CITY OF MCKINNEY

IMPACT FEES 101 AND LAND USE ASSUMPTIONS

City Council and Capital Improvements Advisory Committee (CIAC)

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AGENDA

1. Impact Fee Basics
2. Impact Fee FAQs
3. New Legislative Changes
4. Draft Land Use Assumptions
5. Current Municipal Examples

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WHAT ARE IMPACT FEES?

One-time fee for new development.

Mechanism to recover infrastructure costs required to serve future development.

Legal way to collect a flexible fee for infrastructure.

This gives the flexibility to spend money on high priority projects within a broader service area.

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WHAT ARE IMPACT FEES?

What items are and are not payable with Impact Fees?

Components that can be paid for through an impact fee program:

- ✓ Construction cost of capital improvements on the Impact Fee CIP
  - ✓ Roadway to thoroughfare standard
  - ✓ Upsized water/wastewater line
  - ✓ Traffic signals, bridges, sidewalks, etc.
- ✓ Survey and Engineering fees
- ✓ Land acquisition costs, including court awards
- ✓ Debt Service of Impact Fee CIP
- ✓ Planning Studies

Components that cannot be paid for through an impact fee program:

- × Projects not included in the Impact Fee CIP
- × Repair, operation, and maintenance of existing facilities
- × Upgrades to serve existing development
- × Administrative costs of operating the impact fee program

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WHY USE IMPACT FEES?

Equitable

Barring existing ordinances, development pays an equal fee whether first to develop or last to develop

Predictable

Fee schedule can be made available online

Developers can rely on land use and IF CIP plans to make decisions about when, where, and what to build.

Ensures Accountability

State law requires that impact fees be spent within a certain amount of time or be refunded to the property owner.

Proportional

Directly related to the amount of demand generated by the development.

Calculation based on systemwide impact.

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IMPACT FEE FAQs

Are there any Checks and Balances?

Independent Licensed Professionals Prepare:

- Land Use Assumptions
- Master Plans
- Capital Improvement Plan
- Maximum Fee Impact Calculations

Capital Improvement Advisory Committee (CIAC)

- Chapter 395.058 provides the CIAC role and makeup

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ROLE OF ADVISORY COMMITTEE DURING STUDY

1. Advise and assist the City Council in adopting land use assumptions
2. Review the capital improvements plan (CIP) and file written comments
3. File written comments on the land use assumptions, capital improvements plan, and impact fees (5 business days before public hearing)

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ROLE OF ADVISORY COMMITTEE AFTER ADOPTION

1. Monitor and evaluate implementation of the capital improvements plan;
2. 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
3. Advise the political subdivision of the need to update or revise the land use assumptions, capital improvements plan, and impact fee.

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IMPACT FEE FAQs

Are Impact Fees easy to administer?

- Water and Sewer (based upon meter size)
- Roadway (based upon land use and trip generation characteristics – LUVMET Table)
- Must be updated at least every five (5) years
- Assessment and Collection Differences
- Impact Fees collected in a service area must be spent within that same service area on projects listed in the Impact Fee CIP

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LEGISLATIVE UPDATES TO CH. 395

- Increased Public Involvement
  - Made available an additional 60 days prior to date of publication of first notice of public hearing
  - Previously “on or before”
- Limitation on Increased Impact Fees
  - Requires minimum 3 years before increases
    - Programmed escalation allowed
- Revised CIAC Requirements
  - 50% representation from real estate, development, or building industries (previously 40%)
  - Removed Planning and Zoning Commission as de facto CIAC

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LEGISLATIVE UPDATES TO CH. 395

- External Financial Audit
  - Only applies to Impact Fee updates/changes
  - Independent auditor – no work with City within previous 12 months
  - Public hearing requirements
- Impact Fee Credits
  - Requires credits for water/wastewater impact fees for developments demonstrating water conservation and reuse technologies
  - Requires entities to adopt procedures for calculating, applying, reviewing, and approving credits

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WHAT GOES INTO THE STUDY?

