

2019 Impact Fee Update

19-0010M3

July 28, 2020

Introduction & Overview

- The purpose of today's presentation
 - Present a brief overview of Impact Fees
 - Discuss the importance of Impact Fee
- General outline of the presentation
 - Impact Fee 101
 - Impact Fee Phases
 - McKinney/Sister City Comparisons
 - Roadway Funding Sources



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
- Based on concept of 'Rough Proportionality'
- Governed by Chapter 395 of the Texas Local Government Code; Established in Texas in 1987

Impact Fees in McKinney

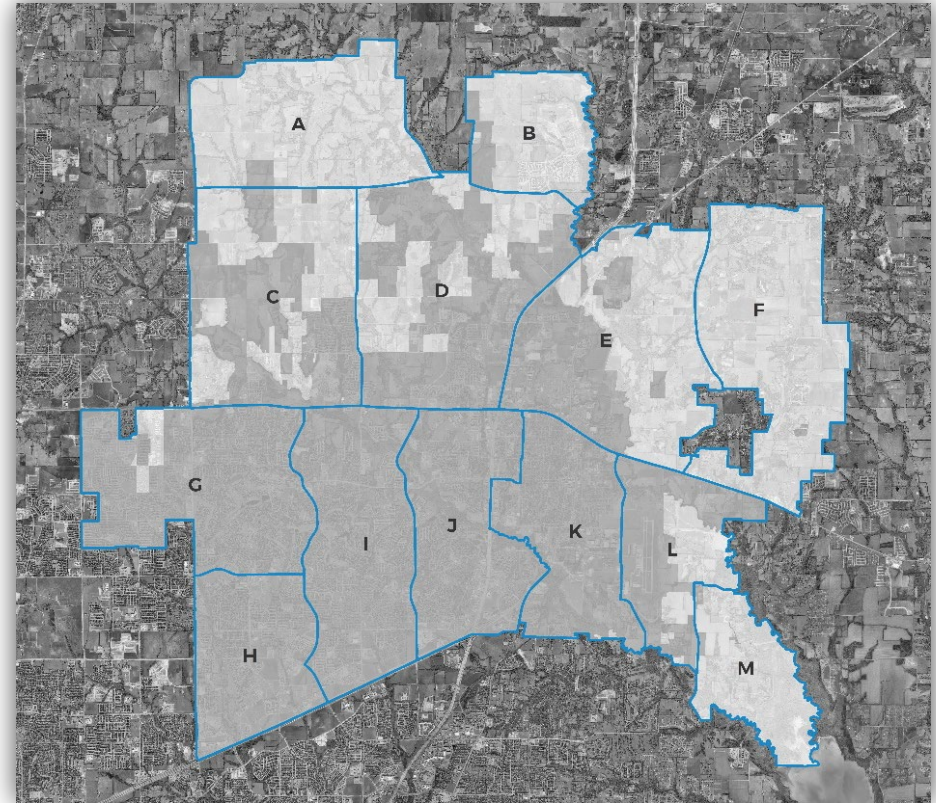
- In McKinney, impact fees are used for:
 - Water
 - Wastewater
 - Roadway
- Capital Improvements Advisory Committee
 - Designated as Planning and Zoning Commission, plus one representative from the ETJ.

Impact Fees 101

The Fundamentals

Terminology

- Service Areas
 - Geographic area within which an impact fee is determined.
- Maximum Assessable Fee
 - Highest fee that can be charged by the city.
- Recoverable Cost
 - The amount of money that can be recovered through impact fees
- Collection Rate
 - Proposed fee to be charged by the city per development unit.



