

Fiscal Impact Analysis and Impact Fee Overview

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Presented by

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Definition of Fiscal Impact Analysis

“ ... comparing public sector operating revenues and operating costs for a given development project or Comprehensive Plan over a set time period. By contrast, impact fees are designed to pay capital costs associated with new development.”

— Government Finance Officers' Association

Common Questions Answered by Fiscal Impact Analysis

- How much does it cost to serve each “roof top”?
- Does growth pay its own way?
- Do any development projects deserve incentives such as tax or fee waivers or reductions?
- If so, how much should those incentives be? Over what time period?
- Are we planning for the right mix between residential and commercial development?
- How does development within incorporated areas affect us?
- How is the impact different than with development in unincorporated areas?

Fiscal Impact Mitigation Options: Advantage and Disadvantages

<i>Proposed Solution</i>	<i>Advantages</i>	<i>Disadvantages</i>
Status Quo	Continuation of current practices	Deficits are not recovered, service levels fall
Citywide Fees or Taxes	Can improve equity, recover some portion of deficit	Part of deficit may still exist, political difficulty of imposing new taxes
Require Special Districts	Most or all deficits recovered	Service delivery devolves into numerous entities, County held responsible for services out of its control
Deficit Reduction Fees	Certainty of recovering deficits over analysis period	No method for recovering deficits after analysis period, unpopular with developers
Zoning	Can serve as an on-going solution, promotes good planning principles	Administrative difficulty

Three Types of Capital Spending

Not all capital costs are associated with growth:

- 1.** Repair and replacement of facilities (i.e., standard periodic investment in existing facilities such as trail or ballfield maintenance). These costs are not impact fee eligible;
- 2.** Betterment of facilities, or implementation of new services (e.g., development of an aquatic center for the first time). These costs are not impact fee eligible; and
- 3.** Expansion of facilities to accommodate new development (e.g., construction of new parks and trails in growing areas). These costs are impact fee eligible.

Definition of Impact Fees

“... monies collected formally through a set schedule, or formula, spelled out in a local ordinance ... fees are levied only against new development projects as a condition of permit approval to support infrastructure needed to serve the proposed development. They are calculated to cover a proportionate share of the capital cost for that infrastructure.”

— International City Management Association

Typical Impact Fee Tasks

- Establishment of and consultation with a development impact fee advisory committee;
- Analysis of current infrastructure service standards and identification of the growth-related portion of City infrastructure plans;
- Preparation of a Capital Improvements Plan (CIP) and public hearings regarding same;
- Forecast of residential and commercial growth;
- Analysis of cash flow stemming from impact fees and other infrastructure financing sources;
- Implementation recommendations including impact fee credits, how fee revenues should be accounted for and how the fees should be updated over time; and
- Assistance to City legal staff in preparing an enabling ordinance.

Other Legal Considerations

Aside from the requirements in individual state law, there are four general constitutional standards for impact fees:

1. **Authority.** Does the governmental entity have adequate authority to impose fees?
2. **Specificity.** Has the governmental entity demonstrated that its fees are specifically related to costs associated with new development?
3. **Proportionality.** Are the governmental entity's fees proportional to the costs presented by new development?
4. **Accountability.** Is the governmental entity spending its fee revenue for the appropriate purposes within a reasonable time?

Impact Fee Methodology

Impact fees are designed to have growth “pay its own way” for capital infrastructure. There are two major methods to accomplish this:

1. The capital improvement plan (CIP) approach.
2. The current service standard approach.

When state law does not require a specific method, we often like to calculate fees using both approaches for a more defensible study.

Typical Impact Fee Scope of Work

1. Project initiation.
2. Analysis of current conditions, current financing systems, infrastructure requirements and new system options.
3. Analysis of current and future land use.
4. Calculation of preliminary impact fees.
5. Impact fee system final design and documentation.

