

# Development Impact Fees Streets & Parks

City Council Introduction

1/26/16

# What are development impact fees?

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- ▶ Public / private partnership tool that facilitates **sharing of infrastructure costs** that the bond program cannot keep up with
- ▶ State statute allows impact fees to be used for:
  - ▶ Streets
  - ▶ Parks systems
  - ▶ Water
  - ▶ Wastewater
  - ▶ Storm water
  - ▶ Transit
  - ▶ Police
  - ▶ Fire

\* Currently, Oklahoma City only charges water/wastewater impact fees



# What are the benefits to the City, developers, and citizens?

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- ▶ Diversifies revenue base
  - ▶ Allows more G.O. Bond revenue to be used to maintain existing infrastructure
- ▶ Provides for equitable distribution of costs among developers
  - ▶ City will no longer require developer-funded Traffic Impact Studies
  - ▶ Avoids the “last one in pays” scenario
- ▶ Helps to ensure
  - ▶ Existing levels of service are not eroded by new growth
  - ▶ Adequate infrastructure is provided to serve new development in a timely manner



# How do they work?

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- ▶ One-time charge on new development that can **only** be used to add capacity generated by the new development.
- ▶ Fees cannot be used to fund the operation, maintenance, or repair of infrastructure.

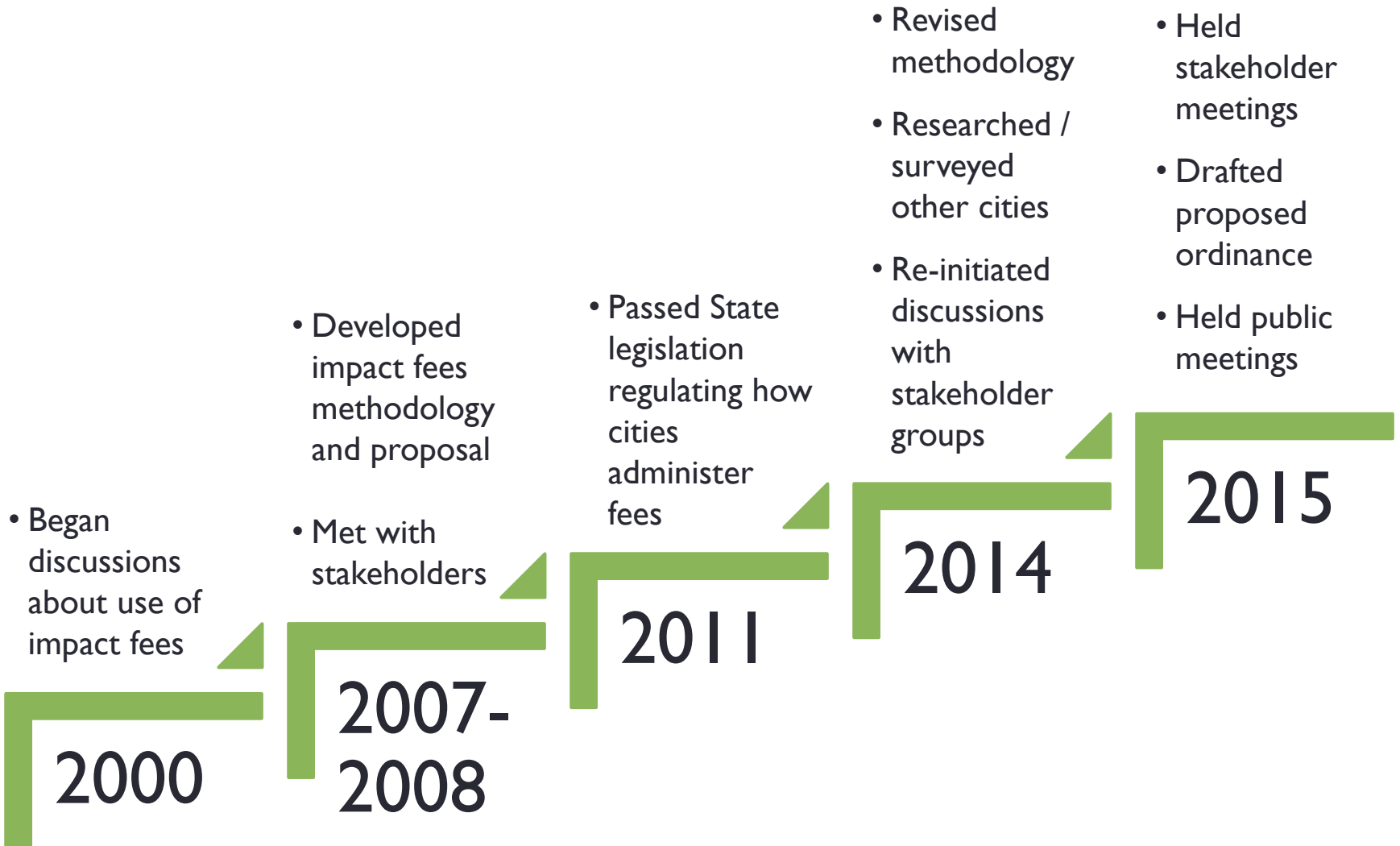
## **“Legal Nexus” Requirements (per State statute):**

