2019 Impact Fee Update

19-0010M2

February 11, 2020

Introduction & Overview

- The project team
- The purpose of today's presentation
- General outline of the presentation
  - The Fundamentals
  - Roadway Improvements Plan
  - Roadway Maximum Assessable Fee
  - Utility Improvements Plans
  - Utility Maximum Assessable Fee

McKINNEY TEXAS
Unique by nature.

Impact Fees 101

The Fundamentals

What are Impact Fees?

- One-time fee for new development
- Mechanism to recover infrastructure costs required to serve new growth
- 'Rough Proportionality with mathematical exactitude'
  - Legal way to collect a flexible fee for infrastructure
- Governed by Chapter 395 of the Texas Local Government Code; Established in Texas in 1987

The 5-Year Update Process

- State law requires that impact fees must be updated at least one every five years and involve 3 components
  1. Land Use Assumptions (Completed on Sept. 17, 2019)
  2. Capital Improvements Planning (Draft)
  3. Fee Setting/Adopting the Ordinance

McKINNEY TEXAS
Unique by nature.

Impact Fees 101

The Fundamentals

Impact Fees in McKinney

- In McKinney, impact fees are used for:
  - Water
  - Wastewater
  - Roadway
- Capital Improvements Advisory Committee
  - Designated as Planning and Zoning Commission, plus one representative from the ETJ.

Terminology

- Service Areas
- Land Use Assumptions
- Service Units
- Capital Improvements Plans
- Maximum Assessable Fee
- Collection Rate

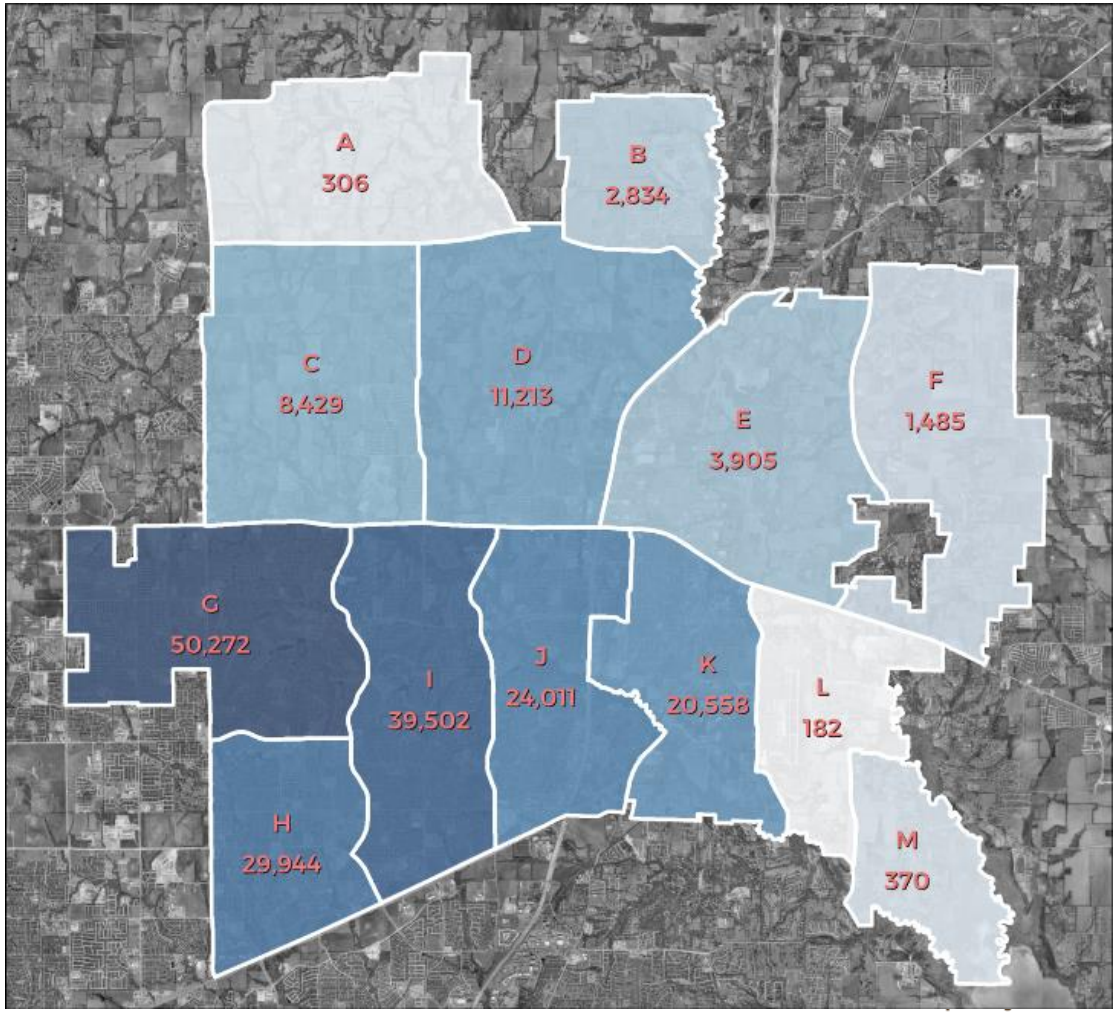
McKINNEY TEXAS
Unique by nature.

Impact Fee Update Process

The Fundamentals

Land Use Assumptions

- Projects growth over 10-year period to calculate the demand for new infrastructure



2029 Population Growth Projections

Capital Improvements Planning

The Fundamentals

Review and Update Impact Fee CIP

- Identify infrastructure needed to accommodate growth
- Determine excess capacity of existing facilities
- Estimate costs associated with each infrastructure project

Calculate Max. Assessable Fee

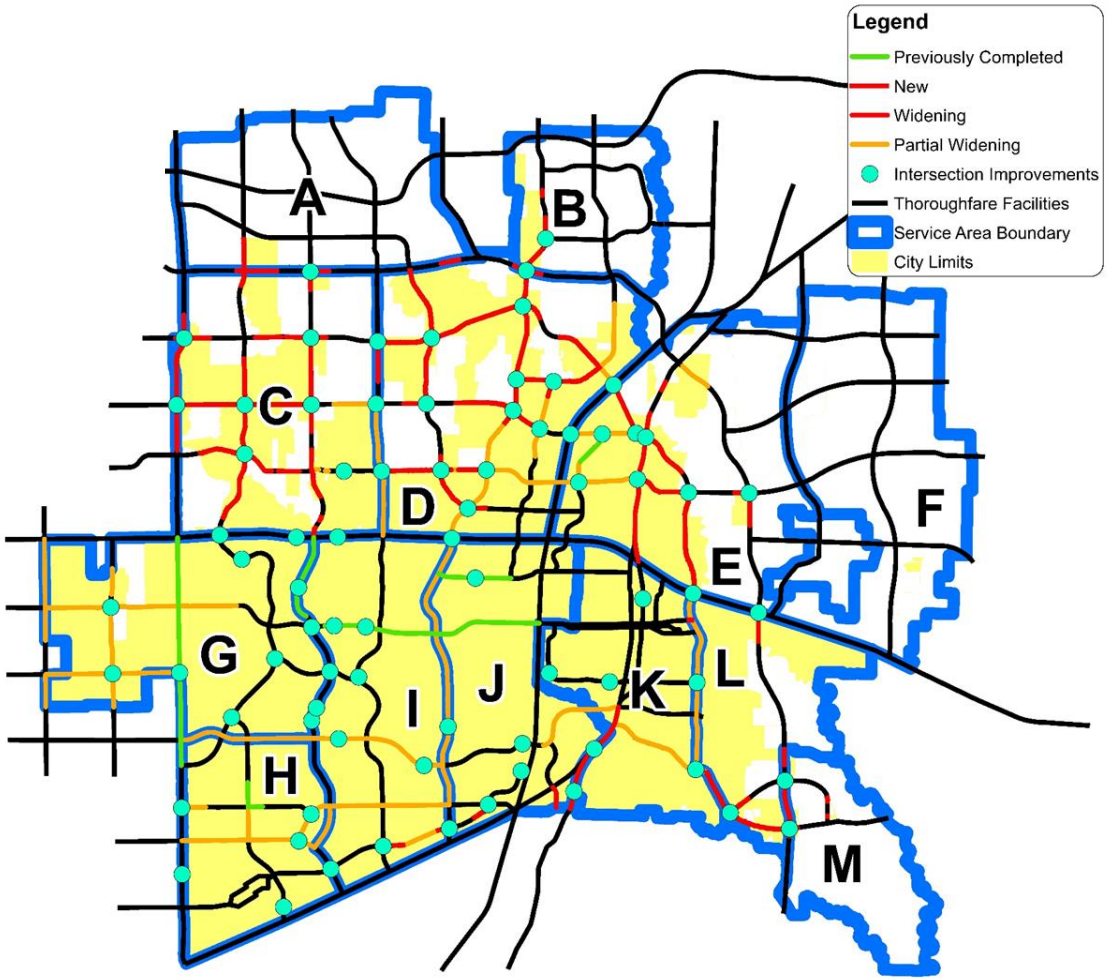
Noteworthy Items

- Water and Wastewater
  - Using a credit calculation
- Wastewater
  - Including North Texas Municipal Water District

McKINNEY TEXAS
Unique by nature.

