

TUMF/NEXUS ADVISORY SUB-COMMITTEE

October 12, 2017

9:00 AM

CVAG Conference Room 115
73-710 Fred Waring Drive, Palm Desert



AGENDA

1. Welcome and Introductions

- a. Introduce Team and Welcome Members

2. Recap Prior Meetings

- a. Discussions from prior meetings

3. TUMF Technical Memorandum

Recommendation: Provide direction to staff to:

- 1) Work with Public Works Directors and City/County staff to reduce the level of improvements assumed to be needed over the next 25 years and report back.
- 2) Confirm simplification of the TUMF process by consolidating land uses to provide fewer categories and eliminating exemptions.

4. Items for Future Agendas

5. Next Meeting

6. Adjournment

ITEM 1a.**2017-2018 TUMF/NEXUS ADVISORY COMMITTEE MEMBERS**

First Name	Last Name	Title	Agency
Savat	Khamphou	Assistant City Engineer / Assistant Public Works Director	City of Palm Springs
Bryan	McKinney	Principal Engineer	City of La Quinta
Ginny	Foat	Councilmember	City of Palm Springs
Jan	Harnik	Mayor Pro Tem	City of Palm Desert
Patricia	Romo	Deputy Director of Transportation	TLMA
Manuel	Perez	4th District Supervisor	County of Riverside (Alternate)
Juan	Perez	Director of Transportation	TLMA (Alternate)
Mark	Scott	Interim City Manager	City of Indio
Tim	Wassil	Public Works Director	City of Indio
Charles	McClendon	City Manager	Cathedral City
Ted	Weill	Councilmember	Rancho Mirage
Chuck	Maynard	City Manager	Desert Hot Springs
Bill	Pattison	City Manager	City of Coachella
Tom	Davis	Chief Planning and Development Officer	Agua Caliente Tribe of Cahuilla Indians
Bill	Blankenship	Chief Executive Officer	BIA of Southern California - Riverside County Chapter
Gretchen	Gutierrez	Chief Executive Officer	Desert Valley Builders Association
James	Brownyard	Legislative Analyst	Desert Valley Builders Association (Alternate)
Ken	Seumalo	Public Works Director / City Engineer	City of Indian Wells

Coachella Valley Association of Governments
TUMF/Nexus Advisory Sub-Committee
October 12, 2017



Staff Report

Subject: TUMF Nexus Study

Contact: Eric Cowle, Transportation Program Manager (ecowle@cvaq.org)

Recommendation: Provide direction to staff to:

- 1) Work with Public Works Directors and City/County staff to reduce the level of improvements assumed to be needed over the next 25 years and report back.
- 2) Confirm simplification of the TUMF process by consolidating land uses to provide fewer categories and eliminating exemptions.

Background:

TUMF Origins

In 1987, the California Legislature passed a groundbreaking bill titled Assembly Bill 1600, also known as the “Mitigation Fee Act.” The bill outlined the legal requirements in which a development impact fee is charged by a local governmental agency to an applicant related to the approval of a development project. The fee was intended to pay for all or a portion of the costs of public facilities associated with that project.

Two years later, in 1989, the Board of Supervisors of the County of Riverside drafted and adopted Ordinance No. 673, which outlines the establishment of a Transportation Uniform Mitigation Fee (TUMF) Program for the Coachella Valley. The fee would be imposed on future residential, commercial and industrial development within the jurisdiction.

The TUMF program compliments the 20-year Measure A sales tax measure approved by the voters of Riverside County in November of 1988. Measure A was due to expire in 2009, but the Riverside County Transportation Commission adopted Ordinance 02-001 following a 30-year extension by the voters in 2002. Measure A is currently slated to expire in 2039.

At the time of its adoption, the intention was for the TUMF to generate at least the equivalent of Measure A funding toward the Regional Arterial System. Today, TUMF revenue provides only a small fraction of match toward Measure A funding. The TUMF is required to be updated periodically. To accomplish this, a Nexus Study is conducted to lawfully link projected growth in the Coachella Valley to the current Transportation Project Prioritization Study (TPPS) Area. CVAG has utilized a five-year period for its updates, seeking to maintain the fee level at a fair and equitable level as conditions change.

In 2006, CVAG conducted a TUMF Nexus Study to update the fee, with relatively small changes made. However, the fee was not fully implemented. In 2010, CVAG considered another update but elected not to, given the economic downturn at that time. The current Nexus Study was initiated in 2015 and is anticipated to be adopted in 2018. As part of the update, a TUMF/ Nexus Advisory Sub-Committee was created and it is representative of both CVAG’s membership and community stakeholders. CVAG staff had sought volunteers and appointments through the standing CVAG committee structure.

Transportation Project Prioritization Study

It is CVAG's responsibility to prepare and adopt a Regional Transportation Plan (RTP) for the Coachella Valley. This is accomplished through the creation of the Transportation Project Prioritization Study (TPPS), which identifies and prioritizes the needs of transportation projects in the region.

The CVAG Executive Committee approved the most recent Transportation Project Prioritization Study (TPPS) in June of 2016. The TPPS incorporated regional Active Transportation Projects (ATP) such as CV Link, consistent with the California Complete Streets Act (2008), and incorporated the Regional Arterial Cost Estimate (RACE) which established the cost of our Regional Transportation System. Collectively, the TPPS, ATP and RACE create the summary of needs and priorities for the ultimate regional transportation system used for the Transportation Uniform Mitigation Fee (TUMF) Nexus Study.

Transportation in California is shifting its focus. While Measure A has benefitted the Coachella Valley by bringing in a significant amount of funding to implement regional transportation projects, transportation needs and the TPPS will continue to change over time. A significant change to the last TPPS update was the inclusion of "Complete Streets." Complete Streets is a transportation policy and design approach that requires streets to be "planned, designed, operated, and maintained to enable safe, convenient and comfortable travel and access for users of all ages and abilities regardless of their mode of transportation (walking, cycling, automobiles, public transportation)." The state Legislature has mandated that ATP projects be integrated into their RTPs.

In 2014 CVAG's Executive Committee confirmed an approach that involved integrating ATP projects, such as CV Link, into the overall update of the TPPS. Historically, Measure A and TUMF have been invested on freeways projects to move more automobiles, but the State has shifted their focus toward more multi-modal transportation alternatives (bicycle, pedestrian, NEVs) that diversify our transportation system. CVAG's ATP includes projects that provide multimodal transportation alternatives to automobiles and addresses the need to move towards compliance with State initiatives. Although this program may only be a small portion of the overall TPPS, it allows for the region to be in a better position to compete for state and federal funding when available. Total costs associated with bicycle and pedestrian improvements are less than 1% of the preliminary TUMF costs of \$800 million. The very small percentage of total TUMF cost is due in part to the fact that ATP projects typically leverage a disproportionate amount of external funding. Additionally, most of the ATP projects contained within the TPPS support existing development.

