749	\$19,448	\$3,862	<b>\$23,310</b>
<b>Mixed Use</b>										
Residential Condo.	20%	\$2,899,539	22%	\$6,746,986	23%	\$308,129	\$36,607,818	\$19,448	\$3,862	<b>\$23,310</b>
Residential Apt.	22%	\$3,178,978	25%	\$7,397,218	25%	\$337,825	\$40,135,844	\$19,448	\$3,862	<b>\$23,310</b>
Retail	3%	\$501,406	3%	\$944,955	2%	\$23,346	\$2,862,343	\$9.97	\$6.37	<b>\$16.34</b>
Office	17%	\$2,430,190	11%	\$3,271,401	9%	\$119,808	\$13,802,488	\$13.89	\$10.55	<b>\$24.44</b>
<b>Other</b>										
Hotel	4%	\$534,897	1%	\$370,313	2%	\$24,026	<u>\$1,863,253</u>	\$5,324	\$3,497	<b>\$8,821</b>
<b>Total Costs, All Phases Infrastructure</b>	<b>100%</b>	<b>\$14,418,200</b>	<b>100%</b>	<b>\$30,057,150</b>	<b>100%</b>	<b>\$1,331,000</b>	<b>\$156,784,432</b>			

[1] As shown in Transportation Impact Fee Study (June 2008).

Source: Transportation Impact Fee Study (June 2008); City of Milpitas, Economic & Planning Systems

**Table 7**  
**TADIF Recommended Fee Levels**  
**Milpitas TASP, Financing Plan; EPS #17107**

<b>Prototype</b>	<b>Fee per Unit/ Sq.Ft./Room</b> <i>a</i>	<b>Administrative Fee</b> <i>b = a * 2%</i>	<b>Total TADIF</b> <i>c = a + b, rounded</i>
<b>Residential</b>			
For-Sale, Multifamily	\$23,310	\$466	\$23,800
Rental, Multifamily	\$23,310	\$466	\$23,800
<b>Mixed Use</b>			
Residential Condo.	\$23,310	\$466	\$23,800
Residential Apt.	\$23,310	\$466	\$23,800
Retail	\$16.34	\$0.33	\$16.70
Office	\$24.44	\$0.49	\$25.00
<b>Other</b>			
Hotel	\$8,821	\$176	\$9,000

Source: Economic & Planning Systems

## V. INSTITUTIONAL CONSIDERATIONS

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The *TADIF*, if approved, will be adopted by the City Council as an Ordinance under its powers as a General Law City. The Ordinance and related technical analysis incorporates the principles and requirements established in Government Code Section 66000 (AB 1600).

### ENABLING ORDINANCE

The proposed *TADIF*, if approved, will need to be enabled by adoption of a City Ordinance. As proposed in this Report, the Ordinance will provide funding for the full range of infrastructure items included in the *BIP* and establish procedures for administering, indexing, and updating the fee. Proceeds from the fee shall be maintained in a trust account expendable for bona fide purposes (e.g., as outlined in this Technical Report).

### RESOLUTION ESTABLISHING FEE

The enabling Ordinance will allow the City to adopt, by Resolution, a fee schedule for the *TADIF*, consistent with supporting technical analysis and findings. The Resolution approach to setting the fee allows for periodic adjustments to the fee amount that may be necessary over time, without amending the enabling Ordinance.

### ANNUAL REVIEW AND FEE INDEXING

Because of the dynamic nature of the Transit Area, the City will need to monitor development activity, the need for infrastructure improvements, and the adequacy of the fee revenues and other available funding. Formal annual review of the fee program should occur at which time adjustments in key data and assumptions can be made, consistent with supporting technical analysis. Staff costs associated with this monitoring and updating effort can be included in the *TADIF*.

- **Annual reviews** should be conducted as part of the City year-end financial reporting process. Staff should prepare a report documenting fees collected, fees expended (by infrastructure item), and fund balances.
- **Annual indexing** should occur either at the turn of the calendar year or fiscal year. The total design, construction, and contingency costs of each infrastructure item in the *BIP* should be automatically adjusted each fiscal year using the Engineering News Record Construction Cost Index. The right-of-way or land costs of each item should be automatically adjusted each fiscal year using the fair market value for an acre of land determined as part of the City's park in-lieu fee calculation.

- A **periodic update** of the Technical Report should occur every three to five years. This update should include a thorough review of the infrastructure costs, development activity, and collection and use of fees to that date.

## CREDITS AND REIMBURSEMENT

A key feature of the Ordinance will be the ability for developers subject to the fee to obtain credits and reimbursements under certain circumstances. A credit against a fee obligation can be granted for infrastructure items included in the *BIP* that are prepaid or built by developers and dedicated to the City (including items funded through a land-secured financing district). The fee credit should equal the then-current cost estimate of the infrastructure item (regardless of actual cost to construct).

Reimbursements should also be provided to developers that contribute more funding and/or build and dedicate infrastructure items that exceed their proportional obligation. Such reimbursements should be provided as fee revenue becomes available and should include a factor for interest earned on the reimbursable amount. A provision for including such interest payments as additional costs in subsequent fees should be included in the Ordinance. A program for tracking and providing reimbursements will need to be instituted by the City as a part of Ordinance implementation.

## LINKAGE TO OTHER FINANCING ARRANGEMENTS

The fee obligation created by the Resolution adopted by the City Council pursuant to the Ordinance may be eliminated or offset if developers provide or agree to establish other funding mechanisms that provide funding of an equal amount. Such funding mechanisms may be necessary to assure timely construction of infrastructure in the Transit Area and will need to include methods for resolving the “cash flow” problems inherent in impact fee programs. These methods may include reimbursement agreements, fee credits for dedications of right-of-way or facilities, land-secured financing districts (e.g., CFDs), or loans from other sources (e.g., Redevelopment Agency [RDA] funding).

For example, the City could support formation of special assessment districts and/or Mello-Roos CFDs under certain circumstances. Such land-secured financing would provide developers with access to municipal debt financing while providing the City with the necessary cash for constructing (or acquiring) infrastructure items included in the *BIP*.

## **DEVELOPMENT AGREEMENTS**

A "standard form" development agreement should be prepared for the Transit Area that grants development entitlements to developers that participate in these funding methods. Such a development agreement would improve the security of land-secured financing mechanisms and thus facilitate marketing of the debt.



Economic &  
Planning Systems

*Public Finance*  
*Real Estate Economics*  
*Regional Economics*  
*Land Use Policy*

## APPENDIX A:

# CITY OF MILPITAS TRANSIT AREA SPECIFIC PLAN TRANSPORTATION IMPACT FEE STUDY

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# **City of Milpitas Transit Area Specific Plan**

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## **Transportation Impact Fee Study FINAL**

*Prepared by:*



**Kimley-Horn  
and Associates, Inc.**

June 2008  
097384003

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## List of Acronyms

DEIR	Draft Environmental Impact Report, Milpitas Transit Specific Plan, October 2007
DU	Dwelling Unit
GC66000	Section 66000 et seq. of the State of California's Government Code
ITE	Institute of Transportation Engineers
LOS	Level of Service
MFDU	Multi-Family Dwelling Unit
SF	Square Feet
SFDU	Single Family Dwelling Unit
TASP	Milpitas Transit Area Specific Plan, October 2007
TIF	Traffic Impact Fee



## 1.0 EXECUTIVE SUMMARY

### 1.1 PURPOSE OF STUDY

The purpose of this study is to provide the quantified basis for the establishment of transportation impact fees (TIF) to be levied on the development of the Milpitas Transit Area Specific Plan (TASP) area to fund transportation improvement projects to accommodate future growth. Information for this study was based on the *Draft Environmental Impact Report (DEIR), Milpitas Transit Area Specific Plan (TASP)* and City estimates of project costs.