Service Areas

Land Use Assumptions

Service Units

Capital Improvement Plans

Maximum Fee

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WHAT GOES INTO THE STUDY?

Service Areas

- Roadway
  - 6-mile trip length limit
  - Limited to Corporate Limits; cannot include ETJ
- Water
  - Everywhere in the city limits
  - PLUS ETJ, only with existing service or in the McKinney water CCN
- Wastewater
  - Everywhere in the city limits
  - PLUS ETJ, only with existing service or in the McKinney wastewater CCN

- Funds collected within a service area must be spent on projects within the same service area within 10 years

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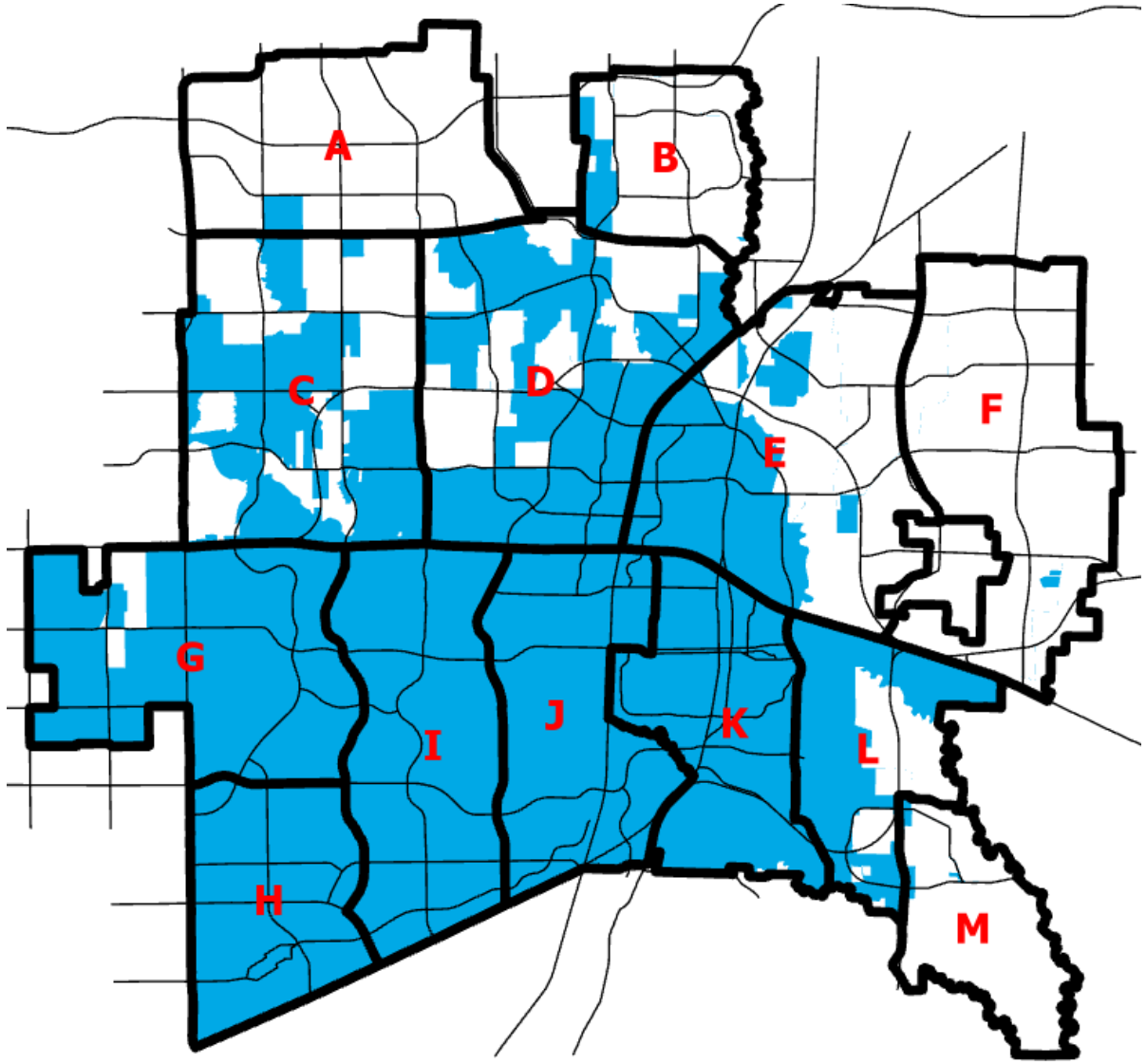
SERVICE AREAS - ROADWAY