Roadway Impact Fee Update

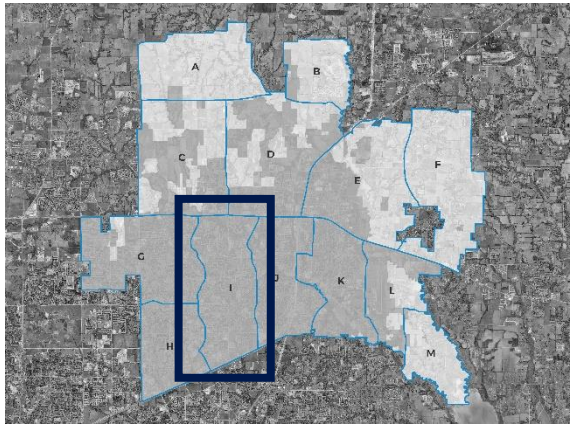
2019-2029 Roadway Improvement Plan (Draft)



McKINNEY TEXAS
Unique by nature.

New Service Units

(PROJECTED GROWTH – Service Area I)

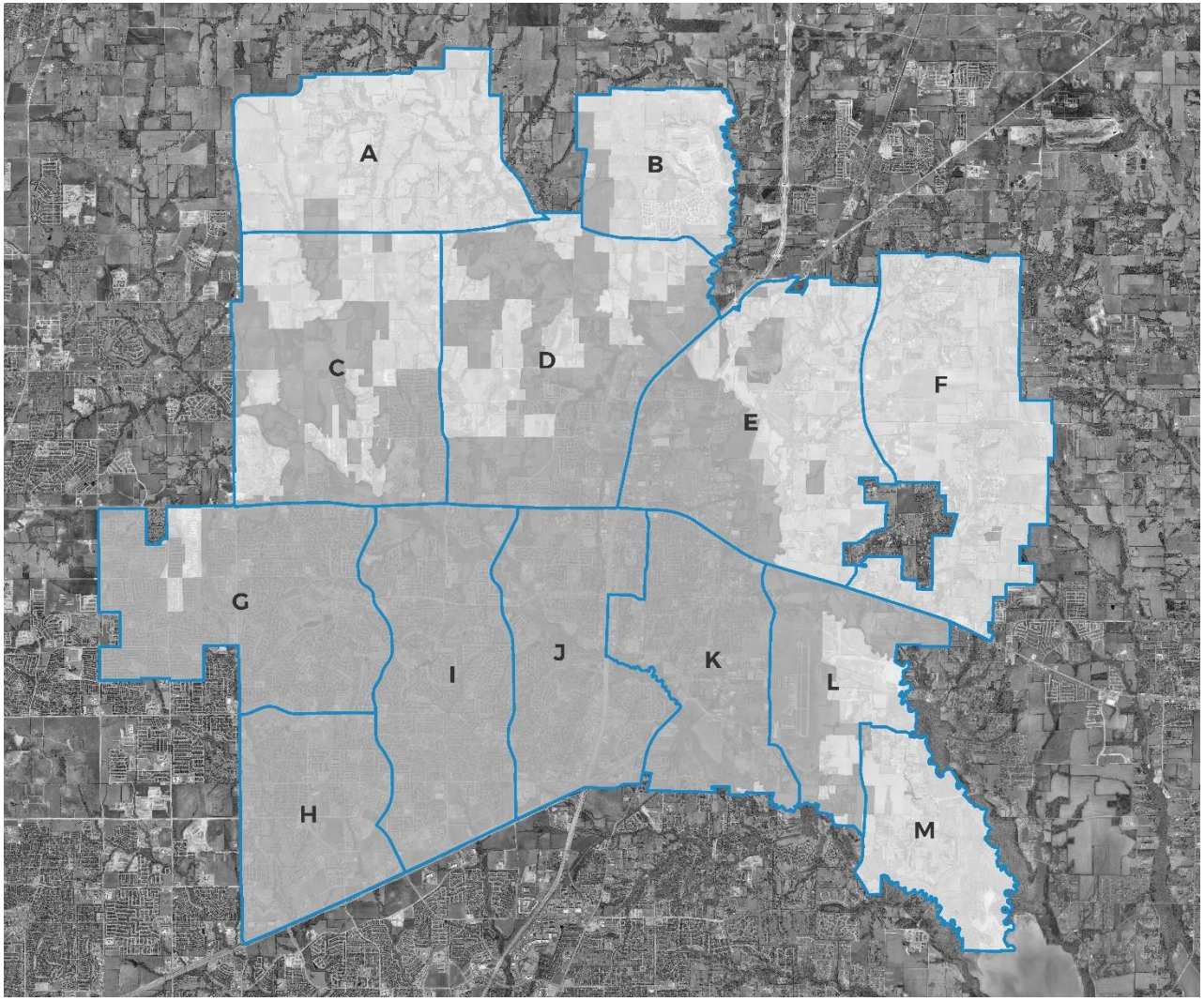


Land Use Type	Development Unit	Number of Development Units	Vehicle Miles per Development Unit (Trip Demand Factor)	Total Vehicle-Mile
Residential	Dwelling Unit	1,608	4.85	7,800
Basic (Industrial)	1,000 square feet	112.104	3.16	354
Service (Office)	1,000 square feet	252.841	6.90	1,744
Retail (Commercial)	1,000 square feet	1,199.668	7.03	8,434
			Total	**18,332**

- Service Area I has 18,332 vehicle-miles of projected demand.

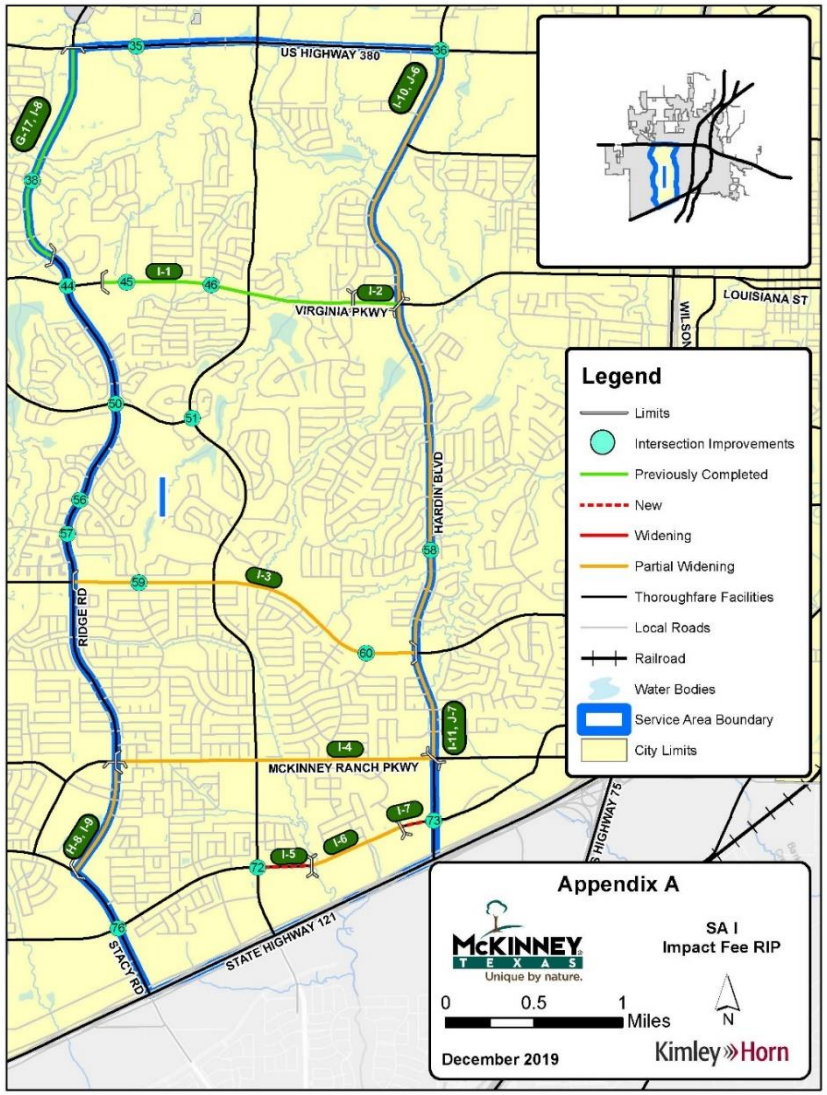
McKINNEY TEXAS
Unique by nature.

Projected Growth (Vehicle-Miles)



Service Area	Vehicle-Miles
A	0
B	9,578
C	15,582
D	41,299
E	17,845
F	0
G	7,742
H	31,324
I	18,332
J	24,864
K	8,530
L	1,893
M	304

McKINNEY TEXAS
Unique by nature.



Recoverable Cost

(Service Area I)

- Total Cost of RIP = $35.6M
- Cost to meet existing demands - $10.6M
- Cost of existing financing - $1.4M
- Max. Calculated Fee = $23.6M
- Credit Calculation - $449K
- **10-Year Cost = $23.2M**

McKINNEY TEXAS
Unique by nature.