### 1.2 METHODOLOGY

Government Code 66000 requires that there is a reasonable relationship or a proportionality between the amount of a traffic impact fee and the development on which that fee is imposed. Further, the legislation requires that an analysis should be presented in enough detail to demonstrate that logical, thorough consideration was applied in the process of defining the fee imposed on new development.

Based on these requirements, the following method was used to determine the TASP TIF:

- Step 1: Identify the time horizon and the development growth projections within the time horizon.
- Step 2: Determine the transportation facilities needed to serve the projected growth.
- Step 3: Estimate the gross cost of facilities needed to serve projected growth; the costs of facilities needed to correct existing deficiencies in the transportation system are excluded from the total cost.
- Step 4: Subtract revenues available from alternative funding sources to identify a total net facilities cost.
- Step 5: Assign PM peak hour trip rates to each land use category; these will be used to estimate the relative impact of each development type/land use, determine the benefit received by each development type, and allocate facilities costs to each development type/land use.
- Step 6: Determine the total projected trips that will be generated by future development by multiplying the expected future development by its respective PM peak hour trip rate.
- Step 7: Divide the total net facilities cost by the total projected trips from Step 6 to calculate a cost per trip.
- Step 8: Finally, multiply the cost per trip by the trip rate assigned to each land use category in Step 5 to determine the TIF for each land use category.

### 1.3 KEY TABLES

The following transportation improvement projects were included in the fee program:

- Calaveras Blvd & I-880 NB Off-Ramp (Project A)
- Tasman Dr & McCarthy Blvd (Project B)
- Tasman Dr / Great Mall Pkwy & I-880 Ramps (Project C)
- Milpitas Blvd Extension (Project D)
- Great Mall Pkwy-Capitol Ave & Montague Expressway Improvements (Project E)
- Montague Widening Project (Project F)



- Capitol Ave San Jose Traffic Improvements (Project G)
- Calaveras Blvd Widening: Abel St to Milpitas Blvd (Project H)

The fees that can be levied by the City on development are based on the transportation needs to accommodate future growth. The City has the discretion to levy fees that are less than the fees that can be justified in this study. The following tables compare the justifiable and recommended cost per peak hour trip and the resulting justifiable and recommended fees. The table also summarizes the transportation improvement costs used in calculating the justifiable and recommended fees.

### Summary of Transportation Improvement Project Costs

Total Transportation Improvement Costs	\$158,350,000
Total Unfunded Transportation Improvement Costs	\$121,775,000
Total Milpitas Local Match Responsibility Costs	\$121,775,000
Total TASP Area TIF	\$40,992,500

The service demand variable used to quantify the impact and establish a nexus between new development and the impact on the roadway system is trip generation. Peak hour traffic is to determine the transportation impact from each development/land use type rather than average daily traffic because peak volumes determine the need for street and intersection capacity. The development utilized in this study are based on the DEIR as clarified by City staff in March 2008. Key changes in commercial development include a reduction in size and a focus on neighborhood shopping centers (from Regional Shopping Centers). The PM peak hour trip generation rates are based on the Institute of Transportation Engineers (ITE) *Trip Generation, 7<sup>th</sup> Edition*, adjusted for transit use, pass-by, modal and re-use factors. Based on these rates, the total new trips were calculated. The total new trips is used to distribute the total TAP TIF among the various land uses. The fee per development unit (e.g., dwelling unit or square foot) is determined by re-applying the above trip generation factors.

### Total New PM Peak Net Trips

Land Uses	New Growth <sup>(1)</sup>	Units	PM Peak Net Trips
Neighborhood Commercial	287,075	SF	249 (4.46%)
Hotel	350	DU	167 (2.99%)
Office	993,843	SF	1427 (25.57%)
Residential	7109	DU	3738 (66.98%)
TOTAL			5581 (100.00%)

### Calculated Transportation Fees

Land Uses	Total Land Use Fee	Fee per Unit
Neighborhood Commercial	\$1,829,110	\$6.37 per SF
Hotel	\$1,224,115	\$3,497 per DU
Office	\$10,482,850	\$10.55 per SF
Residential	\$27,456,424	\$3,862 per DU
TOTAL	\$40,992,500	



## 1.4 COMPARATIVE TABLE

The following table compares the Milpitas TAP fees to those charged in the neighboring cities of Fremont and San Jose. Fees are also included from the Pleasanton/ Tri-Valley area.

**Fee Rate Comparison**

City / County	Study Last Updated	SFDU Rate / Unit	MFDU Rate / Unit	Hotel Rate/ Unit	Commer- cial Rate / SF	Office Rate / SF	Industrial Rate / SF
<i>Milpitas TAP</i>	2008	NA	\$3,862	\$3,497	\$6.37	\$10.55	NA
San Jose (North Area)	2005	\$6,994	\$5,996	NA	NA	(3)	\$10.44
Fremont	2004	\$2,220	\$1,722	NA	\$4.42	\$5.62	\$2.03
Pleasanton <sup>(1)</sup> (N Pleasanton Improvement Dist. #3)	(2)	\$1,117	\$781	NA	\$3.13	\$1.49	\$1.12
Pleasanton <sup>(1)</sup> (All other areas)	(2)	\$3,548	\$2,483	NA	\$9.99	\$4.72	\$3.55
Tri-Valley Transportation Development Fee <sup>(1)</sup>	(2)	\$1,736	\$1,103	NA	\$1.16	\$3.11	\$2.11

NA - Not Applicable

(1) Tri-Valley Transportation Development Fees are in addition to fees charged by Pleasanton.

(2) Unable to locate information regarding the last fee study update.

(3) Appears to be the same as industrial rate in North Area



## 2.0 INTRODUCTION

The purpose of this study is to provide the quantified basis for the establishment of transportation impact fees (TIF) to be levied on the development of the Milpitas Transit Area Specific Plan (TASP) area to fund transportation improvement projects to accommodate future growth.

### 2.1 BACKGROUND

GC66000, also called the Mitigation Fee Act, requires all public agencies to satisfy the following requirements when establishing, increasing or imposing a fee as a condition of new development:

1. Identify the purpose of the fee;
2. Identify the use to which the fee will be put;
3. Determine that there is a reasonable relationship between:
  - a. The fee's use and the type of development on which the fee is to be imposed;
  - b. The need for the facility and the type of development on which the fee is to be imposed; and
  - c. The amount of the fee and the facility cost attributable to the development project. (Applies only upon imposition of fees.)

Identifying these requirements would establish the nexus and the proportionality requirements of the Mitigation Fee Act and other requirements of state and federal law. Each of those requirements is discussed in more detail below.

#### 2.1.1 Identifying the Purpose of the Fees

The broad purpose of impact fees is to protect the public health, safety and general welfare by providing for adequate public facilities. The specific purpose of the fees calculated in this study is to fund the construction of certain capital improvements identified in this report. Those improvements are needed to mitigate the impacts of expected development in the City, and thereby prevent deterioration in public services that would result from additional development if impact fee revenues were not available to fund such improvements.

