# VMT Fee Policy Development Guide

This step-by-step guide is intended to support city/county staff in taking steps to develop a VMT fee either by staff or with consultant assistance.

#### What is a VMT fee?

Vehicle Miles Traveled (VMT) fees on land use developments provide jurisdictions a method of collecting funds for the mitigation of VMT-related transportation impacts which can be used to fund transportation infrastructure projects that will reduce the growth of VMT. Depending on the structure of the fee that is implemented, VMT fees may also offer a VMT mitigation option consistent with SB 743. VMT fees may be applied to a designated capital improvement program (CIP) inclusive of transit, bicycle, and pedestrian projects identified to mitigate development impacts on the transportation system by reducing the jurisdiction’s VMT. CIP projects may include project-adjacent spot improvements as well as corridor-wide improvements. Fees can be applied to a wider swath of CIP projects if deemed appropriate after completion of a nexus study. These programs also offer the opportunity to align mitigation of development impacts with other goals, such as improved safety, mobility, and equitable access to affordable multimodal transportation systems.

A VMT fee may take the form of a traditional development *impact fee* pursuant to the Mitigation Fee Act (AB 1600). These fees may apply to all development in a jurisdiction to fund identified projects, but payment of the fee would not serve as mitigation for a significant CEQA VMT impact. Alternatively, agencies may establish an *in-lieu fee* program that provides a mechanism for applicants to offset significant CEQA VMT impacts; however, only projects with a significant CEQA VMT impact would pay the fee. There is no state statute outlining specific requirements for in-lieu fee programs, but such programs should demonstrate that the CIP projects funded through the program have a linkage to VMT reduction.

Other VMT mitigation options that may be considered by jurisdictions include establishing a VMT mitigation exchange or VMT mitigation bank. For a full description of tradeoffs to consider related to development of various VMT mitigation options, see the report *VMT Mitigation Through Fees, Banks, & Exchanges*. Consultation with the City Attorney or County Counsel is essential to the development of a fee program that aligns with the jurisdiction’s goals and with legal requirements.

Jurisdictions interested in pursuing a Connected Community Priority Development Area (CC-PDA) designation may use a VMT fee for off-site improvements and a complementary PTDM plan to satisfy the VMT reduction planning requirements for CC-PDAs.

#### Checklist of Recommended Actions

Best Practices for VMT Fee Development

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| Focus Area | Action |
| 1. Establish Leadership and Clarify Program Objectives (page 2) | * Identify a Champion |
| * Convene a Working Group |
| * Identify and Contact Stakeholders |
| * Decide What Kind of Fee Type to Develop |
| 1. Solicit Consultant Services (optional) (page 3) | * Develop and Release an RFP |
| * Review Proposals and Select a Consultant |
| * Finalize the Contract |
| 1. Develop the Fee Program (page 3) | * Collect Data and/or Facilitate Access to Data Sources |
| * Review Existing Plans and Policies |
| * Determine Applicability of the Fee Program |
| * Develop the Capital Improvement Program |
| * Conduct a Nexus Analysis and Develop the Fee Schedule |
| 1. Implement the Fee Program (page 4) | * Draft Staff Reports to Support Council Action |
| * Fulfill Annual Reporting Requirements |

1. Establish Leadership and Clarify Program Objectives

| Action | Description |
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| Identify a Champion | The champion is someone with decision-making power and/or influence believes in the need for a policy and can help advance the project from inception through final adoption. Examples include a City Manager or Mayor’s Office representative, or potentially a Public Works or Transportation Department head. It is critical for this person to be familiar with the key transportation issues, as well as the City’s existing development fee programs and related legal implications. |
| Convene a Working Group | The working group is the original team responsible for working closely with the consultant and/or special advisors to guide and develop the VMT fee. This group is smaller than the larger stakeholder pool, consisting primarily of internal jurisdiction staff, and takes on greater implementation and decision-making responsibility. Some departments to involve in the working group include Planning, Transportation, Public Works, the City Council. A kickoff meeting is the best way to initialize and formalize the roles and responsibilities.  Given the specificity and complexity of legal requirements pertaining to impact fees, the working group should include legal counsel so a clear understanding of nexus requirements and the implications of fee schedule designs can be provided/achieved throughout the planning process. |
| Identify and Contact Stakeholders | One of the working group’s first action items should be to better understand existing concerns and needs related to a VMT fee program by seeking stakeholder input. Depending on the planning context, stakeholder engagement may include a series of advisory team meetings or focus groups with businesses and institutions. Some members of the working group may be involved in crafting stakeholder outreach, but stakeholders should include individuals not involved in other elements of policy development so outreach supports collection of new input and perspectives.  Due to the highly technical nature of VMT fee studies, outreach activities geared toward the general public typically result in modest levels of engagement. As such, outreach should emphasize consensus-building with key stakeholders as well as sharing information and offering opportunities for input to city residents at large. |
| Decide What Kind of Fee Type to Develop | VMT fee programs may be structured as an impact fee under the Mitigation Fee Act (AB 1600). Alternatively, the program could be designed as an in-lieu fee program in which development projects that trigger a VMT impact can pay the fee in lieu of applying on-site mitigation strategies. Consultation with the City Attorney or County Counsel is essential to development of a fee program that aligns with the jurisdiction’s goals and with legal requirements. |