Legend

- City Limits
- Service Areas
- Master Thoroughfare Plan

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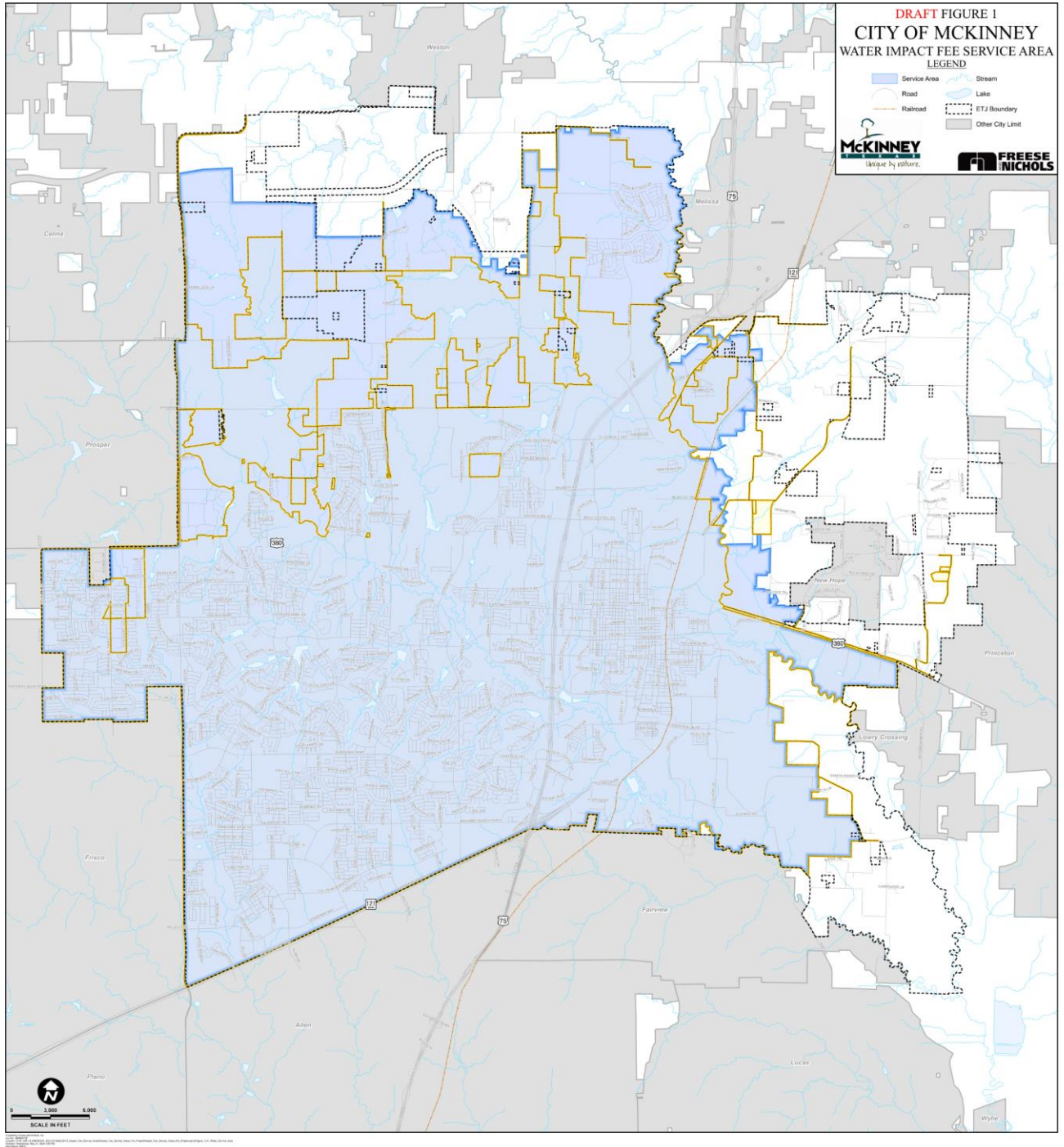
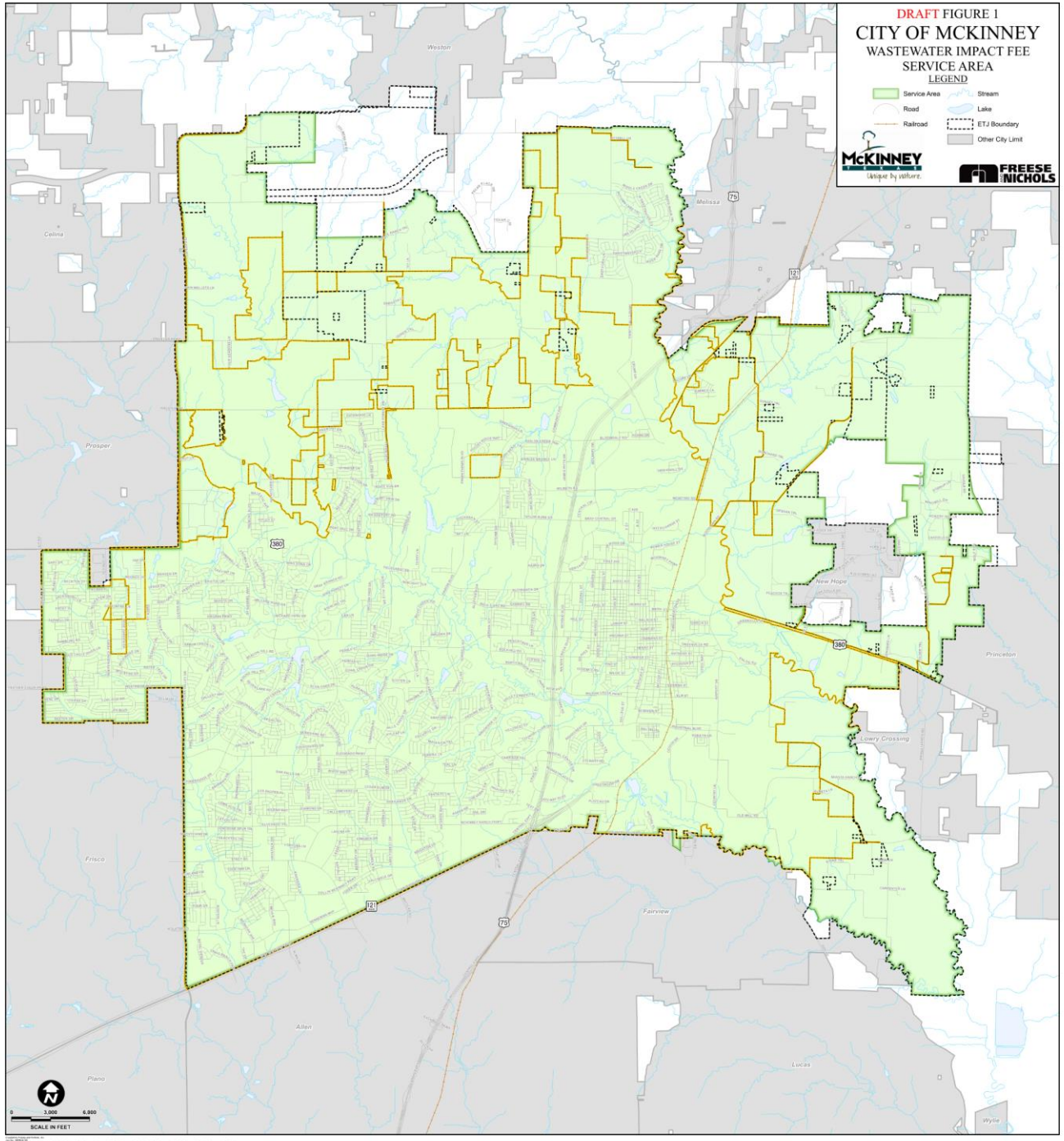
DRAFT SERVICE AREA - WATER