#### 2.1.2 Identifying the Use of the Fees

According to Section 66001, if a fee is used to finance public facilities, those facilities must be identified. Projects can be identified in, but not limited to, the capital improvements plan, the general plan, a specific plan, or a combination of these sources. A capital improvements plan may be used for that purpose, but is not mandatory if the facilities are identified in the General Plan, a Specific Plan, or in other public documents. If a capital improvement plan is used to identify the use of the fees, it must be updated annually by resolution of the governing body at a noticed public hearing. Impact fees calculated in this study are based on specific capital facilities identified elsewhere in this report, which is intended to serve as the public document identifying the use of the fees.

#### 2.1.3 Reasonable Relationship Requirement

As discussed above, Section 66001 requires that, for fees subject to its provisions, that the City determine the following:

1. How there is a "reasonable relationship" between the fee's use and the type of development project on which the fee is imposed;



2. How there is a “reasonable relationship” between the need for the public facility and the type of development project on which the fee is imposed.
3. The amount of the fee and the facility cost attributable to the development on which the fee is imposed.

These three reasonable relationship requirements as defined in the statute parallel “essential nexus” and “rough proportionality” requirements under the law. (*Nollan vs. California Coastal Commission* (1987) 483 U.S. 825 (*Nollan*), *Dolan vs. City of Tigard* (1994) 512 U.S. 374 (*Dolan*) and *Erlich vs. City of Culver City* (1996) 12 Cal. 4th. 854. More recently, however, the California Supreme Court held that development mitigation fees such as the City’s TIF that are established pursuant to a legislative mandate or formula imposed on a broad class of projects, rather than individualized exactions, are not subject to the heightened scrutiny of the *Nollan/Dolan* tests, but nevertheless require that there be a reasonable relationship between the fee and the deleterious impacts for mitigation of which the fee is collected. *San Remo Hotel vs. City and County of San Francisco*. (2002) 27 Cal 4<sup>th</sup> 643.

This study of the Transportation Impact Fee for the Milpitas TASP Area adheres to the reasonable relationship requirements of section 66001 by being concise and descriptive and to signify that the methods used to calculate impact fees in this study demonstrate that such a reasonable relationship exists.

#### **2.1.4 Demonstrating an Impact**

All new development in a community creates additional demands on some, or all, public facilities provided by local government. If the supply of facilities is not increased to satisfy that additional demand, the quality or availability of public services for the entire community will deteriorate. Impact fees may be used to recover the cost of development-related facilities, but only to the extent that the need for facilities is a consequence of development that is subject to the fees. Court decisions reinforced the principle that development exactions may be used only to mitigate conditions created by the developments upon which they are imposed. That principle clearly applies to impact fees. In this study, the impact of development on transportation improvement needs is analyzed in terms of quantifiable relationships between development and the demand for specific roadway and intersection improvements, based on applicable level of service standards. This report contains the information needed to demonstrate this element of the nexus.

#### **2.1.5 Demonstrating a Benefit**

The City’s TIF is a legislatively enacted fee of general applicability imposed on a broad range or classes of development projects throughout the City. They are not imposed on an individualized, discretionary basis on a particular development project. The use of the term proportionality in this study is for the purpose of identifying development related facility costs, and the methods used to calculate impact fees for the various types of facilities and categories of development. In this study, the demand for facilities is measured in terms of level of service, and proportion of development traffic added to the impacted and mitigated facilities. In calculating impact fees, costs for capital improvements are allocated in proportion to the traffic demand created by different types of development. Trip generation rates by land use category are used to proportion costs to different land uses.

#### **2.1.6 Demonstrating Proportionality**

The requirement that exactions be proportional to the impacts of development was clearly stated by the U.S. Supreme Court in court cases and is logically necessary to establish a proper nexus. Proportionality is established through the procedures used to identify development-related facility costs, and in the methods used to calculate impact fees for various types of facilities and categories of development. In this



study, the demand for facilities is measured in terms of level of service, and proportion of development traffic added to impacted and mitigated facilities. In calculating impact fees, costs for capital improvements are allocated in proportion to the traffic demand created by different types of development. Trip generation rates by land use category are used to proportion costs to different types of land uses.

### **2.1.7 Impact Fees for Existing Facilities**

It is important to note that impact fees may be used to pay for existing facilities, provided that those facilities are needed to serve additional development and have the capacity to do so, given relevant level of service standards. In other words, it must be possible to show that the fees meet the need and benefit elements of the nexus.



### **3.0 FEE METHODOLOGY**

Various findings must be made to ensure that there is a reasonable relationship or a proportionality between the amount of the fee and the development on which that fee is imposed. Although the U.S. Supreme Court specifically stated, “no precise mathematical calculation is required...” an analysis should be presented in enough detail to demonstrate that logical, thorough consideration was applied in the process of defining the fee imposed on new development.

Any one of several generally accepted methods may be used to calculate impact fees for new development. The choice of a particular method depends primarily on the type of facility for which a fee is being calculated. Reduced to its simplest terms, the process of calculating impact fees involves only two steps: determining the cost of development-related capital improvements, and allocating those costs equitably to various types of development, usually in terms of the development’s traffic generation. In practice, though, the calculation of impact fees can become quite complicated because of the many variables involved in defining the relationship between development and the need for facilities.

The following paragraphs discuss the methodology used for calculating the TAP TIF.

#### **3.1 PLAN-BASED METHODOLOGY**

The plan-based method allocates costs for a specified set of improvements based on future demand projections of the Milpitas TASP Area. The road improvement projects details, including scopes and cost estimates, are collected from reference documents and information provided by the City of Milpitas. Costs are allocated to various categories of development in proportion to the amount of development and the relative intensity of traffic generation for each category.

The steps to calculate the TIF under the plan-based methodology are as follows:

- Step 1: Identify the time horizon and the development growth projections within the time horizon.
- Step 2: Determine the transportation facilities needed to serve the projected growth.
- Step 3: Estimate the gross cost of facilities needed to serve projected growth; the costs of facilities needed to correct existing deficiencies in the transportation system should be excluded from the total cost.
- Step 4: Subtract revenues available from alternative funding sources to identify a total net facilities cost.
- Step 5: Assign PM peak hour trip rates generated by each land use category; these will be used to determine the benefit received by each development type and also to allocate facilities costs to each development type/land use.
- Step 6: Determine the total projected trips that will be generated by future development by multiplying the expected future development by its respective PM peak hour trip rate.
- Step 7: Divide the total net facilities cost by the total projected trips from Step 6 to calculate a cost per trip.
- Step 8: Finally, multiply the cost per trip by the net trip rate assigned to each land use category in Step 5 to determine the TIF for each land use category.

This method assumes that the entire service capacity of a specified improvement will be absorbed by the planned development, or that any excess capacity is unavoidably related to serving that development. For



example, it may be necessary to widen a street from two lanes to four lanes to serve planned development, but that development may not use all of the added capacity. Assuming these improvements are needed only to serve the new development paying the fees, it is justifiable to recover the full cost of the improvements through impact fees.

The plan-based method is often the most practical approach where actual usage is difficult to measure or where capacity cannot always be matched closely to demand. Conversely, this method is relatively inflexible in the sense that it is based on a particular land use plan. If the plan changes significantly, the fees may have to be recalculated.



## 4.0 LAND USE CATEGORIES

Section 66001 of the Government Code requires that a reasonable relationship exist between the need for public facilities and the type of development on which a fee is imposed. The need for public facilities is related to the maintenance of a level of service standard, which is impacted by the number of residents or employees generated by a particular land use type. Therefore, land use categories have been defined to distinguish between their relative impacts on transportation facilities. The following land use categories are identified for purposes of this Study:

1. Multi-Family Residential.
2. Hotel.
3. Office Park.
4. Regional Shopping Center.
5. Neighborhood Commercial
6. Industrial Park (No Commercial).