Roadway Service Areas

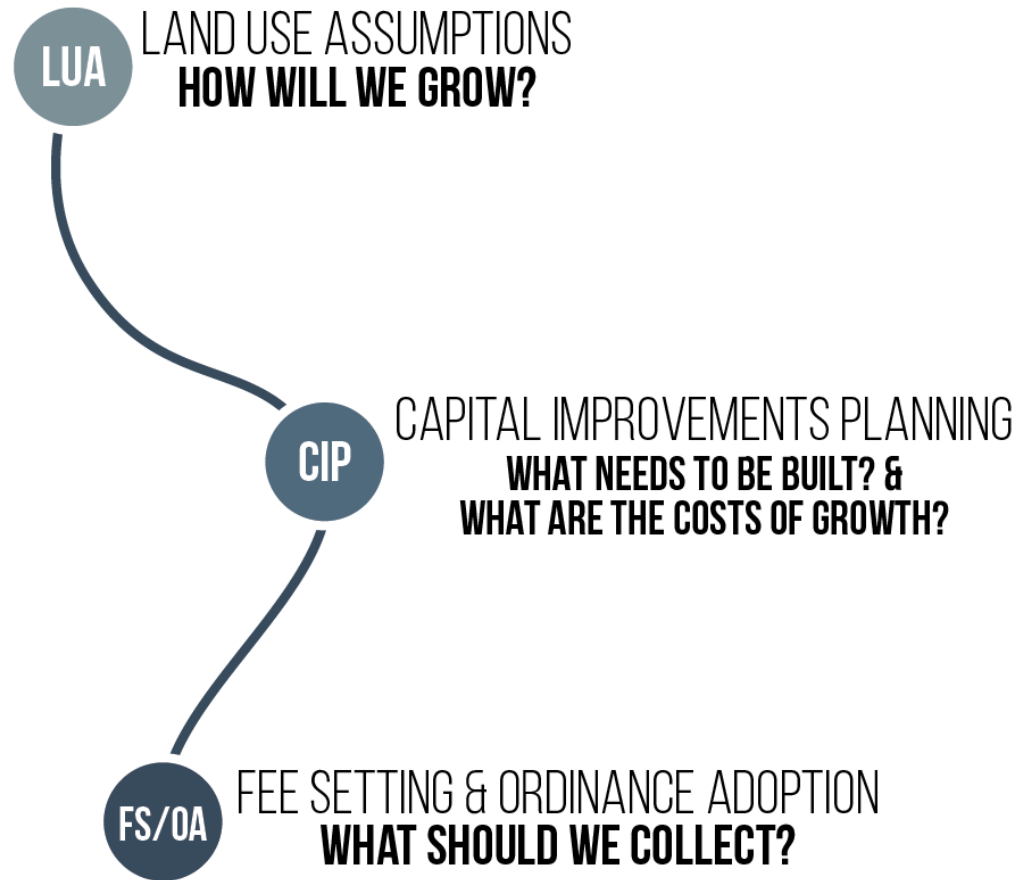
Impact Fees 101

The Fundamentals

- Infrastructure costs greatly exceed traditional tax and fee collection rates in fast-growing cities.
- Federal / State funding no longer keeps up with need.
- Funding mechanisms for infrastructure (especially transportation) are limited in Texas.
- ‘Growth should help pay for Growth’ is the basis of Impact Fees.

Impact Fee Process

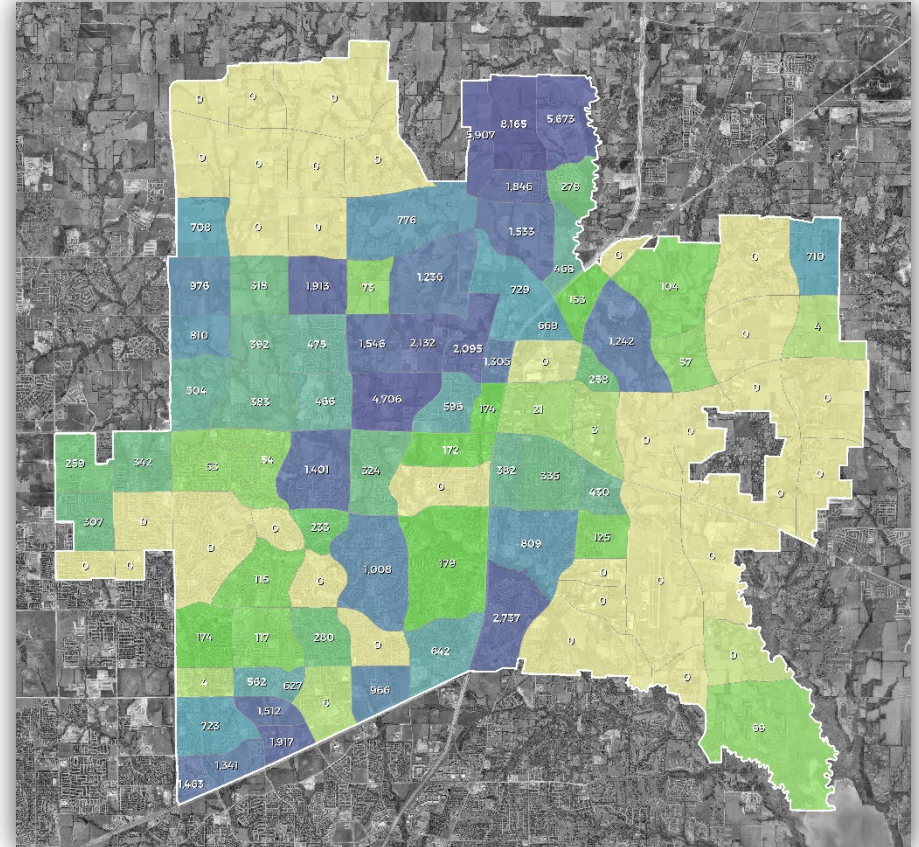
The Steps



Land Use Assumptions

How will we grow?

