CITYWIDE TRAFFIC IMPACT FEE ANNUAL REVIEW - REPORT

Recommendation:

Staff recommends the City Council adopt the proposed resolution, continuing the citywide traffic impact fee for new development in the City of Costa Mesa and conducting the related annual review of the citywide traffic impact fee program and capital improvement plan for transportation improvements. The resolution incorporates the recommendations from the Traffic Impact Fee Ad Hoc Committee and staff, which include:

1. Adopt a traffic impact fee of $231 per Average Daily Trip (ADT) based on the Capital Improvement Projects in Attachment 4 and Active Transportation projects in the adopted Active Transportation Plan (ATP).
2. Approve allocation of up to ten percent (10%) of traffic impact fees towards traffic signal synchronization projects.
3. Approve a five percent (5%) reduction in automobile trips as a result of ATP implementation and an additional five percent (5%) reduction in automobile trips for developments proposing to implement active transportation improvements beyond typical development requirements.
4. Approve the annual accounting of the Citywide Traffic Impact Fee Program.

Background

Pursuant to California Government Code Section 66000, et seq. and the Costa Mesa Municipal Code, a traffic impact fee study is required by the City to establish a basis for the imposition of Citywide traffic impact fees on new and expanding developments within the City. The purpose of the fee is to fund the necessary transportation/circulation improvements, which are related directly to the incremental traffic impacts imposed on the City's transportation system by the development of new and/or changing commercial, industrial, and residential uses as permitted by the General Plan. The fee also maintains compliance with the eligibility requirements of the Orange County Transportation Authority's (OCTA) Renewed Measure "M2" Program (Measure "M2").

The City Council has reviewed the Citywide Traffic Impact Fee Program each year since the fee program was first adopted in 1993. The City Council, in July 1993, also approved the formation of an Ad Hoc Committee consisting of representatives from various stakeholder groups to work with staff on all aspects related to the revision and updating of traffic impact fees.

The City Council subsequently appointed an Ad Hoc Committee consisting of members representing large and small developers, the Chamber of Commerce, citizens-at-large,

as well as members representing the City Council and the Planning Commission, to assist staff in the development and review of the traffic impact fee.

The current Ad Hoc Committee members and their representation are as follows:

George Sakioka (Chair)	Major Developers' Representative
David Haithcock (Vice Chair)	Chamber of Commerce
Steve Brahs	Small Developers' Representative
Jim Fitzpatrick	At Large Representative
Nick Lapating	At Large Representative

City Council Liaisons:

Council Member Andrea Marr
Council Member Arlis Reynolds

Planning Commission Liaison:

Vice Chair Jonathan Zich

The City Council, in June 2012, authorized a comprehensive review of the City's General Plan, including the Land Use and Circulation Elements. The General Plan was completed and finalized in 2016.

The last major update of the Traffic Impact Fee Study was completed in November 2018. The update took into account the most recent land use and circulation information contained in the 2016 General Plan update. The proposed General Plan circulation improvements identified in the new transportation model form the basis for the traffic impact fee update. A revised traffic impact fee calculation was conducted taking into account the 2016 General Plan and updated traffic analysis model. The estimated costs for various improvements were reviewed and updated using the most recent construction cost data. The Ad Hoc Committee, together with staff, reviewed all conditions and analyzed different trip fee scenarios. Several variations of improvement options were considered, and it was determined that trip fees in the range of $176 per ADT through $476 per ADT could be justified.

On November 15, 2022, the City Council adopted Resolution No. 22-65, approving a traffic impact fee of $235 per Average Daily Trip (ADT) to be continued with the inclusion of Active Transportation projects, selecting a fee from the calculated range of between $176 and $476 per ADT. The City Council also approved up to ten percent (10%) of traffic impact fees being allocated toward traffic signal synchronization projects. In addition, City Council approved a five percent (5%) reduction in automobile trips as a result of ATP implementation and an additional five percent (5%) reduction in automobile trips for developments proposing to implement active transportation improvements beyond typical development requirements. A chronology of actions taken by the City Council on the Citywide Traffic Impact Fee Program between the years of 1993 and 2025 is included in Attachment 5.

Traffic Impact Fee Ad Hoc Committee – Annual Review

The Traffic Impact Fee Ad Hoc Committee and staff met on October 5, 2026 to review the traffic impact fee program and calculation. Recently completed projects, consideration of active transportation projects, and the available traffic impact fee fund balance were accounted for in this review.

Attachment 4 provides the calculation of the traffic impact fee of $231 per ADT based on the list of capital improvement projects and the inclusion of Active Transportation projects. The Committee deliberated continuing the current traffic impact fee of $231 per ADT. The discussion focused on the current balance of traffic impact fee fund which is adequate to fund projects over the next two to three years and the ongoing study to review traffic impact fees taking into account future housing development as part of rezoning to meet state goals.

Following a review of the fee analysis and staff input, the Ad Hoc Committee recommended to adopt the calculated traffic impact fee of $231 per Average Daily Trip (ADT) with the inclusion of Active Transportation projects in the Traffic Impact Fee program. In addition, the Ad Hoc Committee recommended to continue the allocation of up to ten percent (10%) of traffic impact fees towards traffic signal synchronization projects.

The Ad Hoc Committee also recommended to continue to provide a five percent (5%) reduction in automobile trips for development projects due to the implementation of the Active Transportation Plan (ATP) and an additional five percent (5%) reduction in ADT if a development proposes to implement active transportation improvements beyond typical code requirements. The improvements have to be substantial such as addition of a multipurpose trail, conversion of lower-class active bicycle facility to a higher-class bicycle facility, or enhanced pedestrian improvements in the vicinity of the project.

Annual Accounting of the Traffic Impact Fee:

California Government Code Section 66006(b) requires an annual review and accounting of the Citywide Traffic Impact Fee Program. Section 66001(d) requires that the City make specified findings every five years relating to any portion of the traffic impact fees collected that remain unexpended in its account. The City has elected to conduct the review of traffic impact fees required by California Government Code Section 66001(d) on an annual basis in conjunction with its review of the capital improvement plan required by California Government Code Section 66002(b) and the annual accounting required by California Government Code Section 66006(b). Attachment 2 depicts the opening balance, the ending balance on June 30, 2026, interest earned, revenues, expenditures, and unexpended funds from the Citywide Traffic Impact Fee Account. This attachment also shows there is $288,172 of unallocated traffic impact fee that can be allocated to eligible projects in the next five (5) or more years. The accounting was presented to the Committee at their meetings on October 5, 2026 and was approved.

ATTACHMENT 3

As required by the Government Code, the updated Capital Improvement Plan (CIP) is contained in the Fiscal Year 2026-27 adopted budget and remains valid for the current traffic impact fee review. The traffic impact fee account information, including the interest earned, shown in Attachment 2, is available for public review.