

Requests for Clarification on Impact Fees

Mayor's Impact Fee Policy Task Force

April 16, 2008

1. Please explain the pre-impact fee process for negotiations with developers for infrastructure costs. How were inequities avoided?

Brief Background on Developer Negotiations

Source: S. Henrichsen - Planning Department

Prior to the adoption of impact fees in January 2003, typically when a developer approached the City about developing land outside of the city limits, both parties would work to identify the needed improvements to serve the site. Once improvements were identified, then there would be discussions about when the improvements would be built and who would pay the cost of the improvements.

Each property was different in terms of what the developer wanted to build (commercial, residential or both) and where the infrastructure was located. So, what improvement were needed was often vastly different. In addition, the City typically required a commercial developer to fund more of the costs for road improvements than a residential only development. By practice, a residential only development often didn't pay for any street improvements.

The result was that the developer first into an area might have to pay a substantial portion of the sanitary sewer, water, neighborhood park and street improvement costs. Once the improvements were made to serve the first development, often subsequent developers on adjacent parcels would have few improvements necessary. Thus, the first developer might have substantial costs per acre, while subsequent developers would have a much lower cost per acre. Also, since some areas of Lincoln had more infrastructure than others, there could be higher costs required of a developer at one location, while a very similar type of development, but located in a different area paid much lower costs.

In addition to concerns about inequity of costs between development, the negotiation process was time consuming. Both city staff and the representatives for the developers would spend many months determining the need, timing and cost allocation of needed improvements.

C:\WINDOWS\Temp\notesBFDB48\Developer Negotiations Background.wpd

2. How much current vacant property is still exempt from impact fees (excluding core).

There is no check off list or tracking method for the exempted properties.

3. The data presented shows much of the impact fees spent to date have been on design. How much of this is outsourced vs. city staff time?

<u>Engineering Costs</u>	<u>In-House</u>	<u>Outsourced</u>
Street Impact Fee Engineering \$5,180,929	\$936,545	\$4,244,384
Wastewater Impact Fee Engineering \$1,741,215	\$2,810	\$1,738,405
Water System/Dist Impact Fee Engineering \$1,353,266	\$328,655	\$1,024,611

Design costs: Outsourced vs City Staff Time

Source: Fran Mejer – PWU Business Office

Please see Attachment for expenditure detail.

4. How is current staff time charged to impact fee projects? Overhead?

Engineering employees keep track of time spent on city projects through their timesheet. As payroll is processed, each project and its corresponding fund is charged for the cost of the employees salary plus overhead costs.

If a project is impact fee eligible, the impact fee fund will reimburse the project after the costs have been incurred and paid by the respective fund and project (i.e. water, wastewater, or streets).

Source: Fran Mejer – PWU Business Office

5. I'll assume we will discuss Directed Impact Fees at next meeting.

Yes, that will be a part of the meeting agenda and will further explain #17.

6. How many dollars of exemptions for low or moderate or rental housing have been granted per year? Since inception?

FY 06/07	\$184, 330
Inception to date	\$579,371

Source: Fran Mejer – PWU Business Office

7. Are there any studies or attempts to quantify or correlate the effect of impact fees on housing starts or commercial construction permits in Lincoln?

The information graph provided is simply city data run against available data on the Lincoln Realtor’s website, not to be considered an inclusive study. Source: Lincoln Realtors Association Website please see Attachment.

8. Please provide comparable impact fee data from typical peer cities including those used for city wage and salary negotiations including rates, years in existence, etc.

Souix Falls, South Dakota – Has been trying to implement an impact fee ordinance for the past year. They have studied the City of Lincoln’s ordinance closely and are using it as their model. All references they have used for the City of Lincoln have come back as Lincoln being the fairest and most concise model out there.

Cedar Rapids, Iowa – Their fee structure is in a process of rehabilitation and they will update us with the new fee schedule when it is finalized.

Des Moines, Iowa – No response

Overland Park, Kansas – Developer pays Street Fee of \$0.215 per square foot of land platted at the time of final plat. Builder pays unspecified transportation improvement fee which is a sliding scale.

Prior to publication of the rezoning ordinance, the owner and/or developer shall submit either \$383,303 cash or an Irrevocable Letter of Credit meeting the requirements of city policy in effect at the time of payment, for a term of one year. Irrevocable Letters of Credit are not renewable and may be redeemed at any time prior to the end of the one-year term. Said cash or Irrevocable Letter of Credit shall be deposited with the Director of Finance, Budget and Administration for the City of Overland Park. The funds collected shall be placed in an escrow account set aside for future unspecified transportation planning, design, construction or implementation, and operations in the corridor defined as containing Metcalf Avenue and extending north to 151st Street, east to Nall Avenue, south to 167th Street, and west to Antioch Road. Said work shall be above and beyond that listed in other stipulations to this rezoning. In lieu of submission of the total amount of payment for unspecified transportation improvements, the owner or developer may submit partial payments, in cash, prior to the issuance of building permits for each phase of the CP-2 portion of the development, according to the following schedule:

Contribution/ Year of Application Square-Foot of for Building Permit Gross Floor Area

2007	.917
2008	1.009
2009	1.110
2010	1.221
2011	1.343
2012	1.477
2013	1.625
2014	1.788
2015	1.966
2016	2.163

NOTE: Any construction commencing after 2016 will be subject to the same 10 percent per year increase.