Further reinforcing this philosophy, the CVAG Executive Committee recently approved investing \$10 million in regional funding for ten (10) projects that directly address bicycle and pedestrian accidents and fatalities on CVAG's Regional Arterials. These projects are scheduled to be under construction within the next year.

TUMF Nexus

The TUMF Nexus Study analyzes the relationship between the ultimate regional transportation system and the travel demand generated by future development. The result is a fee imposed onto new development to pay for its proportional contribution towards the future transportation system.

With the TPPS and accompanying documents approved, CVAG's consultant team went to work establishing the TUMF parameters and assumptions, which were presented at the December 2016 TUMF/Nexus Advisory Sub-Committee meeting.

With the maximum fee as a starting point, CVAG policy then determines what percentage of maximum fee will actually be charged (based on economic and other considerations), with local match and other funding sources making up the difference.

The consultant team has prepared a Technical Memorandum (attached) as a preface to the actual Nexus Study, describing the key assumptions and methodology underlying the calculation. They have included an initial calculation of the fee based upon current assumptions. The preliminary calculation of the maximum allowable fee is \$751/trip, which equates to \$7,145 per Single Family Dwelling.

Setting the fee at this level would be a substantial increase. At the same time, leaving the fee at its current level of \$1,837 per Single Family Dwelling will not provide the necessary funding to fully implement the Regional Transportation System, which is largely designed to serve new development. By comparison, WRCOG's TUMF fee is \$8,873 per Single-Family Dwelling, resulting in a fee that is more than four times higher than CVAG's current fee

CVAG staff recommends that they meet with City and County staff to evaluate reducing the preliminary maximum allowable fee by eliminating some of the projects from the TPPS over the 25-year horizon. This would reduce the overall TPPS costs and provide a lower TUMF fee. Historically, the TPPS, RACE and TUMF have been consistent; the Transportation Program has been fiscally constrained. To eliminate TPPS projects from funding consideration during the 25-year horizon would be a departure from CVAG policy. The TPPS would remain in place as a regional prioritization of projects, and would continue to be updated every five years, but there would no longer be an assumption that all of the projects would be funded in a given time period.

CVAG staff also has had discussions with the building industry organizations, Building Industry Association (BIA) and Desert Valley Builder's Association (DVBA), to brief them on the progress of the TUMF update and to seek their input regarding the methodology and assumptions related to the TUMF update. CVAG received letters from both organizations (attached). Notably, both organizations point to the need to reevaluate whether the projects being included in the TUMF would realistically be built in the next few decades.

Streamlining TUMF

CVAG's TUMF program is based on a land use classification category with the daily trip generation rate for that land use taken from the International Transportation Engineers Trip Generation Manual. Originally, CVAG's TUMF Program had approximately seventy-five (75) land use categories, but it was later reduced to the current thirty-seven (37) land uses for simplification.

Based on the last TUMF update, CVAG has experienced a number of problems with some land uses, including the shopping center category. Shopping centers are defined as a development with three business establishments in one or more buildings with a total floor area of 10,000 sq. ft. minimum, and the largest building is not larger than 50% of the floor area. Shopping centers are considered retail/services for the purpose of calculating TUMF. If a business establishment other than a restaurant is specifically listed in the TUMF formula and it's within a shopping center, TUMF is calculated as retail/services. For restaurants, a shopping center may include up to 25% restaurant use with no additional TUMF assessment. However, any restaurant use beyond the 25% will be assessed under the restaurant category (Low Turnover, High Turnover, Fast Food).

By meeting this definition, specific high trip generating land uses such as convenience markets and fast food can pay at the general retail rate, which is approximately 10% of the convenience/fast food TUMF rate which is \$54,611.26 per 1,000 sq. ft. There are a number of problems with the administration of the fee for "shopping centers," including that neither the fee technicians nor the CVAG TUMF administrator know where all past shopping centers are located. There currently are a number of small shopping centers which intend to build convenience stores with gas pumps and then expand at some future point in time. Tracking the timeline of these developments is difficult, and a high TUMF payment at first is a burden for developers.

As part of the current update, CVAG is proposing to consolidate land uses (industrial, office, retail) to simplify the process by charging a fee on a stand-alone building based on square footage.

Other land uses including single-family and multi-family will be charged per unit and hotels will be charged per room.

As a comparison, WRCOG does not have a “shopping center” provision and also does not have separate, higher TUMF for convenience markets and fast food. They are considered retail uses and pay a flat rate. Below is a sample comparison between WRCOG and CVAG of the TUMF that would be charged for a 1,500 sq. ft. building for various land uses.

	WRCOG	CVAG
Any of below in shopping center	See below	N/A
1,500 sq. ft. Convenience Market	\$11,250	\$81,917
1,500 sq. ft. fast food	\$6,285	\$67,273
1,500 sq. ft. High Turnover Restaurant	\$6,285	\$14,114
1,500 sq. ft. Low Turnover Restaurant	\$6,285	\$9,984

As can be seen, WRCOG has a simplified process of charging TUMF for the land uses listed. Again, CVAG is proposing to further consolidate land uses to simplify the process in charging for TUMF. WRCOG has worked to update their TUMF Program parallel to CVAG’s efforts in updating its TUMF Program. WRCOG’s Program is currently in effect.

CVAG’s current TUMF Program includes a number of exemptions:

1. Low and lower-income residential housing.
2. Public buildings (public schools and public facilities) unless they are primarily leased for-profit enterprises.
3. Building used for religious purposes but excluding other commercial or residential properties or businesses owned by a religious institution.
4. The reconstruction of any structure or improvement to land (continues pre-existing use; generates same or fewer trips as original use; and reconstruction or improvement occurs within one (1) year of the demolition of the structure or improvement.
5. Solar facilities are not charged on arrays but buildings are charged specific rates (Industrial for maintenance or storage buildings or Office Building for office space).

Under the TUMF update, CVAG staff proposes that these exemptions be eliminated. Therefore, no exemptions will be allowed and all land uses will be subject to TUMF. At the last two TUMF/Nexus Advisory Sub-Committee meetings (August and December 2016), the Committee generally concurred with the recommendation of simplifying the process and eliminating exemptions.

CVAG’s current TUMF Program does not have an inflationary adjustment factor. As part of the TUMF update, CVAG is proposing an annual inflationary adjustment to the final TUMF fee. CVAG proposes to utilize the Consumer Price Index, similar to the inflation factor that was approved for the Coachella Valley Multiple Species Habitat Conservation Plan (CVMSHCP). In discussions with the building industry organizations (BIA and DVBA), both support this fee adjustment but are opposed to an automatic annual adjustment. CVAG staff proposes the annual inflation factor since TUMF revenues have decreased drastically over the last ten years. While the economy is not back to its strength it was ten years ago, the inflation adjustment will bring in some minimal revenues that would help further offset the cost of regional improvements. The building industry

organizations are not opposed to the inflation adjustment, but would like it to be visited on annual basis and not be an automatic increase. Staff concurs that the inflation adjustment should be considered on an annual basis.