- Assessment of existing conditions
 - What is the current population and non-residential square footages in the city?
- Buildout Assessment
 - What will our population and non-residential square footages be at buildout?
- 10-Year Growth Assumptions
 - How much will McKinney grow in the next ten years?



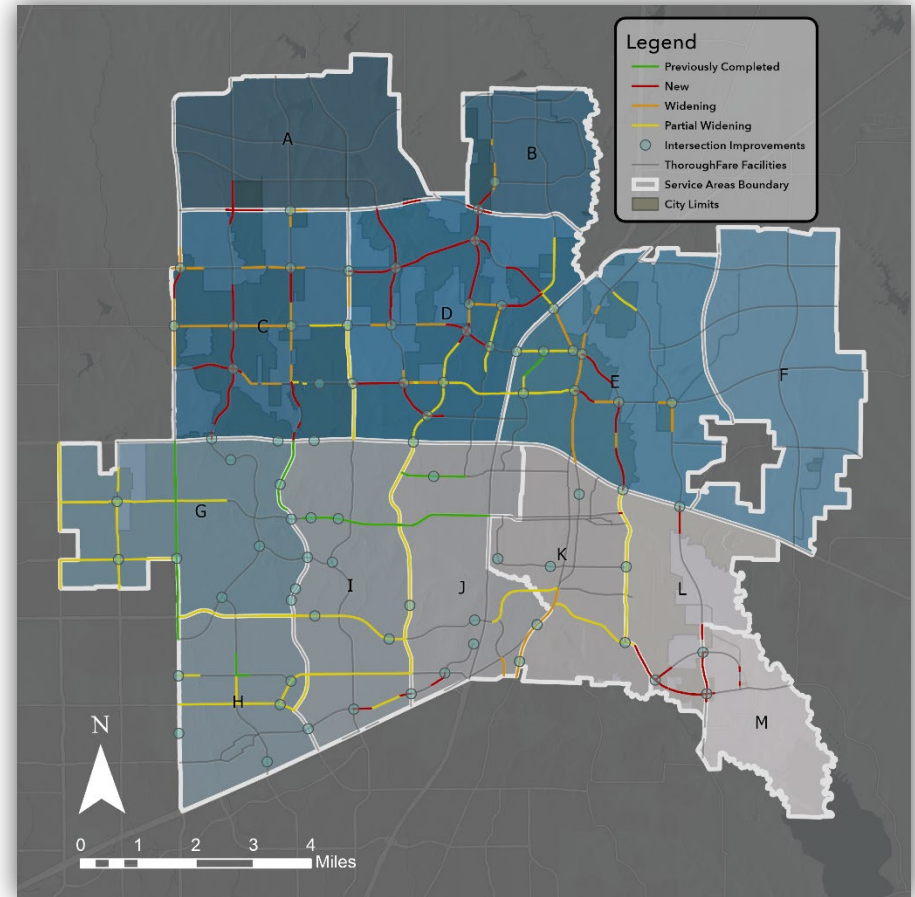
10-Year Growth Assumptions



Capital Improvements Planning

*What needs to be built? &
What are the costs of growth?*

- Service Units
 - Vehicle Miles for Roadway
 - Meter Size for Utility
- Infrastructure Need
 - What infrastructure will need to be built/expanded to keep up with growth?
- Recoverable Cost
 - How much infrastructure cost is associated with growth?
 - What is the maximum assessable fee?