Topeka, Kansas – Uses a parkland fee but no arterial street fee.

Wichita, Kansas – Has no developer fees.

National Impact Fee Study 2007

9. Please provide a presentation that speaks to the question of current Lincoln design standards and how they affect affordability and project costs.

Lincoln has design standards for certain zoning. There is not a design standard per se, however there are minimum engineering standards. Impact Fees are a funding source for projects. The design standards are not under the Impact Fee policy's control.

10. Are any administration fees charged against impact fee accounts?

Two percent of all impact fees collected is retained for administrative overhead which includes Impact Fee administration payroll, supplies, equipment, printing costs, telephone, cellular phone, IT support, etc.

11. Is interest earned or impact fee account balances credited to the account?

The Finance Department posts interest to the various accounts (districts) on a monthly basis based on a three month average balance in the account.

Source: Fran Mejer – PWU Business Office

12. Confirm that the proposed west Haymarket redevelopment will have no impact fee involvement.

Where is the west Haymarket redevelopment going to be located. In order to calculate any applicable impact fees, critical data is needed: address or location; new use, and size of water meter; any demolitions to be done before the redevelopment project is applied for must be calculated for credit purposes. The net difference, if any, is then due.

13. Is there any available evidence regarding whether impact fees have either reduced valuation of "impact fee" properties or increased the valuation of non-impact fee properties?

Please see the email copy attached from the County Assessor's office.

14. What policy or ordinance changes would result in the most beneficial "speed up" of the process of building critical new infrastructure?

Currently Impact Fees are collected at the time of the building permit, which is an after the fact collection. If fees were collected at the time of the plat, money would be collected up front which would significantly speed up the infrastructure construction.

15. Please provide breakdown of all collected fees, commercial versus residential, by year collected.

Residential

Water System	75100	460,658.56	465,817.59	594546.36	546181.75	159466.64	
Water - district 1	75201	98,536.31	104,117.47	92805.16	68640.69	18129.10	
Water - district 2	75202	43,051.40	27,849.77	90585.07	86914.59	23389.09	
Water - district 3	75203	781.92	7,009.92	786.71	2047.65	986.91	
Water - district 4	75204	10,141.27	8,810.66	15998.98	47907.10	13645.95	
Water - district 5	75205	63,962.86	52,193.84	44563.17	40123.57	11929.79	
Water - district 6 ¹	75206 ¹	17,330.92 ¹	54,667.26 ¹	86626.63	59262.16	20399.67	
Water - district 7 ¹	75207 ¹	48,504.80 ¹	34,722.36 ¹	37358.92	22170.46	11622.66	
<i>Subtotal of Water</i> ²	²	742,968.04	755,188.87	963271.00	873247.97	259569.81	
	³						
Wastewater ⁴	75300 ⁴	274,374.10	336,459.63	428482.23	406526.16	118572.03	
<i>Subtotal of Wastewater</i> ⁵	⁵	274,374.10	336,459.63	428482.23	406526.16	118572.03	
	⁶						
Arterial Street - district 1	75401	426,294.31	503,495.81	510522.23	339060.28	94838.15	
Arterial Street - district 2	75402	158,500.44	129,605.51	849809.98	350604.93	78534.88	
Arterial Street - district 3 ^r	75403 ^r	2,762.75 ³	24,670.53 ³	6196.09	10624.13	6868.99	
Arterial Street - district 4 ^r	75404	63,599.23 ³	63,503.23 ³	84817.03	238220.33	73496.19	
Arterial Street - district 5	75405	530,414.26	641,050.09	401064.38	291475.42	206334.78	
Arterial Street - district 6	75406 ¹	68,789.41 ¹	268,294.21 ¹	414069.63	290203.77	96608.16	
Arterial Street - district 7	75407 ²	192,012.58 ³	145,780.33	180553.28	98534.23	41651.59	
<i>Subtotal of Street</i> ³	³	1,442,372.98	1,776,399.71	2447032.62	1618723.09	598332.74	
	⁴						
Parks and Trails - district 1 ^r	75501	68,897.48	68,878.40	76244.01	50728.64	15568.88	
Parks and Trails - district 2 ^r	75502	18,053.15	20,279.59	175786.11	51019.54	17958.70	
Parks and Trails - district 3 ^r	75503	0.00	27,160.21	39983.45	32175.03	2087.01	
Parks and Trails - district 4 ^s	75504	5,941.36 ^r	6,284.91 ¹	11784.27	31182.82	9039.34	
Parks and Trails - district 5	75505	51,353.95	30,179.68	32348.15	30567.89	24865.08	
Parks and Trails - district 6	75506	22,578.78	77,244.61	79815.11	55226.19	21680.24	
Parks and Trails - district 7	75507	32,365.06	36,071.80	38149.83	23169.47	11526.87	
<i>Subtotal of Parks and Trails</i>		199,189.78	266,099.20	454110.93	274069.58	102726.12	
Total Fees Collected		2,658,904.90	3,134,147.41	4292896.78	3172566.80	1079200.70	
<i>Proof Totals</i>		2,658,904.90	3,134,147.41	4292896.78	3172566.80	1079200.70	