- ▶ Impact fees may be no more than the government’s infrastructure costs, which are reasonably attributable to the new development.
  - ▶ The development required to pay the fee must derive some benefit from the use of the fees collected.
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# History / Process

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# Proposal / Methodology

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- ▶ Institute new development fees for:
  - ▶ **Parks and Trails**
    - ▶ Based on projected growth and levels of service in Parks Master Plan
  - ▶ **Streets**
    - ▶ Based on traffic generated by new development
- ▶ Collect and spend fees within defined benefit areas
- ▶ Phase collection of full fee over 2 year period
- ▶ Maintain cost recovery rate through annual adjustments based on construction cost index





# **Parks & trails fees**

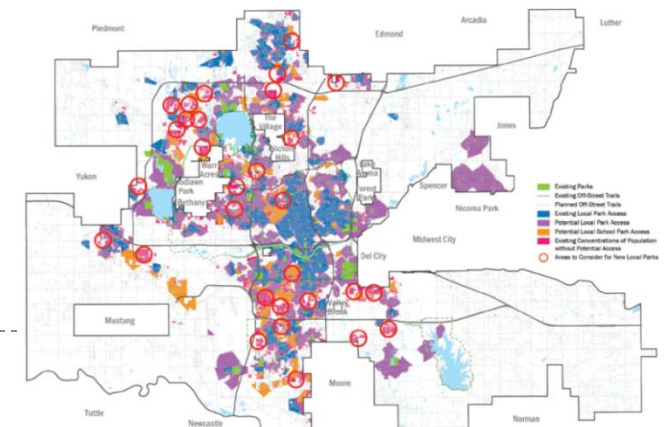
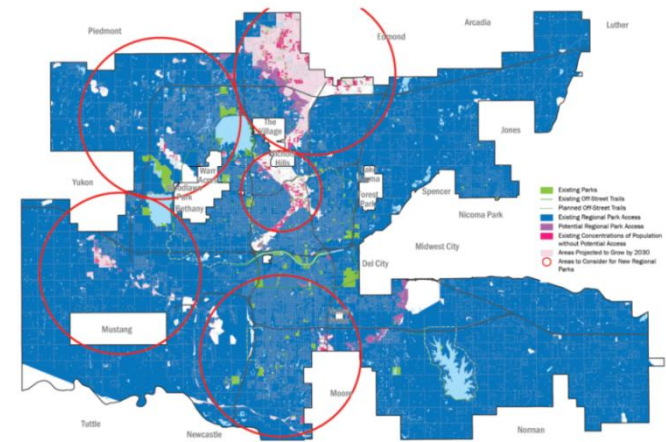
## **Plan-based method**

(Fees based on capacity issues identified in 2013 Parks Master Plan)



# Parks Master Plan

- ▶ Establishes levels of service for parks based on:
  - ▶ Population
  - ▶ Type of park
  - ▶ Distance / access to park
- ▶ Identifies opportunities to connect trails