Calculating the Maximum Impact Fee

Roadway Impact Fees

$$\text{Max. Impact Fee Per Service Unit} = \frac{\text{Recoverable Cost of the CIP (\$)}}{\text{New Service Units (vehicle-miles)}}$$

- Determine the amount of project growth in each Service Area for a 10-year period.
- Determine the additional capacity needed based on growth projections
- Determine recoverable cost of needed capital constructions to accommodate growth
- Determine cost per service unit

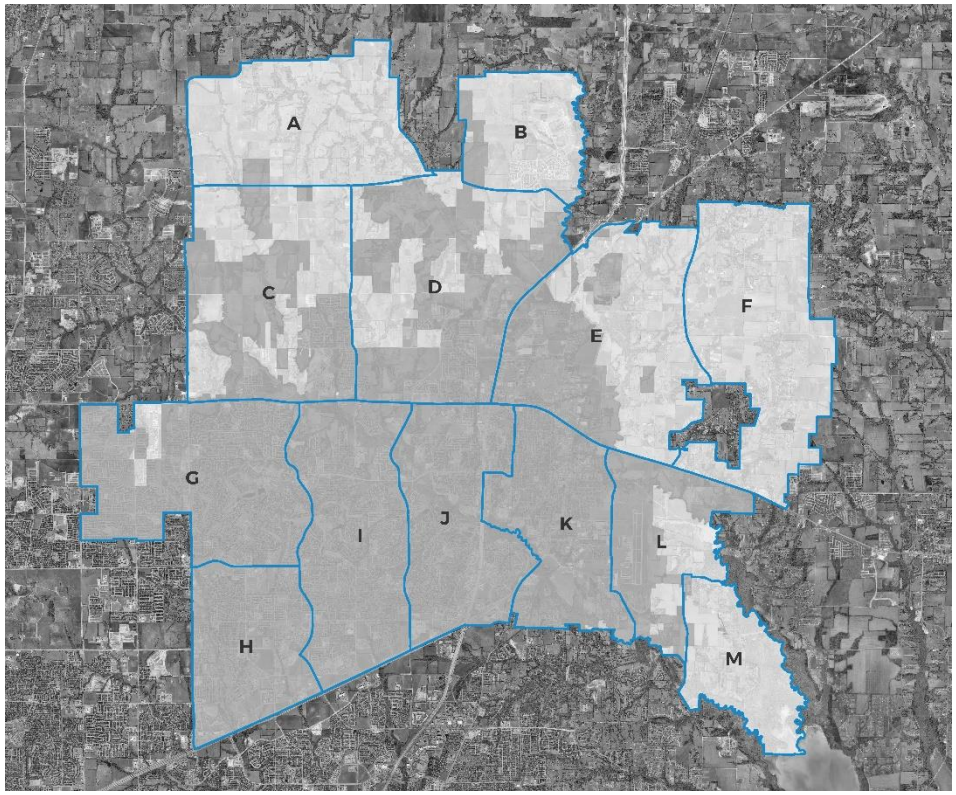
- Service Area I:

$$\frac{\$23.2\text{M recoverable cost}}{18{,}332 \text{ vehicle-miles}} = \textbf{\$1,265 / vehicle-mile}$$

McKINNEY TEXAS
Unique by nature.

2018-2019 Maximum Assessable Fee

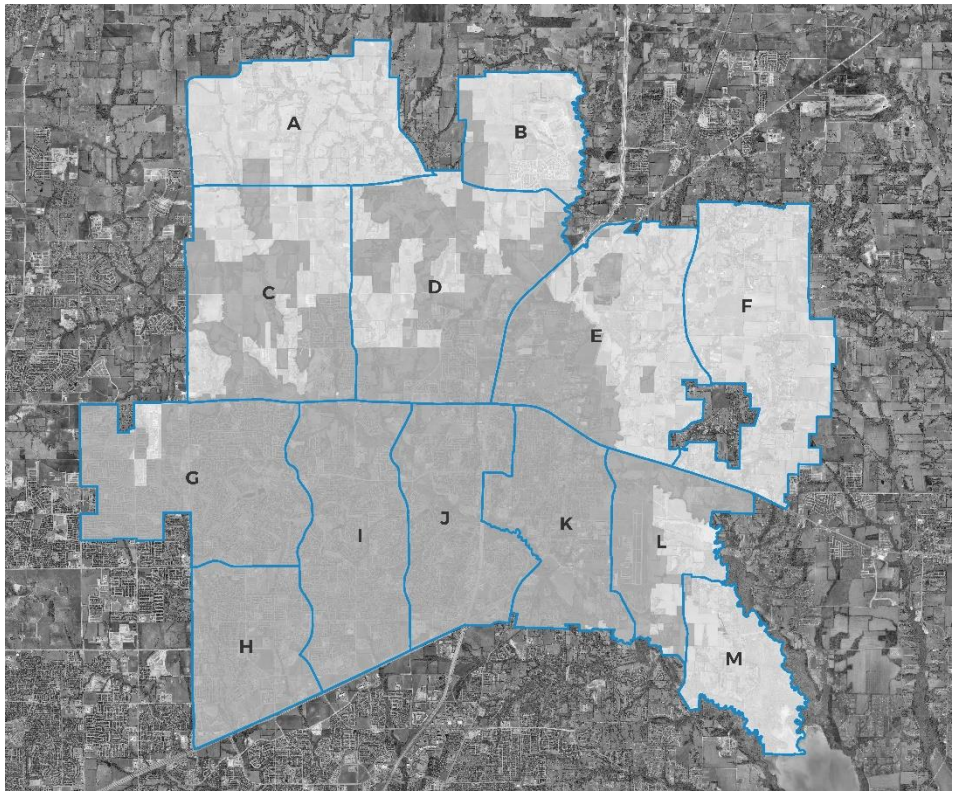
Service Area	Maximum Assessable Fee per Vehicle-Mile
A	$0
B	$1,094
C	$2,808
D	$3,438
E	$2,202
F	$0
G	$1,155
H	$361
I	$1,265
J	$347
K	$1,197
L	$2,044
M	$2,406



McKINNEY TEXAS
Unique by nature.

2018-2019 Maximum Assessable Fee

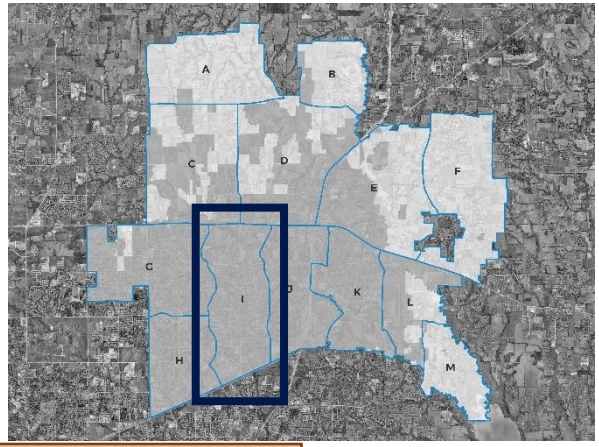
Service Area	2018-2019 Max.		2012-2013 Max.
A	$0		$0
B	$1,094	↑	$861
C	$2,808	↑	$1,500
D	$3,438	↑	$1,211
E	$2,202	↑	$2,082
F	$0		$0
G	$1,155	↑	$635
H	$361	↓	$393
I	$1,265	↑	$755
J	$347	↓	$824
K	$1,197	↑	$1,182
L	$2,044	↑	$1,370
M	$2,406	↑	$0



McKINNEY TEXAS
Unique by nature.

Maximum Assessable Fee

(SAMPLE CALCULATION– Service Area I)

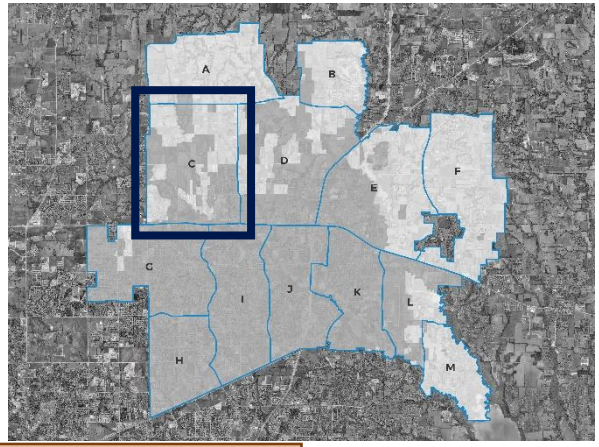


Land Use Type	Development Unit	Number of Development Units	2019 Update						Current Impact Fee Charged
			Trip Demand Factor		Max Fee/SU		Max Fee/DU		
Single Family	Dwelling Unit	1	x	4.85	x	**$1,265**	=	$6,135	$3,800
Shopping Center	1,000 Square Feet	1		7.03		**$1,265**		$8,893	$3,176
Office	1,000 Square Feet	1		6.90		**$1,265**		$8,729	$1,951
Light Industrial	1,000 Square Feet	1		3.16		**$1,265**		$3,997	$989

McKINNEY TEXAS
Unique by nature.

Maximum Assessable Fee

(SAMPLE CALCULATION– Service Area C)

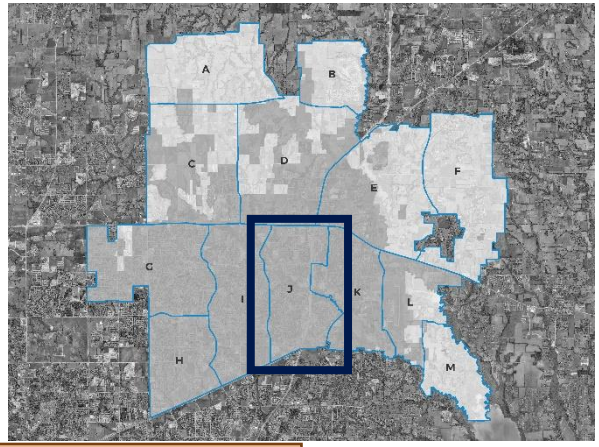


Land Use Type	Development Unit	Number of Development Units	2019 Update						Current Impact Fee Charged
			Trip Demand Factor		Max Fee/SU		Max Fee/DU		
Single Family	Dwelling Unit	1	x	3.96	x	**$2,707**	=	$11,120	$3,800
Shopping Center	1,000 Square Feet	1		7.03		**$2,707**		$19,030	$4,255
Office	1,000 Square Feet	1		4.60		**$2,707**		$12,452	$2,415
Light Industrial	1,000 Square Feet	1		2.52		**$2,707**		$6,822	$1,120

McKINNEY TEXAS
Unique by nature.

