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FISCAL | ECONOMIC | PLANNING

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MEMORANDUM

TO: Geoff Butler, AICP, Planning Director
City of Oklahoma City, Oklahoma

FROM: Carson Bise, President
TischlerBise, Inc.

DATE: March 8, 2023

RE: Review and Comparison of Transportation Impact Fee Program

Executive Summary

The City of Oklahoma City retained TischlerBise, Inc. (TischlerBise), to review and compare the City's development impact fee program and methodology for streets against the streets—usually termed "transportation"—impact fee programs and methodologies of other cities. In this review, TischlerBise compares transportation funding in five cities a group of local non-residential developers identified as being competitor cities to Oklahoma City, ("competitor cities") as well as the transportation impact fee programs in other major western/midwestern peer cities. The cities deemed to be competitor cities by the developer group are Dallas, Fort Worth, Kansas City, Tulsa and Wichita. Additionally, TischlerBise reviewed the transportation impact fee programs for the cities of Albuquerque, Phoenix, Lincoln, and Tucson.

A summary of our findings is presented below:

- Only two of the five competitor cities identified by the developer group have implemented transportation impact fees.
    - The predominant transportation funding sources for the five competitor cities are property tax and sales tax.
    - It is important to note that Oklahoma City only receives property tax for voter-approved General Obligation Bonds.
- When the ***residential property tax and fee burden*** on a single family unit with a value of $100,000 is compared among the competitor cities, the largest burden is in Fort Worth, where a single family unit pays $712.50 annually in property tax, but also pays a transportation impact fee of $3,845 (assuming the highest impact fee benefit area).
- In terms of ***strictly residential property tax burden***, a single family house in Oklahoma City pays the lowest amount of property tax ($170 per unit). The highest property tax burdens are in Dallas ($745.80 per unit) and Fort Worth ($712.50 per unit). When viewed through the lens of net

present value over a 10-year period, a single-family unit in Ft. Worth pays approximately 5 times the amount of property tax than the same unit in Oklahoma City.

- Of the two competitor cities that assess a transportation impact fee, the Oklahoma City impact fee is $2,645 less for a single-family unit than the highest fee area of the City of Fort Worth. Additionally, the annual property tax on a $100,000 single family unit in Oklahoma City is $542 less than in Fort Worth.
- When the ***nonresidential property tax and fee burden*** on 1,000 square feet of retail space with a value of $150 per square foot is compared among the competitor cities, the largest burden is in Fort Worth, where 1,000 square feet of space pays approximately $1,069 annually in property tax, but also pays a transportation impact fee of $2,777 (assuming the highest impact fee benefit area).
- In terms of ***strictly nonresidential property tax burden***, 1,000 square feet of retail space in Oklahoma City pays the lowest amount of property tax ($255.09 per 1,000 square feet). The highest annual property tax burdens are in Wichita ($1,228.58 per 1,000 square feet) and Dallas ($1,118.70 per 1,000 square feet). When viewed through the lens of net present value over a 10-year period, 1,000 square feet of retail space in Wichita and Dallas pays approximately 5 times the amount of property tax than similar retail space in Oklahoma City. Retail space in Ft. Worth pays approximately 4 times the property tax over 10 years as the same space in Oklahoma City.
- Of the competitor cities surveyed, Fort Worth has the highest residential and nonresidential transportation impact fees. These transportation impact fee amounts will be increasing effective June 1, 2023, based on a newly implemented study.
    - Fort Worth also has the second highest residential transportation impact fee of all the cities surveyed. Fort Worth has the fifth highest commercial transportation impact fee (Oklahoma City has the sixth highest).
- Of the cities surveyed, only two (Phoenix and Albuquerque) have implemented the maximum supportable impact fee. The City of Tucson is phasing in the transportation impact fee over several years in order to implement the maximum supportable fee.
- It is important to note that Oklahoma City does not require developers to construct half-street improvements as part of the subdivision process. This is something that many cities require in addition to transportation impact fees.
- Oklahoma City's streets impact fee generally reflects current best practices as it relates to methodology and implementation.
    - Methodology reflects the travel demand characteristics from different areas of the City (e.g., trips lengths are longer the further away development is from the urban core).
    - Utilizes vehicle miles of travel (VMT) as an indicator of demand.
    - Calculates fees by size of house.

Conclusion

In a conference call with a group of nonresidential developers, a representative pointed to the City of Fort Worth as a "benchmark" of comparison in relation to Oklahoma City's streets development impact fee. Much of the discussion in this call focused around Fort Worth's fee structure, particularly as it relates to "credits" and reductions. Our understanding differs from the developer group's on "credits" for transportation impact fees.

Oklahoma City and Fort Worth adopted transportation impact fees that were ***both*** substantially reduced from the maximum supportable amounts. However, Oklahoma City built in ***additional*** reductions for certain types of high trip-generating nonresidential development. In our firm's extensive experience working in communities on impact fees, we have never seen as much influence from stakeholders and compromise in the nonresidential fee rates that were ultimately adopted as in Oklahoma City, and the City undertook a much more intensive public input process as part of their impact fee process than most communities.

In regard to the developer group's references to "credits" and "discounts" to the Fort Worth transportation impact fee, it is important to note the term "credit" does not refer to a revenue or debt service credit included within the impact fee calculation methodology to ensure there is no "double payment" via the cumulative application of impact fees plus other dedicated revenue streams. Rather, credit refers to the developer being able to submit a formal Application of Credit for the dedication of additional right-of-way or the construction of eligible transportation improvements. In Fort Worth (as in most communities), the credit allowance is based on an executed Credit Agreement and approved by the Planning and Development Department. Oklahoma City's development impact fee ordinance allows developers to be credited the cost of construction of improvements that would be covered by the transportation impact fee. These eligible improvements may be those identified by professional traffic engineering consultants, who generated traffic impact studies to determine the location and type of capital improvement needed to accommodate new growth within each of Oklahoma City's traffic impact fee benefit areas as distinguished from improvements primarily for the benefit or the necessity for which has been caused by the development or development design. Eligible improvements may also include those not specifically identified in the traffic impact studies as long as the traffic improvements are located at or near the intersection of two arterial streets, or along a significant portion of an arterial street such as a roadway widening that increases the capacity of the roadway or intersection. Improvements not specifically identified in the City's traffic impact studies require an independent engineering report to be submitted to the City for review and approval to ensure the proposed traffic improvements meet the impact fee requirements.

The City of Fort Worth also provides for an Adequate Public Facilities Discount of 50 percent for those development projects where one or more points of access serve at last 75 percent of the peak-hour-site-generated traffic volumes; the access points are in conformance ith the City's Master Thoroughfare Plan; and the transportation facility has been improved to its ultimate capacity. On the surface, this appears to be connected to the plan-based approach utilized by Fort Worth. We would argue a similar adjustment (although not as high as 50 percent) is already included in the Oklahoma City, regardless of proximity to an arterial road. The Oklahoma City transportation impact fee, which uses a consumption-based

approach, has an adjustment for excess capacity within the system, which reduces the maximum supportable fee calculation.