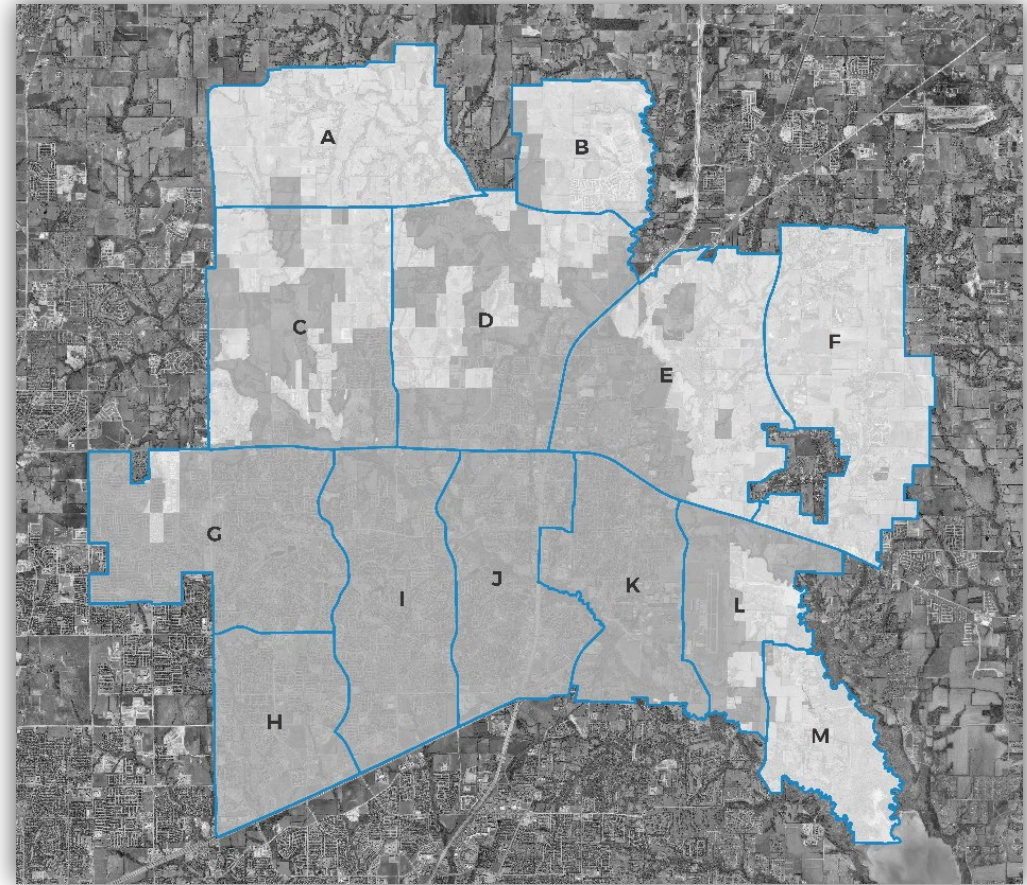


Roadway Improvement Plan (RIP)

Fee Setting and Ordinance Adoption

What should we collect?

- Policy Considerations
 - Existing vs. Future Fee Rate
 - Target industries or areas
 - Development Goals
 - Neighboring City Comparison
- Setting the Collection Rate