WRCOG's TUMF Program includes an inflation factor (Construction Cost Index Adjustment) for the TUMF. However, it is not automatic and is considered by its Executive Committee on an annual basis.

The goal of the October TUMF/Nexus Advisory Sub-Committee meeting will be to discuss the consultant's initial calculation and, if needed, consider possible alternatives to reduce the fee. Based upon what is determined by the TUMF/Nexus Sub-Committee, the consultant team will prepare the Draft TUMF Nexus Report and present it to the Sub-Committee in November for a recommendation in order to advance the process through CVAG's committee structure for adoption of the new TUMF Program.

Attachments:

- Memo from Economic & Planning Systems, Inc.
- Letter From DVBA
- Letter from BIA

TECHNICAL MEMORANDUM

To: Martin Magana, Coachella Association of Governments (CVAG)

From: Jason Moody, Economic & Planning Systems (EPS)
Paul Rodriguez, Rodriguez Consulting Group
Ryan Zellers, Michael Baker International
Anna Luo, Fehr & Peers

Subject: Preliminary Methodology and Analysis for Updating the CVAG Transportation Uniform Mitigation Fee (TUMF); EPS 144043

Date: April 14, 2017

The Economics of Land Use



This technical memorandum describes the preliminary methodology, assumptions, and calculations for updating the Coachella Valley Transportation Uniform Mitigation Fee (TUMF). It has been prepared as a precursor to a more formal Nexus Study that will be needed to implement the TUMF update and satisfy the requirements of California Government Code Chapter 5 Section 66000-66008 (also known as the California Mitigation Fee Act).

Initially established in 1989, the CVAG TUMF is a one-time fee charged on all new development occurring within the CVAG region designed to **cover the "fair share" cost of** regional serving transportation projects and improvements needed to serve growth. The program relies on local agencies (e.g., cities and unincorporated communities) to collect TUMF as development occurs. The forthcoming TUMF Nexus Study will establish a nexus or reasonable relationship between the updated fee amount and the proportion of transportation improvement costs attributable to new development.

The primary goal of the preliminary calculations presented in this memorandum is to provide an overview and seek input on the key assumptions and methodology for the TUMF update. It has been prepared by Economic & Planning Systems (EPS) with support from a broader consultant team, led by Michael Baker International, that has been retained by the Coachella Valley Association of Governments (CVAG) to assist in developing key components of the Regional Transportation Plan (RTP). Other key components of the RTP that have been updated as part of this study process, and used as critical inputs in the TUMF update, include:

*Economic & Planning Systems, Inc.
One Kaiser Plaza, Suite 1410
Oakland, CA 94612-3604
510.841.9190 tel
510.740.2080 fax*

*Oakland
Sacramento
Denver
Los Angeles*

www.epsys.com

- Transportation Project Prioritization Study (TPPS): The TPPS identifies and prioritizes the regional arterial transportation projects in the CVAG region.
- Regional Arterial Cost Estimate (RACE): The RACE provides costs estimates for the projects included in the TPPS.
- Active Transportation Plan (ATP): The Regional ATP defines the bicycle, pedestrian, and low speed electric vehicle (LSEV) networks designed to provide a multimodal compliment and/or alternative to automobiles. The Regional ATP projects are included in the TPPS.

The TPPS, RACE, and ATP were formally approved by the CVAG Executive Committee on June 27, 2016.

TUMF Projects and Costs

As noted, the recently approved TPPS, RACE, and ATP represent fundamental elements of the TUMF calculation by providing the list of potentially eligible projects and their corresponding costs. A summary of the total cost by type of project is provided in Table 1. As shown, the total delivery cost is estimated at approximately \$3.444 billion, including the TPPS, ATP, and two other regional projects.

Table 1 Initial List of TUMF Eligible Projects and Total Costs

<u>Type of Projects</u>	<u>Project Cost</u>	
	<u>\$ Amount</u>	<u>%</u>
Buildable Projects	\$3,140,980,000	91.2%
-- Capacity Improvement Projects	\$2,647,100,000	76.8%
-- Widening or Updating Cross-Sections	\$156,400,000	4.5%
-- Other Operational Improvements	\$336,540,000	9.8%
-- Resurface or Reconstruction Only	\$940,000	0.03%
ATP Regional Projects	\$193,600,000	5.6%
-- Regional Bicycle Projects	\$185,600,000	5.4%
-- Regional Pedestrian Improvements	\$8,000,000	0.2%
Other Regional Transportation Projects	\$110,200,000	3.2%
-- CV Link	\$99,400,000	2.9%
-- Valley-wide Signal Synchronization	\$10,800,000	0.3%
Regional Traffic System Costs	\$3,444,780,000	100%

As shown above, the bulk of the project costs, or approximately 77 percent, are identified as **"Capacity Improvement Projects."** These projects are so-named because they expand the capacity of the regional transportation network by adding lanes or entirely new arterials and connections, allowing the network to better accommodate growth. The projects referred to as **"Widening or Updating of Cross-Sections"** and **"Other Operational Improvements,"** which combine for about 14 percent of costs, provide a variety of benefits to both new and existing commuters, but do not expand the network capacity in a measurable way. ATP and other regional projects such as CV Link and valley-wide signal synchronization, combine for slightly less than 10 percent of total costs. Projects categorized as "Resurface and Reconstruction Only" have been removed from the TUMF calculation since they are related to the maintenance of the current network, as described further below (a relatively minor adjustment since total cost of these projects is only \$940,000).

Traffic Model Used for TUMF Update

As noted, pursuant to the Mitigation Fee Act, development impact fees must establish a reasonable relationship, or nexus, between the cost of new capital facilities and improvements allocated to future development and the contribution of growth to the need for these facilities. For transportation impact fees, recently updated and adopted traffic models are generally used as a tool to estimate the allocation of costs of new transportation facilities between existing and future development.

Based on direction from the CVAG Executive Committee, the Riverside County Traffic Analysis Model (RIVTAM) has been used to calculate the TUMF. Specifically, as part of this study process, Fehr & Peers has updated the RIVTAM model to reflect the latest 2040 socio-economic and **roadway network assumptions in the CVAG region consistent with the SCAG's 2016 Regional Transportation Plan (RTP)**. In addition to the Federal Transportation Improvement Program (FTIP) and RTP projects identified in the 2016 RTP, the TPPS projects were also added to the model to estimate the daily trips generated in the CVAG region by Year 2040.