Impact Fee Issues

- What is capital infrastructure?
- Conflicts with General Fund objectives
 - Value of commercial and retail businesses for operational revenue
 - Are there operational economies or diseconomies of scale?
 - Don't overlook service charges
- Can you waive fees, exempt areas of the local government or set fees below requirements?
- Impact on affordable housing
- Non-resident use of facilities
- Simplicity vs. accuracy
 - Types of development (how specific?)
 - Multifamily vs. single family
 - Types of retail or types of commercial uses have different impacts

Impact Fee Issues, Continued

- Application to public institutions and hospitals
- Conflicts with existing subdivision exactions
- Standards for geographic specificity (timeliness, good faith)
- Applicability to open space, public housing, stadiums and airports
- Use tax credit
- Change of land use
- Loss of institutional memory in the local government

Current and Projected Households—Caldwell, Idaho Example

	<i>Households</i>		
	<i>2000</i>	<i>2004</i>	<i>2015</i>
U.S. Census Bureau	8,963	N/A	N/A
Intermountain Demographics	8,954	11,327	16,996
COMPASS	N/A	13,617	19,660
PCensus	9,075	9,828	11,967

2004 Parks & Recreation Capital Infrastructure—Caldwell Example

<i>Type of Capital Infrastructure</i>	<i>Portion to Include in Impact Fees⁽¹⁾</i>	<i>Allocated Replacement Value⁽²⁾</i>
Caldwell Events Center		
<i>Land</i>		
19 Acres	100%	\$910,404
<i>Buildings</i>		
O'Connor Fieldhouse	100%	\$1,605,000
Baseball Stadium		
Concrete Stadium	100%	\$1,100,000
Seating	100%	\$200,000
Lights	100%	\$100,000
Structure	100%	\$20,000
Scoreboard	100%	\$20,000
Simplot Concessions	100%	\$20,000
Restroom	100%	\$20,611
Shop	100%	\$13,741
<i>Park Improvements</i>		
Asphalt Parking	100%	\$200,000
Pressurized Irrigation	100%	\$95,000
Baseball Stadium Landscape & Irrigation	100%	\$60,000
RV Dump	100%	\$50,000
RV Hookup	100%	\$30,000
Total for Caldwell Events Center		\$4,444,756

Source: BBC Research & Consulting, Galena Consulting and the City of Caldwell Finance Department.

All land, buildings and park improvements identified are already present or will be built with Urban Renewal property taxes or street funds.

Land values were calculated using the median value of comparable land prices or as suggested by the City of Caldwell Finance Department.

(1) Reflects the City of Caldwell's equity in each piece of capital infrastructure net of any lease purchase obligations or debt service.

(2) For all infrastructure, estimated replacement costs supplied by the City of Caldwell Finance Department and Galena Consulting.

2004 Parks & Recreation Capital Infrastructure Summary—Caldwell Example

<i>Type of Capital Infrastructure</i>	<i>Total Allocated Replacement Value⁽¹⁾</i>
Caldwell Events Center	\$4,444,756
Memorial Park	\$2,837,452
Brothers Park	\$1,947,500
Griffith Park	\$1,509,000
Luby Park	\$1,353,108
Ustick Park	\$765,000
Jaycee Park	\$539,000
Sebree Park	\$507,500
Whittenberger Park	\$370,000
Rotary Park	\$363,250
Serenity Park	\$303,500
Curtis Park	\$172,500
Water Tower Park	\$51,000
Greenbelt Park	\$45,250
Skateboard Park	\$36,780
Professional Services	\$28,000
Pioneer Plaza	\$17,424
<i>Grand Total</i>	\$15,291,020

Note: (1) For all infrastructure, estimated replacement costs supplied by the City of Caldwell Finance Department and Galena Consulting.

Source: BBC Research & Consulting, Galena Consulting and the City of Caldwell Finance Department.

Calculation of Current Service Standard-Based Impact Fees—Caldwell Example

	<i>Impact Fees</i>
Total Costs for Infrastructure ⁽¹⁾	\$15,291,020
Allocation for Impact Fees ⁽²⁾	
Residential	100%
Existing Development	
Residential (in dwelling units)	11,327
Cost by unit of development (rounded)	
Residential (per dwelling unit)	\$1,350

Notes: (1) See Exhibit 2. 2004 Parks & Recreation Capital Infrastructure.