DRAFT SERVICE AREA - WASTEWATER



WHAT GOES INTO THE STUDY?

Land Use Assumptions

- Establish the ultimate infrastructure required to serve new growth (2026-2036)
- Population and Employment Projections
  - Establishes a rate at which new infrastructure is required to be built
  - Projections align with Traffic Demand Model (TDM), Water and Wastewater Master Plans, and ONE McKinney 2040 Comprehensive Plan

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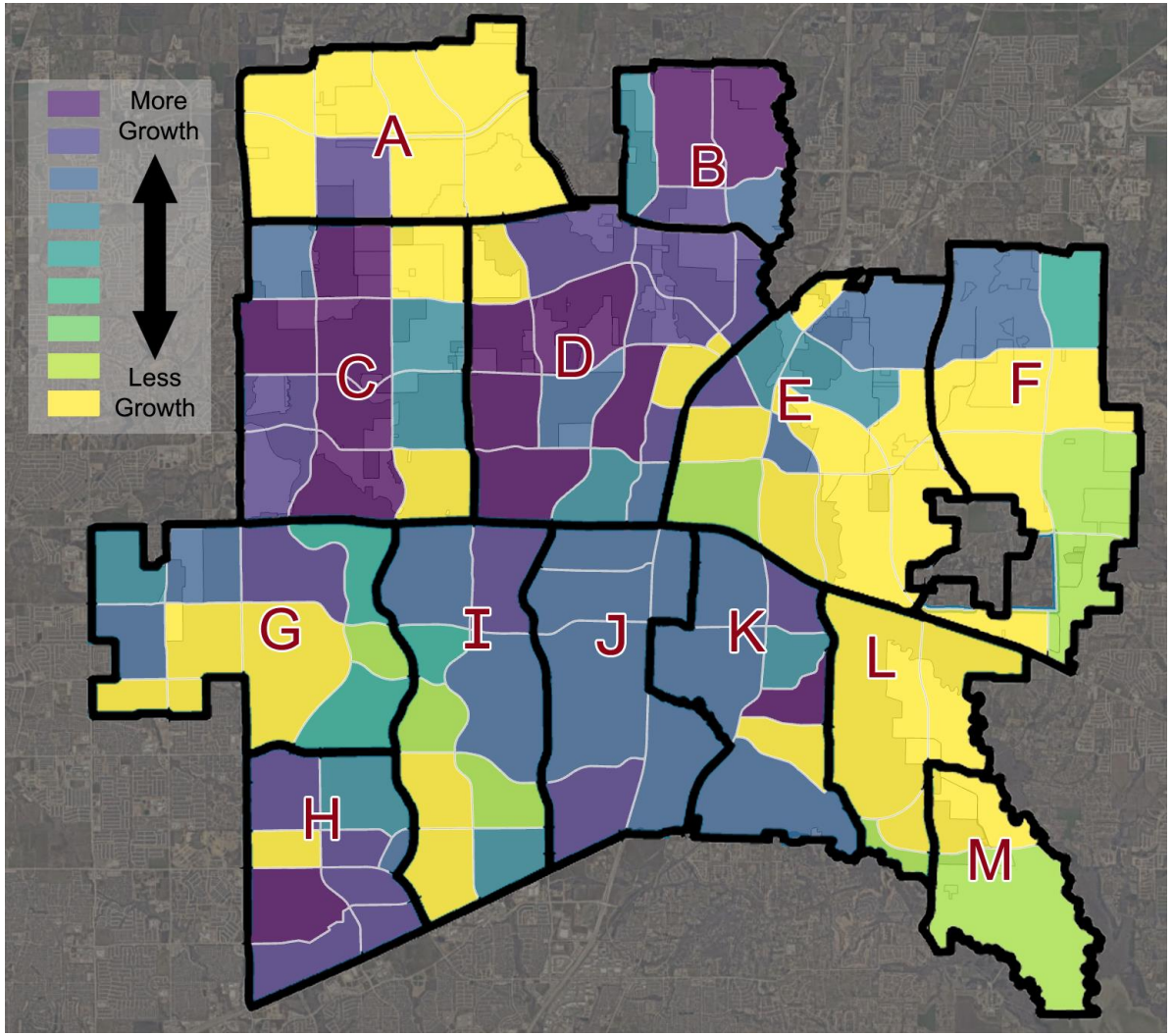
WHAT GOES INTO THE STUDY?