Table 2 shows the estimated growth in the number of daily vehicle trips ends in the CVAG region between existing (2015) and 2040 based on the model update. As shown, the existing 2015 vehicle trip ends were estimated to be 3,141,640 and the total growth was estimated to be 1,074,500 trip ends over the next 25 years, or by 2040.¹ Based on this projection, the future growth in trip ends will represents about 25 percent of total trips in 2040. In other words, future growth is expected to account for roughly 25 percent of total trips ends within the CVAG region

¹ The traffic growth in CVAG was estimated using the delta in origin-destination (O-D) trip tables between the Base Year 2008 Model and Future Year 2040 Model. In order to capture the trips only associated with the Coachella Valley region, the external-to-external trips (meaning trips starting from and ending at areas outside of the Coachella Valley) were excluded from traffic growth. For external-to-internal or internal-to-external trips (meaning trips having one end in CVAG and the other end outside of CVAG), only half of those trips were included in the traffic growth calculation. For the purpose of the TUMF, the number of trip ends was used to calculate the fee which is consistent with the 2005 TUMF study. Any internal-to-internal trip (meaning trips traveling inside CVAG) is considered as two trip ends and any external-to-internal or internal-to-external trip is considered to have one trip end in Coachella Valley.

by 2040. This proportion is used to allocate a portion of the cost for TUMF eligible projects to future growth, as described further below.

Table 2 Estimated Growth in Trip Ends in CVAG Region (2015 – 2040)

	Avg. Daily Trip (ADT) Ends in Year:		2015 - 2040 Growth in ADT		
	2015	2040 (with TPPS)	Total	Growth as % of 2040 total	Average Annual
Total for CVAG Regional Network	3,141,640	4,216,160	1,074,520	25%	1.2%

Source: F&P; RIVTAM

TUMF Costs Allocated to New Development

Under the Mitigation Fee Act, development impact fees cannot include the cost of infrastructure improvements needed to address “existing deficiencies”. In other words, the cost of new capital facilities and improvements needed solely to address the needs of existing users must be excluded from the TUMF calculation. In accordance with this requirement, the preliminary nexus calculations provided herein utilize RIVTAM projections to allocate the cost of the TUMF eligible projects between new and existing development.

This nexus analysis has identified three distinct cost allocation methodologies depending on the type of project under consideration, as describe below:

- **Regional Capacity Improvement Projects:** For TPPS projects that have been identified as “capacity improvements” the RIVTAM model has been used to estimate the portion of costs attributable to growth. The daily volume/capacity (v/c) ratio was obtained from RIVTAM base year model to determine whether the project is contributed by existing deficiency based on level of service (LOS) criteria. Consistent with the 2005 TUMF study, LOS D is considered to be acceptable LOS for arterial roadway network. Any project’s roadway segment with a v/c ratio exceeding 0.62 were considered to operate with existing deficiency, and a fair share calculation was then performed to estimate the portion of costs attributable to growth for the project. The fair share percentage was calculated by subtracting the existing volumes from future demand and then divided by the future demand, and the percentage was applied to the project’s total cost to estimate the portion of costs attributable to growth. For projects with roadway segments operating at LOS D or better (or v/c ratio of 0.62 or less), it is assumed 100 percent of the project’s cost is attributable to growth.
- **Regional Operational, Safety, and ATP Projects:** In addition to “capacity improvement projects”, other regional projects are included in the TUMF calculation because they improve the regional network for both existing and new users, either through operational enhancements, safety, and/or active transportation modes (e.g. bicycle and pedestrian facilities). Since these improvements and facilities are designed to serve and benefit both existing and new development, the costs are allocated in proportion to growth. Specifically, approximately 25 percent of the cost of these projects are allocated to growth reflecting the estimated share of new trip ends to total trip ends in 2040 (see Table 2).

- Resurfacing Projects: The TPPS projects focused on the resurfacing of existing arterials have been removed from the TUMF calculation (i.e., these costs are excluded from TUMF). This is because these projects are needed to maintain the current network rather than help accommodate growth.

Table 3 summarizes the allocation of TUMF eligible project costs between new and existing development based on the methodology described above. As shown, overall, about 80 percent of the TUMF eligible project costs are allocated to new development. This amount includes 97 percent of the cost of “Capacity Improvement Projects” since the majority of these projects are not currently needed given level of service standards assumed for this analysis.

Table 3 Allocation of TUMF Eligible Project Costs to New Development

Type of Projects	Project Costs	Proportion of Costs Allocated to Growth	Total Costs Allocated to Growth
Buildable Projects	\$3,140,980,000		\$2,705,869,456
-- Capacity Improvement Projects	\$2,647,100,000	97%	\$2,580,240,000
-- Widening or Updating Cross-Sections	\$156,400,000	25%	\$39,859,713
-- Other Operational Improvements	\$336,540,000	25%	\$85,769,743
-- Resurface or Reconstruction Only	\$940,000	0%	\$0
ATP Regional Projects	\$193,600,000		\$49,340,412
-- Regional Bicycle Projects	\$185,600,000	25%	\$47,301,552
-- Regional Pedestrian Improvements	\$8,000,000	25%	\$2,038,860
Other Regional Transportation Projects	\$110,200,000		\$28,085,297
-- CV Link	\$99,400,000	25%	\$25,332,836
-- Valley-wide Signal Synchronization	<u>\$10,800,000</u>	<u>25%</u>	<u>\$2,752,461</u>
Total	\$3,444,780,000	81%	\$2,783,295,165

[1] Cost allocation based on RIVTAM analysis. For projects with no existing deficiencies, 100 percent of costs are allocated to growth. Cost for all other projects allocated proportional to growth in trip-ends attributable to new development growth.

[2] Cost allocation based on new trips from 2015 - 2040 divided by total trips in 2040.

Other Funding for TUMF Projects

CVAG has programming authority for Measure A, State and Federal formula funds. Riverside County Transportation Commission (RCTC) is the regional transportation planning agency responsible for administration of funds throughout Riverside County. Due to the diverse needs of sub-regions throughout the County, programming decisions within Coachella Valley are typically delegated to CVAG. Competitive grant funding is typically managed directly by RCTC or State and Federal sponsoring agencies.

It is a common practice in calculation of a development impact fee to deduct any obligated or projected revenue from other funding sources from the total cost of planned capital facilities and improvements. For the purposes of the TUMF update calculations five separate and discrete

revenue or funding sources (other than the TUMF itself) have been estimated and deducted from the costs attributable to new development, as described below.

Obligated Funds

TUMF project costs should exclude funding that has already been secured or is obligated from other sources. As of November, 2016 CVAG staff report that it has approximately \$231.9 million allocated to TPPS projects from available sources. Programming decisions are made periodically and obligation values are updated as needed. A list of current projects and funding commitments is summarized in Table 4.