# Fee development methodology: parks

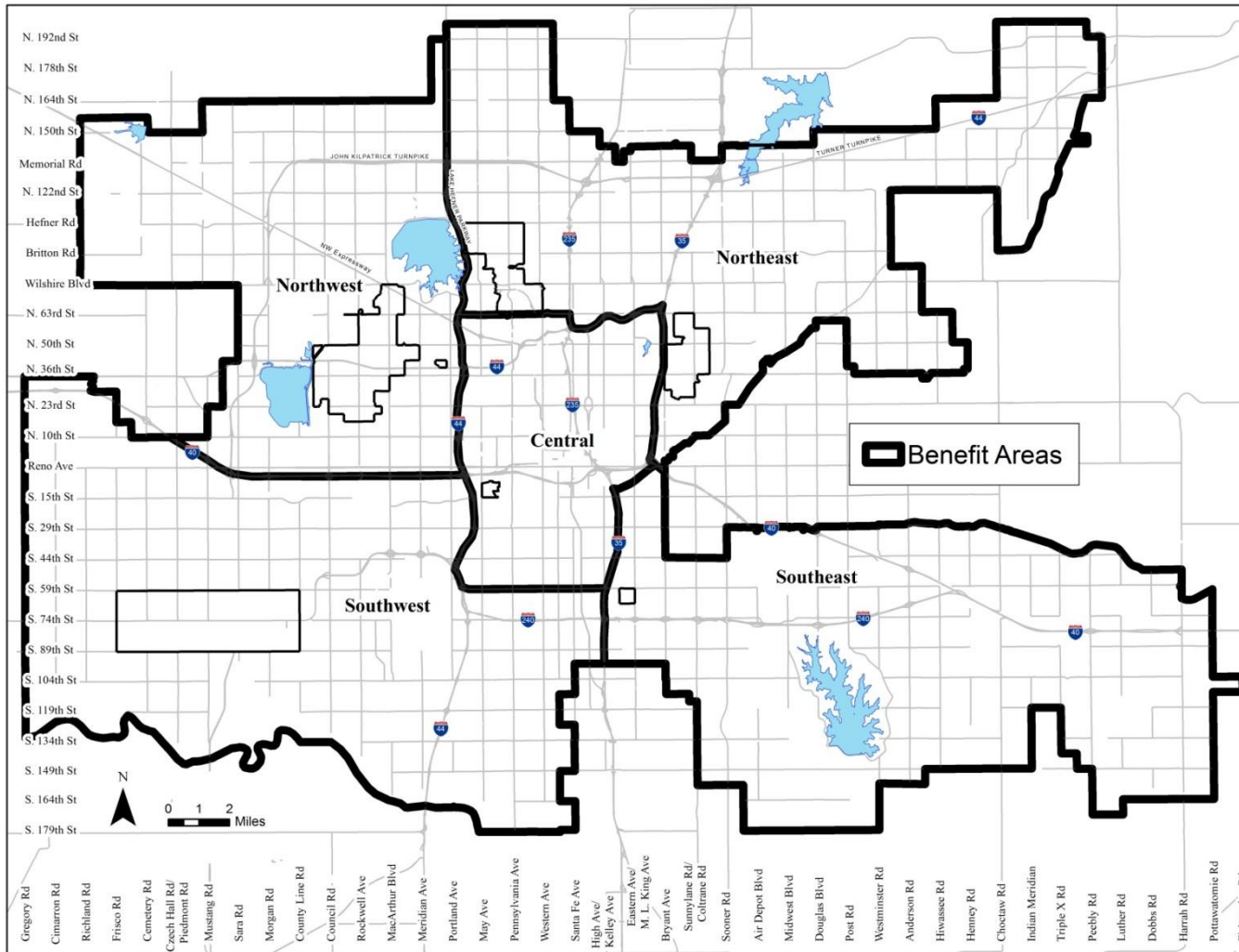
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- ▶ Parks fee charged only to residential development for adding new capacity to:
  - ▶ Parks (regional & local)
  - ▶ Trails
- ▶ Calculated total revenue needed to accommodate projected growth at levels of service stated in the Parks Master Plan
- ▶ Negotiated a 25% cost recovery rate





# Fees collected and spent in 5 benefit areas





# Transportation fees

## Consumption-based method

(Fees charge for capacity demanded by new growth)