Maximum Assessable Fee

(SAMPLE CALCULATION– Service Area J)

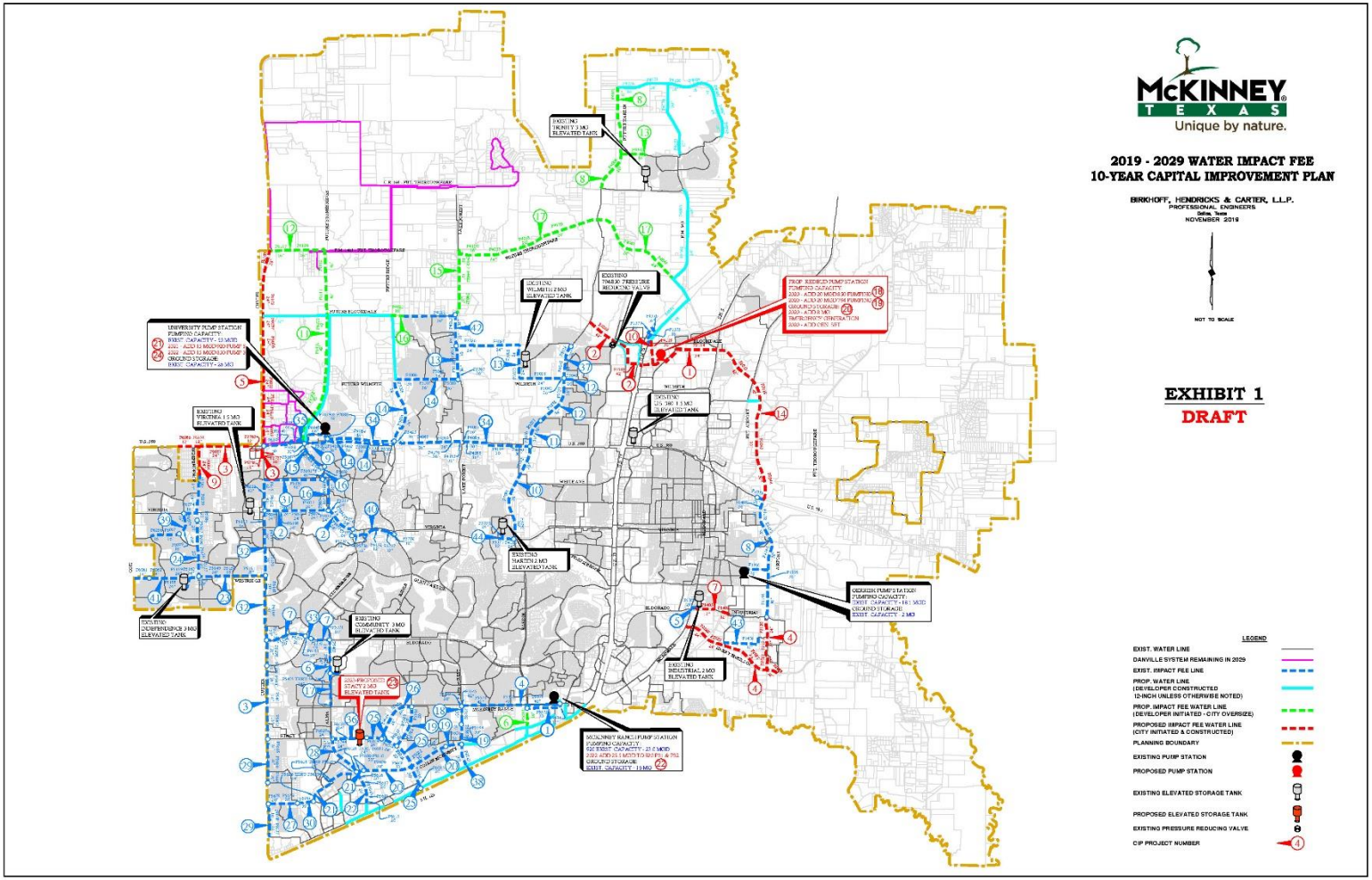


Land Use Type	Development Unit	Number of Development Units	2019 Update						Current Impact Fee Charged
			Trip Demand Factor		Max Fee/SU		Max Fee/DU		
Single Family	Dwelling Unit	1	x	4.85	x	**$387**	=	$1,683	$3,800
Shopping Center	1,000 Square Feet	1		7.03		**$387**		$2,721	$3,597
Office	1,000 Square Feet	1		6.90		**$387**		$2,670	$2,206
Light Industrial	1,000 Square Feet	1		3.16		**$387**		$1,223	$1,114

McKINNEY TEXAS
Unique by nature.

Water/Wastewater Impact Fee Update

2019-2029 Water Capital Improvement Plan (Draft)



McKINNEY TEXAS
Unique by nature.

PROPOSED WATER LINES

Proj. No.	Year	1=City Participation in Cost Oversize 2=City Initiated and Funded	Project	Size	Opinion of Construction Cost (A)
1	2020	2	REDBUD 794 PUMP STATION 54" DISCHARGE LINE	54"	$ 4,496,262
2	2019	2	REDBUD 850 PUMP STATION 42" DISCHARGE LINE	42"	$ 8,137,350
3	2020	2	US 380 / INDEPENDENCE LOOP	12", 16", 24"	$ 2,203,102
4	2021	2	HARRY McKILLOP BLVD. 24" WATER LINE	12", 24"	$ 8,350,000
5	2021	2	CUSTER 24" NORTH WATER LINE	18", 24"	$ 11,888,125
6	2021	1	HARDIN SOUTH 16" WATER LINE	16"	$ 108,900
7	2022	2	INDUSTRIAL BLVD. 12" WATER LINE (PIPE BURST 8" to 12")	12"	$ 569,109
8	2022	1	HARDIN 24" & 16" (TRINITY FALLS WEST FEED NORTH)	16", 24"	$ 691,392
9	2022	2	INDEPENDENCE CONNECTION TO US 380	24"	$ 561,120
10	2023	2	REDBUD PUMP STATION 850 DISCHARGE LINE (T-FALLS EAST FEED)	42"	$ 737,100
11	2024	1	STONEBRIDGE 42" WATER LINE	42"	$ 5,342,040
12	2025	1	F.M. 1461 (FUTURE E/W THOROUGHFARE)	16"	$ 289,560
13	2025	1	COUNTY ROAD 228 16" WATER LINE	16"	$ 125,100
14	2026	2	AIRPORT WATER LINE NORTH LOOP	30", 36"	$ 4,821,900
15	2027	1	LAKE FOREST 16" WATER LINE	16"	$ 337,138
16	2027	1	BLOOMDALE 16" WATER LINE	16"	$ 200,220
17	2029	1	FUT. 850 EAST / WEST THOROUGHFARE WATER LINE	12", 20", 24"	$ 2,245,020
			Subtotal: Proposed Water Lines		**$ 51,103,438**

(A) Opinion of Cost includes:

a) Engineer's Opinion of Construction Cost

b) Professional Services Fees (Survey, Engineering, Testing, Legal)

c) Cost of Easement or Land Acquisitions

Debt Service based on 20-year simple interest bonds at 4.5%

McKINNEY TEXAS
Unique by nature.

PUMPING AND STORAGE FACILITIES

Proj. No.	Year	Project	Capacity	Opinion of Construction Cost (A)
18	2020	Redbud Pump Station - Phase I Improvements (850)	20 MGD	$ 12,600,000
19	2020	Redbud Pump Station - Phase I Improvements (794)	20 MGD	$ 12,600,000
20	2020	Redbud Pump Station 8-MG Ground Storage Reservoir No. 1	8 MG	$ 3,828,000
21	2021	University Pump Station Phase III Improvements - Add Pump 920 PS2 Pump 8	15-MGD	$ 2,482,830
22	2022	McK. Ranch P.S. - Phase I - Replace PS 1 PMPs 6-8, Add 9, PS 2 Pumps 1 & 2	25.5 MGD	$ 10,574,487
23	2023	Stacy 2-MG Elevated Storage Tank	2 MG	$ 5,500,000
24	2029	University Pump Station Phase III Improvements - Add Pump 920 PS2 Pump 8	15-MGD	$ 2,420,000
		Subtotal: Pumping and Storage Facilities		**$ 50,005,317**
		GRAND TOTAL: Water Distribution System CIP		**$ 101,108,755**

(A) Opinion of Cost includes:

a) Engineer's Opinion of Construction Cost

b) Professional Services Fees (Survey, Engineering, Testing, Legal)

c) Cost of Easement or Land Acquisitions

Debt Service based on 20-year simple interest bonds at 4.5%

PLANNING EXPENSES

	Year	Project	Opinion of Cost (1)
	2019	Water & Wastewater System Master Plan & Impact Fee Analysis	$ 204,417
		Subtotal: Planning Expenses	**$ 204,417**
		GRAND TOTAL: Water Distribution System CIP	**$ 101,313,172**

(1) Opinion of Cost includes:

