

Vehicle Miles Traveled (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 a third-party consultant.

Why consider a Vehicle Miles Traveled Fee?

Key reasons for developing a VMT fee, as described in the next section, include:

- Providing jurisdictions with a method of funding transportation infrastructure projects that will reduce the growth of VMT, potentially providing a CEQA VMT impact mitigation option consistent with SB 743.
- Increasing opportunities to align mitigation of development impacts with other goals, such as improved safety, mobility, and equitable access to affordable multimodal transportation systems.
- Supporting the jurisdiction's designation as a Connected Community PDA (CC-PDA) and access to related MTC funding opportunities, if adopted in concert with a Parking and Transportation Demand Management (PTDM) Policy.

What is a Vehicle Miles Traveled 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. A VMT fee can be used to complement a Parking and Transportation Demand Management (PTDM) Policy by providing a source of funding for off-site improvements, as well as providing a mechanism for projects to satisfy required VMT reduction targets. 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. 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.

Depending on the structure of the fee that is implemented, VMT fees may also offer a VMT mitigation option consistent with SB 743. Achieving full mitigation of a project's significant CEQA impact requires substantial evidence that the proposed mitigation is feasible and will be effective in reducing the project's impact to a less-than-significant level. When establishing a VMT fee program, the lead agency will consider the costs associated with achieving varying levels of VMT reduction in their community and make a determination about what level of VMT reduction is both physically and economically feasible in the local context. In some instances, a lead agency may set the fee at a level that will fund VMT reductions sufficient to fully mitigate the VMT impacts from most projects, while other agencies may set fees at a level that would

partially mitigate most impacts. Therefore, a VMT fee program may or may not serve as full mitigation for a significant VMT impact, depending on the agency's CEQA thresholds and approach to setting the fee.

A VMT fee may take the form of a traditional development *impact fee* pursuant to the Mitigation Fee Act (AB 1600). These fees typically apply to all development in a jurisdiction and must be documented in a nexus study that complies with AB 1600 requirements. Alternatively, agencies may establish an *in-lieu fee* program that provides a mechanism for applicants to offset VMT impacts; 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. To function as CEQA mitigation, an in-lieu fee program should be tied to an adopted local policy stating the agency's VMT mitigation expectations and for which the policy itself has undergone CEQA review; this would commonly take place as part of a General Plan or Specific Plan update. An understanding of the local development and funding landscape, as well as 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 with a Connected Community Priority Development Area (CC-PDA) may use a VMT fee for off-site improvements and a complementary PTDM policy to satisfy MTC's VMT reduction planning requirements for CC-PDAs.

What kinds of communities should consider developing a VMT fee?

- Communities with substantial demand for new development
- Communities interested in generating local funds that could be used as matching funds for grants to implement VMT-reducing projects
- Communities where new development projects are likely to result in significant CEQA impacts related to VMT
- Communities that are considering a General Plan update in which a fee program may serve as an implementation mechanism

Checklist of Recommended Actions

Focus Area	Action
1. Establish Leadership and Clarify Program Objectives (page 4)	<input type="checkbox"/> Identify a Champion
	<input type="checkbox"/> Convene a Working Group
	<input type="checkbox"/> Identify and Contact Stakeholders
	<input type="checkbox"/> Decide What Kind of Fee Type to Develop
2. Solicit Consultant Services If Desired (page 5)	<input type="checkbox"/> Develop and Release an RFP
	<input type="checkbox"/> Review Proposals and Select a Consultant
	<input type="checkbox"/> Finalize the Contract
3. Develop the Fee Program (page Error! Bookmark not defined.)	<input type="checkbox"/> Collect Data and/or Facilitate Access to Data Sources
	<input type="checkbox"/> Review Existing Plans and Policies
	<input type="checkbox"/> Determine Applicability of the Fee Program
	<input type="checkbox"/> Develop the Capital Improvement Program
4. Implement the Fee Program (page Error! Bookmark not defined.)	<input type="checkbox"/> Conduct a Nexus Analysis and Develop the Fee Schedule
	<input type="checkbox"/> Draft Staff Reports to Support Council Action
	<input type="checkbox"/> Fulfill Annual Reporting Requirements

1. Establish Leadership and Clarify Program Objectives

Action	Description
Identify a Champion	The champion is someone with decision-making power and/or influence who 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	<p>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, and the agency's legal counsel. A kickoff meeting is the best way to initialize and formalize the roles and responsibilities.</p> <p>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.</p>
Identify and Contact Stakeholders	<p>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.</p> <p>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.</p>
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.

2. Solicit Consultant Services If Desired

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	<p>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.</p> <p>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.</p>
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.

3. Develop the Fee Program

Action	Description
Collect Data and/or Facilitate Access to Data Sources	<p>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 VMT and VMT per capita for the jurisdiction.</p> <p>See the VMT Fee RFP Template for a more detailed list of data needs.</p>
Review Existing Plans and Policies	<p>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.</p>
Determine Applicability of the Fee Program	<p>Identify criteria that determine which projects would be subject to the VMT fee. Criteria may be related to VMT screening results, ability to reduce VMT through implementation of other PTDM policies, and other project characteristics. See the Sample Fee Programs for examples.</p>
Develop the Capital Improvement Program	<p>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:</p> <ul style="list-style-type: none"> • Projects should be fully funded and implemented via the VMT fee program and other reasonably foreseeable funding; • Projects should be proven to achieve VMT reductions; • Projects should be accompanied by cost estimates. <p>This stage of work should result in a CIP designed to support VMT reductions. See VMT Fee Project Selection Worksheet.</p> <p>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 Fee Programs for examples on how to conduct such analysis.</p>
Conduct a Nexus Analysis and Develop the Fee Schedule	<p>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.</p> <p>See the Sample Fee Programs for a set of steps to define and update the fee program.</p>

4. Implement the Fee Program

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.
Fulfill Annual Reporting Requirements	<p>Agencies that develop a VMT fee in accordance with AB 1600 are required to prepare annual financial reports. 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 the VMT Fee AB 1600 Annual Impact Fee Report Template and the Sample AB 1600 Impact Fee Annual Reports .</p> <p>Jurisdictions must prepare and make available to the public the annual 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).</p> <p>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.</p>