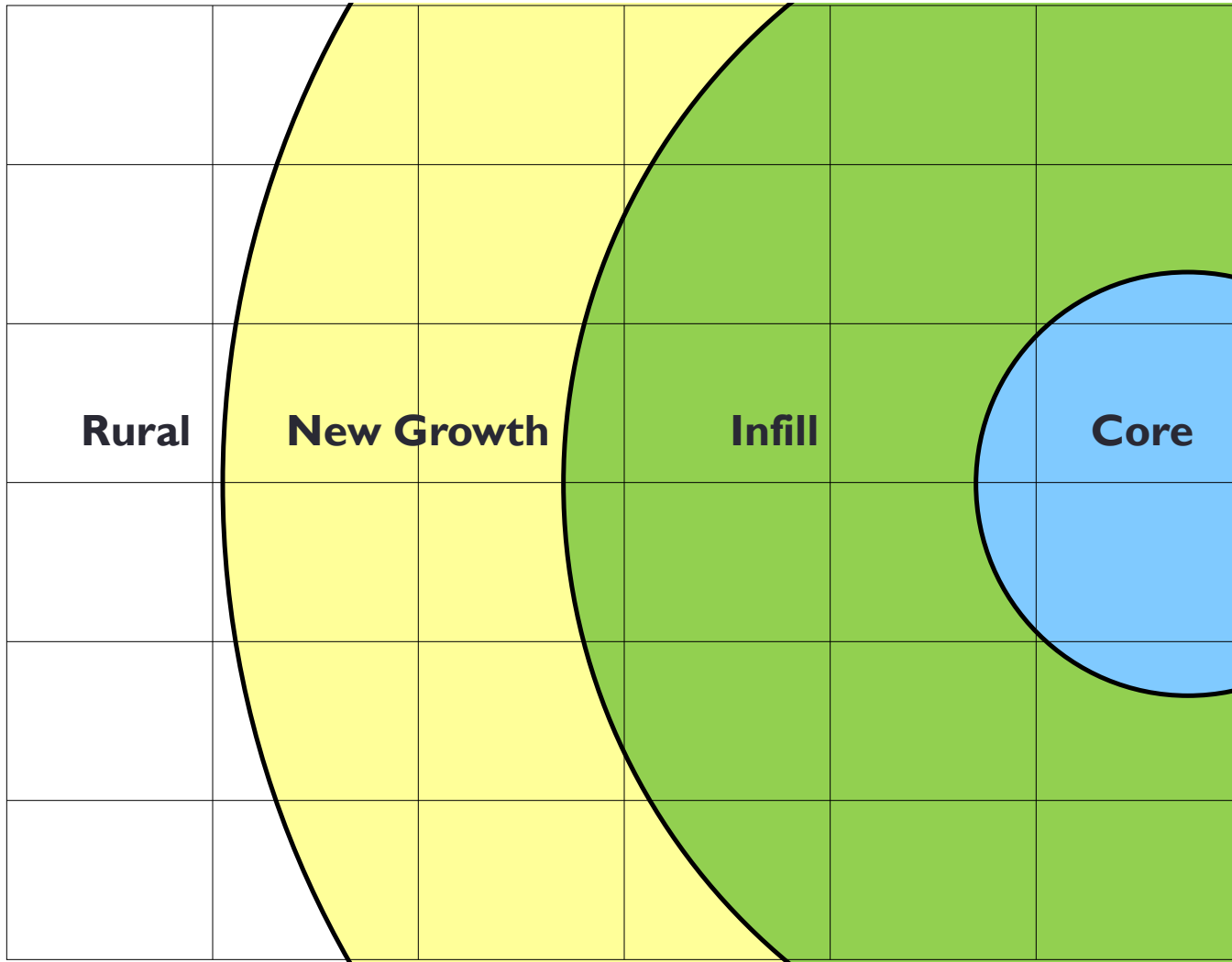
# Rate Structure

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- ▶ Based on two factors:
  - ▶ Location (4 Assessment Areas)
    - ▶ Core
    - ▶ Infill
    - ▶ New Growth
    - ▶ Rural
  - ▶ Development type (based on traffic generation)
    - ▶ Residential
    - ▶ Industrial
    - ▶ Office / Institutional
    - ▶ Customer-oriented (Low, Moderate and High Impact)