The City of Fort Worth also offers a Land Use/Transportation Connection discount of up to 25 percent for any development where a traffic study demonstrates that the development will produce fewer trips than what is anticipated for a given land use from the adopted land use equivalency table. This discount is also something that Oklahoma City also has "baked into" it's methodology, although not to the extent Ft. Worth has. Oklahoma City's streets development fee calculation does recognize that trip lengths are longer the further away you are from the downtown core. However, the methodology currently does not recognize density, mix of uses, and availability of other transportation modes specific to a singular development, which may have an impact of internal trip capture (and warrant a reduced fee). This is something that TischlerBise is a proponent of and often includes in our transportation fee methodologies. We feel this is something the City should strongly consider integrating into its next development impact fee update.

There is one area where the Fort Worth transportation impact fee program differs significantly from the Oklahoma City (and possibly 99 percent of all cities) transportation impact fees. And that is Fort Worth's unique 25 percent discount for Extraordinary Investment for any development that results in $25 million in capital investment (excluding land acquisition) or the creation of 75 new jobs where the salary is at least twice the current wage plus benefits.

For each additional $10 million in capital investment or additional 75 qualified new jobs, the City reduces the impact fee by an additional 5 percent up to a maximum reduction of 50 percent. Other cities have opted to reduce impact fees for certain catalytic economic development projects, but Fort Worth is the only city we are aware of that has implemented an across the board policy for any qualifying land use. This is a specific political/policy decision that has nothing to do with impact fee calculation methodologies and/or cost or level of service assumptions.

In summary, the Oklahoma City streets development impact fee methodology is well reasoned, generally reflects current best practices, and in our opinion, does not pose a significant cost burden on residential and nonresidential development. Our review finds that the property tax burden in Oklahoma City is the lowest of the competitor cities and peer cities surveyed and the City's streets impact fee burden is among the lowest of all communities surveyed.

We have identified some opportunities for consideration in future streets impact fee revisions the City of Oklahoma City may want to implement. These include:

- The City should produce a detailed, written technical study that outlines and documents the methodology, all assumptions, and demand indicators. This technical study should also articulate how the methodology avoids the "double payment" issue mentioned above and treats payers equitably.
- The City may want to compare its current nonresidential land use categories with other peer communities to ensure consistency.
- TischlerBise recommends the City revisit the number of benefit areas within the four assessment areas (Core, Infill, New Growth, and Rural). We feel there are opportunities to reduce the number

of benefit areas (and associated administrative burden), while still satisfying the "benefit test" required for impact fees.

- Similar to Ft. Worth, the City may want to consider allowing streets impact fee reductions in projects that demonstrate the development will reduce trip generation below what is normal. The City could establish criteria for density, mix of land uses, connectivity, and availability of alternative modes of transportation. All of these factors contribute to lower vehicle trip generation rates as a result of internal trip capture and reduced automobile usage.

How Cities Fund Transportation Infrastructure

There are relatively few options available to local governments to finance growth-related transportation infrastructure. Generally speaking, a local government must fund growth-related transportation infrastructure through broad-based general revenues (e.g., sale of general obligation bonds, sales tax, property tax, income tax, franchise fees), or shift the burden to those creating the demand for additional infrastructure. In the case of the latter, this includes special tax/assessment/benefit districts, development exactions/dedications, and impact fees. Each is discussed in turn.

Special Tax/Assessment/Benefit Districts

In the United States, certain local governments initially paved city streets using special assessments on adjacent property owners. There are variety of forms this funding mechanism can take, and many are a function of individual state law. For example, some Districts are created by a group of property owners, while others may be established by a developer, or a local government (e.g., Improvement District). Regardless of what legal form a District takes, the function is the same – to develop and/or operate public infrastructure improvements such as roads, utilities, and parks. Depending on the type/form of the District, each property owner would pay either a property tax or an assessment/fee. Again, depending on the type of District, this tax/assessment/fee may be based on property value (tax), or a calculated benefit (assessment) based on calculated usage or benefit (e.g., road frontage) from infrastructure.

The City of Oklahoma City has the ability to create a Special Assessment District for this purpose, and has done so in the past for areas where road improvements are desired but not funded by other means. Additionally, several Business Improvement Districts exist in Oklahoma City, and these areas may choose to invest in infrastructure that is not funded through standard means.

Development Exactions/Dedications

Many local governments have land dedication requirements that are imposed at the time of subdivision. In many cases, development thresholds are established which trigger the need for a traffic impact study and possible mitigation measures in addition to standard dedication requirements. For example, it is common practice for jurisdictions to require project-level improvements to be addressed through development exactions that remain roughly proportional to the specific project. For example, many cities require a developer to construct (or dedicate right-of-way) half-street improvements along the border of their property as part of the development approval process. This is similar to the requirement by many cities to require developments to set aside a certain amount of acreage with the development for parks or open space. To open up an entire area for development, property owners may establish legal

mechanisms whereby the infrastructure "pioneer" recoups capital costs from subsequent developers in the benefit area. Pioneering or front-ending agreements are sometimes negotiated between individual property owners, but these agreements may require the involvement of local government.

To avoid ad hoc negotiations and a fragmented decision-making process, many local governments chose to implement impact fees in order to provide greater certainty of development costs and more comprehensive planning of capital improvements. This was the case in Oklahoma City, where previously, the burden was placed on developers to pay for and complete Traffic Impact Studies for proposed development, and if the development caused levels of service to drop at an adjacent intersection, the developer was required to bear the cost of making capital improvements.

Impact Fees

Impact fees are one-time payments imposed on new development that must be used solely to fund growth-related capital projects, typically called "system improvements". An impact fee represents new growth's proportionate share of capital facility needs. In contrast to project-level improvements, impact fees fund infrastructure that will benefit multiple development projects, or even the entire service area, as long as there is a reasonable relationship between the new development and the need for the growth-related infrastructure.

The first step is to determine an appropriate demand indicator for the particular type of infrastructure. The demand indicator measures the number of service units for each unit of development. For example, an appropriate indicator of the demand for transportation infrastructure is growth in either vehicle trips or vehicle miles of travel. The second step in the development impact fee formula is to determine infrastructure improvement units per service unit, typically called level-of-service (LOS) standards. In keeping with the transportation example, a common LOS standard is the ratio of vehicle miles of travel to vehicle miles of capacity. The third step in the impact fee formula is the cost of various infrastructure units. To complete the transportation example, this part of the formula would establish a cost per vehicle mile of capacity.

There are three basic methodologies used to calculate impact fees. Regardless of methodology, development impact fees cannot be used to correct existing infrastructure deficiencies. Fees can only be used to increase capacity in response to the demand created by new development. These methodologies examine the past, present, and future status of infrastructure. The objective of evaluating these different methodologies is to determine the best measure of the demand created by new development for additional infrastructure capacity. Each methodology has advantages and disadvantages in a particular situation and can be used simultaneously for different cost components.

Reduced to its simplest terms, the process of calculating impact fees involves two main steps: (1) determining the cost of development-related capital improvements and (2) allocating those costs equitably to various types of development. In practice, though, the calculation of impact fees can become quite complicated because of the many variables involved in defining the relationship between development and the need for improvements within the designated service area. The following paragraphs discuss basic methodologies for calculating impact fees and how those methodologies can be applied.

