



MEMORANDUM

Council Agenda
Item No. IX.B.1&2.
4/26/16

The City of OKLAHOMA CITY

TO: Mayor and City Council

FROM: James D. Couch, City Manager

1. Amendments to Chapter 38-1 Parks Development Fees, Chapter 50-14 Streets Development Fees, Chapter 60-38-1 Parks Development Fees, Chapter 60-50-1 Streets Development Fees; and providing an effective date of January 1, 2017.
2. Ordinance on final hearing, relating to Parks, Recreation, Cultural Affairs, Etc., Streets and Sidewalks and General Schedule of Fees, amending Chapters 38, 50, and 60 of the Oklahoma City Municipal Code, 2010, by adopting a new Section 38-1 Parks Development Fees, and by adopting a new Section 50-14, Streets System Development Fees, and by adopting a new Section 60-38-1, Parks System Development Fees, and a new Section 60-50-1, Streets System Development Fees; and providing for an effective date.
Deferred from January 26 and March 29, 2016.

Purpose

Impact fees (also known as system development charges) are one-time charges on new development that are assessed and spent for the purpose of constructing infrastructure that serves new development. Impact fees benefit citizens, developers, and the City in that they 1) ensure adequate urban infrastructure is provided to new development, 2) help synchronize the installation of new infrastructure with development, and 3) allow tax revenue to be used to enhance the quality of infrastructure in existing neighborhoods. The goal of the City is to establish a partnership between the public and private sectors to share the cost of providing infrastructure for new growth, understanding the percentage of the shared cost must be a carefully negotiated rate.

Background

Besides Oklahoma City, four local cities (Edmond, Moore, Mustang, and Norman) charge impact/connection fees, which range between \$1,450 and \$3,850 for a 2,000 square-foot house. (Other local cities charge impact/connection fees, but they are insignificant, amounting to \$135 or less per home.) Oklahoma City's current impact/connection fee for a 2,000 square-foot, single-family home at \$950 is lower than fees from many comparable cities, which range from \$711 in Kansas City, MO to approximately \$3,000 in Arlington and Fort Worth, TX, to \$4,685 in Lincoln, NE to \$11,732 in Albuquerque.

Discussions about Oklahoma City establishing new development impact fees have been ongoing for several years. At a City Council Workshop in April 2007, the Planning Director presented a multi-departmental study of

impact fees. This initial study looked at projected growth and its impact on the city's infrastructure—particularly transportation, parks and trails. In 2008-2009, City staff and members of the development sector met to discuss a proposed methodology for calculating fees and capturing them in different geographic areas. In the midst of this process, legislation was proposed that placed restrictions on the way impact fees are enacted and administered. The City decided to place discussions about initiating impact fees on hold due to the unknown outcomes of the pending legislation and the recession.

In 2011, the State Legislature passed Senate Bill 708, which allows impact fees to fund many types of facilities including water, wastewater, streets, and parks among others. The fees, however, cannot be used to fund the operation, maintenance, or repair of infrastructure.

In 2014, representatives of the development sector approached the City Manager to re-initiate discussion about impact fees. City departments including Planning, Public Works, Finance, and Parks and Recreation, as well as the Municipal Counselor's Office worked together to assess funding needs and develop methodologies for calculating impact fees for transportation and parks and recreation. The goal was to achieve legally sound and straightforward methodologies with fee structures that are easy to understand, and then present a proposal to developers and gain their feedback.

From fall of 2014 to the summer of 2015, City staff met with two stakeholder groups to discuss possible calculation methods and fee levels. One group was composed of a variety of residential developers and homebuilders representing the Central Oklahoma Homebuilders Association, and the other involved commercial, office, mixed-use, and industrial developers.

While both groups expressed concerns about the introduction of impact fees and their effect on profitability and viability of development projects, both groups also generally agreed that impact fees are a necessary and beneficial tool and have worked with City staff to arrive at fee levels that are considered reasonable by most involved. City staff worked with representatives from the non-residential stakeholder group to conduct proforma analyses of various hypothetical development projects in an effort to discover what fee levels could reasonably be accommodated by new development. Based on this analysis, staff introduced fee caps for various land use categories. The caps limit transportation fee amounts based on feasibility judgments that resulted from the proforma analyses. The cap method balances the need to raise revenue with the needs to charge fees based on trip generation and to avoid burdensome fee levels.