Data on land use and development used in this study are based on the DEIR and clarifications/ updates from City staff. In this study, quantities of existing and planned development are measured in terms of certain units of development. Land use projections are available in the two types of measurements discussed below.

- Dwelling Units.** The dwelling unit (DU) is the standard unit of measure of residential development used in this study.
- Building Area.** Building area in square feet (SF) is used to represent nonresidential development in this study.

### 4.1 MILPITAS TASP AREA LAND USE

The Milpitas TASP Area is a proposed new development described in the *Draft Environmental Impact Report* (DEIR) and the *Milpitas Transit Area Specific Plan* (TASP), as being bounded by the Great Mall shopping center and the railroad spur to the north; Trade Zone Boulevard, Lundy Place, and Trimble Road to the south; the Union Pacific Railroad line and Main Street to the west; and South Milpitas Boulevard and Berryessa Creek to the east.

As per Table 3.3-8 on page 3.3-43 of DEIR, May 2006 Preferred Plan of Milpitas TASP Area development consists of the following

**Table 1: Land Uses of May 2006 Preferred Plan**

Land Use	Size
<b>Proposed Uses</b>	
Regional Shopping Center	520,026 SF
Hotel	350 DU
Office Park	813,343 SF
Multi-Family Residential	7,185 DU
<b>Existing Uses Being Redeveloped</b>	
Industrial Park	2,977,555 SF

Source: DEIR



The land uses of May 2006 Preferred Plan were later altered in the final version of the TASP. As clarified by the City in March 2008, The resulting land uses after the changes in buildout projections are as follows.

**Table 2: Land Uses of Final Plan**

<b>Land Use</b>	<b>SIZE</b>	<b>Units</b>
Neighborhood Commercial	287,075	SF
Hotel	350	DU
Office	993,843	SF
Multi-Family Residential	7109	DU

Key changes in commercial development include a reduction in size and a focus on neighborhood commercial (instead of Regional Shopping Centers). The total number of trips from the revised development plan is consistent with the range of impacts presented in the DEIR.



## 5.0 TRANSPORTATION FACILITIES

Section 66001 of the Government Code requires that a reasonable relationship exist between the need for a public facility and the type of development on which a fee is imposed. This chapter discusses the facilities, associated costs, and alternative financing sources for funding transportation improvements in the City. The transportation facilities in this report have been identified as requiring improvements to maintain an acceptable level of service as the result of the Milpitas TASP Area.

### 5.1 FACILITIES AND COSTS

Kimley-Horn and the City's public works staff have developed a list of improvements needed to serve the additional traffic associated with future development of the Milpitas TASP Area. The list was generated from the reference documents and information provided by the City of Milpitas, including DEIR and TASP. **Appendix A** lists the improvement projects and estimated costs.

Facilities have been sized to accommodate the additional vehicle trips that will be generated by future growth of the Milpitas TASP Area. As shown in **Appendix A**, the total cost of future transportation improvements is \$ 158.35 million and includes contingencies, mobilization, engineering design, and construction management. Previously collected funds and other funding total \$35.575 million, leaving an unfunded total of \$121.775 million. Milpitas' total local match responsibility for these projects is \$121.775 million.

Only projects that are needed to accommodate future growth can be included in the TIF. In some cases, only a portion of the costs can be included in the TIF such as any traffic signal controller replacement project or any project that improves an existing deficiency. The amount included in the TIF is dependent on the type of project. For instance, the amount that can be included in the TIF for a roadway widening project or installation of a new traffic signal is based on the level of service.

### 5.2 LEVEL OF SERVICE

A level of service (LOS) as it relates to road facilities is defined in the Highway Capacity Manual as "a quantitative measure describing operational conditions within a traffic stream and their perception by motorists and/or passengers." A level of service definition describes these conditions in terms of speed, travel time, traffic flow interruptions, comfort and convenience, safety, and freedom to maneuver.

There are six levels of service, with LOS A representing the best operating condition and LOS F representing the worst. Level of service is also quantified in terms of average control vehicular delay as described on page 3.3-17 of DEIR. Definitions of level of service and the average control delay (signalized intersection) for each level are as per Table 3.3-2 on page 3.3-17 of DEIR.

Roadways and intersections operating at less than the level of service described above would represent an existing roadway deficiency. Improvements correcting an existing deficiency cannot be funded with TIF revenue from future development; however, any additional capacity created by correcting an existing deficiency could be funded with TIF revenue because the additional capacity will serve future development. Projects included in **Appendix A** that meet these criteria include:

- Calaveras Blvd & I-880 NB Off-Ramp (Project A)
- Tasman Dr & McCarthy Blvd (Project B)
- Tasman Dr / Great Mall Pkwy & I-880 Ramps (Project C)
- Milpitas Blvd Extension (Project D)
- Great Mall Pkwy-Capitol Ave & Montague Expressway Improvements (Project E)



- Montague Widening Project (Project F)
- Capitol Ave San Jose Traffic Improvements (Project G)
- Calaveras Blvd Widening: Abel St to Milpitas Blvd (Project H)

### **5.3 PROJECTS NOT INCLUDED**

The list of projects shown on **Appendix A** is assumed to be complete. No unlisted projects were included in the TIF calculations.

### **5.4 SERVICE DEMAND VARIABLE**

The service demand variable used to quantify the impact and establish a nexus between new development and the impact on the roadway system is trip generation. Trip generation can be calculated either as average daily trip generation or peak hour trip generation. Average daily trip generation rates represent the number of trips accumulated over the course of the day for each land use type. Peak hour trip rates represent trips generated during the busiest period of the day, when the road segment will have the most vehicles traveling at one time (typically during the evening rush hour). Peak hour traffic is to determine the transportation impact from each development/land use type rather than average daily traffic because peak volumes determine the need for street and intersection capacity. The PM peak hour trip generation rates utilized in this study as shown in **Appendix C**.

## 6.0 TASP AREA COST SHARE

The TIF for Milpitas TASP Area are calculated by multiplying the Milpitas local match cost with the TAP Traffic Impact (%) for each project as illustrated in **Appendix A**. For reference, the TASP Area cost share (%) was calculated with three different methodologies as might be appropriate for the type of transportation improvement and the available data. Details of these methodologies are provided below.

### 6.1 TRAFFIC IMPACT METHODOLOGIES

Several traffic impact methodologies were considered in determining the TAP traffic impact including the Following: LOS/Delay Proportion, Project Traffic over Total Future Traffic (after development), Project Traffic over 2004-to-2030 Traffic Growth; and Primary Benefit.

#### *LOS/Delay Proportion*

For LOS/Delay Proportion methodology, the TIF cost share (%) is based on LOS and the control delay. The LOS values used in the calculation were obtained from DEIR (see Table 3.3-14 on page 3.3-75 of DEIR). The percent TIF allowable for the applicable projects (Project A and B) listed in **Appendix D** is based on level of service using the following calculation steps:

- a. Calculate the existing control delay based on the existing number of lanes and background volumes from the traffic model.
- b. Determine the new control delay for the proposed transportation improvement projects listed above.
- c. Determine the total improvement in control delay (b minus a).
- d. Determine the control delay above the acceptable standard (mid-LOS D).
- e. The percent of the improvement above mid-LOS D (d divided by c) is the percent of the project's capacity that can be applied toward the development.

