



CITY COUNCIL AGENDA ITEM

SUBJECT: Discuss Potential Amendments to Impact Fees as Part of the 2012-2013 Roadway and Utility Impact Fee Update

MEETING DATE: September 16, 2013

DEPARTMENT: Development Services - Planning

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RECOMMENDED CITY COUNCIL ACTION:

- Discuss and provide direction to Staff on potential amendments to impact fees as part of the 2012-2013 Roadway and Utility Impact Fee Update process.

ITEM SUMMARY:

- On July 29th, Staff and the consultant team presented summaries of the draft capital improvements plans and maximum assessable impact fees during a joint work session of the City Council and the Planning & Zoning Commission.
- Since that time, Staff has hosted an informational Impact Fee Workshop for the development community to present and discuss the draft capital improvements plans and maximum assessable fee calculations. At the workshop Staff and the consultant team fielded questions and gathered input.
- In order to generate policy discussion, Staff is now presenting recommendations on the framework for the actual impact fee amounts to charge, improvements to the administration of the Impact Fee Ordinances, and targeted incentives to promote the City's development and redevelopment goals. These recommendations have not yet been publicized.
- As Council considers the actual fee amounts to charge, it is important to recognize that the City's obligation to construct infrastructure is funded through a variety of sources, including bonds, developer contributions, and impact fee revenues, among others. Inherently, when any one piece of the funding "pie" decreases, the difference must be made up from some other source.

Utility Impact Fees (Water and Wastewater)

- Consistent with the framework of existing water and wastewater impact fees, Staff recommends that the City continue to charge the maximum assessable fee for all meter sizes and meter types.
- It is important to note that the maximum assessable fee has decreased in most cases, resulting in a decrease in the utility impact fees to be charged.
- 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 Agenda Item and titled "*City Comparisons – Utility Impact Fees.*"

Typical Land Use	Meter Size (inches)	Meter Type	Current Combined Utility Impact Fee Charged (2008 Ordinance)	Combined Maximum Assessable Utility Fees (2012-2013 Update)	Staff Recommendation (2012-2013 Update)
SF Residential	¾	Simple	\$1,833	\$1,592.19	\$1,592.19
SF Residential	1	Simple	\$3,116	\$2,653.65	\$2,653.65
SF Residential	1 ½	Simple	\$6,050	\$5,307.31	\$5,307.31
SF Residential	2	Simple	\$9,716	\$8,491.69	\$8,491.69
Commercial	2	Compound	\$9,716	\$8,491.69	\$8,491.69
Commercial and Irrigation	2	Turbine	\$12,282	\$16,983.38	\$16,983.38
Commercial and MF Residential	3	Compound	\$19,615	\$16,983.38	\$16,983.38
Commercial, MF Residential and Irrigation	3	Turbine	\$29,331	\$37,151.14	\$37,151.14
Commercial and MF Residential	4	Compound	\$30,614	\$26,536.53	\$26,536.53
Commercial, MF Residential and Irrigation	4	Turbine	\$51,330	\$68,994.97	\$68,994.97
Industrial	6	Compound	\$61,046	\$53,073.05	\$53,073.05
Industrial and Irrigation	6	Turbine	\$112,375	\$148,604.55	\$148,604.55
Industrial	8	Compound	\$97,710	\$84,916.89	\$84,916.89
Industrial and Irrigation	8	Turbine	\$195,602	\$254,750.66	\$254,750.66
Industrial	10	Turbine	\$305,595	\$371,511.38	\$371,511.38
Industrial and Irrigation	12	Turbine	\$403,304	\$467,042.87	\$467,042.87

Roadway Impact Fees: Single Family Residential Land Uses

- Under the current ordinance, the City charges \$3,500 (+/-) per house across all service areas with projected growth. Since adoption of the current ordinance in 2008, the rate of inflation has increased about 8.5% (Source: US Department of Labor, Bureau of Labor Statistics).
- With this in mind, Staff recommends that roadway impact fees for single family residential land uses 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 Agenda Item and titled "*City Comparisons – Roadway Impact Fees.*"

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

Roadway Impact Fees: Multi-Family Residential Land Uses

- Similar to the recommendation for single family residential land uses, Staff also recommends that roadway impact fees for multi-family residential land uses 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 Agenda Item and titled "*City Comparisons – Roadway Impact Fees.*"

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

Roadway Impact Fees: 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 Agenda Item 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 Agenda Item and titled "*City Comparisons – Roadway Impact Fees.*"
- Should Council agree with the approach for residential and non-residential 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

- In late 2011, City Council discussed the policy issue of roadway impact fees as a monetary disincentive to small-scale infill redevelopment in the Town Center.
- As a result, Staff presented a recommended approach for creating a targeted incentive specifically to eliminate roadway impact fees in the Town Center by building upon the existing Neighborhood Empowerment Zone (NEZ) program per Chapter 378 of the Texas Local Government Code.
- Although the Council generally supported this idea, there was some concern that expansion of the NEZ program was not broad-reaching enough to address the general issue of roadway impact fees as a monetary disincentive for projects throughout the City.
- At that time there was discussion about establishing a policy framework for roadway impact fee discounts city-wide for redevelopment projects; however, a general consensus was not reached, as the timing for this concept was not ripe.
- With the 2012-2013 Impact Fee Update process, Staff would like to revisit the idea of 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 would also like to reintroduce the expansion of the current NEZ program as a complementary tool specifically to address small-scale infill projects within the Town Center.
- For reference, the City of Fort Worth NEZ Program brochure is attached to this Agenda Item as an example. Should Council agree with this approach, 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.
- Staff has also included an attachment titled “*Case Studies*” to demonstrate the City’s “return on investment” when comparing roadway impact fee revenue and ad valorem tax revenue for 2 redevelopment projects within McKinney’s Town Center.
- Based on Council’s direction, Staff will proceed with drafting an amendment to the current NEZ Ordinance for consideration and possible action to occur in tandem with the Impact Fee Ordinance amendments.

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.

Remaining Project Schedule

- Staff will formally present the updated Capital Improvements Plans and impact fee recommendations to the Planning and Zoning Commission for comment at the September 24th Regular Meeting.
- 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 29th. Staff anticipates starting the Public Hearing process for approval of the Capital Improvement Plans in October/November.

- 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.
- Staff has also created an Impact Fee webpage that provides information about the existing impact fees charged and the update process that is currently underway. The webpage can be found at www.mckinneytexas.org/impactfees.