- **Cost Recovery** (past improvements) - The rationale for recoupment, often called cost recovery, is that new development is paying for its share of the useful life and remaining capacity of facilities already built, or land already purchased, from which new growth will benefit. This methodology is often used for utility systems that must provide adequate capacity before new development can take place.
- **Incremental Expansion** (concurrent improvements) - The incremental expansion methodology documents current LOS standards for each type of public facility, using both quantitative and qualitative measures. This approach assumes there are no existing infrastructure deficiencies or surplus capacity in infrastructure. New development is only paying its proportionate share for growth-related infrastructure. Revenue will be used to expand or provide additional facilities, as needed, to accommodate new development. An incremental expansion cost method is best suited for public facilities that will be expanded in regular increments to keep pace with development. This is the system Oklahoma City's development impact fees are based upon.
- **Plan-Based** (future improvements) - The plan-based methodology allocates costs for a specified set of improvements to a specified amount of development. Improvements are typically identified in a long-range facility plan and development potential is identified by a land use plan. There are two basic options for determining the cost per demand unit: (1) total cost of a public facility can be divided by total demand units (average cost), or (2) the growth-share of the public facility cost can be divided by the net increase in demand units over the planning timeframe (marginal cost).

Regardless of the methodology, a consideration of credits is integral to the development of a legally defensible impact fee. There are two types of credits that should be addressed in impact fee studies and ordinances. The first is a revenue credit due to possible double payment situations, which could occur when other revenues may contribute to the capital costs of infrastructure covered by the impact fee. This type of credit is integrated into the fee calculation, thus reducing the fee amount. The second is a site-specific credit or developer reimbursement for dedication of land or construction of system improvements for which the impact fee is intended (e.g., developer provides land for a planned fire station). This type of credit is addressed in the administration and implementation of Oklahoma City's impact fee program.

How Oklahoma City Funds Transportation

Oklahoma City is the largest city in the state of Oklahoma. As of the 2020 census, the City had a population of 687,725 and contains 621 square miles in its City limits. The Oklahoma City metropolitan area had 1,396,445 residents in 2020. Oklahoma City's geographic area should be taken into consideration, as this is a remarkably large land area for a municipality to support. Because of this, the limited sources of funding available to build and maintain infrastructure in Oklahoma City must be stretched further than most cities in the country. As Oklahoma City's rapid and sprawling growth has occurred over the past decades, the City has not been able to provide adequate transportation infrastructure concurrent with development.

Oklahoma City funds transportation, which includes sidewalks, bike facilities, transit, and street reconstruction through a variety of methods. This includes General Obligation Bonds, federal, state and local grants, temporary sales taxes, and General Fund transfers. The temporary "Better Streets, Safer City"

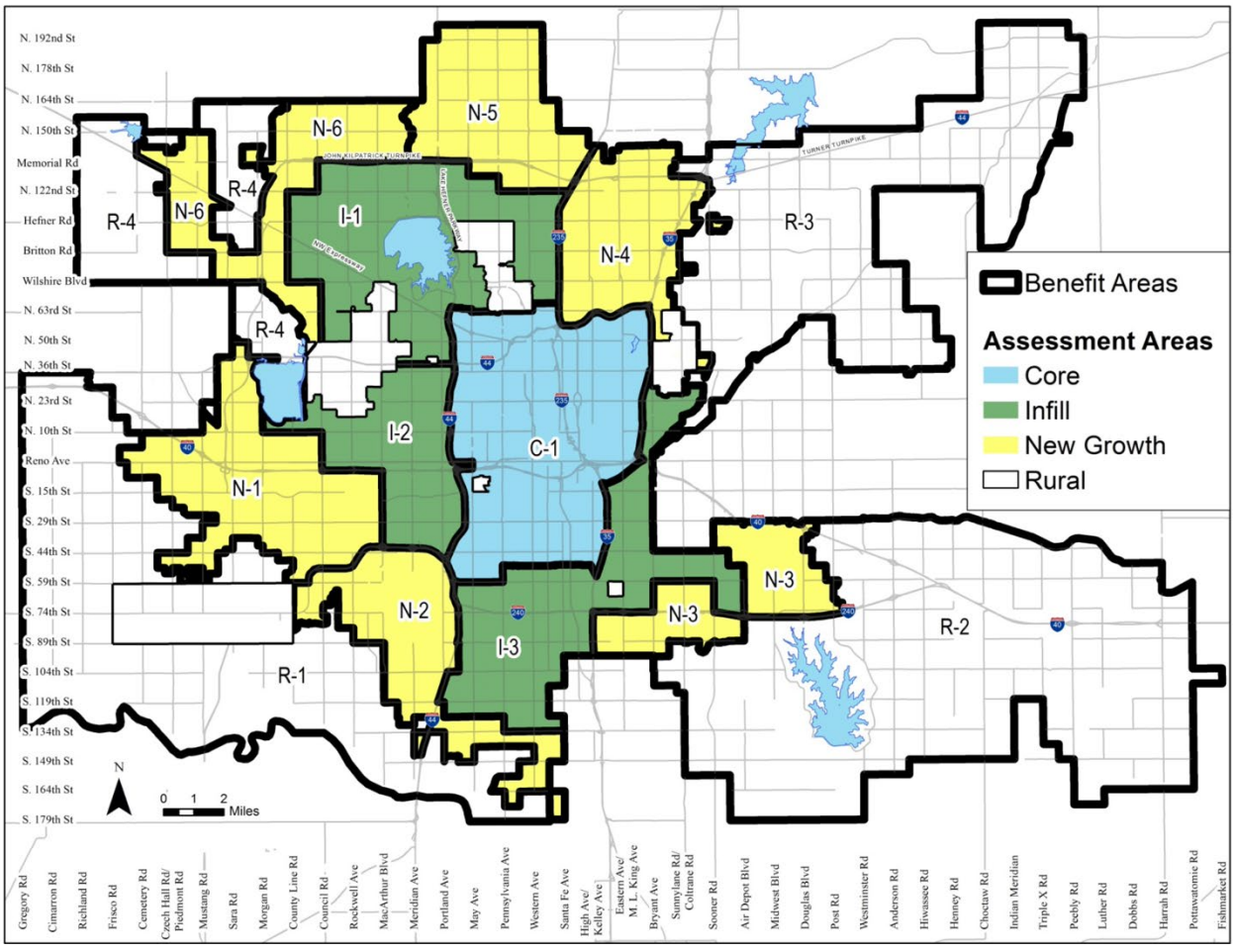
one cent sales tax expired in March of 2020, but is still funding projects in the current Capital Improvement Plan. An eight-year one cent sales (referred to as MAPS 4), includes funds for specific transportation projects as well.

In an effort to offset growth-related infrastructure needs generated by new development, the City implemented a development impact fee program that went into effect on January 1, 2017. The development impact fee's methodology, assumptions, and calculations were prepared by City staff. The streets impact fee methodology utilizes the "incremental expansion" approach, meaning new development pays for the amount of system capacity it demands (or "consumes") per unit of development (e.g., single family unit, 1,000 square feet of retail space, etc.). The consumption-based method is most common method for calculating impact fees.