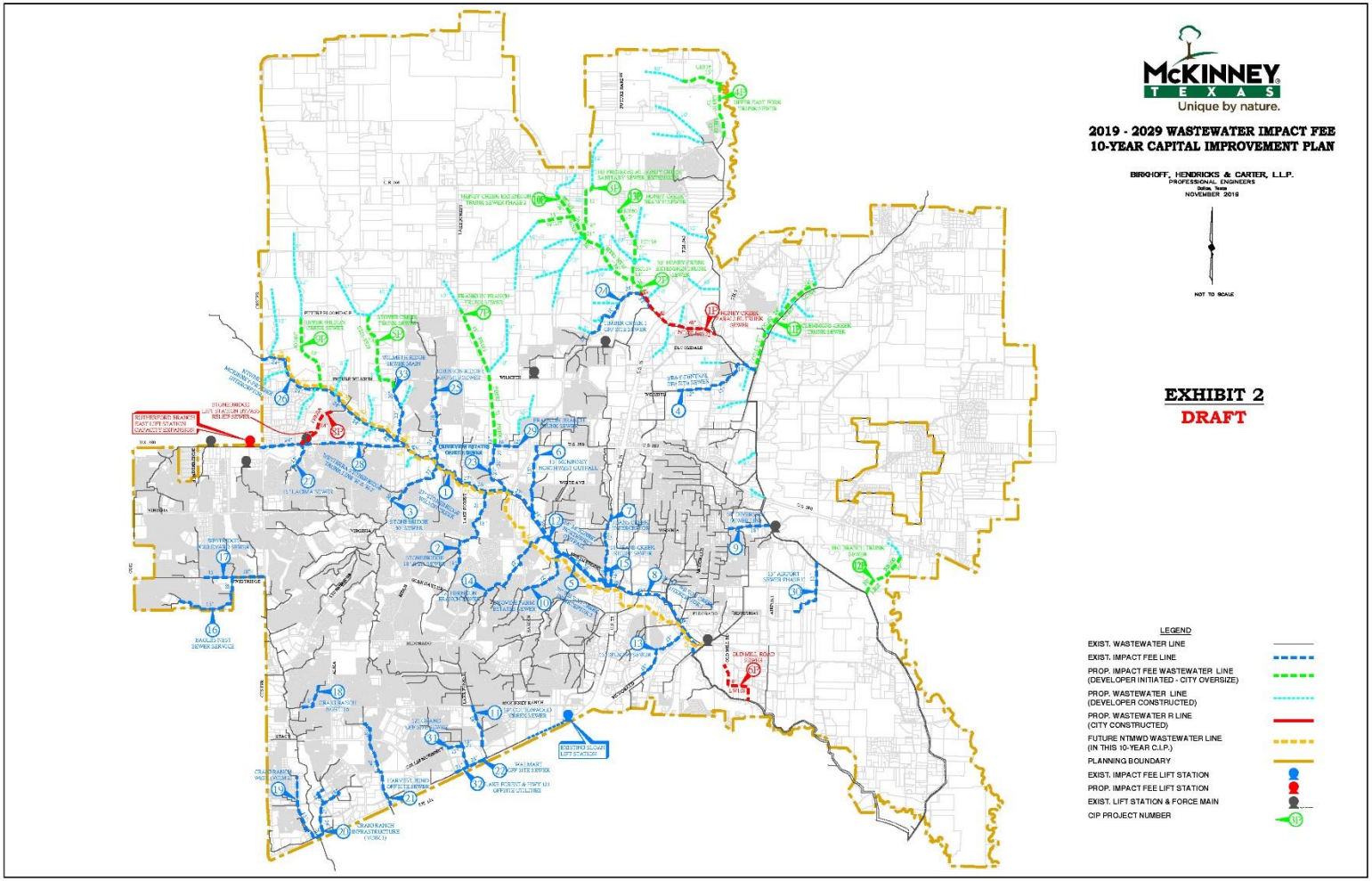
a) Engineer's Opinion of Construction Cost

b) Professional Services Fees (Survey, Engineering, Testing, Legal

c) Cost of Easement or Land Acquisitions

McKINNEY TEXAS
Unique by nature.

2019-2029 Wastewater Capital Improvement Plan (Draft)



McKINNEY TEXAS
Unique by nature.

WASTEWATER COLLECTION C.I.P.

Project I.D.	Year	(1) = City Participation in Cost Oversize (2) = City Initiated and Funded	Project	Size	Total Capital Cost (A)
		PROPOSED WASTEWATER COLLECTION LINES			
1P	**2022**	**(2)**	Honey Creek Parallel Trunk Sewer	42" - 48"	$ 11,000,000
2P	**2020**	**(1)**	36" Honey Creek Extension Trunk Sewer	36"	$ 1,018,593
3P	**2020**	**(1)**	The Preserve at Honey Creek	15" - 21"	$ 307,836
4P	**2021**	**(1)**	Upper East Fork Trunk Sewer	15" - 18"	$ 324,625
5P	**2020**	**(1)**	Stover Creek Trunk Sewer Phase 2	27"	$ 1,240,000
6P	**2020**	**(2)**	Old Mill Road Sewer (WW1858)	8"	$ 2,000,000
7P	**2022**	**(1)**	Franklin Branch Trunk Sewer	15" - 21"	$ 696,949
8P	**2024**	**(2)**	Stonebridge Lift Station No. 1 Bypass Sewer	24"	$ 4,000,000
9P	**2022**	**(1)**	Upper Wilson Creek Sewer	15"	$ 224,864
10P	**2027**	**(1)**	Honey Creek Extension Trunk Sewer Phase 2	36"	$ 1,331,872
11P	**2025**	**(1)**	Clemons Creek Trunk Sewer	24" - 27"	$ 1,183,662
12P	**2026**	**(1)**	Big Branch Trunk Sewer	30"	$ 894,445
13P	**2026**	**(1)**	Honey Creek Branch Sewer	15" - 18"	$ 343,825
			PROPOSED WASTEWATER COLLECTION LINES SUBTOTAL:		**$ 24,566,671**
		PROPOSED WASTEWATER LIFT STATIONS			
PWWF-1	**2023**	**(2)**	Rutherford Branch East Pumping Capacity Expansion	5.9-MGD	$ 440,000
			PROPOSED WASTEWATER LIFT STATIONS SUBTOTAL:		**$ 440,000**
			CAPITAL IMPROVEMENTS PLAN TOTAL:		**$ 25,006,671**

(A) Opinion of Cost includes:

a) Engineer's Opinion of Construction Cost

b) Professional Services Fees (Survey, Engineering, Testing, Legal)

c) Cost of Easement or Land Acquisitions

10- Year Growth Assumptions

Population Growth Assumption:

	2019	2029	Buildout
Population Assumption (# People)	193,011	262,084	433,874
Percent of Buildout Population (%)	44.5%	60.4%	100.0%
2019 to 2029 Population Growth:		135.8%	

Non-Residential Growth Assumption:

	2019	2029	Buildout
Non-Residential Development (S.F.)	45,987,322	62,513,971	153,580,976
Percent of Buildout Development (%)	29.9%	40.7%	100.0%
2019 to 2029 Population Growth:		135.9%	

McKINNEY TEXAS
Unique by nature.

2019 - 2029 Water System Living Unit Equivalents (LUE) by Meter Size

Meter Size	2019			2029			New Living Units During Impact Fee Period
	Meter Count	Living Units per Meter	Total Living Units	Meter Count	Living Units per Meter	Total Living Units	
¾"	**43,303**	1.00	43,303	**58,800**	1.00	58,799	15,496
1"	**14,015**	1.67	23,405	**19,031**	1.67	31,781	8,376
1½"	**468**	3.33	1,558	**636**	3.33	2,118	560
2"	**2,533**	8.33	21,099	**3,443**	8.33	28,682	7,583
3"	**225**	16.67	3,750	**306**	16.67	5,098	1,348
4"	**68**	33.33	2,266	**92**	33.33	3,080	814
6"	**22**	53.33	1,173	**30**	53.33	1,594	421
8"	**9**	93.33	839	**12**	93.33	1,141	302
12"	**2**	183.33	366	**3**	183.33	498	132
Totals:	**60,645**		**97,759**	**82,353**		**132,791**	**35,032**

2019 - 2029 Wastewater System Living Unit Equivalents (LUE) by Meter Size

Meter Size	2019			2029			New Living Units During Impact Fee Period
	Meter Count	Living Units per Meter	Total Living Units	Meter Count	Living Units per Meter	Total Living Units	
¾"	**43,084**	1.00	43,084	**58,503**	1.00	58,502	15,418
1"	**13,171**	1.67	21,995	**17,885**	1.67	29,867	7,872
1½"	**287**	3.33	955	**390**	3.33	1,299	344
2"	**1,246**	8.33	10,379	**1,694**	8.33	14,109	3,730
3"	**215**	16.67	3,584	**292**	16.67	4,872	1,288
4"	**65**	33.33	2,166	**88**	33.33	2,945	779
6"	**20**	53.33	1,066	**27**	53.33	1,449	383
8"	**9**	93.33	839	**12**	93.33	1,141	302
12"	**2**	183.33	366	**3**	183.33	498	132
Totals:	**58,099**		**84,434**	**78,894**		**114,682**	**30,248**

McKINNEY TEXAS
Unique by nature.

Maximum Assessable Utility Impact Fees

Max. Impact Fee = $\frac{\text{Eligible Existing Facility Cost + Eligible Proposed Facility Cost – Credit Analysis Difference**}}{\text{\# of New Living Unit Equivalents over the next 10 Years}}$

Living Unit Equivalent = ¾" meter

Water Impact Fee *(3/4" Meter)*

$$\frac{\$42,273,973 + \$58,645,089 - \$39,472,321}{35,032 \text{ LUE's}} = \frac{\$61,446,741}{35,032 \text{ LUE's}} = \$1,754.00/\text{LUE}$$

Wastewater Impact Fee *(3/4" Meter)*

$$\frac{\$1,989,039 + \$135,498,481 - \$49,807,925}{35,032 \text{ LUE's}} = \frac{\$87,679,595}{30,248 \text{ LUE's}} = \$2,899.00/\text{LUE}$$

Wastewater Impact Fee increase is due in part to costs associated with NTMWD facility costs

*Allowable Maximum impact fee is reduced by Ad-Valorem Tax and Revenue Credit per Chapter 395.014(7)(A) LGC

**Credit Analysis Difference amount was the overall calculated difference from the Financial Credit Analysis Report

McKINNEY TEXAS
Unique by nature.