Table 4 Summary of Obligated Funds Available to Off-set TUMF Costs

<u>Type of Projects</u>	Obligated Funding¹
Buildable Projects	\$145,886,000
-- Capacity Improvement Projects	\$102,956,000
-- Widening or Updating Cross-Sections	\$1,972,000
-- Other Operational Improvements	\$40,958,000
-- Resurface or Reconstruction Only	\$0
ATP Regional Projects	\$8,300,000
-- Regional Bicycle Projects	\$8,300,000
-- Regional Pedestrian Improvements	\$0
Other Regional Transportation Projects	\$77,752,461
-- CV Link	\$75,000,000
-- Valley-wide Signal Synchronization	\$2,752,461
Regional Traffic System Costs	\$231,938,461

[1] Only includes portion of obligated funding applicable to TUMF related costs.

Although a significant portion of obligated funds are under CVAG's control, competitive funding from State and/or federal sources, such as Active Transportation Program (ATP) funding, is determined by others. ATP projects in the CVAG region, including major infrastructure projects such as CV Link, have received approximately \$75 million in grants and funding allocations from CMAQ and various other sources. The values are deducted from the TPPS and ATP gross network.

Developer Funded Improvements

Section 6 (d) (2) of the CVAG TUMF model ordinance indicates that CVAG will "establish an estimate of the value of customary developer dedications to the extent they have been included in the total cost of the regional system." Dedications are right of way and/or completed roadway segments that are required to be completed by developers as part of their development approvals. In previous TUMF Nexus Studies, the estimated value of developer dedications has been used to offset or reduce the TUMF collection target.

This reduction of the TUMF collection target provides an appropriate **program 'credit'** to developers for completing actual improvements to the arterial system.

While the value of developer contributions is difficult to quantify, they are real and should be accounted for in the TUMF. As part of the initial TUMF calculation in 1988 it was estimated that such dedications represented 25 percent of the value of total TPPS (regional system) costs. This estimate was affirmed in 2005. It is recommended that we retain the 25 percent estimate for the value of developer dedications for the 2017 Nexus Study, excluding CV Link.

State and Federal Transportation Funding

CVAG receives transportation funding from a variety of State and federal sources, much of which is allocated by formula or agreement through RCTC. This includes funding through the State Transportation Improvement Program (STIP), CMAQ, the federal Surface Transportation Program (STP)² and Transportation Investment Generating Economic Recovery (TIGER) grants, and other sources. While the funding levels from State and Federal sources can vary significantly from year to year, for the purposes of the TUMF analysis, CVAG projects that the region will receive about \$172 million from these sources over the next 25 years, or an average of about \$6.86 million per year.³

Local Match

The CVAG share of regional road system project costs has been set by the Executive Committee at 75 percent of qualified project costs, excluding such typical improvements as landscaping improvements. Local jurisdictions are required to provide the remaining 25 percent of project costs, as well as 100 percent of unqualified project costs. For the purposes of the TUMF, CVAG has indicated that projects on the TPPS will be funded with 75 percent regional funds with a 25 percent local match requirement. Accordingly, this analysis assumes that the TUMF costs are reduced by 25 percent to account for this local match.

Measure A

In accordance with RCTC Ordinance No.02-001, Riverside County Transportation Commission Transportation Expenditure Plan and Retail Transaction and Use Tax (Measure A), 50 percent of the sales tax revenue generated by Measure A within the Coachella Valley is allocated to CVAG for use on the Regional Arterial System. This sales tax was approved through 2038. CVAG uses this revenue to complete projects included in the TPPS. CVAG intends to continue to utilize this revenue for projects included in the TPPS

For the purpose of determining the share of Measure A revenues that will likely be available for completing future TPPS projects, EPS used an average from actual revenues between 2007 and

² The federal The Surface Transportation Program (STP) provides flexible funding that may be used by States and localities for projects to preserve and improve the conditions and performance on any Federal-aid highway, bridge and tunnel projects on any public road, pedestrian and bicycle infrastructure, and transit capital projects, including intercity bus terminals.

³ Based on the last call for projects in 2013 for federal grant funds STP, CVAG received \$21,458,175, or about 33 percent of the total pot for Riverside County. For CMAQ funds, CVAG is averaging about \$6 million per year, which would. These two sources would combine for about \$171,458,175 over a 25-year period (\$21,458,175 + \$6 million times 25 years).

2016 as well as projected growth in trips through 2040. In addition, it is assumed that 81 percent of the Measure A revenue would be used to off-set TUMF costs, with the remaining available to cover future project costs not covered by TUMF (e.g., the amount allocated to “existing deficiencies”). This methodology yields average annual Measure A revenues available to off-set TUMF costs of about \$22.8 million per year or \$461 million over 25 years, as shown in Table 5.

Table 5 Estimated Measure A Revenues Available To Off-set TUMF Costs

Type of Projection	Average Annual Amount	Total
2007-16 Growth Rate In Measure A \$s	\$20,308,586	\$487,406,064
2010-16 Growth Rate in Measure A \$s	\$26,270,481	\$630,491,536
SCAG Trip Growth (2017 - 2040)	<u>\$21,934,342</u>	\$526,424,215
Average of All Projections 25 Year Total	\$22,837,803	\$570,945,075
Allocation to TUMF Eligible Projects @ 81%		\$461,309,188

Table 6 summarizes the assumptions above to estimate the total revenue that is likely to be available to off-set TUMF project costs over the next 25 years. As shown, the total TUMF Costs of \$2.78 billion (i.e., the TPPS costs attributable to growth) are reduced by an additional \$1.975 billion to account for other funding sources, leaving a net TUMF cost of about \$806.5 million.

Table 6 Net TUMF Costs After Funding from Other Sources

<u>Category</u>	<u>Source</u>	<u>Formula</u>	<u>Amount</u>
TUMF Cost Allocation	See Table 3	= a	\$2,783,295,000
Obligated Funding	See Table 4	= b	\$231,938,461
CV Link Costs Allocated to Growth	See Table 3	= c	\$25,332,836
Developer Funded Improvements	CVAG Estimate	d = 25% * (a - c)	\$689,491,000
State and Federal Funding	CVAG Estimate	= e	\$171,458,000
Subtotal		f = a - b - d - e	\$1,690,408,000
25% Local Match	CVAG Policy	g = f * 25%	\$422,602,000
Measure A Funding to TUMF	See Table 5	= h	\$461,309,000
Net TUMF Costs		= f - g - h	\$806,497,000

TUMF Calculation

The data and analysis described above provide the core components of the TUMF calculation. The next step in the TUMF calculation is to divide the net TUMF cost above by the projected growth in average daily trips (ADT) over from 2015 – 2040. As shown in Table 7 this calculation results in TUMF per ADT of \$751. This average TUMF per trip amount would be used as the basis for calculating the actual TUMF obligation for a particular development based on ADT generation factors for the different land use categories. It should be noted that based on guidance from Fehr & Peers, the TUMF per trip rate for retail will likely be reduced by 35 percent to account “linked” trips, or trips that are part of multi-purpose commute (e.g., stopping at a retail store on the way to or from work).