The resulting Impact Fee proposal establishes different methods for calculating and applying transportation and parks impact fees for residential and non-residential development. Both residential and non-residential development will contribute transportation impact fees for new

development, whereas only new residential development will generate impact fees for parks.

Transportation Fee Summary

- The methodology for setting this fee is “consumption-based,” meaning new development pays for the amount of system capacity it demands (or “consumes”) per development unit.
- Fees vary by land use type (residential, industrial, office/institutional/lodging, and customer-oriented low, moderate, and high).
- Fee rates fall into four Assessment Areas: 1) Core, 2) Infill, 3) New Growth, and 4) Rural. The assessment areas help ensure users of the transportation system pay proportionately according to their usage of the transportation system, understanding that average trip lengths are longer farther from the core of the city.
- The city is divided into multiple “Benefit Areas” to ensure fees are captured and spent within proximity to the development paying the impact fee.
- Fees will be phased in over two years through a 50 percent discount lasting until January 1, 2018.
- The City will no longer require developer-funded traffic impact analyses for individual development proposals. Rather, the City will assume the responsibility for transportation planning by completing and maintaining area transportation plans.

Proposed Transportation Fees

Land Use Category	Rate per Square Foot of Development by Assessment Area Category			
	Rural	New 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

Parks and Recreation Fee Summary

- The methodology for determining capacity / demand is “plan-based,” using the recently adopted Oklahoma City Parks Master Plan.
- Fees only apply to new residential development.
- Fees will be phased in over two years through a 50 percent discount lasting until January 1, 2018.
- Development located within an existing local park service area will be exempt from a portion of the parks system parks development fees.

- Partial exemptions may be provided for local private parks installed by a developer that meet defined criteria for size and amenities.

Proposed Parks and Recreation Fee

Total fee: \$0.37 per square foot, divided into two categories:

- Parks: \$0.26 per square foot
- Trails: \$0.11 per square foot

Previous Actions

On August 13, 2015, Planning Commission members reviewed and discussed the proposed ordinance at a study session.

On November 12, 2015 the Urban Development Committee reviewed and discussed the proposed ordinance.

On December 10, 2015 at the regular meeting of the Planning Commission the proposed ordinance was introduced and set for hearing on January 14, 2016.

On January 14, 2016 the proposed ordinance was heard by the Planning Commission. A representative of the Central Oklahoma Homebuilders Association spoke and outlined six concerns the Association would like to have addressed before they can support the ordinance. Three commercial/industrial developers spoke against the ordinance. The Planning Commission unanimously voted to refer the ordinance to City Council.

On January 26, 2016, the ordinance was introduced at City Council. Council voted to defer the public hearing for 60 days to provide time for non-residential developers to provide feedback.

On March 29, a public hearing at City Council was held, where non-residential and residential developers spoke. Council members requested that amendments outlined by Assistant Municipal Counselor Craig Keith addressing residential developers' concerns be incorporated into the final ordinance.

Council voted to set the final adoption date for April 26, 2016 so that City staff and non-residential developer representatives could reconcile discrepancies in peer city comparisons. A City Manager Report is included on today's agenda to report on that process.

Amendments

The following amendments have been incorporated into the final ordinance:

§38-1. Parks Development Fees

- Modified requirement to provide a subdivision / performance bond for a local park exemption to allow the bond to be delayed until 50% of the lots have been developed.
- Modified the carrying capacity of the population required to receive credit for installing a swimming pool or splash pad from 10% to 1%

of the population.

- Deleted the paragraph clarifying that the City retains the right to require specific developer improvements beyond what impact fees are intended to fund.
- Clarified that existing and new local parks that meet minimum park requirements may qualify for park exemption.

§50-14. Streets Development Fees

- Clarified paragraph outlining what types of specific development-related improvements would still be the responsibility of a developer and would not be included in improvements funded by impact fees.

§60-38-1. Parks and §60.50.1. Streets

- Replaced the 90-day effective date with an effective date of January 1, 2017.
- Provided for an annual report to Council on the automatic inflation adjustment based on the Construction Cost Index.

Review

Planning Department

Recommendation: Amendments be approved and ordinance be adopted.

Attachment