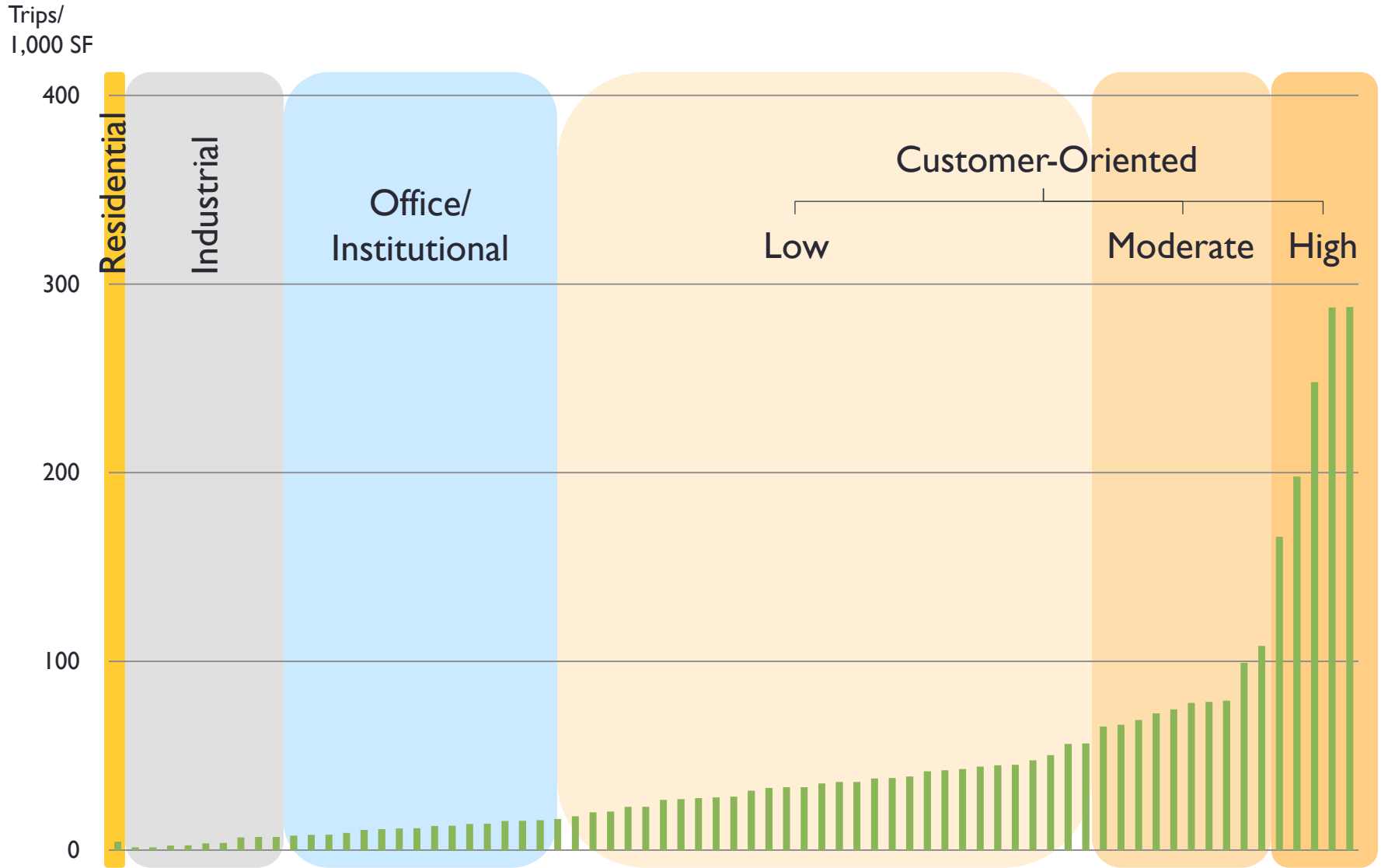


# Rate Structure: Location



- ▶ Modeled transportation patterns in OKC
- ▶ Trips are longer farther from the core
- ▶ Fees are higher in areas with more travel demand (and less capacity)