Rate of Collection

The streets impact fee rate for residential development was set well below the maximum supportable fee. Based on input from the nonresidential development community, the City set "caps" for maximum fees for nonresidential uses. Additionally, nonresidential fees were reduced by an additional one-third.

Assessment Areas



As part of the City's methodology, traffic patterns within the City were modeled and four assessment areas were established: Core, Infill, New Growth, and Rural (shown in the graphic below). This modeling was based generally upon land use typology areas with different densities, mixes of uses, and infrastructure investments. It also accounted for the fact that average trip lengths are greater as the distance from the (Urban) Core increases. As a result, transportation impact fees are higher in areas with more travel demand and less capacity (New Growth and Rural assessment areas), and lower in the Infill and Core assessment areas. This approach ensures users of the transportation system pay proportionately according to their infrastructure consumption (vehicle miles of travel).

Examination of Transportation Funding in Cities Identified by Non-Residential Developer Group

As part of this assignment, TischlerBise met with stakeholders from the local development community who identified cities they viewed as Oklahoma City's competitors. This section evaluates how transportation infrastructure is funded in each of these cities.

Tulsa, Oklahoma

The City of Tulsa is the second largest city in the state of Oklahoma. As of the 2020 census, Tulsa had a population of 413,066, compared to 687,725 in Oklahoma City. With 202 square miles in its City limits, Tulsa is less than one-third the size of Oklahoma City. The Tulsa metropolitan area has 1,023,988 residents compared to 1,396,445 in the Oklahoma City metropolitan area.

The City of Tulsa does not assess transportation impact fees on new development. In addition to General Obligation Bonds backed by property tax, Tulsa's non-utility capital budget is funded through a temporary sales tax for capital improvements, which was originally approved in 1981. It has been popularly known as the "Third Penny Sales Tax", however, the rate has varied over the years from a half cent to slightly more than a penny. This sales tax has provided billions for all types of capital projects. In November of 2019 the Improve Our Tulsa (IOT) program originally authorized in 2013 was extended through December 31, 2025. The extension contains $427.0 million in property and sales tax-funded street projects in addition to the $355 million originally authorized. Tulsa has issued bonds for $306.6 million of the original $355.0 million and $91.4 million from the newly authorized $427.0 million. The remaining $384.0 million will be issued in future years with the next series of the newly authorized bonds.

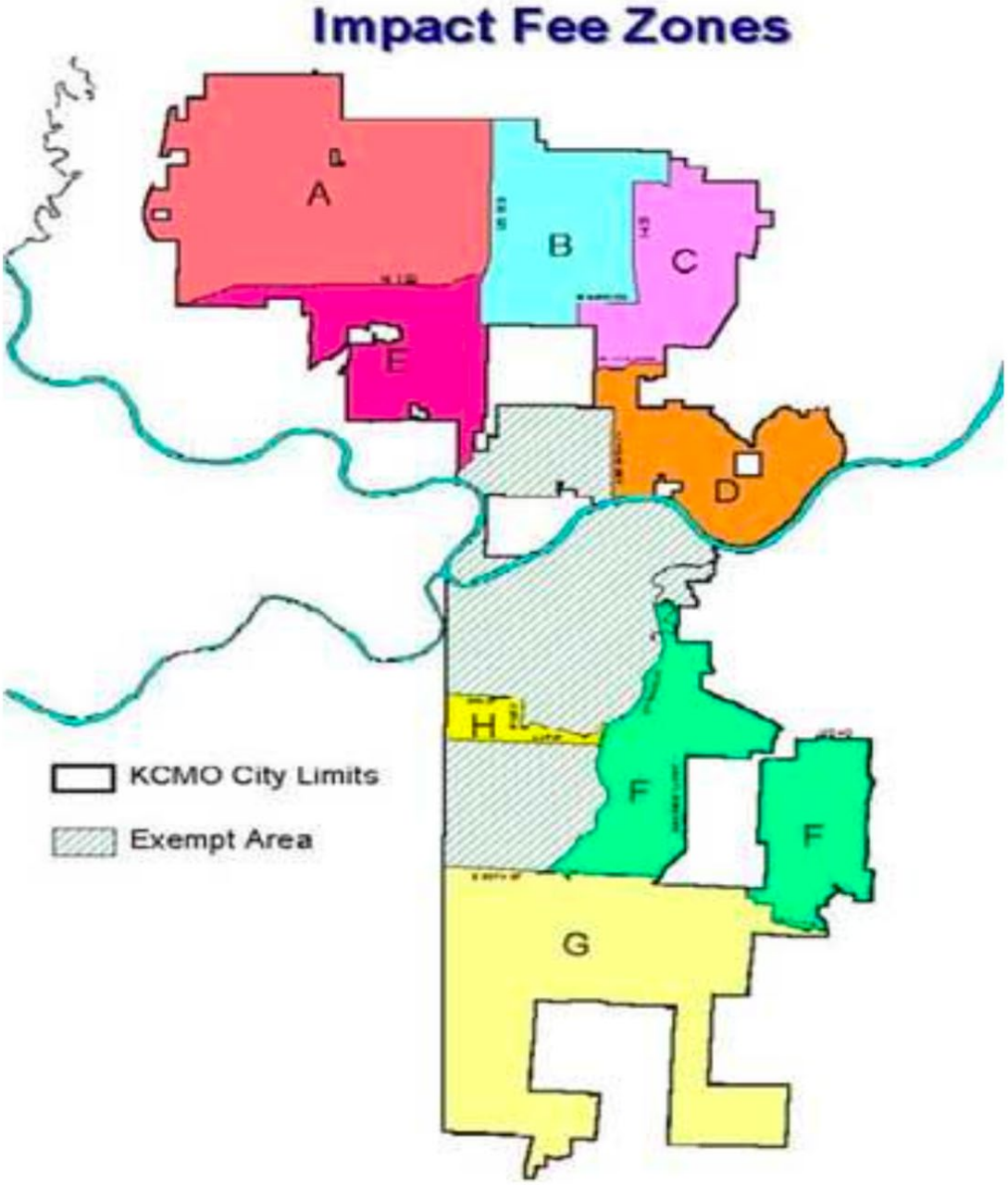
Kansas City, Missouri

The City of Kansas City is the largest city in the state of Missouri. As of the 2020 census, the City of Kansas City had a population of 508,090, compared to 687,725 in Oklahoma City. With 319 square miles in its City limits, Kansas City is about half the size of Oklahoma City. The Kansas City metropolitan area has 2,392,035 residents compared to 1,396,445 in the Oklahoma City metropolitan area.

Kansas City uses a variety of methods to fund transportation and transit projects. These include sales and use taxes, special assessments, or real property tax. These occur in two different types of special taxing districts in the City, Community Improvement Districts (CID), and Transportation Development Districts (TDD). For example, KC Streetcar project received funding from multiple TDDs, including the Main Street Rail TDD. This TDD was approved by voters in 2018 and collects a 1% sales tax within the boundaries of

the TDD as well as levying a special assessment on real property. Other projects that have received funding from TDDs and CIDs include intersection improvements, increasing street capacity, sidewalk upgrades, and drainage improvements.

