



**BOARD OF DIRECTORS  
MARCH 27, 2009**

**AGENDA ITEM NO. 09-03-13  
ACTION REQUESTED - INFORMATION/  
POSSIBLE ACTION**

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**TransNet REGIONAL TRANSPORTATION CONGESTION  
IMPROVEMENT PROGRAM FEE ADJUSTMENT**

File Number 1110200

Introduction

The Regional Transportation Congestion Improvement Program (RTCIP), an element of the TransNet Extension Ordinance, requires each city and the County of San Diego to collect an exaction from the private sector for each new housing unit constructed in their jurisdiction. These exactions help ensure future development contributes its proportional share of the funding needed to pay for the Regional Arterial System (RAS) and related regional transportation facility improvements, as defined in the most recent Regional Transportation Plan adopted by SANDAG. All jurisdictions in the San Diego region are collecting these exactions using development impact fees assessed on new housing units.

The RTCIP requires each jurisdiction to take specific administrative actions each year to ensure that they are in compliance with the RTCIP section of the Ordinance. Each jurisdiction has successfully implemented the actions required to date.

One of the RTCIP administrative actions required by the Ordinance is that the contribution (impact fee) amount be increased annually, allowing the program to retain its purchasing power to improve the RAS. This report summarizes the evaluation process completed by staff and reports the fee adjustment factor for FY 2010. Based on SANDAG staff's analysis of construction cost trends over the past year (discussed below) the fee adjustment is 2.0 percent, raising the RTCIP exaction from \$2,000 to \$2,040 for FY 2010.

Discussion

Section 9 of the Ordinance states that "[t]he amount of contribution shall be increased annually." Section C of the provisions for the implementation of the RTCIP included in the document titled "TransNet Extension Regional Transportation Congestion Improvement Program," is incorporated by reference in the Ordinance, and it provides as follows:

C. Fee Adjustment

1. The fee amount per residential unit shall be adjusted by SANDAG on July 1 of each year beginning July 1, 2009, based upon the Engineering Construction Cost Index as published by the Engineering News Record or similar cost of construction index.

2. Any increase shall not exceed the percentage increase set forth in the construction index. In no event, however, shall the increase be less than two percent per year. The purpose of this annual adjustment is to retain purchasing power in anticipation of future inflation.

The Ordinance allows for flexibility in choosing an appropriate index. SANDAG staff evaluated changes recorded in the Engineering Construction Cost Index and the Caltrans Construction Cost Index (CCI). Each index collects a different set of cost factors to determine construction cost trends. The Engineering News Record (ENR) construction cost index represents an average from 20 cities across the nation and is based on price changes in four areas: lumber, cement, structural steel, and labor. Over the past year the ENR construction cost index has risen 5.2 percent. The Caltrans CCI is based on actual transportation project bid prices from throughout the state for earthwork, aggregate, concrete, asphalt, and steel. The Caltrans CCI has not risen, but instead recorded a decline of -3.2 percent over the past year. While over the past year the Caltrans CCI has recorded a decline in price levels, the minimum adjustment allowed by the RTCIP Section of the Ordinance is 2.0 percent.

Based on staff's evaluation, at this time, the Caltrans CCI has more closely tracked the trends SANDAG has been experiencing in our project bid prices over the past year than the ENR Index. Staff's evaluation identified two trends that have led to falling prices. First, the economic recession has reduced the demand for some construction materials, allowing prices to fall over the past year. (Although prices have fallen over the past year, the prices of most construction materials are still substantially above prices from the 2002–2004 time period when the initial cost estimates for the TransNet projects were estimated and the year voters approved the Ordinance). Second, the number of bids received on each project has more than doubled; this increase in competition has provided an incentive for bidders to identify cost saving measures and innovative ways to lower overall prices for projects.

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