Table 7 Calculation of TUMF per Average Daily Trip (ADT)

<u>Category</u>	<u>Source</u>	<u>Formula</u>	<u>Amount</u>
Net TUMF Cost	See Table 6	= a	\$806,497,000
Growth in ADT (2015 - 2040)	See Table 2	= b	1,074,520
Avg. TUMF / ADT		= a / b	\$751

Comparison with Existing TUMF by Land Use

Table 8 provides illustrative TUMF calculations based on 2012 trip rates by for the major land use categories applicable to the update. It also compares this initial TUMF update amount to the existing TUMF as well as the TUMF calculated in the Nexus Report prepared by Parsons Brinckerhoff in 2006. As shown, the significant increase in fee levels calculated in the preliminary TUMF update compared to the existing and 2006 calculated TUMF is primarily the result of the factors described below.

Table 8 Illustrative TUMF Amount by Land Use and Comparisons with Existing

Fee Category	Avg. Daily Trip Rates (2012 ITE) ¹	Preliminary TUMF Update		Existing TUMF ²		2006 Calculated TUMF ³	
		Per trip	Total	Per trip	Total	Per trip	Total
Single Family (per unit)	9.52	\$751	\$7,145	\$192	\$1,828	\$303	\$2,885
Multi-Family (per unit)	6.23	\$751	\$4,676	\$192	\$1,196	\$303	\$1,888
Industrial (per 1,000 Sq. Ft.)	5.49	\$751	\$4,119	\$148	\$812	\$233	\$1,279
Office (per 1,000 Sq. Ft.)	19.43	\$751	\$14,582	\$148	\$2,875	\$233	\$4,527
Retail (per 1,000 Sq. Ft.)⁴	51.63	\$488	\$25,189	\$74	\$3,821	\$117	\$6,041
Hotel (per room)	8.17	\$751	\$6,132	\$148	\$1,209	\$233	\$1,904
Projected TUMF Revenue Through 2040⁵							
Total		\$735,929,000		\$166,052,000		\$262,000,000	
Annual		\$29,437,160		\$6,642,080		\$10,480,000	

[1] Based on weighted trip generation rates derived from Institute of Transportation Engineers 9th Trip Generation manual, published in 2012. Trip rates differ slightly from the 2012 TUMF Handbook which is based on 2008 ITE.

[2] The existing fees vary slightly from those shown here because they are based on 2008 ITE trip rates.

[3] Based on the fee levels calculated in the "Transportation Uniform Mitigation fee, 2006 fee schedule Update Nexus Study Report" prepared by Parsons Brinckerhoff (see page 41).

[4] The retail fee per trip for the TUMF update is reduced by 35% to account for linked or pass-through trips, based on guidance from Fehr & Peers.

[5] Rough estimate based on ADT projections by land use category through 2040 from RIVTAM.

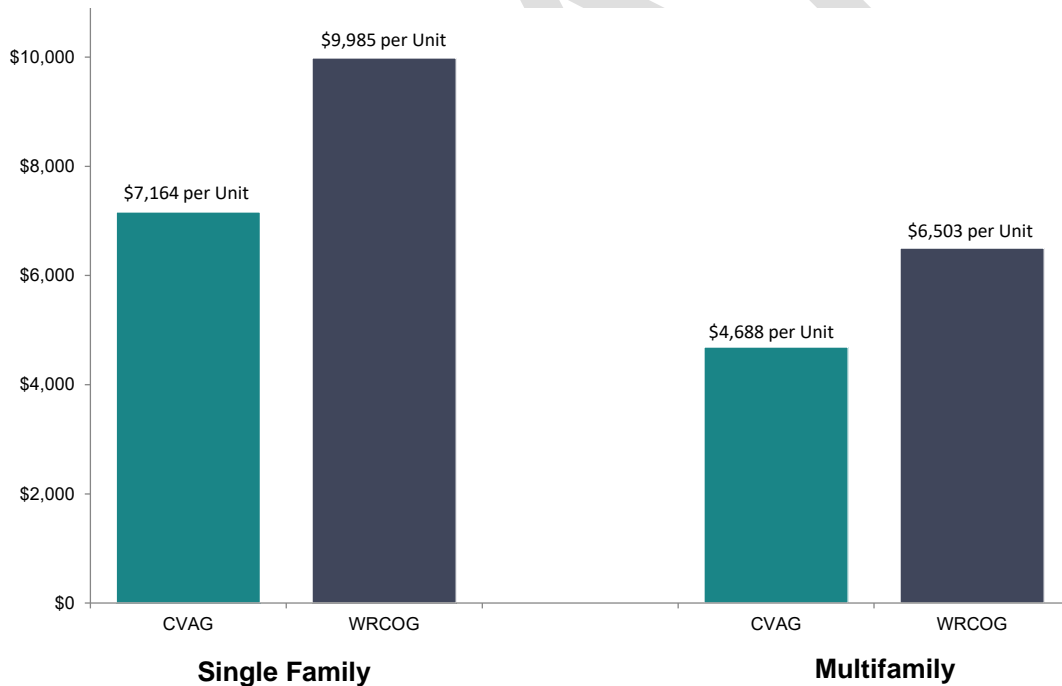
1. Reduction in new average weekday trip ends. The projected growth in the number of trip ends in the CVAG region, a key determinant in the TUMF estimate (it represents the denominator in the calculation), has significantly reduced relative to the 2006 TUMF Nexus Report. Fehr & Peers has calculated about 1,074,520 new weekday trip ends by 2040 compared to 4,399,536 estimated in the 2006 TUMF. This update reflects the most recent SCAG RFP land use assumptions which indicate traffic levels growing at an average rate of about 1.5 percent per year (compared to about 7 percent in the 2006 Report).
2. Increase in total costs of TUMF eligible projects. The list of projects included in the TUMF and their associated cost is a key determinant of the fee level (it represents the numerator in the calculation). In 2006 the total TUMF eligible project costs were \$2.6 billion compared to \$3.34 billion in the preliminary updated estimate.

3. Policy Decision to Reduce 2006 TUMF: Based on policy considerations, the existing TUMF approved by CVAG is slightly lower than the amount calculated in the 2006 Report for all fee categories (for example, the 2006 TUMF Nexus Report calculated a residential TUMF rate of \$303 per ADT compared to the existing approved TUMF rate of \$192 per ADT).