To fund traditional arterial road needs in suburban settings, the City charges impact fees to help pay for the additional roadway capacity required to accommodate the development. Essentially the impact fee requires that each new residential or commercial project pay its fair share of the costs of new or widened arterial streets, parkways and boulevards that would serve the development. Developers could still be required to improve their arterial street frontages and get credit for such improvements against their impact fees. These impact fees are collected in eight separate benefit districts, shown in the map below.



City of Fort Worth, Texas

The City of Fort Worth is the fifth largest city in the state of Texas. As of the 2020 census, the City of Fort Worth had a population of 958,692, compared to 687,725 in Oklahoma City. Oklahoma City is almost twice the size of Fort Worth, which has 356 square miles in its City limits.

The City of Forth Worth funds transportation, which includes all modes of transportation – vehicles, pedestrians, bicycles, and public transportation providers through a variety of methods. This includes significant transfers from the General Fund, impact fees, and a 2022 ballot initiative for $261.6 million in various transportation improvements (backed by property tax).

The City of Fort Worth recently completed an update to its roadway impact fee program, with the intent to raise the level of impact fee revenue, which it has deemed insufficient. The new impact fee study went into effect on November 1, 2022. However, the existing rates from the 2017 transportation impact fee study will remain in effect until May 31, 2023. Beginning June 1, 2023 and through June 1, 2026, the transportation impact fee amounts will be increased in phases until they are implemented at 65 percent of the maximum supportable residential rate. Nonresidential rates will be increased to 40 percent of the maximum supportable rate beginning on June 1, 2023. Generally speaking, the City's transportation impact fee rates will be increasing over the current rates.

The Fort Worth roadway impact fee utilizes a hybrid "buy-in" plus "10-year plan" fee methodology. The fee is based on projects needed to accommodate the projected growth within Fort Worth identified in the Transportation Improvement Plan (TIP). These projects consists of four categories:

- Previous – Previously completed projects with excess capacity available to serve new growth.
- Widening – Existing roadways not currently built to the City's Master Thoroughfare Plan (MTP) classification, except for some facilities that were identified that are not anticipated to be built out to their ultimate classification.
- Median – Existing four-lane divided roadways with adequate median widths to accommodate additional lanes.
- New - All remaining projects needed to complete the MTP, including projects currently under construction.

Service Areas

The Texas enabling statutes for impact fees is unique in that for transportation, the Service Area may not exceed six miles. In Fort Worth, this restriction necessitated the creation of 28 separate Service Areas. However, no impact fees are collected in seven (7) of these Service Areas because no capacity related transportation improvement projects have been designated. In addition, two Service Areas no longer have a calculated fee due to these areas being largely built out with minimal growth projected to occur over the next ten years. This brings the new total of no-fee service areas to nine (9) as of the 2022 update. A map of these Service Areas is shown below.

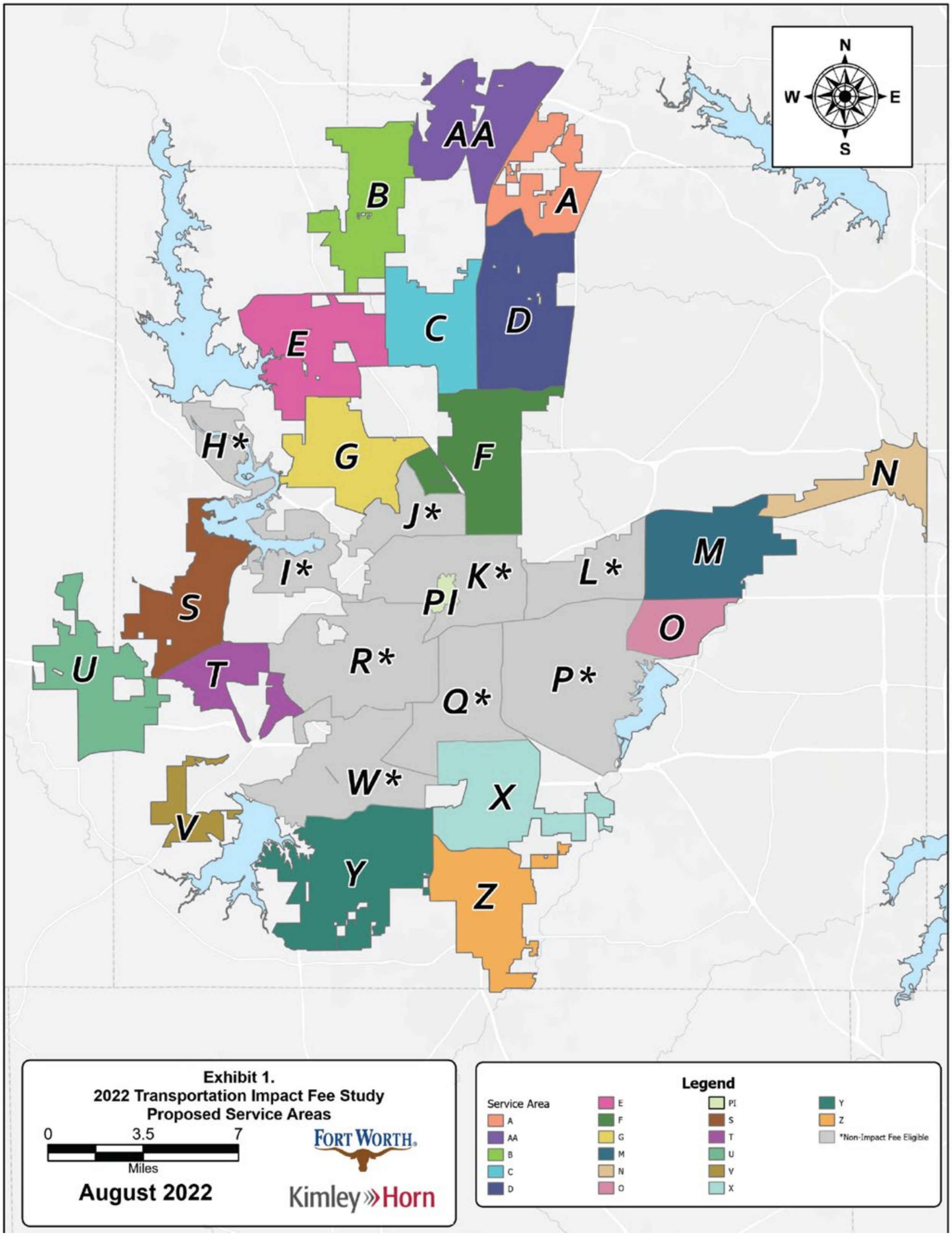

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Exhibit 1.
2022 Transportation Impact Fee Study
Proposed Service Areas
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*Non-Impact Fee Eligible

Rate of Collection

The City of Fort Worth collection rate varies from 0-100% of the maximum supportable rate, depending on the service area and land use. On average, the City of Fort Worth adopted 24 percent of the maximum amount for residential land uses and 18 percent for nonresidential land uses.