Land Use Assumptions



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WHAT GOES INTO THE STUDY?

Land Use Assumptions - Roadway

NEW Growth 2026-2036

SERVICE AREA	DWELLING UNITS	SQUARE FEET		
		BASIC	SERVICE	RETAIL
A	161	0	0	0
B	250	0	0	0
C	5,859	138,000	358,000	864,000
D	7,464	60,000	864,000	1,091,000
E	384	3,561,000	340,000	192,000
F	0	0	0	0
G	852	53,000	167,000	680,000
H	4,383	15,000	716,000	526,000
I	1,290	97,000	335,000	576,000
J	2,091	339,000	277,000	386,000
K	2,594	2,029,000	345,000	136,000
L	0	2,544,000	183,000	43,000
M	0	254,000	43,000	20,000
Totals	**25,328**	**9,090,000**	**3,628,000**	**4,514,000**

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WHAT GOES INTO THE STUDY?

Land Use Assumptions – Water/Wastewater

Planning Period	Population	Basic Non-Residential Area (SF)	Service Non-Residential Area (SF)	Retail Non-Residential Area (SF)	Total Non-Residential Area (SF)
Water Service Area					
Existing	230,520	21,573,651	23,963,462	14,608,748	60,145,861
10-Year	306,476	30,931,578	28,033,113	19,400,172	78,364,863
Buildout	410,543	43,505,915	31,913,674	29,511,883	104,931,472
Wastewater Service Area					
Existing	230,097	21,474,976	23,914,926	14,489,301	59,879,203
10-Year	309,838	32,742,919	28,613,939	19,605,645	80,962,503
Buildout	459,166	51,944,503	34,962,635	32,286,841	119,193,979

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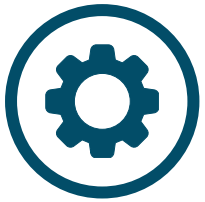
WHAT GOES INTO THE STUDY?



Service Units

- Standard measure of consumption attributable to an individual unit of development
- Roadway
  - *Vehicle-Miles* or one vehicle to travel one mile
- Water and Wastewater
  - Ratio of meter capacity to standard single-family meter capacity
- Additional service units are calculated based on new growth

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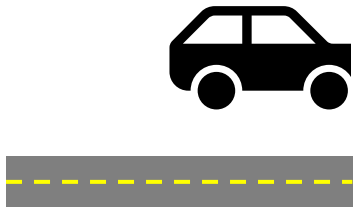
WHAT GOES INTO THE STUDY?