1. Solicit Consultant Services (optional)

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| Action | Description |
| Develop and Release an RFP | Work in consultation with city/county staff and champions to develop an RFP that reflects the work and budget necessary to achieve desired outcomes. See VMT Fee Request for Proposals (RFP) Template. |
| Review Proposals and Select a Consultant | Review proposals with an eye toward hiring a consultant that can provide the desired services in a timely and cost-effective manner, whether that means having ample experience with specific types of development impact fees, local knowledge and experience related to development and VMT impacts, or access to unique tools resources that facilitate program development.  Given the nature of a VMT fee program, it may be beneficial to hire a transportation consultant and separate consultant specializing in fee schedule development. |
| Finalize the Contract and Issue a Notice to Proceed | After a consultant has been selected, finalize the contract and issue an explicit notice to proceed according to the proposed project schedule. Ensure all back-of-house resources and contacts are in place so the city/county project team and consultant are ready to communicate, share resources and data, and proceed with the work efficiently and effectively. |

1. Develop the Fee Program

| Action | Description |
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| Collect Data and/or Facilitate Access to Data Sources | As needed, serve as liaison between the consultant and other city/county departments to ensure access to information in a timely fashion. Required data and/or information may include existing development fees and their structures, a list of potential VMT-reducing capital improvement projects, the analyzed transportation impacts of past development projects of all sizes, and the baseline cumulated VMT and VMT per capita for the jurisdiction.  See the VMT Fee RFP Template for a more detailed list of data needs. |
| Review Existing Plans and Policies | Identify all plans and policies that need to be reviewed in preparation for program development. To support holistic, relevant planning, items reviewed should include relevant state laws (e.g., SB 743) and jurisdiction-specific plans (e.g., climate action plans, general plans, and housing element updates). Additionally, given the legal nexus requirements of development impact fees, ensure legal counsel is available throughout the project to confirm the import of existing policies and weigh in on the legal implications of program choices. |
| Determine Applicability of the Fee Program | Identify criteria that determine which projects would be subject to the VMT fee. |
| Develop the Capital Improvement Program | One core component of a VMT fee program is a capital improvement program (CIP) consisting largely of transit, bicycle, and pedestrian projects designed to mitigate the increased VMT anticipated from new development. The selection of projects for inclusion in a CIP must reflect the unique land use context and existing transportation infrastructure as well as the following:  • Projects must be fully funded and implemented via the VMT fee program and other reasonably foreseeable funding;  • Projects must be proven to achieve VMT reductions;  • Projects must be accompanied by estimates of the net effects they will have on VMT;  • Projects must be accompanied by cost estimates.  This stage of work should result in a CIP designed to support VMT reductions. See VMT Fee Project Selection Worksheet.  When the CIP list is complete, the Consultant should apply best practices to calculate VMT reduction estimates for the full slate of projects. See the Sample VMT Fee Program Reports for suggestions on how to conduct such analysis. |
| Conduct a Nexus Analysis and Develop the Fee Schedule | Conduct a nexus analysis to establish a reasonable relationship between new development, the proportion of expected VMT contribution attributable to new development by land use type, and the necessary transportation improvements that will be funded by the VMT fee program. Based on this analysis, develop a fee schedule that sets the maximum allowable fee level by land use.  See Sample In-Lieu Fee Implementation and Updates for a set of steps to define and update the fee program. |

1. Implement the Fee Program

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| Action | Description |
| Draft Staff Reports to Support Council Action | Draft staff reports that provide Councilmembers with the information they need to review and make decisions related to the VMT fee and adopt the ordinance implementing the VMT fee. See VMT Fee Sample Staff Report and VMT Fee Sample Ordinance. |
| Fulfill Annual Reporting Requirements | Agencies that develop a VMT fee in accordance with AB 1600 are required to prepare an annual report. Additionally, the law requires that a given fee’s purpose, nexus, and budget be reevaluated and described in the report on a five-year basis. See Sample AB 1600 Impact Fee Annual Reports.  Jurisdictions must prepare and make available to the public the report within 180 days after the last day of each fiscal year. The City Council must review the annual report at a regularly scheduled public meeting not less than fifteen (15) days after the information is made available to the public. The report and all supporting materials must also be published to the jurisdiction’s website in accordance with state requirements (AB 1483).  Although not required by state law, agencies that develop in-lieu fees should also develop annual reports documenting inflows, outflows, fee escalations, and modifications to the CIP. |