

**AGENDA ITEM**

**TO:** Planning and Zoning Commission

**THROUGH:** Jennifer Arnold, Planning Manager

**FROM:** Arrie Mitchell, Planner II

**SUBJECT:** Conduct a Public Hearing to Consider/Discuss/Comment on the Updated Capital Improvements Plan and Potential Amendments to Impact Fees for the 2012-2013 Roadway Impact Fee Update

**APPROVAL PROCESS:** The Planning and Zoning Commission is serving as the Capital Improvements Advisory Committee (CIAC) and, as such, is required to provide written comments to the City Council prior to Council action on the updated Capital Improvements Plan or impact fee amendments for the 2012-2013 Roadway Impact Fee Update. The minutes of this Public Hearing will serve as the written comments and will be forwarded to the City Council at the October 15, 2013 meeting.

Upon receiving the Planning and Zoning Commission's written comments, City Council will be requested to set a Public Hearing date to consider adoption of the updated Capital Improvements Plan and the updated Roadway Impact Fee Ordinance, including any fee amendments. Staff anticipates that this Public Hearing will be scheduled for November 19, 2013. As required by state law, a 30-day Legal Notice for the Public Hearing will be posted in the McKinney Courier-Gazette.

**STAFF RECOMMENDATION:** After closing the Public Hearing, Staff recommends that the Commission make a motion to forward the updated Capital Improvements Plan and potential impact fee amendments for the 2012-2013 Roadway Impact Update to the City Council.

## **ITEM SUMMARY:**

### **UPDATED CAPITAL IMPROVEMENTS PLANS FOR ROADWAY IMPACT FEES**

- The updated Capital Improvements Plan for Roadway Impact Fees was presented and discussed at a Joint Work Session of the Planning and Zoning Commission and the City Council on July 29, 2013. The presentation and discussion covered the following:
  - Kimley-Horn and Associates, serving as consulting transportation engineers on this project, has completed a draft of the Capital Improvements Plan for Roadway Impact Fees (more commonly referred to as the Roadway Improvements Plan or RIP). The draft RIP identifies the transportation infrastructure needed to accommodate projected growth over the next ten years and the probable costs associated with each infrastructure project. Only projects listed in the RIP are eligible for impact fees.
  - Kimley-Horn has also completed a draft Roadway Impact Fee Update Report (and accompanying full Appendix) which includes the draft RIP. The draft Report also consists of considerable technical analyses, a detailed discussion of the methodology for the computation of roadway impact fees, and a presentation of the data for the maximum fees allowed by state law. Once finalized, this report will become a supporting document for the updated Roadway Impact Fee Ordinance.
- As required by State Law, a copy of the draft Capital Improvements Plan has been posted on the City's webpage for public review and comment since late July. Additionally, Staff hosted an informational Impact Fee Workshop for the development community on August 7<sup>th</sup> in order to present the draft Capital Improvements Plan and maximum assessable fee calculations. Staff and the consultant team fielded questions and gathered input.

### **POTENTIAL AMENDMENTS TO ROADWAY IMPACT FEES**

- Potential fee amendments for the 2012-2013 Roadway Impact Fee Update were presented at a Work Session of the City Council on September 16, 2013. The purpose of the Work Session was to provide an opportunity for the Council to generate policy discussion associated with establishing the actual impact fee amounts to charge and the phasing-in of any fee increases.
- At the Council Work Session, Staff made the following recommendations for roadway impact fee amendments and the phase-in of fee increases:

**Single Family Residential Land Uses**

- Roadway impact fees for single family residential land uses should be adjusted generally to reflect the rate of inflation from 2008 to 2013. This would bring roadway impact fees for single family residential uses up to \$3,800 per house or the maximum assessable fee per house per service area, whichever is less.
- A table depicting Staff’s recommendation can be seen below.
- Staff has also created a series of city comparison charts to illustrate how the current and recommended fee amounts compare to other cities in the region. This comparison is included as an attachment to this Staff Report and titled “City Comparisons – Roadway Impact Fees.”