#### *Project Traffic over Total Traffic*

For Project Traffic over Total Future Traffic methodology, the TIF cost share (%) is based on the ratio of Project traffic over the total future traffic (after development). It assumes that the development is responsible of the overall add-on traffic impact. This methodology was applied on Project C and E since the level of service of the mitigation improvement of each project was determined to be "Significant Unavoidable" within the DEIR (see Table 3.3-14 on page 3.3-76 of DEIR). The percent TIF allowable calculations for Project C and E are illustrated in **Appendix D**.

#### *Project Traffic over 2004-to-2030 Traffic Growth*

For Project Traffic over 2004-to-2030 Traffic Growth methodology, the percent TIF is based on the ratio of project traffic volume over the total 2030 traffic growth. Project F, G and H adopted this methodology since these projects are corridor-wide roadway improvements, and the 2030 total traffic forecasts of the corresponding roadway segments are available from Table 3.3-12 on page 3.3-62 of DEIR. It assumes that the evaluated development is responsible of the add-on traffic impact as a ratio of the growth. The detailed calculations of Project F, G and H are illustrated in **Appendix D**.

#### *Primary Benefit Considerations*

The traffic impact for Project D (Milpitas Blvd Extension) and Project G (Capitol Avenue San Jose Traffic Improvements) was based on primary benefit considerations. For Project D, the roadway extension is internal to the TASP Area and benefits the area. A 2-lane roadway would be sufficient to provide access for developments in the TASP Area; however, a wider roadway would be needed for



BART station access. The costs for the initial roadway are assigned fully to the TASP Area, with the full build-out cost included in other funding. For Project G, the project cost is Milpitas share of Capitol Ave improvements in San Jose as per San Jose-Milpitas agreement to offset the traffic from the TASP Area.



## 7.0 FEE CALCULATION AND JUSTIFICATION

The fee amount that can be justified for each development type is calculated by dividing the total unfunded project costs by the total trips generated by future development to determine a justifiable cost per trip. Total unfunded cost per trip can be multiplied by generated trips ratio of each land-use type (trips generated by land-use type over total trips generated by the development) and divided by the number of development unit of each land-use type to determine the respective fee for each land use. The following simplified example below demonstrates this methodology.

*Example:*

New Development: 1,000 Single Family Dwelling Units  
100,000 Square Feet of Office Building

Trip Generation Characteristics: Single Family Unit generates 1.01 trips  
Office Building generates 2.31 trips / 1,000 SF  
Housing-Office Mixed-Use reduces 1% off office

Roadway Improvements: 10 lane miles of roadway at a total cost of \$1,000,000  
New Development Cost Share is assessed to be 100%

*Step 1: Calculate the total trips generated by new development*

No. of DUs	*	DU Trip Rate	+	Office KSF	*	Office Trip Rate	-	Mixed-Use Reduction (1% off Office)	=	Total Trips
1,000	*	1.01	+	100	*	2.31	-	1	=	1,240 Trips

*Step 2: Calculate the Cost Per-Trip*

Improvement Cost (100% Development Share)	/	Total Trips	=	Cost Per Trip
\$1,000,000	/	1,240	=	\$806 Per Trip

*Step 3: Calculate the Fee per Unit (e.g. residential)*

Residential: Improvement Cost	*	Trip Ratio	/	No. of DUs	=	Fee per Unit
\$1,000,000	*	1,010 / 1,240	/	1,000	=	\$814

or

Residential: Per-Trip Cost	*	Net Trip Rate	=	Fee per Unit
\$806	*	1.01	=	\$814

## 7.1 TASP AREA FEE CALCULATIONS

**Appendix B** illustrates the calculations of the TIF. The total number of PM peak hour trips generated by future development within Milpitas TASP Area as well as the corresponding trip generation rates are shown in **Appendix C**. The total TASP Area costs allowable are shown in **Table 3**. As seen in **Table 3**,

dividing the total TASP Area share costs by the total number of PM peak hour trips yields the justifiable cost per trip. The calculated TIFs per development unit are summarized in both **Appendix B** and **Table 4**. These are the fee rates the City could potentially be charging development of Milpitas TASP Area, pursuant to the Mitigation Fee Act, based on the total unfunded project costs and the generated project trips.

**Table 3: Average Cost per Peak Hour Trip - Justifiable**

<b>New Development Cost Share</b>	<b>Transit Area Share <sup>1</sup></b>	<b>Added PM Peak Hour Net Trips <sup>2</sup></b>	<b>Justifiable Cost per Peak Hour Trip <sup>3</sup></b>
Transportation Improvements	\$40,992,500	5,581	\$7,345.01

<sup>1</sup> See Appendix A

<sup>2</sup> See Appendix B

<sup>3</sup> Average cost per peak hour trip = estimated cost / added peak hour net trips

**Table 4: Calculated Transportation Fees**

<b>Land Uses</b>	<b>Justified Fee per Dwelling Unit (DU) or Square Foot (SF)</b>	<b>Cost Ratio</b>
Neighborhood Commercial	\$6.37 per SF	4.46%
Hotel	\$3,497 per DU	2.99%
Office	\$10.55 per SF	25.57%
Residential	\$3,862 per DU	66.98%

As noted, the peak hour trip generation rate assigned to a particular category of development in this study is intended to represent the entire category, based on the expected mix of development types in that category. The formula for calculating the impact fee may also potentially be as follows:

$$\text{Number of Development Units in Project} \times \text{Net Trips per Development Unit (after relevant trip reduction applied)} \times \text{Cost per Trip}$$

Previously referenced **Table 4** shows the fees that could potentially be levied by the City on Milpitas TASP Area. The City recognizes that adopting these fee rates would put the City at a competitive disadvantage in relation to some of the surrounding cities in terms of attracting future development to the City. By law, the City cannot levy fees that are higher than the nexus-related fees shown in **Table 4**. The City does, however, have the discretion to levy fees that are less than those shown in **Table 4**.

The Fees calculated in this study are reflected in 2008 dollars. These Fees may be adjusted in future years to reflect revised facility standards, receipt of additional funding from alternative sources (i.e., state or federal grants), revised mitigation project costs, or changes in TASP Area's land use plan. In addition to such periodic adjustments, the Fees should be inflated each year by a predetermined index, such as the Engineering News Record Construction Cost Index for the San Francisco area.



## 7.2 COMPARATIVE TABLE

The following table compares the Milpitas TAP fees to those charged in the neighboring cities of Fremont and San Jose. Fees are also included from the Pleasanton/ Tri-Valley area.

**Fee Rate Comparison**

City / County	Study Last Updated	SFDU Rate / Unit	MFDU Rate / Unit	Hotel Rate/ Unit	Commer- cial Rate / SF	Office Rate / SF	Industrial Rate / SF
<i>Milpitas TAP</i>	2008	NA	\$3,862	\$3,497	\$6.37	\$10.55	NA
San Jose (North Area)	2005	\$6,994	\$5,996	NA	NA	(3)	\$10.44
Fremont	2004	\$2,220	\$1,722	NA	\$4.42	\$5.62	\$2.03
Pleasanton <sup>(1)</sup> (N Pleasanton Improvement Dist. #3)	(2)	\$1,117	\$781	NA	\$3.13	\$1.49	\$1.12
Pleasanton <sup>(1)</sup> (All other areas)	(2)	\$3,548	\$2,483	NA	\$9.99	\$4.72	\$3.55
Tri-Valley Transportation Development Fee <sup>(1)</sup>	(2)	\$1,736	\$1,103	NA	\$1.16	\$3.11	\$2.11

NA - Not Applicable

(1) Tri-Valley Transportation Development Fees are in addition to fees charged by Pleasanton.