Discounts

The City of Fort Worth has a unique discount policy for meeting certain policy goals. These discounts are outlined below:

Adequate Public Facilities. The amount of Transportation impact fee may be reduced by 50% for any development where:

- One or more points of access serve at least 75% of the peak-hour site-generated traffic volumes;
- Such point(s) connect the development to the city's thoroughfare system, as depicted in the city's master thoroughfare plan (MTP) provided however, sites with multiple access points may include a TxDOT facility as one of the access points to meet this criteria; and
- The transportation facility so connected has been improved to its ultimate capacity as classified under the current master thoroughfare plan.

Land Use/Transportation Connection. The transportation impact fee is reduced up to 25 percent for any development where an approved traffic study demonstrates that the development will produce fewer trips than what is anticipated for a given land use in the Transportation Impact Fee Report, according to the following:

- 5 to 9 percent trip apture: 10 percent reduction
- 10 to 14 percent trip capture: 15 percent reduction
- 15 to 20 percent trip capture: 20 percent reduction
- 21 percent of greater trip capture: 25 percent reduction

Extraordinary Investment. The transportation impact fee may be reduced by 25 percent for any development that results in the following qualifications, as jointly determined by the Development Services and Economic Development Departments:

- $25 million in capital investment, excluding land costs:
- Creation of 75 new jobs; and
- The projected salary of the new jobs is at least twice the current federal minimum wage, plus benefits.

For each additional $10 million in capital investment or additional 75 qualified new jobs, the Transportation Impact Fee will be further reduced by an additional 5 percent, up to a maximum reduction of 50 percent. A development may receive this discount and have a period of up to four years from the issuance of a building permit to qualify under the terms of this discount. Impact fees otherwise paid shall be refunded to the original payor at the time of issuance of the building permit. A development shall refund a pro rata share of this discount should the development not continue to maintain the number of new jobs for a period of at least ten years from the date of building permit (or

the date of qualification for this discount), equal to 10 percent per annum for each year that the number of jobs is not maintained.

Small Business Discount. The amount of transportation impact fees due for building permits, other than new construction building permits, shall be reduced by 25 percent for a development that meets all of the following qualifications, as jointly determined by the Development Services Department and the Department of Economic Development:

- An independently owned for-profit or non-profit entity with a physical Fort Worth business address;
- Business must not be a subsidiary of a larger company nor a franchisee of a chain with more than 5 franchises;
- Annual revenues of $2,500,000 or less for the most recent 12-month period
- 25 employees or less;
- Business operations established at least 1 year prior to making application for the discount.

Dallas, Texas

The City of Dallas is the third largest city in the state of Texas and the largest city in the Dallas-Fort Worth metroplex. Dallas has 386 square miles in its City limits, making it a little over half the size of Oklahoma City. As of the 2020 census, the City of Dallas had a population of 1,304,379, compared to 687,725 in Oklahoma City. The Dallas-Fort Worth metroplex area has an estimated 7.5 million residents compared to 1,396,445 in the Oklahoma City metropolitan area.

The City of Dallas funds transportation primarily through a series of voter-approved bond issues supported by property tax, totaling $533.8 million since 2006. The City does not currently assess transportation impact fees.

Wichita, Kansas

The City of Wichita is the largest city in the state of Kansas and the county seat of Sedgwick County. As of the 2020 census, the population of the City was 397,532, compared to 687,725 in Oklahoma City. Oklahoma City is almost four times larger than Wichita, which has only 167 square miles in its City limits. The Wichita metropolitan area had a population of 647,610 in 2020, compared to 1,396,445 in the Oklahoma City metropolitan area.

The City of Wichita does not assess transportation impact fees on new development. Roadway capacity projects are funded by the City's Sales Tax Construction Pledge Fund, which receives one-half of the City's local sales tax distribution from the County. This revenue is used to support debt obligations in the Debt Service Fund for selected freeway, arterial, and bridge projects, and thereafter to cash finance other qualifying and designated transportation projects. As shown in the table below, local sales tax will fund $403 million in roadway projects over the next ten years.

Local Sales Tax Fund Annual Amounts		
Year	Freeway Projects	Road & Bridge Projects
2023	$4,700,000	$42,201,560
2024	$15,850,000	$40,133,427
2025	$6,700,000	$50,300,000
2026	$4,000,000	$31,085,000
2027		$43,010,000
2028		$38,780,000
2029		$35,015,000
2030		$48,065,000
2031		$47,450,000
2032		$26,385,000
Total	$31,250,000	$403,424,987

Summary

The table below summarizes the city property tax burden on a $100,000 house in Oklahoma City compared to the city property tax in the other competitor cities. Additionally, the sales tax rate is shown, as well as any applicable transportation impact fee amount. As the table indicates, the highest property tax burden per unit is in the City of Dallas. The highest impact fee per unit is in Fort Worth. The highest sales tax rate is in the City of Oklahoma City, which is situated in the only U.S. state that does not allow property taxes to be used for operations costs.

City	City Property Tax (Mills)	Residential Assessment Rate	City Property Tax on $100K House	10-Year Net Present Value of Property Tax Payments	Impact Fee	Sales Tax
Wichita, KS[1]	32.762	11.5%	$376.76	$2,708	$0	0.00%
Dallas, TX[2]	7.458	100.0%	$745.80	$5,361	$0	2.00%
Ft. Worth, TX[3]	7.125	100.0%	$712.50	$5,122	$3,845	2.00%
Kansas City, MO[4]	16.918	19.0%	$321.44	$2,311	$750	3.25%
Tulsa, OK	20.440	11.0%	$224.84	$1,616	$0	3.65%
Oklahoma City, OK	*15.460*	*11.0%*	*$170.06*	*$1,223*	*$1,200*	*4.125%*

1. Wichita does not assess its own local sales tax, however it does receive a portion of the county's 1% sales tax revenues based on a formula considering population and the property-tax levy of all jurisdictions. Half of sales tax revenue is pledged towards road, highway, and bridge projects.
2. 1% of sales tax is dedicated to Dallas Area Rapid Transit. 3.5% of sales tax is dedicated to the Fort Worth MTA and .5% is dedicated to the Fort Worth Crime Control and Prevention District.
3. .5% of sales tax is dedicated to the Fort Worth MTA and .5% is dedicated to the Fort Worth Crime Control and Prevention District.
4. In addition to a local sales tax both Kansas City jurisdictions use a multitude of special sales tax district to fund transportation and various other projects.

As the table above indicates, the tax and fee burden on a $100,000 house is largest in Dallas, where the single family unit pays $745.80 annually in property tax. This is followed closely by the City of Fort Worth at $712.50 per unit. However, the housing unit would also pay a transportation impact fee of $3,845 (assuming the highest impact fee benefit area).

In terms of property tax burden, a single family house in Oklahoma City pays the lowest property tax. Of the three cities that assess an impact fee, the Oklahoma City impact fee is almost $2,645 less than in Fort

Worth. (A 3,000 square foot house is assumed.) Additionally, the annual property tax from a $100,000 single family unit is $542 less annually in Oklahoma City than a comparable unit in Fort Worth.