Utility Impact Fees (Comparison)

2019 Utility Impact Fee Comparison			
	2019		**2013**
Water Impact Fee *(3/4" Meter)*	$1,754.00/LUE	↑	$1.294.70/LUE
Wastewater Impact Fee *(3/4" Meter)*	$2,899.00/LUE*	↑	$162.14/LUE

**2019 Wastewater Fee includes the NTWMD facility expansion costs.*

Wastewater Impact Fee Breakdown ($2,899.00)			
NTMWD CIP Costs	**$2,511**	*McKinney CIP Costs*	**$388**

McKINNEY TEXAS
Unique by nature.

Looking Ahead…

February

▪At the February 25, 2020 CIAC meeting, the committee will discuss fee setting.

March

▪ At the March 17, 2020 City Council Work Session, council will discuss fee setting for the 2019 Impact Fee Update.

April/May

▪ In April, Public Hearing to discuss amending the Capital Improvements Plan (Roadway and Utility).

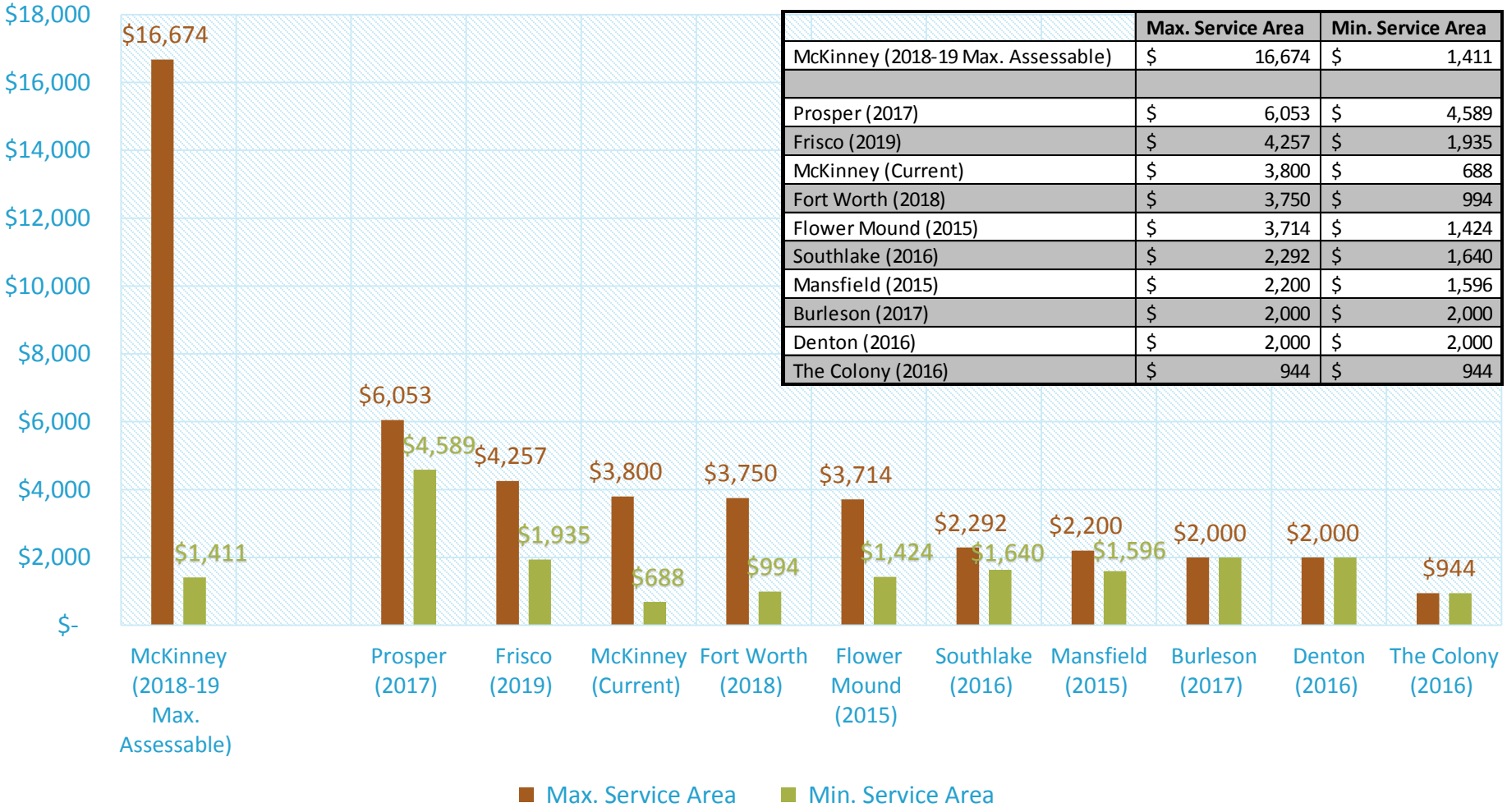
▪ In May, City Council meeting for a Public Hearing to consider Impact Fee Ordinance Amendments.

(This includes any fee amendments and administrative improvements to the Ordinance).

McKINNEY TEXAS
Unique by nature.

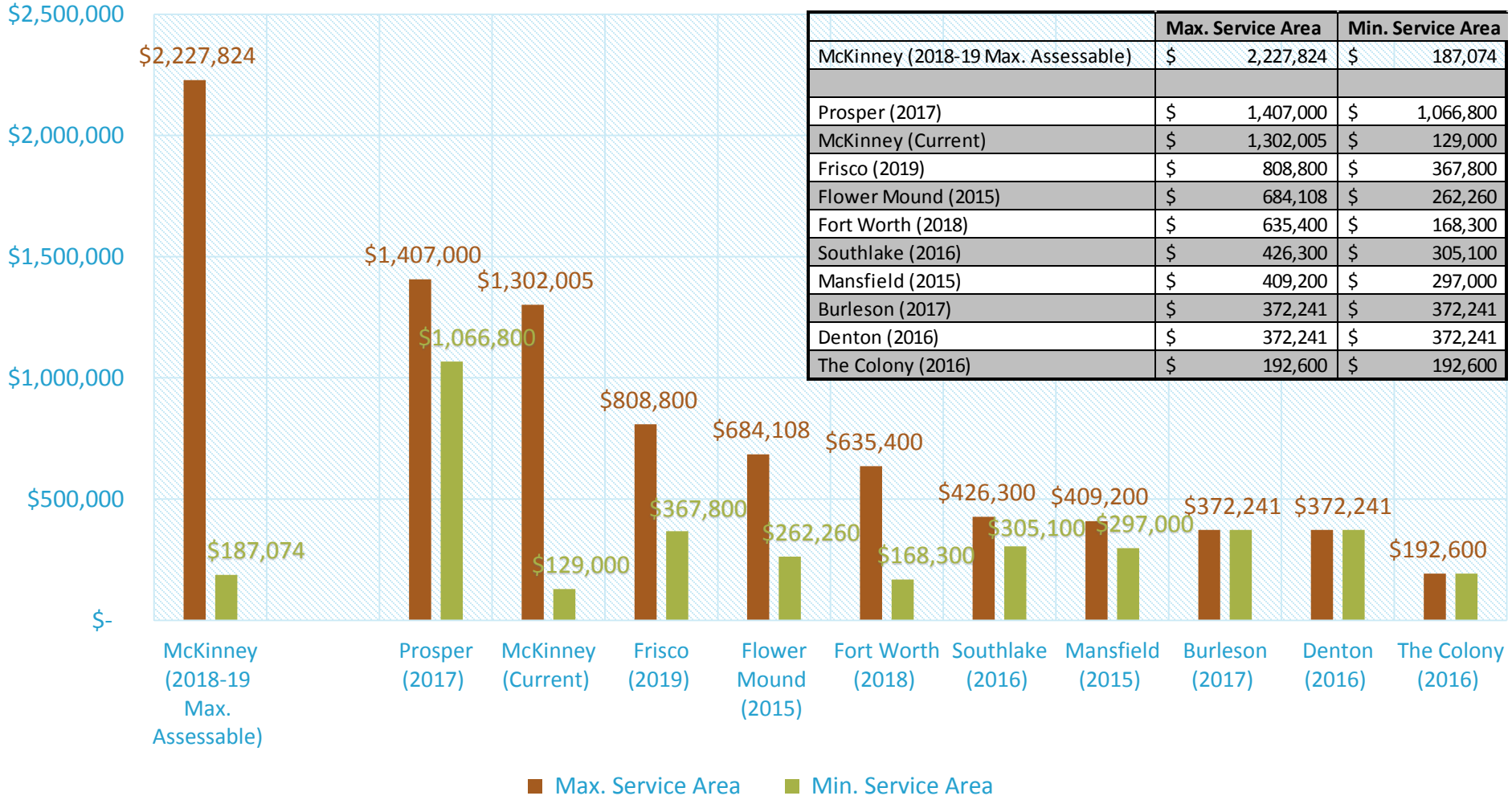
Local City Comparisons

Roadway Impact Fee City Comparison
Actual Fee: One (1) Single Family Dwelling Unit