<b>Service Area</b>	<b>Current Fee Charged Per House</b>	<b>Maximum Assessable Fee Per House (2012-2013 Update)</b>	<b>Staff Recommendation (2012-2013 Update)</b>
<b>A</b>	\$0	\$0	\$0
<b>B</b>	\$1,261	\$688	\$688
<b>C</b>	\$3,500	\$4,650	\$3,800
<b>D</b>	\$3,500	\$9,923	\$3,800
<b>E</b>	\$3,500	\$9,993	\$3,800
<b>F</b>	\$0	\$0	\$0
<b>G</b>	\$3,500	\$3,810	\$3,800
<b>H</b>	\$2,298	\$1,827	\$1,827
<b>I</b>	\$3,500	\$4,530	\$3,800
<b>J</b>	\$3,500	\$4,944	\$3,800
<b>K</b>	\$3,500	\$6,264	\$3,800
<b>L</b>	\$3,500	\$4,620	\$3,800
<b>M</b>	\$0	\$0	\$0

### **Multi-Family Residential Land Uses**

- Similar to the recommendation for single family residential land uses, roadway impact fees for multi-family residential land uses should also be adjusted to generally reflect the current rate of inflation (8.5%).
- A table depicting Staff's recommendation can be seen below.
- Staff has also created a series of city comparison charts to illustrate how the current and recommended fee amounts compare to other cities in the region. This comparison is included as an attachment to this Staff Report and titled "City Comparisons – Roadway Impact Fees."

<b>Service Area</b>	<b>Current Fee Charged Per Dwelling Unit</b>	<b>Maximum Assessable Fee Per Dwelling Unit (2012-2013 Update)</b>	<b>Staff Recommendation (2012-2013 Update)</b>
<b>A</b>	\$0	\$0	\$0
<b>B</b>	\$779	\$430.50	\$430
<b>C</b>	\$2,944	\$2,880	\$2,880
<b>D</b>	\$4,000	\$6,159	\$4,340
<b>E</b>	\$3,985	\$6,204	\$4,323
<b>F</b>	\$0	\$0	\$0
<b>G</b>	\$2,544	\$2,362	\$2,362
<b>H</b>	\$1,408	\$1,131	\$1,131
<b>I</b>	\$2,384	\$2,808	\$2,586
<b>J</b>	\$2,674	\$3,065	\$2,901
<b>K</b>	\$3,793	\$3,888	\$3,888
<b>L</b>	\$2,799	\$2,864	\$2,864
<b>M</b>	\$0	\$0	\$0

## **Non-Residential Land Uses**

- Staff's recommendation for roadway impact fees associated with non-residential land uses generally seeks to strike a balance between the current rate of inflation and the City's goals for attracting and growing a diverse tax base.
- With this in mind, Staff recommends a flat 5% increase for most non-residential land use types throughout the City.
- For some select non-residential land use types, Staff is recommending no increase in roadway impact fees.
- In Staff's professional opinion, this approach takes into account the increased value of a dollar (i.e. the rate of inflation) while also moving the City's economic development goals forward.
- For reference, a comparison of current roadway impact fees vs. Staff's recommended fees for non-residential land uses is attached to this Staff Report and titled "*Non-Residential Roadway Impact Fees per Development Unit.*" Those select non-residential land use types for which Staff recommends no change in fees are shown in red text.
- Staff has also created a series of city comparison charts to illustrate how the current and recommended fee amounts compare to other cities in the region. This comparison is included as an attachment to this Staff Report and titled "*City Comparisons – Roadway Impact Fees.*"
- Staff recommends a 6-month grace period (based on date of building permit) starting from the date the ordinance becomes effective before the new fees be imposed.
- Any additional phase-in or grace period would only mean that the City collects less money and would have to make it up from other funding sources.

## **Targeted Incentives to Address Economic Development and Redevelopment Goals**

- As part of the 2012-2013 Impact Fee Update process, Staff is also recommending targeted incentives to address economic development and redevelopment goals throughout the city.
- Staff feels as though the recommendation to increase non-residential roadway impact fees at a slower rate than residential roadway impact fees (including no increase for some select non-residential land use types) helps

accomplish the City's goal for attracting and growing a non-residential tax base while still enabling the City to continue providing necessary roadway infrastructure through construction or the negotiation of development agreements.

