

# A TUF Problem for California

## Third Draft

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*Spring 2021 – URBP 236*

## 1 Background

As a monthly fee paid by property occupants, transportation utility fees (TUFs) can be a great source of ongoing revenue for the state to fund street maintenance; I did not find any that are being used to fund transportation. They are assessed on all private and commercial properties, and are largely based on the ITE trip generation rates.<sup>1</sup> There are not currently any TUFs in place in California; it is a potential resource to provide much-needed maintenance funding for the state's roads and transit systems. Due to the suburban land use basis and vehicle-reliance of the ITE trip generation rates, variations on TUF calculations have been tried in several areas, with varying levels of success. Some have involved parking spaces and building codes, while others have used linear street frontage measurements. Ultimately, the method that works best to "establish a more convincing link between transportation infrastructure usage and user fee charges"<sup>2</sup> are the ones that are supported by the local population. It is highly unlikely that a state-wide mandated TUF would be acceptable, and there would likely have to be hyper-local variation.

ITE trip generation rates are not without their own issues, though. The most recent edition of the ITE Trip Generation Manual (10th) only contains data up through 2017.<sup>3</sup> The biggest argument against applying the ITE trip generation rates to all areas is that they are based on suburban land use and vehicle trip counts only.

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1. Carole Turley, "Promises and Pitfalls of Transportation Utility Fees," *TRB 5th International Conference on Surface Transportation Financing*, July 11, 2014, <http://onlinepubs.trb.org/onlinepubs/conferences/2014/Finance/30.Turley,Carole.pdf>

2. Curt Witynski, Claire Silverman, and Maria Davis, "Funding Streets through Transportation Utility Fees," *League of Wisconsin Municipalities*, June 16, 2020, <https://www.lwm-info.org/DocumentCenter/View/4060/Funding-Streets-through-Transportation-Utility-Fees--final-61620>

3. "Trip Generation FAQs," Institute of Transportation Engineers, 2019. [Online.] <https://www.ite.org/pub/?id=aeb2c28f%2D0421%2D661d%2D67f3%2Df4933d1f2c45>

*The application of suburban data in urban settings can overestimate motor vehicle demand. The result has been past decisions where:*

- modes such as bicycle, pedestrian, transit, and rideshare (carpooling and shared mobility) may have been largely ignored, resulting in inadequate support or capital*
- mitigation of vehicle impacts may have exceeded needs*
- potential imbalance of transportation fees, exactions and public improvements may have occurred*
- parking may have been overbuilt*
- the consequences of urban development on greenhouse gases may have not been properly understood* <sup>4</sup>

Understanding trip generation rates is key to their success as the basis for TUFs, since anyone may ask why they're being charged a certain rate. It is a fairly simple premise that the general public can grasp if they're interested, and public support is going to be key in California where instituting a TUF would be a ballot measure. This is only one aspect of the political feasibility of TUFs in California, but it is more important here than in other states that do not have the same ballot measure process. If members of the public feel that the trip generation rates are generating an unfair TUF for them, the suburban basis of the ITE trip generation rate is an easy way to fight it as being inappropriate for a particular locality. The fact that the existing rates do not account for anything other than vehicles is also troubling for using TUFs to generate money for transit or bike lane maintenance.

As seen in the table on page 4, using these pre-determined trip generation numbers is clearly the most popular TUF basis, likely because it's the easiest. Further investigation of the listed cities could be done to determine if the suburban nature of

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4. R. McCourt et al., *Urban and Person Trip Generation White Paper*, technical report (2016. [Online]), <https://www.ite.org/pub/?id=a3b0272a%2Daa7e%2D11a2%2D45b9%2D51f2353dd32e>

the ITE trip generation numbers is in fact appropriate in those cases, too. However, for state-wide application in a built environment as diverse as California, a basis that includes other trip styles is needed. I was particularly intrigued by the “Flat fee per unit per parking space” in Tigard, OR – it’s the only parking-related TUF on this list. A more recent table<sup>5</sup> shows both Ashland and Florence, Oregon, also using required parking spaces as a basis for their TUF calculations<sup>6</sup> but Tigard is the one that I was able to investigate most fully. Since the other two were not listed in the 2007 table as using parking, it seems reasonable to assume that it was a more recent change.

## 2 Case Study of Tigard, OR – Parking and TUFs

Parking as a basis for a TUF could be a great way to both incentivize building less parking as well as locating near transit for better accessibility. With the ongoing conversations about changing parking requirements in CEQA,<sup>7</sup> the push to reduce parking in general from experts like Donald Shoup,<sup>8</sup> and the popularization of other uses of existing parking lots,<sup>9</sup> parking-based TUFs add an interesting angle on that conversation. Most of the current information from Tigard doesn’t seem to include much about parking, so I contacted them for further information.