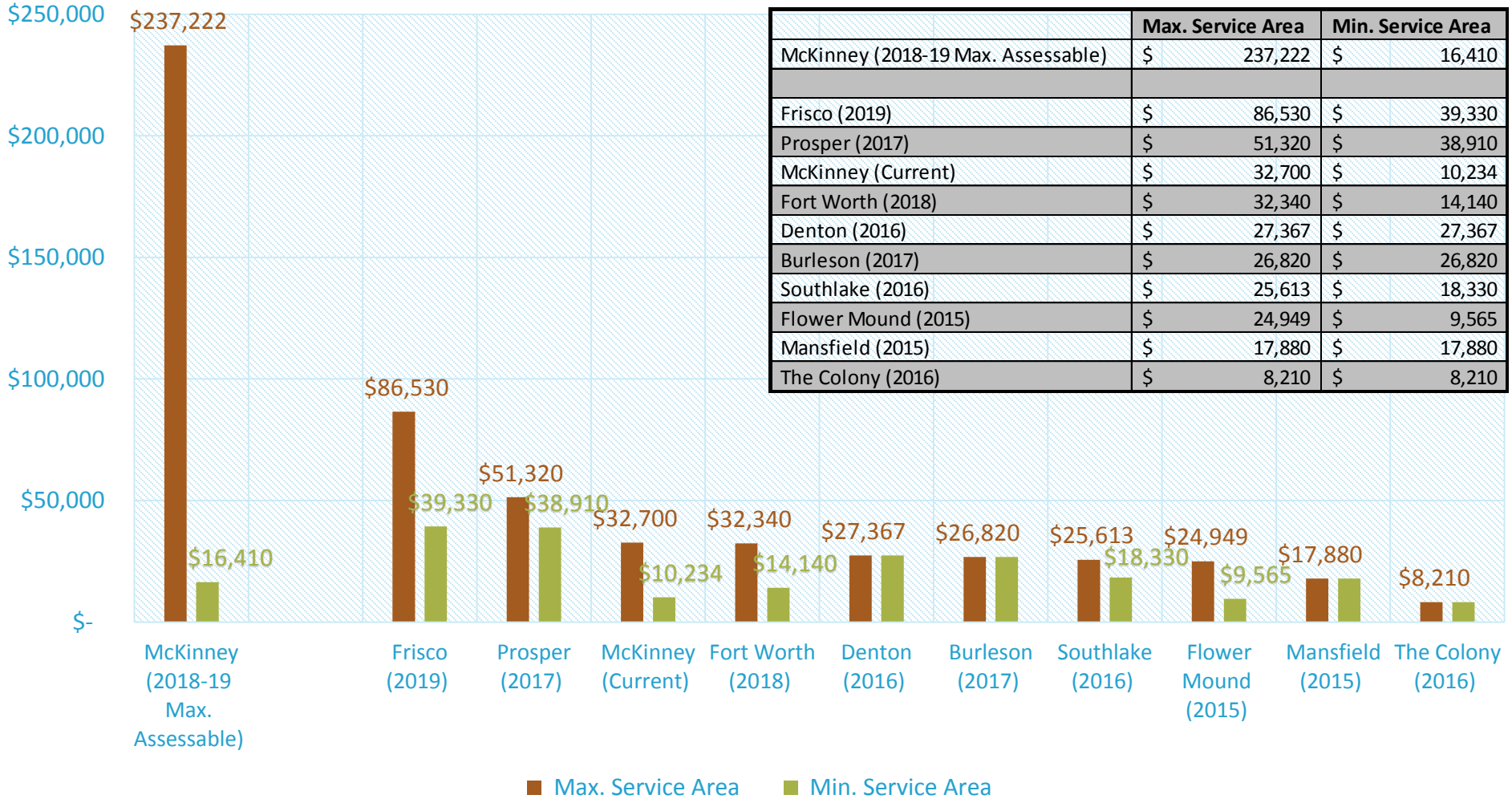
	Max. Service Area	Min. Service Area
McKinney (2018-19 Max. Assessable)	$ 16,674	$ 1,411
Prosper (2017)	$ 6,053	$ 4,589
Frisco (2019)	$ 4,257	$ 1,935
McKinney (Current)	$ 3,800	$ 688
Fort Worth (2018)	$ 3,750	$ 994
Flower Mound (2015)	$ 3,714	$ 1,424
Southlake (2016)	$ 2,292	$ 1,640
Mansfield (2015)	$ 2,200	$ 1,596
Burleson (2017)	$ 2,000	$ 2,000
Denton (2016)	$ 2,000	$ 2,000
The Colony (2016)	$ 944	$ 944

Roadway Impact Fee City Comparison
Actual Fee: 300 Multi-Family Dwelling Units



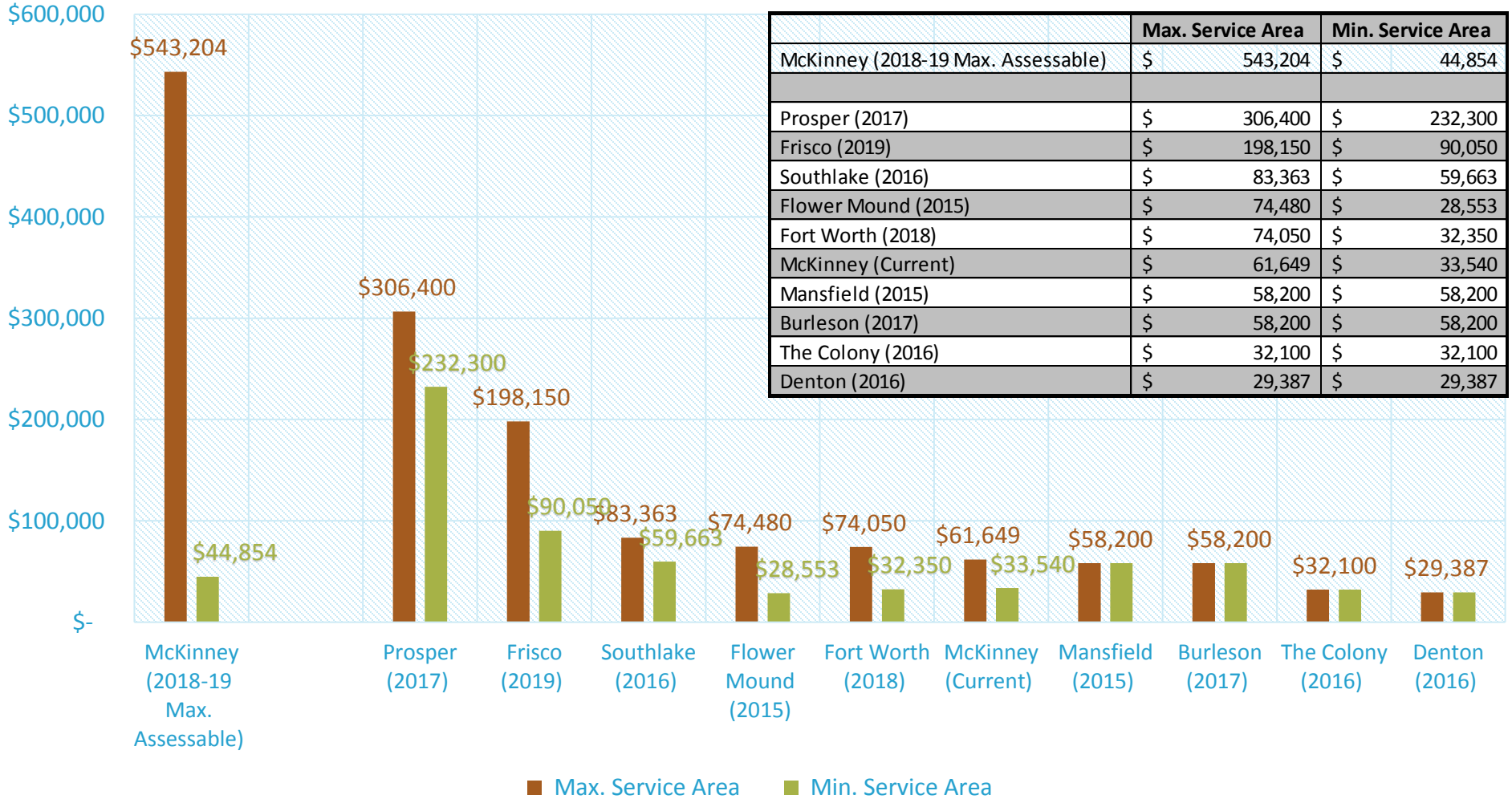
	Max. Service Area	Min. Service Area
McKinney (2018-19 Max. Assessable)	$ 2,227,824	$ 187,074
Prosper (2017)	$ 1,407,000	$ 1,066,800
McKinney (Current)	$ 1,302,005	$ 129,000
Frisco (2019)	$ 808,800	$ 367,800
Flower Mound (2015)	$ 684,108	$ 262,260
Fort Worth (2018)	$ 635,400	$ 168,300
Southlake (2016)	$ 426,300	$ 305,100
Mansfield (2015)	$ 409,200	$ 297,000
Burleson (2017)	$ 372,241	$ 372,241
Denton (2016)	$ 372,241	$ 372,241
The Colony (2016)	$ 192,600	$ 192,600

Roadway Impact Fee City Comparison
Actual Fee: 10,000 Square Foot Office Development