Comparison with Proposed WRCOG TUMF

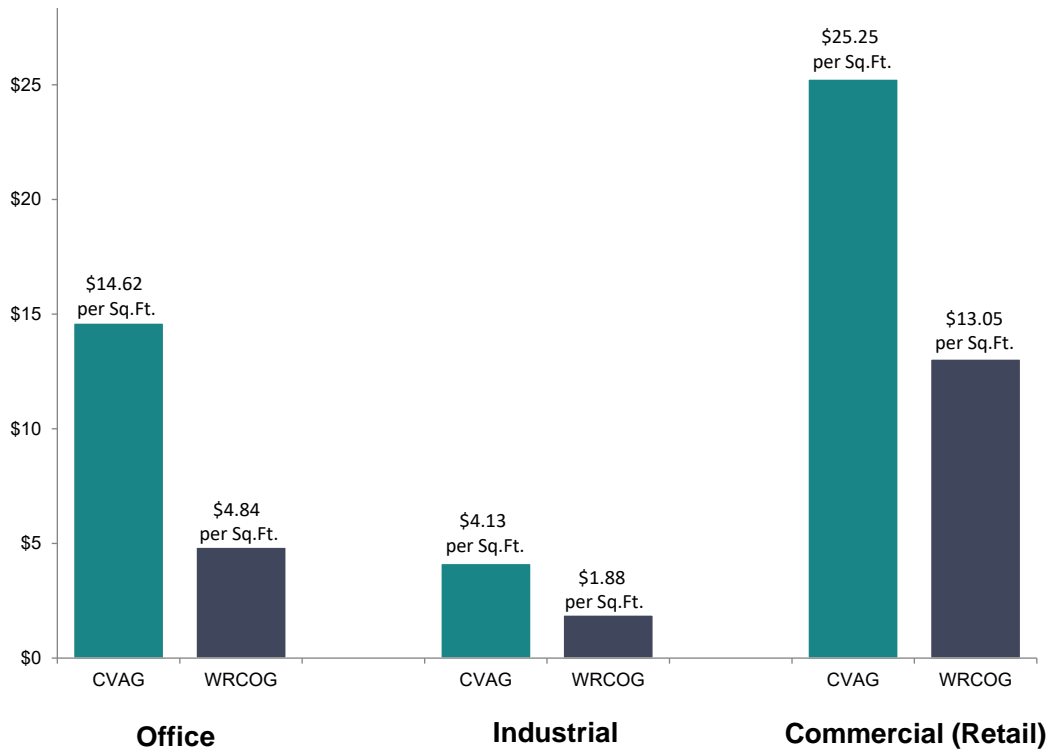
The Western Riverside Council of Governments (WRCOG) is currently preparing the Draft Transportation Uniform Mitigation Fee (TUMF) Nexus Study. Figure 1 and Figure 2 compare the preliminary CVAG TUMF with the proposed WRCOG TUMF for residential and nonresidential land uses, respectively. As shown, the preliminary CVAG TUMF is substantially lower than the proposed WRCOG TUMF for residential but substantially higher for nonresidential. The WRCOG nexus analysis utilizes a different methodology to allocate costs between residential and nonresidential development that incorporates estimated differences in trip purpose and peak hour vehicle miles traveled (VMT) by land use. **For example, all "home based" trips to work, school, or other are allocated entirely to residential land uses (i.e., single-family or multifamily development).**⁴ In addition, the WRCOG TUMF does not account for the use of comprehensive funding sources to deliver the network.

Figure 1 Residential TUMF Comparison between CVAG and WRCOG



⁴Detailed methodology for WRCOG can be found in the Transportation Uniform Mitigation Fee Nexus Study 2016 Update prepared by WSP and Parsons Brinckerhoff (page 57 illustrates cost allocations. See http://www.wrcog.cog.ca.us/uploads/media_items/tumfnexusstudy-170228-draft.original.pdf

Figure 2 Nonresidential TUMF Comparison between CVAG and WRCOG



TUMF Implementation and Administration

Many of the key implementation and administrative elements of the TUMF are specified in the CVAG TUMF Handbook, last update in July, 2012 as well as the CVAG TUMF model ordinance. It is likely that the TUMF update will include a number of modifications to this Handbook and corresponding model ordinance, including the following.

Elimination of Land Use Exemptions

The current TUMF policy handbook exempts a number of land use categories from paying the fee (examples include affordable housing, public buildings, and some religious structures). It is proposed that the TUMF update will eliminate any TUMF land use exemptions except those required by State or federal law (for example, public schools are statutorily exempt from AB 1600 impact fees). In other words, all new development in the CVAG region will be subject to the TUMF unless otherwise exempt due to superseding law.

Application of Annual Inflation Adjustment

The existing CVAG TUMF manual does not currently allow for or prescribe an inflation adjustment factor to account for the increase in construction cost that is likely to occur over time. However, it is common practice to include such an annual adjustment factor so that the fee revenues keep pace with inflation. By way of example, the County-wide habitat mitigation fee is revised annually by means of an automatic adjustment at the beginning of each fiscal year based on the average percentage change over the previous calendar year set forth in the Consumer Price Index (CPI) for the Los Angeles-Anaheim-Riverside Area.

It is proposed that an inflation adjustment be made automatically and validated on an annual basis.

Simplification of Land Use Categories

The current TUMF Manual defines over 35 separate land use categories, and numerous sub-categories, each with different fee rates based on the trip generation, or ADT rates. There have been concerns raised by developers and CVAG member agencies that this structure is overly complicated and confusing. Consequently, CVAG has simplified the land use categories which eliminate factors that override the basic fee rate of a land use. For example, under the current TUMF Program, the highest TUMF rates are for convenience markets and fast food restaurants. When convenience stores are located within shopping centers it can create confusion because under the current TUMF Manual, shopping centers are defined as having at least three business establishments which may be housed in one or more buildings; have a total building floor area of at least 10,000 square feet (sq. ft.), and that the largest establishment not contain more than 50 percent of the floor area.

Under the new TUMF Program, convenience stores, restaurants and shopping centers are **proposed to be charged strictly as "retail."** Therefore, TUMF would apply to each new building based on square footage without any additional factors. All CVAG TUMF land use categories are proposed as shown in Table 8 above and include: single-family home (per unit), multifamily (per unit), industrial (per 1,000 sq. ft.), office (per 1,000 sq. ft.), retail (per 1,000 sq. ft.), hotel (per room) without any extenuating modifications. This allows the fairest fee contribution into the regional roadway system by each new building.

Next Steps

This TUMF update methodology and preliminary calculations presented above are designed to inform on-going input and analysis associated with the forthcoming Nexus Study. Modified or more refined calculations for the TUMF update will be developed based on input received and additional analysis by CVAG and consultant team, as needed.