(2) Unable to locate information regarding the last fee study update.

(3) Appears to be the same as industrial rate in North Area



## 8.0 APPENDIX

Appendix A

City of Milpitas - Transit Area Plan Transportation Impact Fee Study

Project Costs and Funding Sources

6/4/2008

Project No.	Intersection No. (DEIR)	Project Name	Est. Project Cost (\$)	Previously Collected Funds (\$)	Other Funding (\$)	Unfunded Component Cost (\$)	Milpitas Local Match Responsibility	Milpitas Local Match Cost	Calculated TAP Impact (%)	Transit Area Cost (\$)	Comment
<b>LOCAL IMPROVEMENTS</b>											
A	1	<b>Calaveras Blvd &amp; I-880 NB Off-Ramp:</b> Convert NB center left-turn lane to shared left-turn/right-turn lane.	\$500,000	None	\$500,000	\$0	100%	\$0	100%	\$0	Other funding: Improvement being carried out by Caltrans.
B	18	<b>Tasman Dr &amp; McCarthy Blvd:</b> Conversion of one SB through lane to left-turn lane.	\$75,000	None	\$75,000	\$0	100%	\$0	51%	\$0	Other funding: Improvement to be carried out by other development (Milpitas Square, Landmark)
C	20, 21	<b>Tasman Dr/Great Mall Pkwy &amp; I-880 Ramps:</b> Provide signal coordination with adjacent ramps.	\$75,000	None	None	\$75,000	100%	\$75,000	10%	\$7,500	
D	NA	<b>Milpitas Blvd Extension:</b> Build half of ultimate width for access to new developments	\$44,000,000	None	\$23,000,000	\$21,000,000	100%	\$21,000,000	100%	\$21,000,000	Roadway improvement within TAP. Other funding: <b>VTA would build-out fully for BART Station access.</b>
<b>REGIONAL FAIR SHARE CONTRIBUTIONS</b>											
E	26	<b>Great Mall Pkwy-Capitol Av &amp; Montague Expressway Improvements</b>	\$35,000,000	None	None	\$35,000,000	100%	\$35,000,000	22%	\$7,700,000	
F	Link-Improvement	<b>Montague Widening Project</b>	\$38,500,000	\$2,000,000	\$11,000,000	\$25,500,000	100%	\$25,500,000	27%	\$6,885,000	
G	Link-Improvement	<b>Capitol Av San Jose Traffic Improvements</b>	\$200,000	None	None	\$200,000	100%	\$200,000	100%	\$200,000	Project cost is Milpitas share of Capitol Ave improvements as per San Jose-Milpitas agreement.
<b>CALAVERAS BOULEVARD IMPROVEMENT</b>											
H	Link-Improvement	<b>Calaveras Blvd Widening:</b> Abel St to Milpitas Blvd.	\$40,000,000	None	None	\$40,000,000	100%	\$40,000,000	13%	\$5,200,000	

\$158,350,000

\$2,000,000  
\$36,575,000

\$34,575,000

\$121,775,000

\$121,775,000

**Total TAP Transportation Fees: \$40,992,500**

**Appendix B**  
**City of Milpitas - Transit Area Plan Transportation Impact Fee Study**  
**Impact Fee breakdown by land use**  
6/4/2008

\* Existing Uses Being Redeveloped

	Neighborhood Commercial	Hotel Share	Office Share	Residential Share	Total
Development size	287,075	350	993,843	7109	
Unit size	1000 sq. ft	dwelling unit	1000 sq. ft	dwelling unit	
PM Peak Trips	377	252	2,158	5,652	8439
Trips Reduction*	128	85	731	1914	2858
PM Peak Net Trip	249	167	1427	3738	5581
Cost Share Ratio	4.46%	2.99%	25.57%	66.98%	

Project No.	Project Name	Transit Area Cost (\$)	Neighborhood Commercial Share (\$ per 1,000 SF)	Hotel Share (\$ per DU)	Office Share (\$ per 1,000 SF)	Residential Share (\$ per DU)
<b>LOCAL IMPROVEMENTS</b>						
A	Calaveras Blvd & I-880 NB Off-Ramp: Convert NB center left-turn lane to shared left-turn/right-turn lane.	\$0	\$0	\$0	\$0	\$0
B	Tasman Dr & McCarthy Blvd: Conversion of one SB through lane to left-turn lane.	\$0	-	-	-	-
C	Tasman Dr/Great Mall Pkwy & I-880 Ramps: Provide signal coordination with adjacent ramps.	\$7,500	\$1	\$1	\$2	\$1
D	Milpitas Blvd Extension: Build half of ultimate width for access to new developments	\$21,000,000	\$3,264	\$1,792	\$5,404	\$1,979
<b>REGIONAL FAIR SHARE CONTRIBUTIONS</b>						
E	Great Mall Pkwy-Capitol Av & Montague Expressway Improvements	\$7,700,000	\$1,197	\$657	\$1,981	\$725
F	Montague Widening Project	\$6,885,000	\$1,070	\$587	\$1,772	\$649
G	Capitol Av San Jose Traffic Improvements	\$200,000	\$31	\$17	\$51	\$19
<b>CALAVERAS BOULEVARD IMPROVEMENT</b>						
H	Calaveras Blvd Widening: Abel St to Milpitas Blvd.	\$5,200,000	\$808	\$444	\$1,338	\$490
<b>Total Unit Fee (\$ per 1,000 SF or DU)</b>			\$6,372	\$3,497	\$10,548	\$3,862
<b>Total Unit Fee (\$ per SF or DU)</b>			\$6.37	\$3.497	\$10.55	\$3.862
<b>Total Cost (\$)</b>		\$40,992,500	\$1,829,110	\$1,224,115	\$10,482,850	\$27,456,424
			4.46%	2.99%	25.57%	66.98%

## Appendix C: Project Trip Generation Estimates

6/4/2008

Land Use	TIF Study		
	Size (DU or 1,000 SF)	Trip Generatio n Rates	PM
Proposed Uses			
Neighborhood Shopping	287.075	2.71	778
Hotel	350	0.8	280
Gross Commercial			1,058
Commercial Near Transit Reduction (10%)		-0.1	-106
Housing-Retail Mixed-Use Reduction (13% off retail)		-0.13	-101
Hotel-Retail Mixed-Use Reduction (10% off hotel)		-0.1	-28
Pass-by Reduction (25% off retail)		-0.25	-194
<b>Net Commercial (A)</b>			<b>629</b>
Office Park (Gross)	993.843	2.31	2,296
Office Near Fixed Rail Reduction (3%)		-0.03	-69
Housing-Office Mixed-Use Reduction (3% off office)		-0.03	-69
<b>Net Office (B)</b>			<b>2,158</b>
Multi-Family Residential (Gross)	7109	0.9	6,398
Housing Near Fixed Rail (9%)		-0.09	-576
Housing-Retail Mixed-Use Reduction (13%)		-0.13	-101
Housing-Office Mixed-Use Reduction (3%)		-0.03	-69
<b>Net Residential (C)</b>			<b>5,652</b>
<b>Net Total (A+B+C)</b>			<b>8,439</b>



### Appendix D: TAP TIF Cost Share Calculations

#### LOS/Delay Proportion Methodology

Project: A

Project Description: Convert NB center left-turn lane to shared left-turn/right-turn lane