(2) See Exhibit 1. Current and Projected Residential Development.

Source: BBC Research & Consulting.

Current Park Acreage—Caldwell Example

<i>Park Name</i>	<i>Acres</i>	<i>Park Name</i>	<i>Acres</i>
Brothers Park	34	Sebree Park	5
Griffith Park	30	Jaycee Park	3
Luby Park	25	Serenity Park	2
Curtis Park	22	Water Tower Park	2
Memorial Park	21	Greenbelt Park	1.5
Caldwell Events Center	19	Skateboard Park	0.5
Rotary Park	16	Pioneer Plaza	0.4
Whittenberger Park	15	<i>Total</i>	<i>204.4</i>
Ustick Park	8		

Source: Parks & Recreation Assets per City of Caldwell, July 12, 2004.

2015 Planned Park Acreage in Master Plan—Caldwell Example

<i>Park Type</i>	<i>Maximum Acres</i>	<i># of Parks</i>	<i>Total Acres</i>
Neighborhood Parks	10	11	110
Community Parks	50	<u>3</u>	<u>150</u>
<i>Total</i>		<i>14</i>	<i>260</i>

Source: City of Caldwell Parks & Recreation Master Plan, 2000.

2015 Excess Park Acreage in Master Plan—Caldwell Example

<i>2015 Excess Acreage Calculation</i>	
Targeted Park Acreage 2015	305.6
<i>(minus)</i> Current Park Acreage	<u>204.4</u>
Acres to be Built for Target	101.2
Planned 2015 Acreage	260.0
<i>(minus)</i> Acres to be Built for Target	<u>101.2</u>
<i>Excess Acres in Master Plan</i>	<i>158.8</i>

Note: Targeted Park Acreage was calculated using the current standard of 6.2 acres per 1,000 people.

Source: Parks & Recreation Assets per City of Caldwell, City of Caldwell 2000 Parks & Recreation Master Plan and BBC Research & Consulting.

2015 Reconciliation of Excess Park Acreage in Master Plan—Caldwell Example

<i>Park Type</i>	<i>Acres</i>	<i>No. of Parks</i>	<i>Acres to Subtract</i>
Neighborhood Parks	10	6	60
Community Parks	49.4 +/-	<u>2</u>	<u>98.8</u>
<i>Total</i>		<i>8</i>	<i>158.8</i>

Source: BBC Research & Consulting.

Capital Improvement Plan, 2004-1015—Caldwell Example

<i>Type of Capital Infrastructure</i>	<i>Acquisition Value per Unit</i>	<i>Total Acquisition Value</i>	<i>Percent New Growth</i>	<i>Cost to Include in Fee</i>
5 Neighborhood Parks ⁽¹⁾	\$507,500	\$2,537,500	100%	\$2,537,500
1 Community Park ⁽²⁾	\$1,947,500	\$1,947,500	100%	\$1,947,500
Fee Study	\$18,000	\$18,000	100%	\$18,000
Total				\$4,503,000

Notes: (1) Based on total infrastructure value for Sebree Park.

(2) Based on total infrastructure value for Brothers Park.

Source: City of Caldwell and BBC Research & Consulting.

Calculation of CIP-Based Impact Fees—Caldwell Example

<i>Impact Fees</i>	
Total Costs for Infrastructure ⁽¹⁾	\$4,503,000
Allocation for Impact Fees ⁽²⁾	
Residential	100%
Projected New Development	
Residential (in dwelling units)	5,669
Cost by unit of development (rounded)	
Residential (per dwelling unit)	\$794

Notes: (1) See Exhibit 8. Capital Improvement Plan.

(2) See Exhibit 1. Current and Projected Residential Development.

Impact Fee Comparison by Methodology—Caldwell Example

<i>Range of Impact Fees</i>	<i>Residential (per dwelling unit)</i>
<i>Capital Improvement Plan Methodology</i>	<i>\$794</i>
Current Service Standard Methodology	\$1,350
Measure of Relationship	59%

Source: BBC Research & Consulting.

Questions and Answers