Another way to look at the property tax burden is through the lens of net present value of property tax payments to the cities over a 10-year period. Assuming a discount rate of 6.5 percent, a single-family unit in the Cities of Dallas and Fort Worth pays almost five times the property tax as a single-family unit in Oklahoma City.

The table below summarizes the municipal property tax burden on 1,000 square feet of retail space (assumed value of $150 per square foot) in Oklahoma City compared to the property tax in the other "competitor communities." Additionally, any applicable impact fee amount is shown. As the table indicates, the highest property tax burden per 1,000 square feet is in the City of Wichita. The highest impact fee per 1,000 square feet is in Fort Worth.

City	Property Tax (Mills)	Commerical Assessment Rate	Tax on 1,000 Sq. Ft. Retail Property With a $150 per Sq. Ft. Valuation	10-Year Net Present Value of Property Tax Payments	Impact Fee (per 1,000 Sq Ft)
Wichita, KS	32.762	25.0%	$1,228.58	$8,832	$0
Dallas, TX	7.458	100.0%	$1,118.70	$8,042	$0
Ft. Worth, TX	7.125	100.0%	$1,068.75	$7,683	$2,777
Kansas City, MO	16.918	32.0%	$812.06	$5,838	$1,464
Tulsa, OK	20.440	11.0%	$337.26	$2,425	$0
Oklahoma City, OK	*15.460*	*11.0%*	*$255.09*	*$1,834*	*$2,650*

As the table above indicates, the tax and fee burden on 1,000 square feet of retail space is largest in Fort Worth, where 1,000 square feet of space pays approximately $1,069 annually in property tax, but would also pay a transportation impact fee of $2,777 (assuming the highest impact fee benefit area).

In terms of property tax burden, 1,000 square feet of retail space in Oklahoma City pays the lowest of property tax. Out of the three cities that assess an impact fee, the Oklahoma City impact fee is the second highest at $2,650, or $127 less than in Fort Worth. Additionally, the annual property tax from 1,000 square feet of retail space is approximately $814 less than in Fort Worth and approximately $974 less than in the highest (Wichita) property tax burden.

Similar to the residential tax burden, the net present value of property tax payments to the cities over a 10-year period is evaluated. Assuming a discount rate of 6.5 percent, a 1,000 square feet of retail in the Cities of Wichita and Dallas pay the most property tax over the 10-year period. This is followed closely by the City of Ft. Worth, where the 10-year net present value of property tax payments is $7,683, which is approximately four times the amount of property tax 1,000 square feet of retail would pay in Oklahoma City.

Comparison to Other Transportation Impact Fee Programs

As part of this assignment, TischlerBise also identified other cities for comparison of transportation impact fee programs.

City of Phoenix Major Arterials Impact Fee

The City of Phoenix major arterials impact fee went into effect in 2004 (then known as the street facilities impact fee). The City's original transportation impact fee methodology was developed by a consultant. However, for the last ten years or so City staff has largely been responsible for preparing all of the City's impact fee categories, with assistance from consultants when needed. For example, Phoenix's current transportation fee was developed by Phoenix with assistance from Kimley-Horn on developing cost assumptions and transportation modeling.

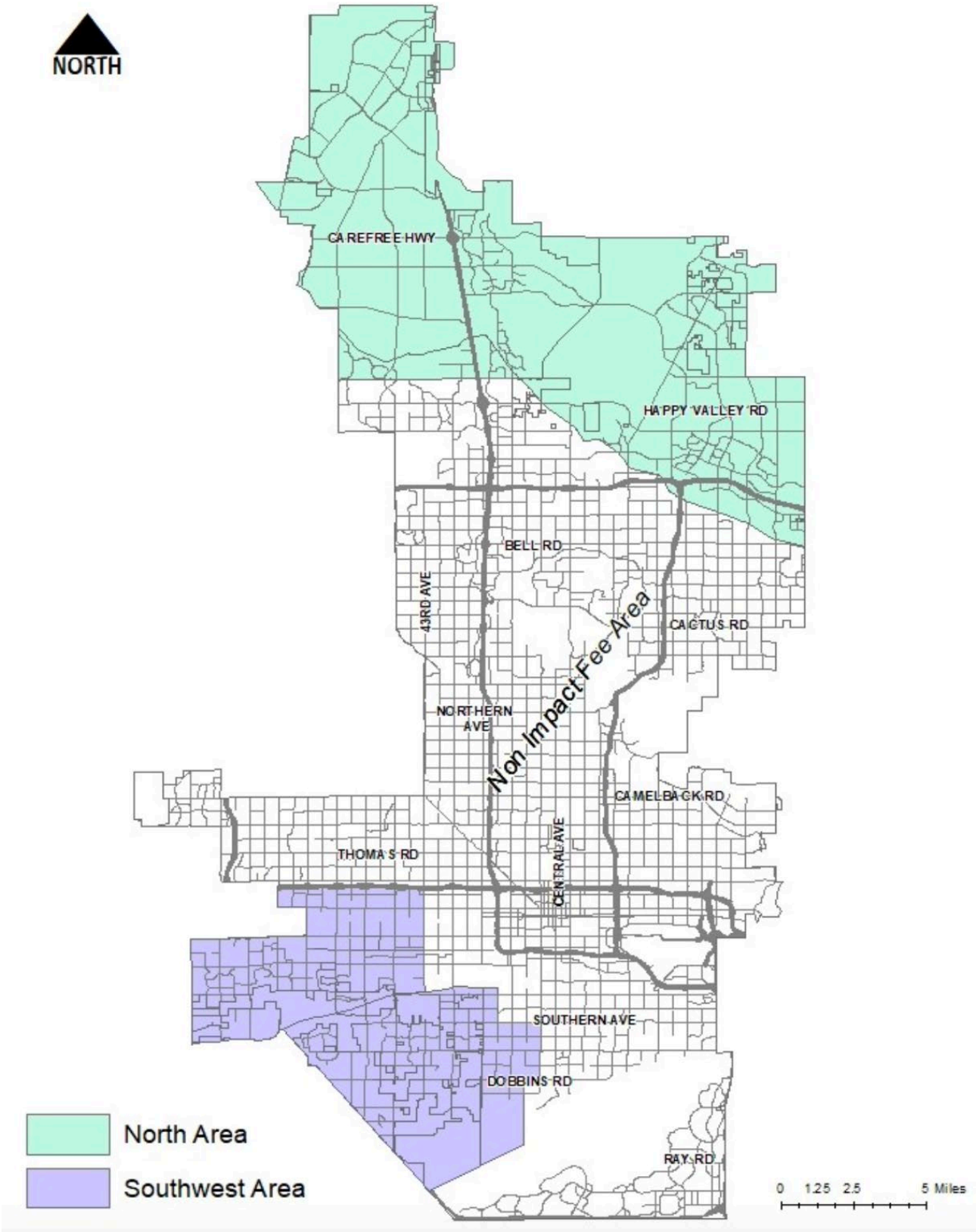
The major arterials impact fee was first adopted with the City's 2015 Infrastructure Financing Plan. (It was previously known as street facilities impact fee.) The City's impact fee for street facilities has evolved from major streets and bridges impact fees that initially included construction and right-of-way acquisition for all arterial streets in the City's growth areas but was later revised extensively. In 2009, the major streets and bridges impact fee was replaced with the roadway facilities impact fees that provided for construction of arterial-street drainage facilities (storm drains, culverts and bridges), but did not provide for roadway expansions or right-of-way acquisition for arterial streets needed to accommodate new demands.