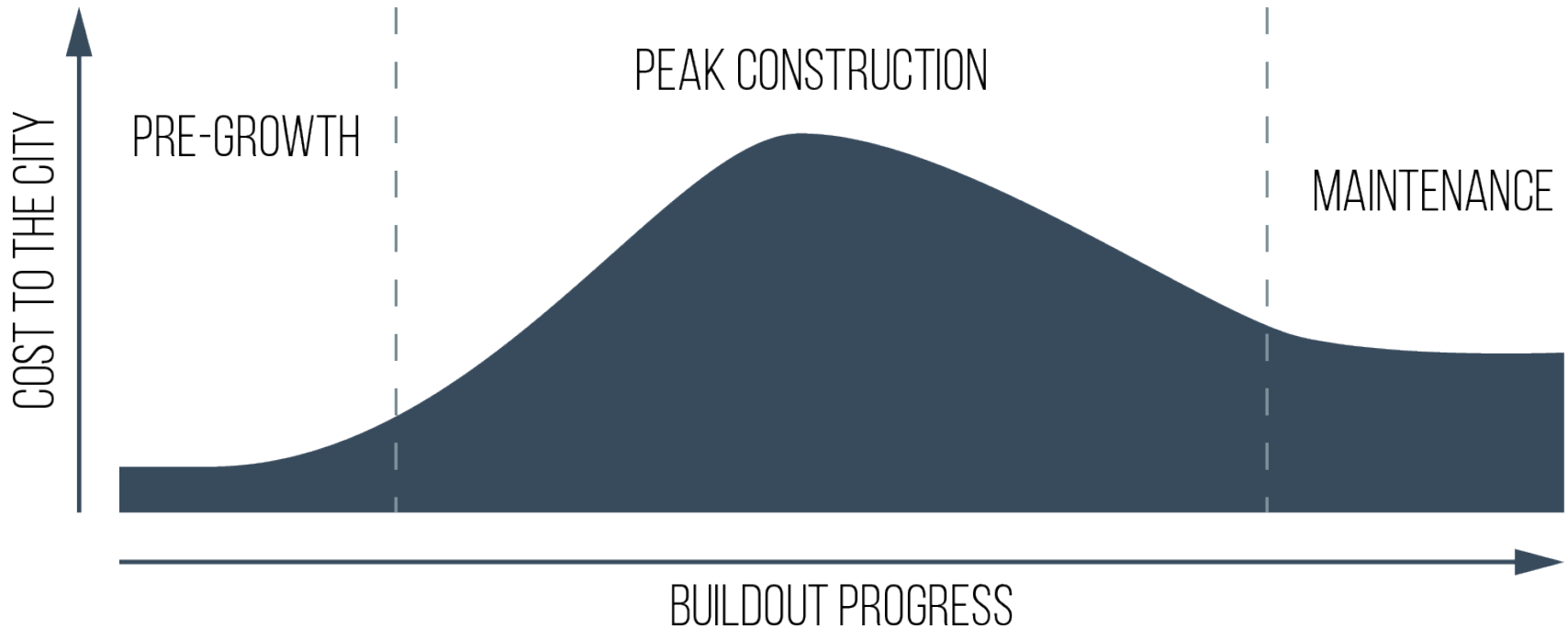
Roadway Service Areas



Impact Fee Phases

Infrastructure Cost Lifecycle

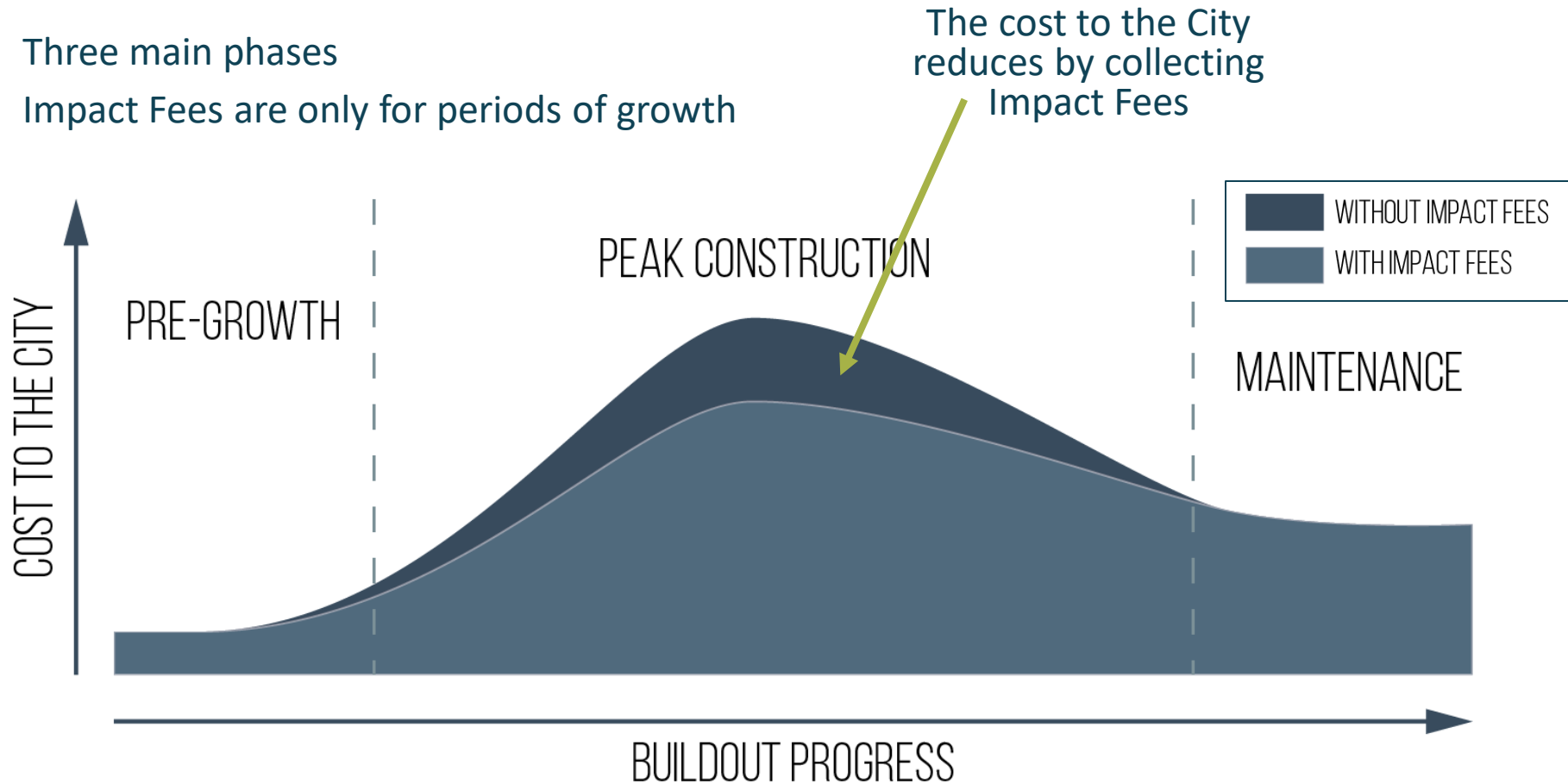
- Three main phases
- Impact Fees are only for periods of growth