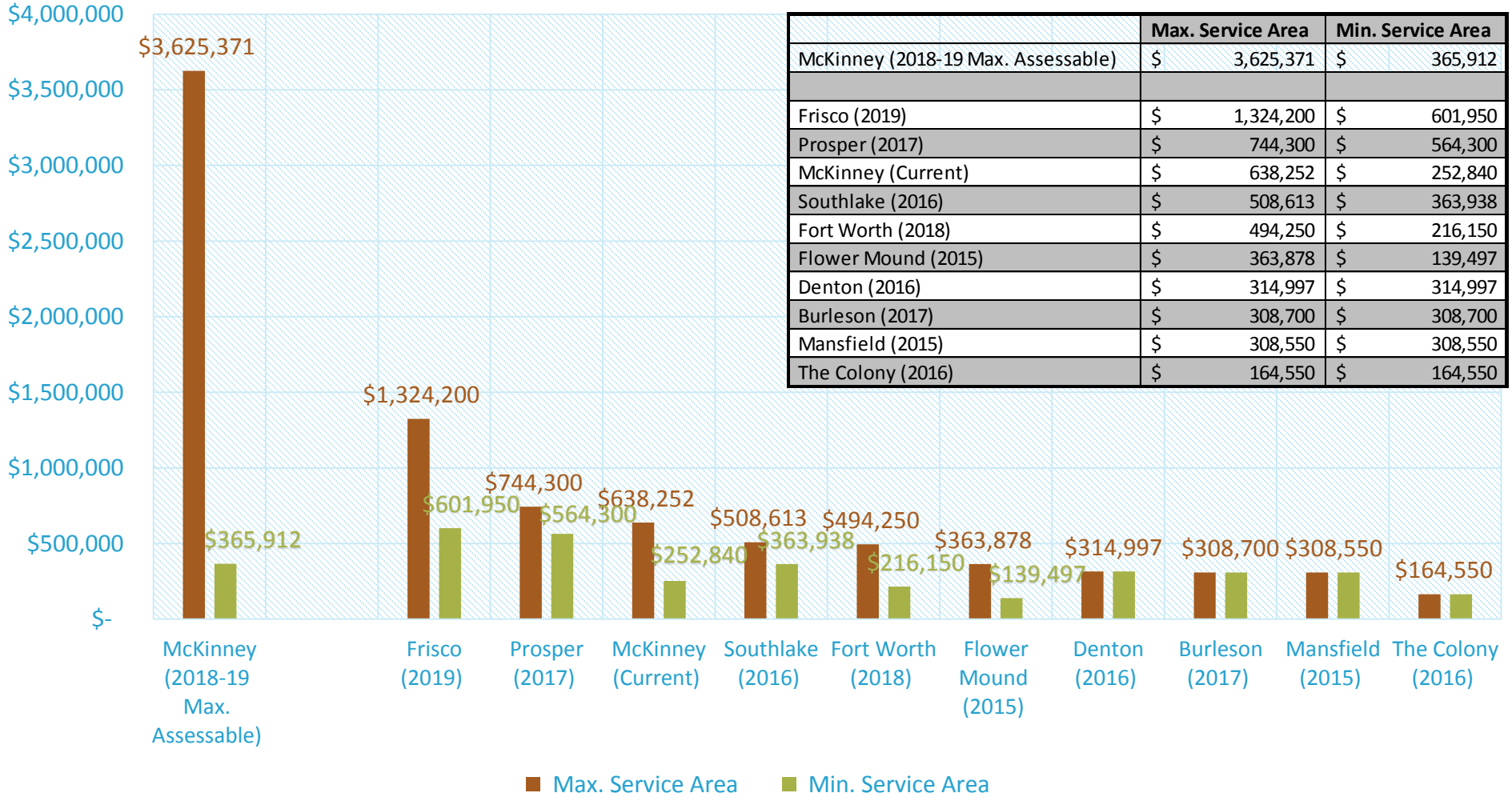
	Max. Service Area	Min. Service Area
McKinney (2018-19 Max. Assessable)	$ 237,222	$ 16,410
Frisco (2019)	$ 86,530	$ 39,330
Prosper (2017)	$ 51,320	$ 38,910
McKinney (Current)	$ 32,700	$ 10,234
Fort Worth (2018)	$ 32,340	$ 14,140
Denton (2016)	$ 27,367	$ 27,367
Burleson (2017)	$ 26,820	$ 26,820
Southlake (2016)	$ 25,613	$ 18,330
Flower Mound (2015)	$ 24,949	$ 9,565
Mansfield (2015)	$ 17,880	$ 17,880
The Colony (2016)	$ 8,210	$ 8,210

Roadway Impact Fee City Comparison
Actual Fee: 50,000 Square Foot Light Industrial Development



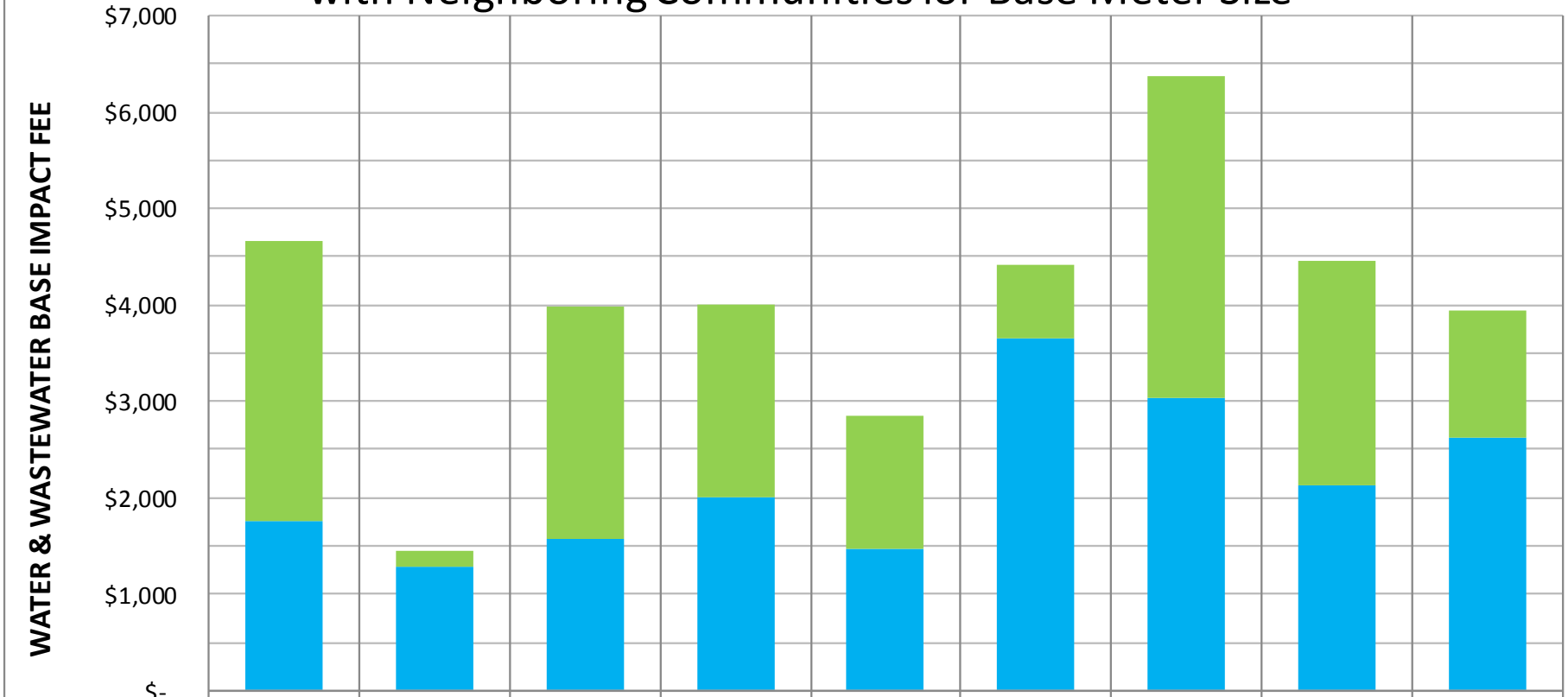
	Max. Service Area	Min. Service Area
McKinney (2018-19 Max. Assessable)	$ 543,204	$ 44,854
Prosper (2017)	$ 306,400	$ 232,300
Frisco (2019)	$ 198,150	$ 90,050
Southlake (2016)	$ 83,363	$ 59,663
Flower Mound (2015)	$ 74,480	$ 28,553
Fort Worth (2018)	$ 74,050	$ 32,350
McKinney (Current)	$ 61,649	$ 33,540
Mansfield (2015)	$ 58,200	$ 58,200
Burleson (2017)	$ 58,200	$ 58,200
The Colony (2016)	$ 32,100	$ 32,100
Denton (2016)	$ 29,387	$ 29,387

Roadway Impact Fee City Comparison
Actual Fee: 150,000 Square Foot Shopping Center Development



	Max. Service Area	Min. Service Area
McKinney (2018-19 Max. Assessable)	$ 3,625,371	$ 365,912
Frisco (2019)	$ 1,324,200	$ 601,950
Prosper (2017)	$ 744,300	$ 564,300
McKinney (Current)	$ 638,252	$ 252,840
Southlake (2016)	$ 508,613	$ 363,938
Fort Worth (2018)	$ 494,250	$ 216,150
Flower Mound (2015)	$ 363,878	$ 139,497
Denton (2016)	$ 314,997	$ 314,997
Burleson (2017)	$ 308,700	$ 308,700
Mansfield (2015)	$ 308,550	$ 308,550
The Colony (2016)	$ 164,550	$ 164,550

Calculated Impact Fee Comparison with Neighboring Communities for Base Meter Size



	McKinney (2020)	McKinney (2012)	Rockwall (2019)	Royse City	Rowlett	Wylie	Frisco* (Non-SFR@100%)	Frisco* (SFR@70%)	Burleson
Wastewater	$2,899	$162	$2,410	$2,000	$1,377	$773	$3,348	$2,344	$1,312
Water	$1,754	$1,295	$1,570	$2,000	$1,466	$3,651	$3,028	$2,120	$2,624

** Frisco's Fee Schedule allows 70% of maximum fee for Single Family Land Use for both Water & Wastewater fees shown*