- As a companion to the citywide approach, Staff is also recommending the expansion of the current NEZ program as a complementary tool to specifically encourage small-scale infill projects within the Town Center.
- Staff proposes to expand the current NEZ program as follows:
  - Maintain the current NEZ boundary, which already matches the overall geography of the McKinney Town Center area.
  - Offer a 100% waiver of roadway impact fees for single family residential, commercial, industrial, community facility, multi-family, and mixed-use developments (up to \$49,999 per project).
  - Require City Council approval for waiver requests in the amount of \$50,000 and above.
- For reference, Staff has included an attachment titled "*CIP Expenditures FY 08-12*" to demonstrate the relationship between roadway impact fee revenue and the funding of roadway improvement projects within the City's Capital Improvement Program (CIP) between FY 2008 and FY 2013.
- At the request of the Council, Staff has also completed an analysis of how much revenue the City would have discounted had the proposed NEZ policy been in effect since 2006. Staff found that, hypothetically, had the expansion of the NEZ been in effect since 2006, the City would have discounted a total of \$127,400 in roadway impact fees for 19 non-residential projects that were completed within the NEZ boundary between 2006 and 2011.
- This additional information has been forwarded to the Council for review.

### **Ordinance Administration Improvements**

- Per state law, any construction of, contributions to, or dedications of off-site roadway facilities agreed to or required by a city as a condition of development approval shall be credited against roadway impact fees otherwise due from the development.
- Currently, the City's impact fee ordinance sets forth a system for issuing offsets/credits based on vehicle miles added to the system by the roadway

facility. Staff recommends staying with the current system of issuing offsets/credits based on vehicle miles added to the system.

- With this in mind, Staff has been working with the City attorney to strengthen the legal framework of the Roadway Impact Fee Ordinance as it relates to offsets/credits and rough proportionality. Ordinance improvements for the administration of offsets/credits will be presented to Council in October/November.
- Staff is not recommending any changes to the implementation of offsets/credits as it relates to roadway impact fees.

### **City Council Feedback**

- Feedback received from Council regarding Staff's recommendation for fee amendments, targeted incentives, ordinance improvements was generally supportive. Therefore, Staff will continue moving forward with the recommendations as they were presented to City Council on September 16<sup>th</sup>.
- At the request of the Council, Staff has created a series of City comparison charts that include a combined impact fee (water, wastewater, and roadway). This information is included as an attachment to this Staff Report and titled "*City Comparisons – Combined Fees.*"

### **Remaining Project Schedule**

- Over the next few weeks/month, Staff will adjust fee recommendations based on the feedback received from the Planning and Zoning Commission and direction from City Council. We will then immediately publicize the fee recommendations via the study webpage and our builder/developer email distribution list (being sure to communicate this information directly to the Development Community and providing ample opportunity for feedback).
- Staff anticipates starting the Public Hearing process for the approval of the capital improvements plans for impact fees and updated ordinances (including fee amendments) in October/November.

### **BACKGROUND INFORMATION:**

- Chapter 395 of the Texas Local Government Code mandates that impact fees be reviewed and updated at least every 5 years. The City of McKinney last updated impact fees in 2008. Accordingly, Staff initiated the 2012-2013 Impact Fee Update in Fall 2012.

- Updating Impact Fees involves 3 parts (as required by state law) and the entire process takes approximately 9 months:

Land Use Assumptions (completed)

The Land Use Assumptions contain growth projections on which an Impact Fee Ordinance is based. Projections for residential units and square footage of non-residential uses determine the infrastructure needed over the next ten years.

The updated Land Use Assumptions were considered by the Planning and Zoning Commission (serving as the Capital Improvements Advisory Committee) on April 23, 2013 and were approved by the City Council at the June 18, 2013 meeting.

Capital Improvements Planning (nearing completion)

Capital Improvement Plans for Impact Fees identify the infrastructure that will need to be constructed or expanded to accommodate the additional demand generated by development over the next ten years.

Updates to the Capital Improvements Plans for Impact Fees were presented and discussed during a Joint Work Session of the City Council and Planning and Zoning Commission on July 29<sup>th</sup>.

Fee Setting / Adopting the Amended Ordinance (now underway)

The final phase of the process will include the majority of policy discussion as the City Council considers the actual fee amounts to charge, the phase-in of any fee increases, improvements to the administration of the Ordinances, and how credits should be calculated.

- As allowed by state law, the Planning and Zoning Commission is serving as the Capital Improvements Advisory Committee for the 2007-2008 Impact Fee Update. The committee serves in an advisory capacity and is established to:
  - (1) Advise and assist the political subdivision in adopting land use assumptions;
  - (2) Review the capital improvements plan and file written comments;
  - (3) Monitor and evaluate implementation of the capital improvements plan;
  - (4) File semiannual reports with respect to the progress of the capital improvements plan and report to the political subdivision any perceived inequities in implementing the plan or imposing the impact fee; and



- (5) Advise the political subdivision of the need to update or revise the land use assumptions, capital improvements plan and impact fee.