Based on my email conversation with Toby LaFrance, City of Tigard’s Finance and Information Services Director, they began their Street Maintenance Fee (SMF) – a specific type of TUF – calculations using development code requirements for parking as proxy for trip generation. Due to the issues with the ITE-calculated trip generation metrics, it seems reasonable for municipalities to find ways to modify those values to

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5. Carole Turley Voulgaris, “A TUF Sell: Transportation Utility Fees as User Fees for Local Roads and Streets,” 2016, <https://journals-sagepub-com.libaccess.sjlibrary.org/doi/full/10.1177/1087724X16629961>

6. *ibid.*, page 313

7. Arthur F. Coon, “Is “Parking” Really A CEQA Impact? Same As It Ever Was!,” *JDSupra Blog*, June 26, 2013, <https://www.jdsupra.com/legalnews/is-parking-really-a-ceqa-impact-same-53939/>

8. Donald Shoup PhD, “Parking Reforms,” [Online.] <https://www.shoupdogg.com/reforms/>

9. S A Rogers, “Free of Parking: Cities Have a Lot to Gain from Recycling Car-Centric Space,” *99 Percent Invisible*, March 1, 2019, <https://99percentinvisible.org/article/free-of-parking-cities-have-a-lot-to-gain-from-recycling-car-centric-space/>

State	City	Year Adopted	Outcome	Basis
CO	Fort Collins	1984	Discontinued 1987 Validated 1990	Front footage Trip generation
CO	Loveland	2001	In use	Flat fee per unit per acre
FL	Port Orange	1992	Invalidated 1994	Flat fee
ID	Pocatello	1986	Discontinued 1986 Invalidated 1999	Trip generation
OR	Ashland	1989	In use	Flat fee per unit
OR	Bay City	2003	In use	Determined by council
OR	Corvallis	2005	In use	Trip generation
OR	Eagle Point	1990	In use	Flat fee per unit Gross floor area
OR	Grants Pass	2001	In use	Flat fee per unit Trip generation Gross floor area
OR	Hillsboro	2008	Effective 2009	Flat fee per unit Trip generation
OR	Hubbard	2001	In use	Flat fee per unit Trip generation
OR	La Grande	1985	In use	Flat fee
OR	Lake Oswego	2003	In use	Flat fee Trip generation Gross floor area
OR	Medford	1991	In use	Trip generation
OR	Milwaukie	2006	In use	Trip generation
OR	North Plains	2003	In use	Trip generation
OR	Oregon City	2008	In use	Trip generation
OR	Philomath	2003	In use	Trip generation Gross floor area
OR	Phoenix	1994	In use	Flat fee per unit Trip generation
OR	Talent	2000	In use	Trip generation
OR	Tigard	2003	In use	Flat fee per unit per parking space
OR	Tualatin	1990	In use	Trip generation
OR	Wilsonville	1997	In use	Flat fee per unit Trip generation Gross floor area
TX	Austin	1990	In use	Trip generation
WA	Soap Lake	1992	Invalidated 1995	Flat fee
WI	Oconomowoc	2005	Abandoned 2005	Flat fee per unit Trip generation Gross floor area

Smith *et al.*. "Transportation Utility Fees: Possibilities for the City of Milwaukee." PhD Thesis, 2007.

more accurately reflect local transport infrastructure use. This was specifically based on development code requirements rather than existing parking so as not to introduce inequalities for businesses that benefit from shared or on-street parking. It was also a compromise with the local grocery stores, who generate high numbers of trips, were willing to support.

This compromise illustrates one way to balance SMFs between a small local stores and the big box stores. Solely using the ITE trip generation rubric, they would both pay the same amount of SMF but this would be a disproportionately heavy burden on smaller stores. However, a big box store's huge and dedicated parking lot is factored into their SMF, it can serve as a multiplier for their SMF – with such a large parking lot, they are likely generating more trips anyway. The small handful of shared street parking spaces (and any proximity to transit) of the small store will not provide the same multiplier, and may even reduce their SMF. For existing buildings, this is an easy calculation to make. For new construction, Tigard bases the calculation on the parking construction requirements dictated by development codes.

The impact of a parking basis on TUFs for residential properties would not be hugely different – there are still building requirements for provision of parking spaces based on size of the residence, number of planned occupants, etc. There are equity implications that would need to be investigated for multi-generational households and unconventional parking (cars on the lawn, for example), among other equity factors. It is imperative to create a fee structure that does not disproportionately burden low- and fixed-income households. The political feasibility of an income-based modifier for a TUF could be increased by adding a little bit of up-front administrative overhead for managing such a program along similar lines to development incentives for low-income housing and other Utility Assistance Programs. Like with any government assistance program, there is always worry of cheats but an investigation of the numbers shows that this is a negligible minority of

cases.<sup>10</sup>

However, parking requirements in development codes can change on a more frequent basis than a municipality will want to adjust assessment of a TUF. This added overhead is something that Tigard is currently dealing with, as their building code parking requirements are changing. The administrative overhead of having to adjust their SMF is inspiring removing parking altogether from the SMF calculation. Instead, they are planning to align with the ITE trip generation rates, along with other adjustments, to create a more stable basis for their fees.