	W. Calaveras Blvd / I-880 NB Ramps	
	PM Delay	PM LOS
Project Development (a)	57.2	E+
Mitigation Improvement (b)	25.7	C
Background (c)	50.3	D
Standard LOS (d)	50.3	D
Total Improvement (c-b)	24.6	
Existing Deficiency (c-d)	6.9	
Future Capacity (d – b)	24.6	
Additional Capacity	100.00%	

Project: B

Project Description: Convert SB shared through/right-turn lane to exclusive right-turn lane with overlap signal phasing and 80-sec PM cycle

	Tasman Dr / McCarthy Blvd (M)	
	PM Delay	PM LOS
Project Development (a)	62.4	E
Mitigation Improvement (b)	36.0	D+
Background (c)	53.8	D-
Standard LOS (d)	39.1 to 51.0 = 45.0*	D
Total Improvement (c-b)	17.8	
Existing Deficiency (c-d)	8.8	
Future Capacity (d – b)	9	
Additional Capacity	51.00%	



Project Traffic over Total Future Traffic Methodology

Project: C

Project Description: Provide signal coordination with adjacent ramps

	Tasman Dr / I-880 SB Ramps (M)	
	PM Delay	PM LOS
Project Development (a)	76.6	E-
Mitigation Improvement (b)	Significant Unavoidable	
Background (c)	63.1	E
Standard LOS (d)	39.1 to 51.0 = 45.0*	D
	Total PM Peak Hour Traffic Volume	
Background	5,564	
Project Add-on	647	
Project + Background	6,211	
Project Volume %	10.00%	

	Tasman Dr / I-880 NB Ramps (M)	
	PM Delay	PM LOS
Project Development (a)	34.2	C-
Mitigation Improvement (b)	Significant Unavoidable	
Background (c)	30.0	C
Standard LOS (d)	39.1 to 51.0 = 45.0*	D
	Total PM Peak Hour Traffic Volume	
Background	4,942	
Project Add-on	197	
Project + Background	5,139	
Project Volume %	4.00%	

Project: E

Project Description: An urban interchange with Great Mall Parkway/Capitol Avenue elevated over Montague Expressway is proposed in regional planning documents

	Great Mall Pkwy-E. Capitol Ave/Montague Expwy (CMP, M)	
	PM Delay	PM LOS
Project Development (a)	165.7	F
Mitigation Improvement (b)	Significant Unavoidable	
Background (c)	121.4	F
Standard LOS (d)	39.1 to 51.0 = 45.0*	D
	Total PM Peak Hour Traffic Volume	
Background	8,137	
Project Add-on	2,259	
Project	10,396	
Project Volume %	22.00%	

Project Traffic over 2004-to-2030 Traffic Growth Methodology

Project: F

**Montague Expressway**

From	To	2004			2030 General Plan			2030 + Proposed Plan			2030 - 2004	
		EB	WB	Total	EB	WB	Total	EB	WB	Total	Project Volume	Total Growth
McCandless	Great Mall	2,200	1,720	3,920	4,630	2,830	7,460	4,790	3,440	8,230	770	3,540
Great Mall	Milpitas	2,620	1,639	4,259	4,490	2,500	6,990	4,990	3,060	8,050	1,060	2,731
Milpitas	I-680	3,200	1,242	4,442	5,130	2,450	7,580	5,230	3,020	8,250	670	3,138
Sum											833	3,136
Ratio												27%

Project: G

**Tasman Drive / Great Mall Parkway / Capitol Ave**

From	To	2004			2030 General Plan			2030 + Proposed Plan			2030 - 2004	
		EB	WB	Total	EB	WB	Total	EB	WB	Total	Project Volume	Total Growth
S. Main St	Montague Expwy	1810	680	2490	3180	2230	5410	3820	2580	6400	990	2,920
Sum											990	2,920
Ratio												34%

Project: H

**State Route 237 / Calaveras Blvd**

From	To	2004			2030 General Plan			2030 + Proposed Plan			2030 - 2004	
		EB	WB	Total	EB	WB	Total	EB	WB	Total	Project Volume	Total Growth
I-880	Abbott	3,360	2,070	5,430	4,220	2,460	6,680	4,450	2,520	6,970	290	1,250
Abbott	Abel	2,940	1,800	4,740	3,400	1,900	5,300	3,630	1,930	5,560	260	560
Abel	Milpitas	2,290	1,510	3,800	3,100	1,630	4,730	3,080	1,700	4,780	50	930
Milpitas	Hillview	2,550	1,490	4,040	3,410	2,160	5,570	3,390	2,200	5,590	20	1,530
Hillview	I-680	2,900	1,780	4,680	3,710	2,010	5,720	3,740	2,050	5,790	70	1,040
Sum											690	5,310
Ratio												13%

The logo consists of the letters 'EPS' in a white, serif font, centered within a teal-colored square that has a vertical gradient from light to dark.

Economic &  
Planning Systems

*Public Finance*  
*Real Estate Economics*  
*Regional Economics*  
*Land Use Policy*

## APPENDIX B:

# BASIC INFRASTRUCTURE PROGRAM

**Appendix B**  
**Basic Infrastructure Program**  
**Milpitas TASP, Financing Plan; EPS #17107**

DB No.	Dev. Phase	General Improvement	Improvement Item	Costs			Non-Development Revenue Sources <i>d</i>	Net Development Share <i>e = c - d</i>
				Design, Constr. Contingency <i>a</i>	ROW or Land <i>b</i>	Total Costs <i>c = a + b</i>		
1	1	Roadway/Intersection - Backbone	Phase 1 TASP share of regional traffic mitigations (see "Transportation Impact Fee Study," Kimley-Horn)	--	--	\$5,207,500	\$0	\$5,207,500
2	2	Roadway/Intersection - Backbone	Phase 2 TASP share of regional traffic mitigations (see "Transportation Impact Fee Study," Kimley-Horn)	--	--	\$35,785,000	\$0	\$35,785,000
3	2	Roadway/Intersection - Backbone	Reconfigured roads: Falcon Drive, as described in Transit Area Specific Plan	\$922,560	--	\$922,560	\$0	\$922,560
4	2	Roadway/Intersection - Backbone	Reconfigured roads: Trade Zone Blvd as described in Transit Area Specific Plan	\$2,801,400	--	\$2,801,400	\$0	\$2,801,400
5	1	Streetscape Improvements	Great Mall Parkway and Capitol Avenue	\$6,204,584	--	\$6,204,584	\$0	\$6,204,584
6	2	Streetscape Improvements	Montague Expressway	\$9,286,008	--	\$9,286,008	\$0	\$9,286,008
7	2	Roadway/Intersection - Backbone	Pedestrian bridges over Montague Expressway.	\$18,000,000	--	\$18,000,000	\$9,000,000	\$9,000,000
8	2	Roadway/Intersection - Backbone	Pedestrian walkway over future BART trench; at Piper Drive	\$1,500,000	--	\$1,500,000	\$1,500,000	\$0
9	2	Roadway/Intersection - Backbone	Vehicle bridges over Penitencia Drive, at Penitencia	\$3,000,000	--	\$3,000,000	\$0	\$3,000,000
10	1	Sewer	#11A: Replace 370 LF of 12-inch with 27-inch #11A: Replace 590 LF of 18-inch with 27-inch	\$1,101,750	--	\$1,101,750	\$0	\$1,101,750
11	1	Sewer	#11B: Replace 360 LF of 15-inch with 18-inch #11B: Replace 1,820 LF of 10-inch with 18-inch #11B: Replace 450 LF of 10-inch with 15-inch	\$697,000	--	\$697,000	\$0	\$697,000
12	1	Sewer	#11C: Replace 885 LF of 10-inch with 12-inch #11C: Replace 30 LF of 8-inch with 15-inch #11C: Replace 325 LF of 8-inch with 12-inch	\$226,000	--	\$226,000	\$0	\$226,000
13	1	Sewer	#11D: Replace 2,060 LF of 8-inch with 12-inch	\$749,000	--	\$37,450	\$0	\$37,450
14	1	Sewer	Additional capacity	\$8,000,000	--	\$8,000,000	\$0	\$8,000,000
15	1	Sewer	Main Sewer Pump Station	\$4,356,000	--	\$4,356,000	\$0	\$4,356,000
16	1	Water	12" pipe to eliminate dead ends at Pectin Ct	\$273,000	--	\$273,000	\$0	\$273,000
17	1	Water	SC Turnout at Montague	\$2,756,000	--	\$2,756,000	\$0	\$2,756,000