Roadway Service Units

Single Family Home

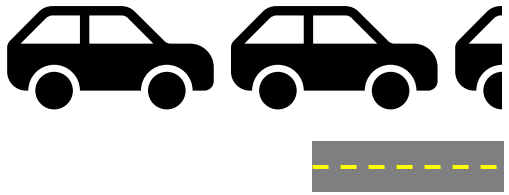


0.93 trips/home (ITE)

X 4.90 miles/trip (NHTS)

= 4.56 veh-miles/home

Shopping Center



3.26 trips/1,000 SF (ITE)

X 2.8 miles/trip (NHTS)

= 6.38 veh-miles/1,000 SF

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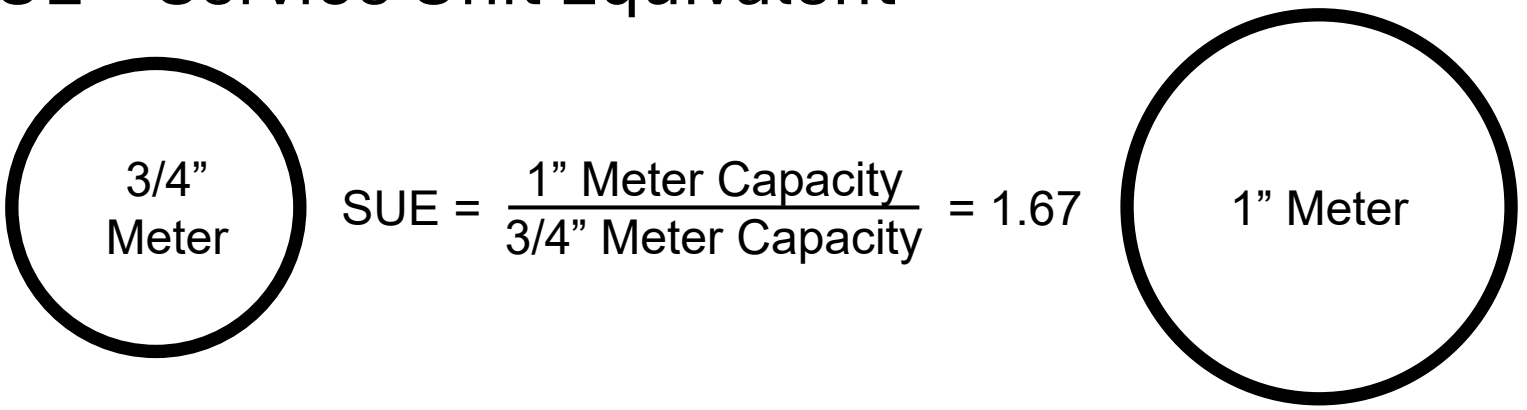
WHAT GOES INTO THE STUDY?

Water / Wastewater Service Units

- 3/4” meter size is the standard service unit
- Same for water and wastewater service units
- Dependent on meter type
- Larger meters converted using equivalency table
  - Based on proportion of flow capacity to the standard service unit
  - SUE = Service Unit Equivalent



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WHAT GOES INTO THE STUDY?

Capital Improvement Plans

- Projects from adopted Master Plans
  - Roadway – *Master Thoroughfare Plan (2023)*
  - Water / Wastewater – *Water / Wastewater Master Plans (2026)*
- Design, Construction, Legal, Fiscal, ROW, etc.
- 5-Year CIP vs 10-Year Impact Fee CIP
- Completed, Underway, and Future projects

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WHAT GOES INTO THE STUDY?

Maximum Fee

- Maximum fee is adjusted by financial calculations
- City council sets fee at or lower than Maximum Fee
- Comparable Cities
  - Southlake
  - The Colony
  - Denton
  - Frisco
  - Mansfield
  - Prosper
  - Burleson
  - Flower Mound
  - Celina
  - Fort Worth

$$\text{Maximum Impact Fee Per Unit} = \frac{\text{Cost of the Impact CIP Needed to Serve Growth (\$)}}{\text{New Service Units}}$$