# Rate Structure: Development Type





# Traffic Demand – “Legal Nexus”

- ▶ Fee calculation based on the traffic generated or attracted by the new development
  - ▶ The legally accepted methodology
  - ▶ Accepted standards used nationwide for streets impact fees
- ▶ Certain types of development that generate the highest increases to area traffic yield unaffordable fees
  - ▶ Set “caps” for maximum fees for specific types of development
  - ▶ Based on proforma / affordability analysis
  - ▶ Based on feedback from developers, reduced non-residential caps by an additional 1/3

# Proposed Capped Fees

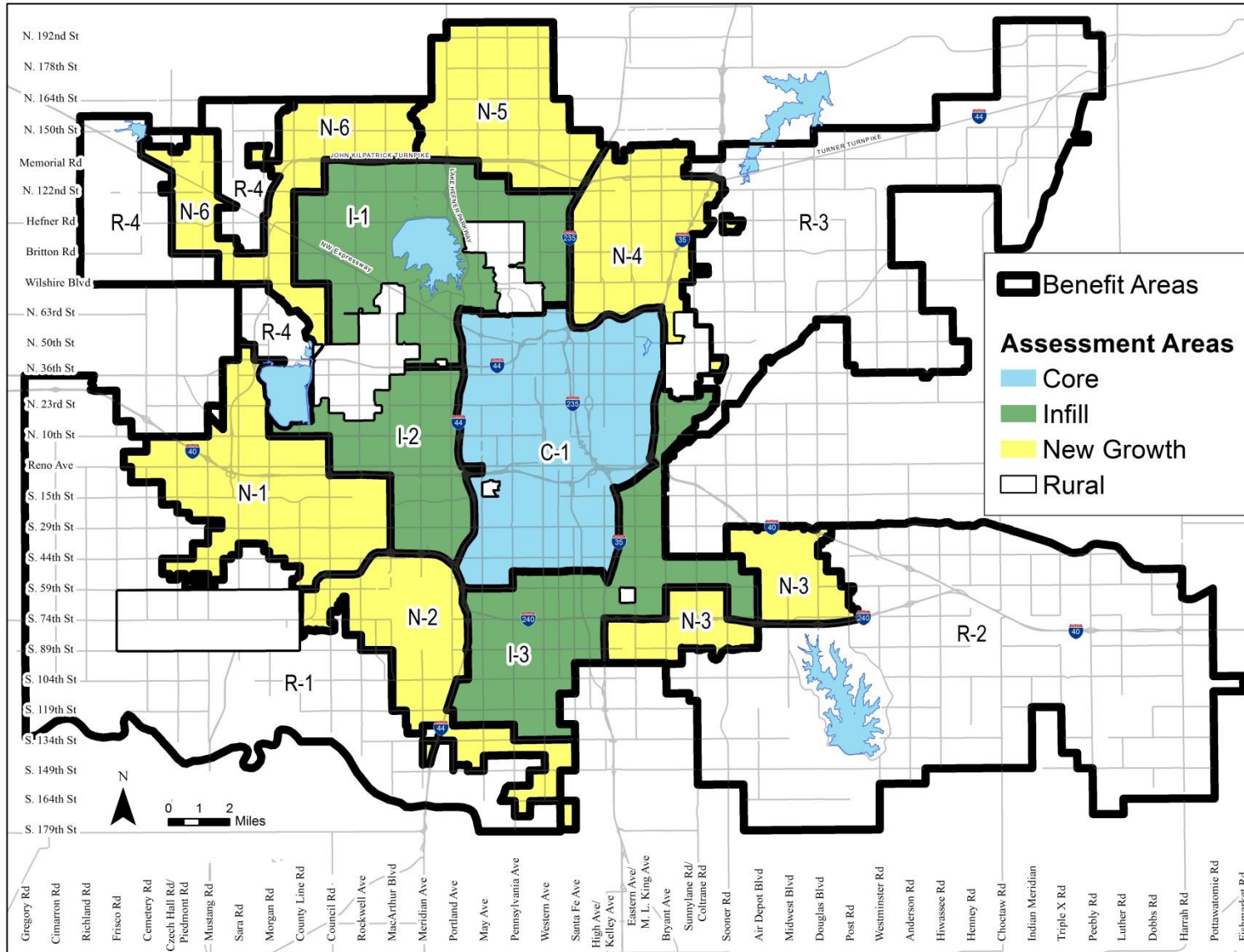
## Rate per Square Foot of Development by Assessment Area