**Appendix B**  
**Basic Infrastructure Program**  
**Milpitas TASP, Financing Plan; EPS #17107**

DB No.	Dev. Phase	General Improvement	Improvement Item	Costs			Non-Development Revenue Sources <i>d</i>	Net Development Share <i>e = c - d</i>
				Design, Constr. Contingency <i>a</i>	ROW or Land <i>b</i>	Total Costs <i>c = a + b</i>		
18	1	Water	SC Tank & PS; SCVWD Zone	\$17,435,500	--	\$17,435,500	\$0	\$17,435,500
19	1	Water	Land for SC Tank & PS; SCVWD Zone	--	\$4,192,650	\$4,192,650	\$0	\$4,192,650
20	1	Water	Recycled water: Complete distribution system with 8" pipe to eliminate dead ends	\$5,400,000	--	\$5,400,000	\$0	\$5,400,000
21	1	Parks/Plazas/Community Facilities	Park in subdistrict: McCandless/Centre Point, Southwest area	\$3,350,000	--	\$3,350,000	\$0	\$3,350,000
22	1	Parks/Plazas/Community Facilities	Land for park in subdistrict: McCandless/Centre Point, Southwest area	--	\$8,025,930	\$8,025,930	\$0	\$8,025,930
23	1	Parks/Plazas/Community Facilities	Park in subdistrict: McCandless/Centre Point, Southeast area	\$3,590,000	--	\$3,590,000	\$0	\$3,590,000
24	1	Parks/Plazas/Community Facilities	Land for park in subdistrict: McCandless/Centre Point, Southeast area	--	\$8,600,922	\$8,600,922	\$0	\$8,600,922
25	1	Parks/Plazas/Community Facilities	Park in subdistrict: McCandless/Centre Point, North area	\$344,000	--	\$344,000	\$0	\$344,000
26	1	Parks/Plazas/Community Facilities	Land for park in subdistrict: McCandless/Centre Point, North area	--	\$2,060,388	\$2,060,388	\$0	\$2,060,388
27	2	Parks/Plazas/Community Facilities	Park in subdistrict: Trade Zone/Montague, Central area	\$2,550,000	--	\$2,550,000	\$0	\$2,550,000
28	2	Parks/Plazas/Community Facilities	Land for park in subdistrict: Trade Zone/Montague, Central area	--	\$12,218,580	\$12,218,580	\$0	\$12,218,580
29	2	Parks/Plazas/Community Facilities	Park in subdistrict: Trade Zone/Montague, just north of Penitencia	\$1,004,000	--	\$1,004,000	\$0	\$1,004,000
30	2	Parks/Plazas/Community Facilities	Land for park in subdistrict: Trade Zone/Montague, just north of Penitencia	--	\$6,013,458	\$6,013,458	\$0	\$6,013,458
31	2	Parks/Plazas/Community Facilities	Park in subdistrict: Piper/Montague, North area	\$636,000	--	\$636,000	\$0	\$636,000
32	2	Parks/Plazas/Community Facilities	Land for park in subdistrict: Piper/Montague, North area	--	\$3,809,322	\$3,809,322	\$0	\$3,809,322
33	2	Parks/Plazas/Community Facilities	Park in subdistrict: Piper/Montague, South area	\$676,000	--	\$676,000	\$0	\$676,000
34	2	Parks/Plazas/Community Facilities	Land for park in subdistrict: Piper/Montague, South area	--	\$4,048,902	\$4,048,902	\$0	\$4,048,902
35	2	Parks/Plazas/Community Facilities	Park in subdistrict: BART station area	\$664,000	--	\$664,000	\$0	\$664,000

**Appendix B  
Basic Infrastructure Program  
Milpitas TASP, Financing Plan; EPS #17107**

DB No.	Dev. Phase	General Improvement	Improvement Item	Costs			Non-Development Revenue Sources <i>d</i>	Net Development Share <i>e = c - d</i>
				Design, Constr. Contingency <i>a</i>	ROW or Land <i>b</i>	Total Costs <i>c = a + b</i>		
36	2	Parks/Plazas/Community Facilities	Land for park in subdistrict: BART station area	--	\$3,977,028	\$3,977,028	\$0	\$3,977,028
37	2	Linear Parks/Trails	Linear parks/trails in subdistrict: Piper Montague; throughout subdistrict (See Fig. 3-6, TASP)	\$216,000	--	\$216,000	\$0	\$216,000
38	2	Linear Parks/Trails	Linear parks/trails in subdistrict: BART station area; throughout subdistrict (See Fig. 3-6, TASP)	\$402,000	--	\$402,000	\$0	\$402,000
39	2	Linear Parks/Trails	Linear parks/trails in subdistricts: Montague Corridor and Trade Zone/Montague; throughout subdistrict (See Fig. 3-6, TASP)	\$717,000	--	\$717,000	\$0	\$717,000
40	1	Linear Parks/Trails	Linear parks/trails in subdistrict: McCandless/Centre Point; throughout subdistrict (See Fig. 3-6, TASP)	\$1,860,000	--	\$1,860,000	\$0	\$1,860,000
41	1	Parks/Plazas/Community Facilities	Community facilities at Park in McCandless/Centre Point Subdistrict, Southeast area; McCandless Dr, just south of Great Mall Parkway	\$15,000,000	--	\$15,000,000	\$0	\$15,000,000
42	1	Planning	Specific Plan preparation	<u>\$1,331,000</u>	--	<u>\$1,331,000</u>	<u>\$0</u>	<u>\$1,331,000</u>
<b>TOTAL</b>				<b>\$115,048,802</b>	<b>\$52,947,180</b>	<b>\$208,276,932</b>	<b>\$10,500,000</b>	<b>\$197,776,932</b>

**Phase 1 Totals**

Roadway/Intersection - Backbone	\$5,207,500
Streetscape Improvements	\$6,204,584
Parks/Plazas/Community Facilities	\$40,971,240
Linear Parks/Trails	\$1,860,000
Sewer	\$14,418,200
Water	\$30,057,150
Planning	<u>\$1,331,000</u>
<b>Phase 1 Sum</b>	<b>\$100,049,674</b>

**All Phases Totals**

Roadway/Intersection - Backbone	\$67,216,460
Streetscape Improvements	\$15,490,592
Parks/Plazas/Community Facilities	\$76,568,530
Linear Parks/Trails	\$3,195,000
Sewer	\$14,418,200
Water	\$30,057,150
Planning	<u>\$1,331,000</u>
<b>All Phases Total</b>	<b>\$208,276,932</b>

Source: City of Milpitas; Economic & Planning Systems