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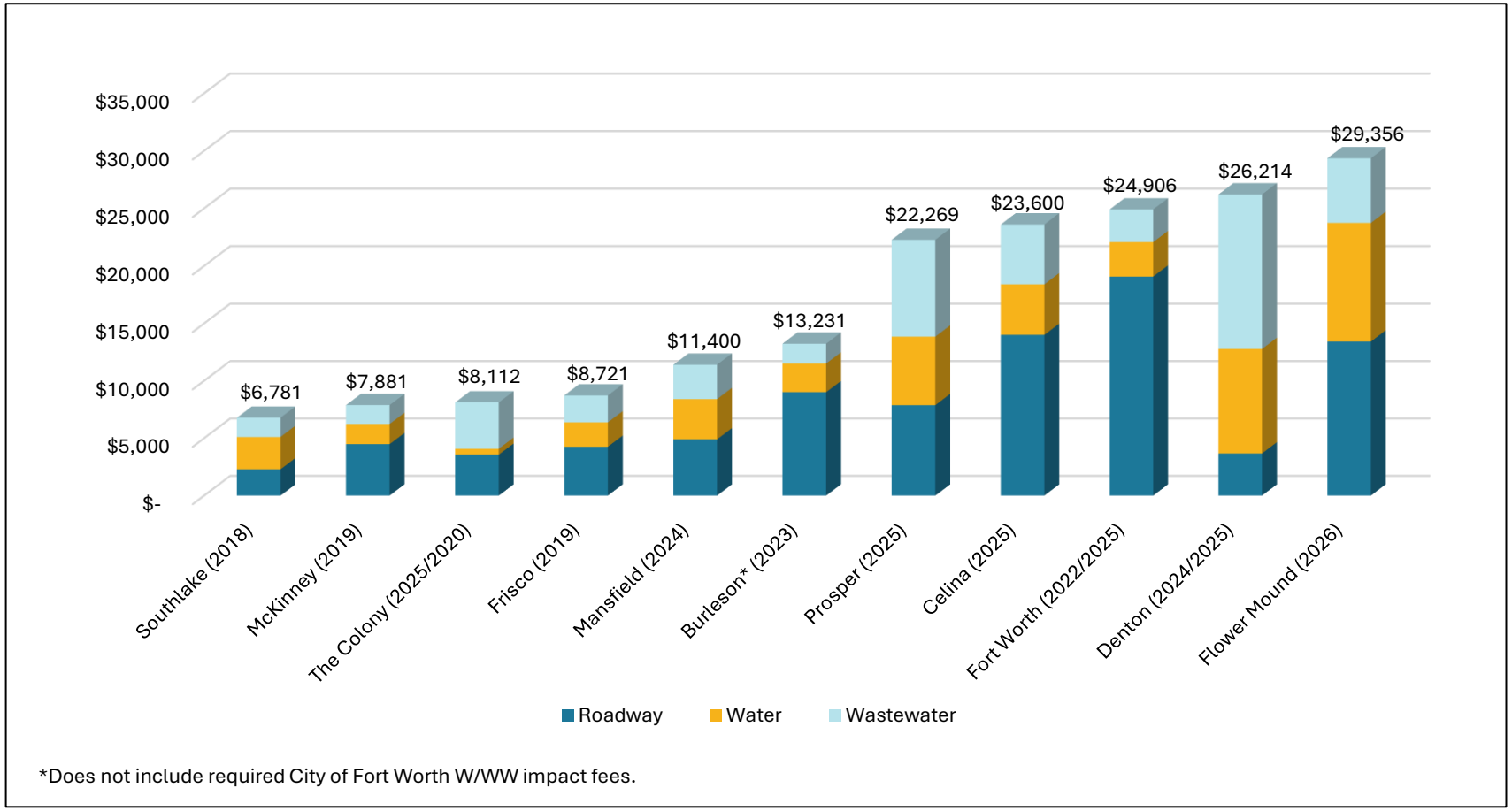
COMPARISON CITY IMPACT FEE EXAMPLES

- Per Single Family Home



*Does not include required City of Fort Worth W/WW impact fees.

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