Land Use Category	New			
	Rural	Growth	Infill	Core
Residential	\$0.55	\$0.55	\$0.46	\$0.40
Industrial	\$0.99	\$0.65	\$0.55	\$0.48
Office/Institutional/Lodging	\$2.00	\$1.88	\$1.58	\$1.38
Customer-Oriented Low	\$1.67	\$1.67	\$1.41	\$1.23
Customer-Oriented Moderate	\$2.33	\$2.33	\$1.97	\$1.71
Customer-Oriented High	\$4.00	\$4.00	\$3.38	\$2.94

Projected annual revenue: \$6.7M

Between 2008 and 2013 the City spent an average of \$20.4M per year to widen roads and improve intersections to respond to deficiencies in capacity created by new development.

# Benefit Areas – “Legal Nexus”



# Development Fee Comparisons

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## Comparison of Impact Fees for 2,000 s.f. Single-Family Units

Colorado Springs	\$17,148
Albuquerque	\$11,732
Phoenix	\$11,729
<b>National average</b>	<b>\$11,583</b>
Olathe, KS	\$11,292
Tucson	\$9,194
<b>National average excluding California</b>	<b>\$8,510</b>
Raleigh, NC	\$5,412
Lincoln, NE	\$4,685
Norman, OK	\$3,850
Fort Worth	\$3,052
Arlington, TX	\$2,813
Oklahoma City proposed*	\$2,790
Edmond, OK	\$2,133
Salt Lake City	\$1,992
Atlanta	\$1,544
Moore, OK	\$1,497
Oklahoma City current	\$950
Kansas City, MO	\$711

Source: National Impact Fee Survey: 2012; Duncan Associates; OKC Planning Dept.

\*Includes streets, parks, and FY 2016 utilities fees

# Development Fee Comparisons

## Comparison of Non-Residential Impact Fees per 1,000 Square Feet

(Sorted by Average from Highest to Lowest)

	Building Use			
	Retail	Office	Industrial	Average
Tucson	\$5,751	\$6,556	\$3,665	\$5,324
Salt Lake City	\$8,849	\$4,337	\$2,229	\$5,138
<b>National average</b>	<b>\$6,347</b>	<b>\$4,483</b>	<b>\$3,190</b>	<b>\$4,673</b>
Colorado Springs	\$3,552	\$3,118	\$3,552	\$3,407
Raleigh, NC	\$4,160	\$3,039	\$2,972	\$3,390
<b>National average not including California</b>	<b>\$4,605</b>	<b>\$3,183</b>	<b>\$2,217</b>	<b>\$3,335</b>
Lincoln, NE	\$3,461	\$3,821	\$2,421	\$3,234
Olathe, KS	\$3,206	\$2,479	\$3,146	\$2,944
Phoenix	\$3,410	\$3,008	\$2,204	\$2,874
Albuquerque	\$2,814	\$2,456	\$2,554	\$2,608
Fort Worth	\$2,202	\$2,244	\$1,444	\$1,963
Atlanta	\$1,983	\$1,935	\$1,255	\$1,724
Oklahoma City proposed*	\$1,830	\$1,929	\$701	\$1,487
Arlington, TX	\$1,635	\$1,495	\$715	\$1,282
Kansas City, MO	\$1,458	\$1,049	\$647	\$1,051
Edmond, OK	\$724	\$269	\$336	\$443
Norman, OK	\$477	\$440	\$215	\$377
Moore, OK	\$250	\$250	\$360	\$287
Oklahoma City current	\$160	\$49	\$51	\$87

Source: National Impact Fee Survey: 2012; Duncan Associates; OKC Planning Dept.

\*Includes Oct. 2015 utilities fees; New Growth assessment area; Retail based on Customer-Oriented Low category

# Development Impact Fees

## Streets and Parks

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