16. How many residential building permits have been taken out each calendar year (including first 3 months of 2008) since inception (just quantity, not value)?

RESIDENTIAL ONLY- YR	NUMBER OF PERMITS
2003	904
2004	797
2005	1516
2006	1068
2007	890
2008	139

17. Please explain the process for collecting the impact fees regarding the developers prepaying and then being reimbursed by the city at time of permit. Is this an accurate understanding?

If the question is referencing the developer's up-fronting impact fees for developments, that is absolutely incorrect.

Developers do NOT pay the impact fees up front.

The impact fees are paid at the time the building permit is issued and is based upon a pre-set formula for use. (please see fee schedule). The fee is paid by the individual acquiring the building permit.

If the question is referencing the developer up-fronting the cost of infrastructure construction in relationship to Directed Impact Fees – the presentation provides more explanation.

Directed Impact Fee payments are subject to annexation agreements language. Developers agree to construct eligible infrastructure in the annexation area at their cost, prior to any building permits being issued; and the city agrees to reimburse the developer for their costs incurred to construct the eligible infrastructure. The developer is then reimbursed for their costs from Impact Fee revenue collected within that annexation area.

Comment from 04/01/08 meeting: Question is not clear please discuss further.

18. Are government projects, e.g. new county jail, subject to impact fees.

27.82.020 Legislative Findings and Purpose....(r)....The City recognizes that under Nebraska law the power of eminent domain is superior to the zoning power and that the City, under its zoning authority, is not permitted to prevent or place limitations upon a public use of property in the furtherance of which a governmental entity has been granted condemnation power by the State Legislature. Therefore, the City finds that impact fees cannot be collected for governmental projects for the construction of which the agency in question has the power to condemn or appropriate lands by eminent domain.....

In other words, any government entity that has the power of eminent domain is not charged impact fees.

19. Is the future research park at what is now the state fair park subject to impact fees?

If the future research park is owned by the University of Nebraska, a State of Nebraska government entity, there will be no applicable impact fees.

20. How do 'sister cities' fund their infrastructure needs?

4/16/08 Survey responses pending.

21. What other fees are charged in connection with a new development for these cities? Permit costs? Water Tap Fees? Does LES charge to bury lines and who pays for that? Curb cut fees?

Please see Fee tables for Building and Safety and Planning.

Engineering services charges time and materials. When an Executive Order is received, a project number is established. The individuals working on the project charge their actual time working on the project to this project number. The business office then multiplies the individuals wage x time x overhead factor and adds any materials used (e.g. poles, lights, etc) There is no set application fee.

22. What happens with arterial street impact fees when a development is built on an already expanded street or highway.

All new construction is subject to impact fees. Geographic location has no influence on the collection of fees, e.g. older neighborhood vs new, however the exempted or excluded areas have influence.

The city has been divided into seven districts, and each has a separate account for each infrastructure. Fees collected in a district may only be used for new construction in that district on that infrastructure.

23. Mayor's Infrastructure Finance Committee: Established October 3, 2002
Report attached.

Tri-Chairs: Russ Bayer, Brad Korell, and Jan Gauger

Committee Members: Carol Brown, Jon Carlson, Linda Crump, Bob Hampton, Dan Marvin, Richard Meginnis, Jerry Schleich, Rev. Dr. Otis Young, Larry Zink, City Council Representative, Allan Abbott (ex-officio)

Infrastructure Finance Committee Work Group Chairs:

Efficiency – Russ Bayer

Financial – Brad Korell

Legislative- Jan Gauger

24. Any separate water meter connected to an irrigation only system and not to any building or any other facility designed for human occupancy shall not be included in the calculation of wastewater impact fee.

That is correct, only water system and water distribution are collected when there is a water meter tap and no wastewater tap. E.g. lawn irrigation

How does this separate water meter work? The separate water meter has a separate billing address and used for the sole purpose noted on the plans.

Could a person have a separate irrigation water meter whose water would be free of the wastewater fees? If the water meter is used specifically for lawn irrigation with no wastewater hookups, the only charge is water system and water distribution impact fees.