The question on everyone's mind is "How do we reduce the Fee?" Here are some scenarios:

1. Reduce the number of TPPS projects that the TUMF will fund over the next 25 years. Removing approximately \$330,000,000 worth of transportation projects from the TPPS would result in a 31 percent reduction of the fee to approximately \$516/trip.
2. Change the percentage of local match. In the past, CVAG has required a 50 percent local match for regional dollars. A change to 50 percent local match would reduce the fee by 52 percent to approximately \$360/trip.
3. **Use a "phase-in" approach for all** land use categories to the increased fee whereby the fees remain as they currently are for the first year after adoption of the update but, increase by 50 percent the second year and 50 percent the third year based on the increased fee chosen.
4. Set the fee at an arbitrarily lower rate, understanding that under the current assumptions, there will not be enough revenue to fund the program.
5. Some combination of the above.



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Wattenbarger Construction

May 8, 2017

Coachella Association of Governments

Tom Kirk, Executive Director

73-710 Fred Waring Drive, Suite 200

Palm Desert, CA 92260

Dear Mr. Kirk,

Thank you for providing the Desert Valleys Builders Association (DVBA) with the opportunity to review and comment on the *draft* summary document regarding the process and initial conclusions of the Transportation Uniform Mitigation Fee (TUMF) nexus study. Our initial observation upon reading this document is that the breadth is wide, but the depth is shallow.

For the DVBA to comment quantitatively would require a review of the complete "nexus" study. Therefore, we are keeping our remarks qualitative, theoretical, and practical.

First, per the statements of the Transportation Project Prioritization Study (TPPS) the focus of the study is the next 20 years of needs/demands based on projected growth during this same period of time. However, in our review of these 250 plus listed projects, the study is looking at projects based on the demands of a built-out Coachella Valley.

To follow-up on this last statement, before DVBA might pass any judgement on the study, summary or the resulting fee, the DVBA needs to know how many of these areas are zoned to support a need/demand that may be offset by the proposed facility improvements.

In a recent review of a school district's *School Facility Needs Analysis (SFNA)*, we noticed that the District's consulting firm used growth numbers from SCAG, both for the previous 5 years, and the future 5 years. The growth rate purported to the District was exceptionally optimistic. As DVBA tracks building permit numbers with CBLA's California Homebuilding Foundation (CHF) California Industry Research Board (CIRB) monthly reports, the DVBA was able to substantiate that the growth in housing production rate over the previous 5-year period reported by SCAG was erroneous. Therefore, DVBA is highly skeptical of any growth data or projections coming from SCAG. To satisfy our curiosity, and our need to corroborate base information for the TUMF nexus study, DVBA kindly requests the opportunity to review the data points and conclusions from the SCAG projections.

75100 Mediterranean • Palm Desert • CA 92211

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Jeff Wattenbarger
Wattenbarger Construction


From comments made in previous meetings and in recent conversations, DVBA understands that CVAG may wish to attach an annual inflationary adjustment to any final TUMF fee adopted at CVAG and partner Cities. This is a legally acceptable practice, however per the Mitigation Fee Act, it cannot be “automatic”. We can agree to the practice in between “nexus” study updates.

However, a public hearing must be conducted prior to the adoption of a new fee. This includes a 15-day public notice (Government Code 66016), with the ability to review the prospective fee and methodological process. Additionally, language should also determine which methodology will be used, whether it’s the Engineering News Record – Cost of Construction Index (ENR-CCI) or Consumer Price Index (CPI) and a maximum cap of 3% annually without conducting a new “nexus” study.

Finally, DVBA isn’t going to be the only entity that gets struck with sticker shock. Previously, La Quinta and their commercial builders experienced a dramatic leap in costs when they changed their policy and re-entered as a participant to the TUMF plan. TUMF commercial and industrial construction trip numbers and fees per trip were also felt by the City of Desert Hot Springs as industrial and commercial buildings were planned to meet the needs of the marijuana industry. Then, there is the City of Coachella which already suffers as being the City having the highest Development Impact fees within the Coachella Valley.

The DVBA feels that we as a community should re-evaluate our needs as it relates to regional roadway system improvements and expansion. The list of projects identified in the updated plan appear to support needs of the Coachella Valley at its “build-out”. Other expansions of road systems and connectors should solely be the responsibility of these specific plans calling for these improvements and where the “nexus” between growth and the need for roadway improvements can be clearly identified within the 20-year time frame that this study proposes.

Respectfully,


Gretchen Gutierrez
Chief Executive Officer

June 29, 2017

Martin Magana
Director of Transportation
Coachella Valley Association of Governments
73-710 Fred Waring Drive
Palm Desert, CA 92260, Ste #200



Riverside
County Chapter
Building Industry Association
of Southern California

3891 11th Street
Riverside, California 92501
(951) 781-7310
Fax (951) 781-0509

Re: CVAG TUMF Technical Memorandum

Dear Martin Magana,

We are in receipt of the TUMF Technical Memorandum for the Coachella Valley Association of Governments, dated April 14, 2017. We value the continued partnership between the BIA and CVAG and are appreciative of the opportunity to give input and feedback at this early stage in the process. We look forward to continuing our work with the elected officials and staff of CVAG once the draft nexus study is released for review.

California is currently experiencing a housing supply and affordability crisis with social and economic consequences at the state and regional level. In Riverside County generally, and the Coachella Valley specifically, the housing industry is still struggling to recover from the effects of the 2008 recession. Permit activity over the past 10 years within the Coachella Valley is and has remained lower than the worst years of the early 1990s, a time universally acknowledged to have been a challenging economic period. With these numbers in mind, we continue to urge regional and municipal entities to strongly consider the adverse impact of increased fees on the already strained housing industry, and the corresponding negative effect to the supply of available housing.

After a cursory review of the Technical Memorandum provided by CVAG, we have identified several areas of concern:

1. The total proposed increase of the TUMF fee from \$1,828 to \$7,145 represents a 390% increase.
2. The inclusion of Regional Bicycle Projects, Regional Pedestrian Improvements and the CV link in the TUMF program. Areas which have traditionally fall under city purview.
3. The addition of new projects to the CVAG TUMF project list and the corresponding increase in the overall program from \$2.6 billion to \$3.34 billion.
4. The overall cost of CVAG's TUMF program is larger than WRCOG's, despite CVAG having one third the population.

In conclusion, we appreciate the opportunity to work with staff and look forward to sorting through the concerns listed above. We await the draft nexus study and will be prepared to provide more specific feedback following a detailed analysis of the projects included in the proposed TUMF.

Sincerely,

Clint Lorimore, *Director of Government Affairs*
Riverside County Building Industry Association