Impact Fee Phases

Infrastructure Cost Lifecycle

- Three main phases
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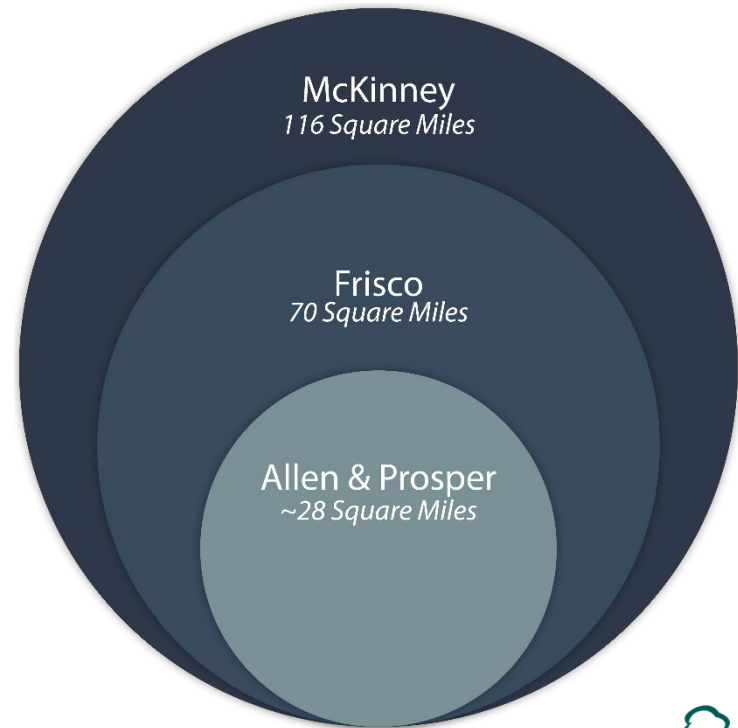


Neighboring City Impact Fee Comparisons

Planning Area Square Miles

Growing Infrastructure Needs

- McKinney's ultimate planning area (city limits and ETJ) is very large.

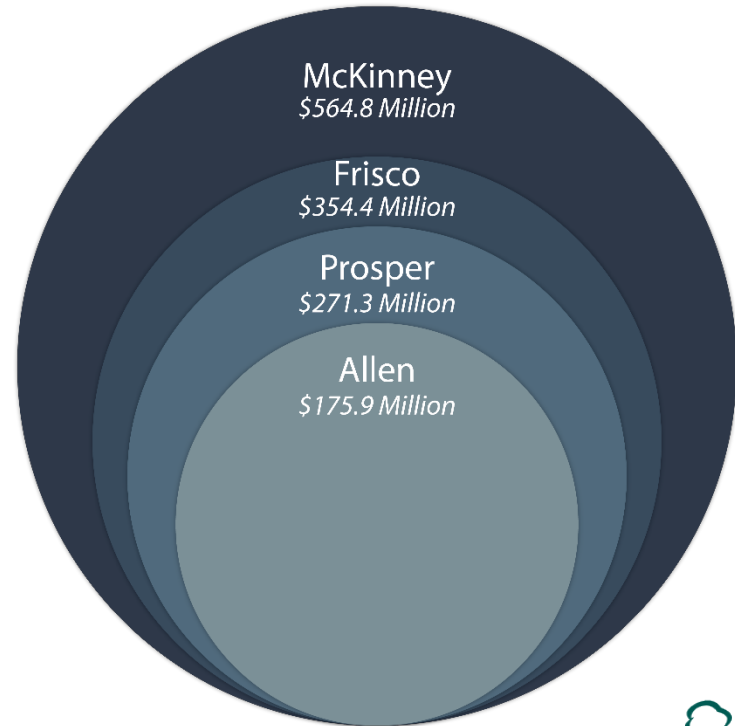


Neighboring City Impact Fee Comparisons

Roadway Improvement Plan Costs

Growing Infrastructure Needs

- McKinney's ultimate planning area (city limits and ETJ) is very large.
- McKinney's infrastructure needs are greater than most of our surrounding cities' needs.