## 2.1 TUF Parking Analysis Suggestions

To understand where this could work in California, a comparison would need to be done of Tigard / Ashland / Florence with California cities to see if there are opportunities to adopt the same version that they're using. This model would then need to be extended to include areas that do not have similar size / density, to ensure that more urban and more rural areas are not left out of the new revenue stream.

- Legal challenges on tax vs fee<sup>11</sup>
- Understanding administrative and cost issues and benefits
- Funding street maintenance or transit operations/maintenance
- Further questions for Tigard (and Ashland / Florence) :
  - residential vs commercial assessments & allowances
  - annual revenue from TUF/SMF
    - \* Tigard : about \$2mil each year since 2017<sup>12</sup>
    - \* Ashland : (unknown)
    - \* Florence : about \$200k? unclear<sup>13</sup>

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10. Josh Levin, *The Queen: The Forgotten Life Behind an American Myth* (Little Brown and Co., 2019)

11. Dr Shishir Mathur, "Utility Fee to Fund Transit in California," California State University Transportation Consortium, [Online.] <https://transweb.sjsu.edu/csutc/research/utc/Utility-Fee-Fund-Transit-California>

12. City of Tigard, Oregon, *Adopted Budget Fiscal Year 2019 – 2020*, 2019, pg 58

13. City of Florence, Oregon, *Biennial Budget 2019 – 2021*, 2019, pg 36, [https://www.ci.florence.or.us/sites/default/files/fileattachments/finance/page/925/adopted\\_fy\\_2019-2021\\_budget\\_document\\_final\\_with\\_links.pdf](https://www.ci.florence.or.us/sites/default/files/fileattachments/finance/page/925/adopted_fy_2019-2021_budget_document_final_with_links.pdf)

- cost of administering program
- extent of popular support/opposition
- how exceptions are handled
- equity concerns and how they were addressed
- allowances for more urban or rural areas

## 2.2 TUF Parking Conclusions

Many issues arise when using parking in the TUF calculation. Being based on building codes' parking requirements at the time, it may change more often than is suitable to reassess such a wide-ranging fee. Relatedly, there is a lot of administrative overhead when changing the assessment rubric of a TUF as they will have to be reassessed for all properties to ensure that the new parking requirements do not create disproportionate fee burdens on BIPOC / minority-owned small businesses. (The current discussion focuses on commercial property fees; residential fees will be addressed later.) This and other administrative issues have led Tigard to begin the switch to ITE trip generation rates as the sole basis for their TUF. This is something that California would need to consider when looking at incorporating parking requirements into TUFs. With the ongoing efforts to adjust CEQA and general parking requirements, perhaps finding another way to modify TUFs to provide incentive for locating near transit would be simpler and more feasible.

Oregon and California seem to share similar trajectories in many state-level decisions; it seems worth investigating the potential for using parking requirements as part of a TUF assessment. With Tigard's cautionary tale, though, it seems worth exploring some other options as well.

## 3 Other Options : An Overview

Instead of fully replacing ITE trip generation rates, there are some modifiers that could be used on those rates to allow local adjustments for accuracy :

- distance from transit stops (found but then lost a citation for usage)
- VMT as a modifier or a full proxy
- Walk Score® modifier<sup>14</sup>

With the use of VMT to measure traffic impacts for CEQA,<sup>15</sup> it would be worthwhile to explore the potential to use VMT as either a full proxy for trip generation or a modifier of ITE trip generation rates to calculate TUFs in California. Cities such as Fremont have already done broad VMT calculations for their jurisdictions,<sup>16</sup> so this would not necessarily be an additional administrative cost to implementing VMT as a TUF basis.

Using the new VMT calculations on newly-developed land as TUF basis / modifier could prevent some of the administrative headaches of using parking requirements. There is still potential for change, though, and any TUFs would have to be re-assessed at the time of the change. This has the potential to address issues of equity, as it is no longer based on ITE's suburban vehicle trips. However, it is still based on vehicle miles and does not include non-vehicle travel.

## 4 Summary

There are many different angles on TUFs that California municipalities can look into. It would also be imperative for California to work with local communities to understand political desirability of a TUF in all areas. It's unlikely that a state-wide TUF would succeed, but it seems achievable for local jurisdictions to get it onto a ballot. With some strategic negotiations, and a well-thought-out equity plan, I think that some areas would support and benefit from TUFs.

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14. "Walk Score ®," 2017. [Online.] <https://www.walkscore.com/>

15. "Senate Bill (SB) 743 Implementation," Caltrans, October 2020. [Online.] <https://dot.ca.gov/program/s/transportation-planning/office-of-smart-mobility-climate-change/sb-743>

16. Nelson\Nygaard Consulting Associates, *City of Fremont VMT Analysis Tools, Data Review, and Relevance for Fremont Memo*, technical report (September 2019), <https://mtc.ca.gov/tools-and-resources/digital-library/city-fremont-vmt-analysis-tools-data-review-and-relevance>

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