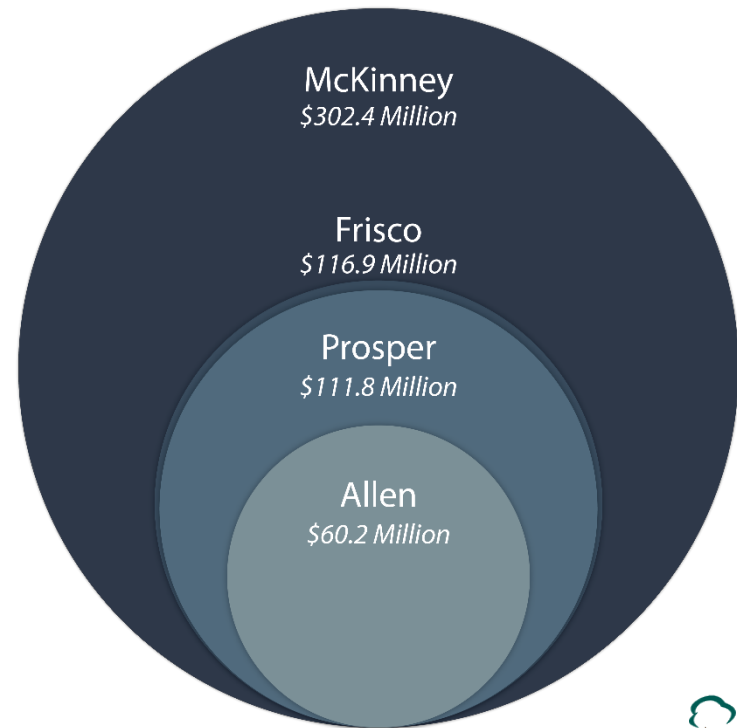


Neighboring City Impact Fee Comparisons

Recoverable Growth Costs

Growing Infrastructure Needs

- McKinney's ultimate planning area (city limits and ETJ) is very large.
- McKinney's infrastructure needs are greater than most of our surrounding cities' needs.
- A large portion of those infrastructure needs can be attributed to anticipated growth.

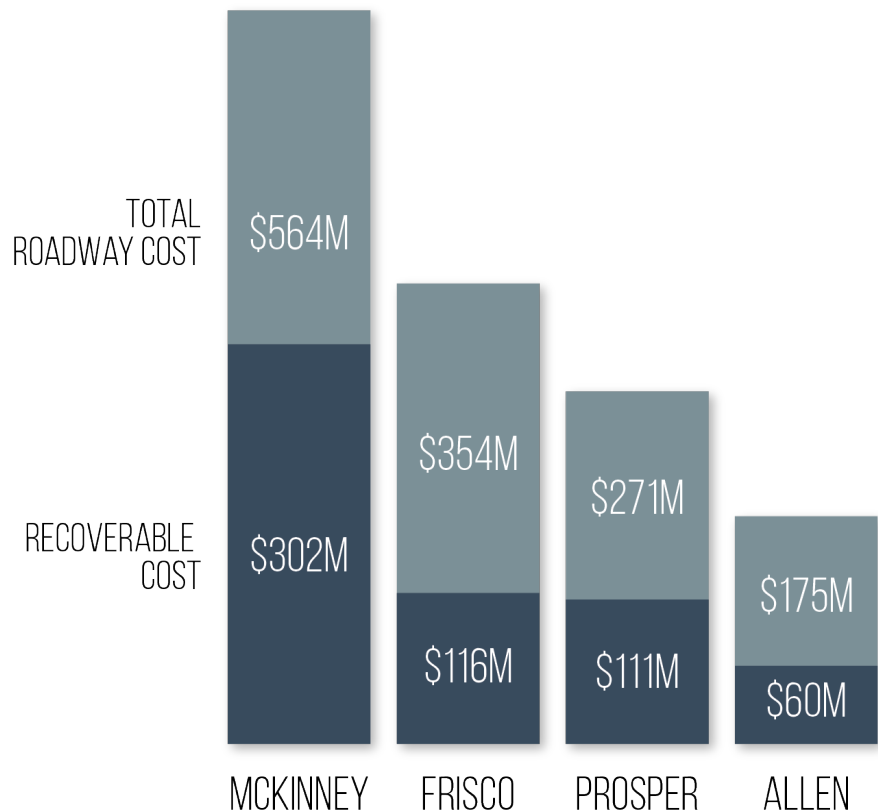


Neighboring City Impact Fee Comparisons

Growing Infrastructure Needs

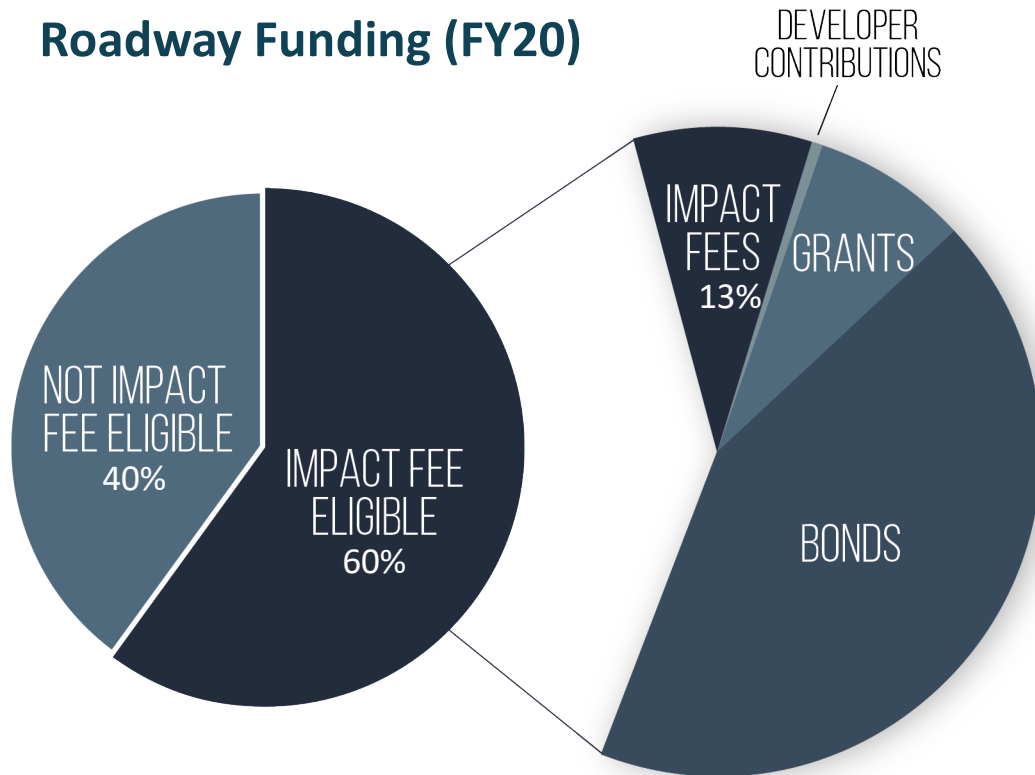
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Roadway Improvement Plan & Recoverable Growth Costs



Impact Fees vs. Other Funding Sources

Roadway Funding (FY20)

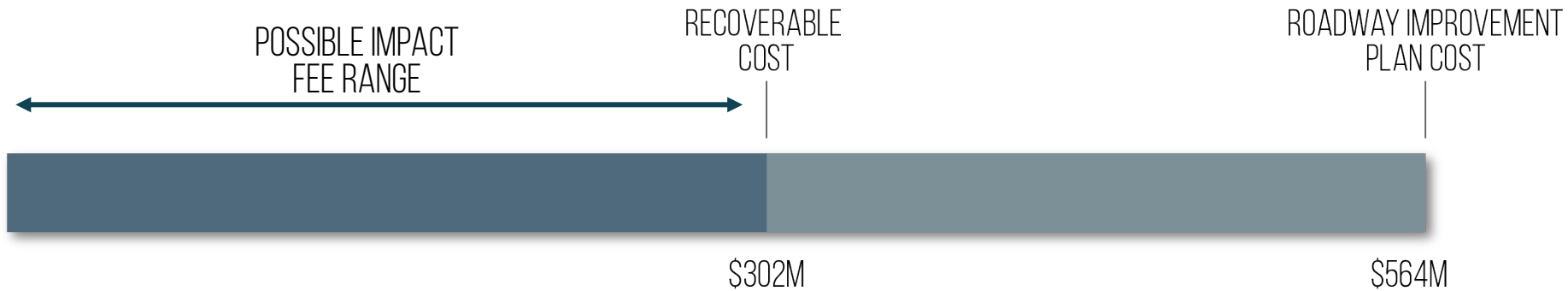


Impact Fee Guidelines

- Eligible Projects:
 - Included on Roadway Improvement Plan
 - Projects or costs associated with projects are for new growth
- Non-Eligible Projects:
 - Repair, operation or maintenance of existing facilities.
 - Updating, upgrading or expanding facilities for existing development.
- Funds collected within a service area must be spent on projects within the same service area within 10 years.

Impact Fees vs. Other Funding Sources

Percent of Recoverable Cost



- As impact fee collection decreases, the need for other funding sources increase.
- Impact fees help offset bond spending and preserve bond funds for future maintenance needs

Summary

- What does this mean for McKinney?
 - McKinney is growing and it has a lot of infrastructure needs.
 - Impact Fee collection is only feasible during periods of growth.
 - McKinney's infrastructure needs are greater than our sister cities.
- As we move forward, how will these concepts influence the city's approach to impact fees funding?
 - We will dive into more specifics in the next series presentation.
- What are your initial thoughts, concerns, or areas of focus?

Next Steps

Fee Setting Meetings:

- CIAC Meeting Impact Fee Presentation #1 (July)
- City Council Work Session – Impact Fee Presentation #1 (August)
- Developer Focus Group Meetings (August)
- CIAC Meeting Impact Fee Presentation #2 (August)
- City Council Work Session – Impact Fee Presentation #2 (August)
- CIAC Meeting Impact Fee Presentation #3 (September)
- City Council Work Session – Impact Fee Presentation #3 (September)

Public Hearing and Adoption Process