The most recent 2015 revision added a limited number of major arterial roadways, as identified on the City-Council adopted Street Classification Map, into the major arterial impact fee. These are the largest and most important of the arterial streets in the City's growth areas. Other improvements that may be required of a developer by ordinance (portions of minor arterials and major and minor collectors) are excluded.

Phoenix utilizes a hybrid "buy-in" plus "10-year plan" fee methodology. The methodology is a combination of the buy-in method to account for the existing roadway network and a plan-based approach to provide new facilities needed over a ten-year planning horizon.

Service Areas

As illustrated in the map below, Phoenix has two impact fee benefit areas and a large no-fee zone where no impact fees are collected, as there are no planned major arterials in this geography.


NORTH
CAREFREE HWY
HAPPY VALLEY RD
BELL RD
43RD AVE
CACTUS RD
NORTHERN AVE
Non-Impact Fee Area
CAMELBACK RD
THOMAS RD
CENTRAL AVE
SOUTHERN AVE
DOBBINS RD
RAY RD
North Area
Southwest Area
0 1.25 2.5 5 Miles

City of Lincoln Arterial Streets Impact Fee

The City of Lincoln adopted impact fees in 2003. The adopted transportation impact fee was significantly lower than the maximum supportable amount. It does not appear the City has prepared an impact fee study since the original fee was adopted. However, Lincoln's Mayor convened an Impact Fee Task Force in 2009 to review the City's impact fee program and infrastructure needs. One outcome from this Impact Fee Task Force was the recommendation to increase the existing fees. However, they have not been increased to the maximum supportable amounts contained in the original 2002 study prepared by Duncan Associates.

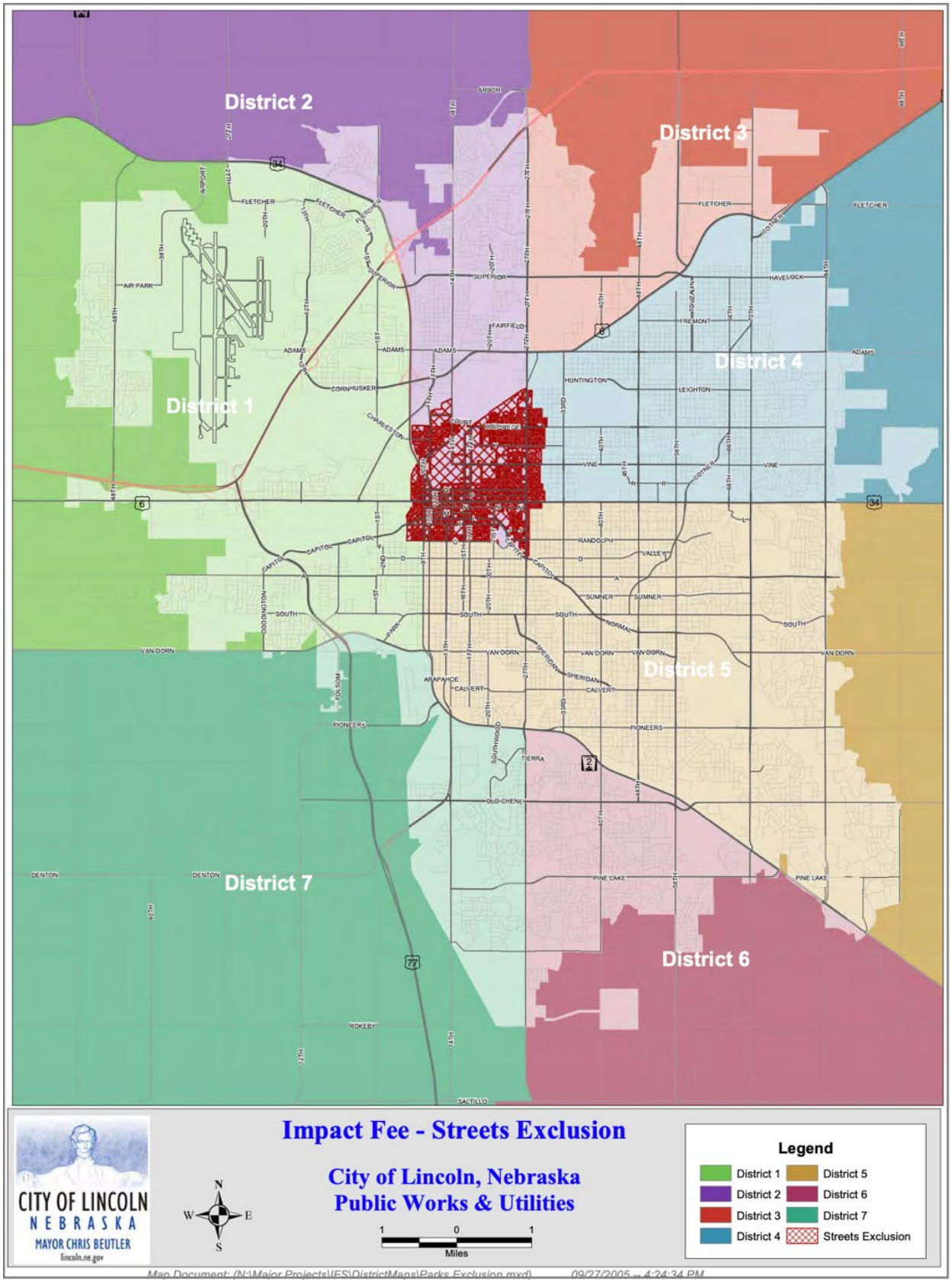
Discounts

The City of Lincoln provides a 100 percent exemption from impact fees for development for low income individuals. Low income is defined as having a household income that is 60 percent of the area median gross income, adjusted for household size. The City provides 50 percent exemption for moderate income individuals. Moderate income is defined as having a household income of more than 60 percent but less than 80 percent of the area median gross income, adjusted for household size.

- The City also has a program that refunds the arterial street impact fee to promote economic development. To qualify, a company must file a request with the City and demonstrate that the company will derive, directly or indirectly, 50 percent or more of its revenue from outside Lancaster County, Nebraska; and the median wage of its new employees will be equal to or in excess of 110 percent of the Lancaster County average wage.

Service Areas

The City of Lincoln collects arterial street impact fees in seven of its eight benefit areas. The arterial street impact fees are not collected in the Downtown/Antelope Valley Redevelopment exclusion area. The City determined that this area should be excluded from the arterial street impact fee in order to encourage redevelopment in this area. The figure below summarizes the City's impact fee benefit areas.


District 1
District 2
District 3
District 4
District 5
District 6
District 7
Impact Fee - Streets Exclusion
City of Lincoln, Nebraska
Public Works & Utilities
CITY OF LINCOLN
NEBRASKA
MAYOR CHRIS BEUTLER
lincoln.ne.gov
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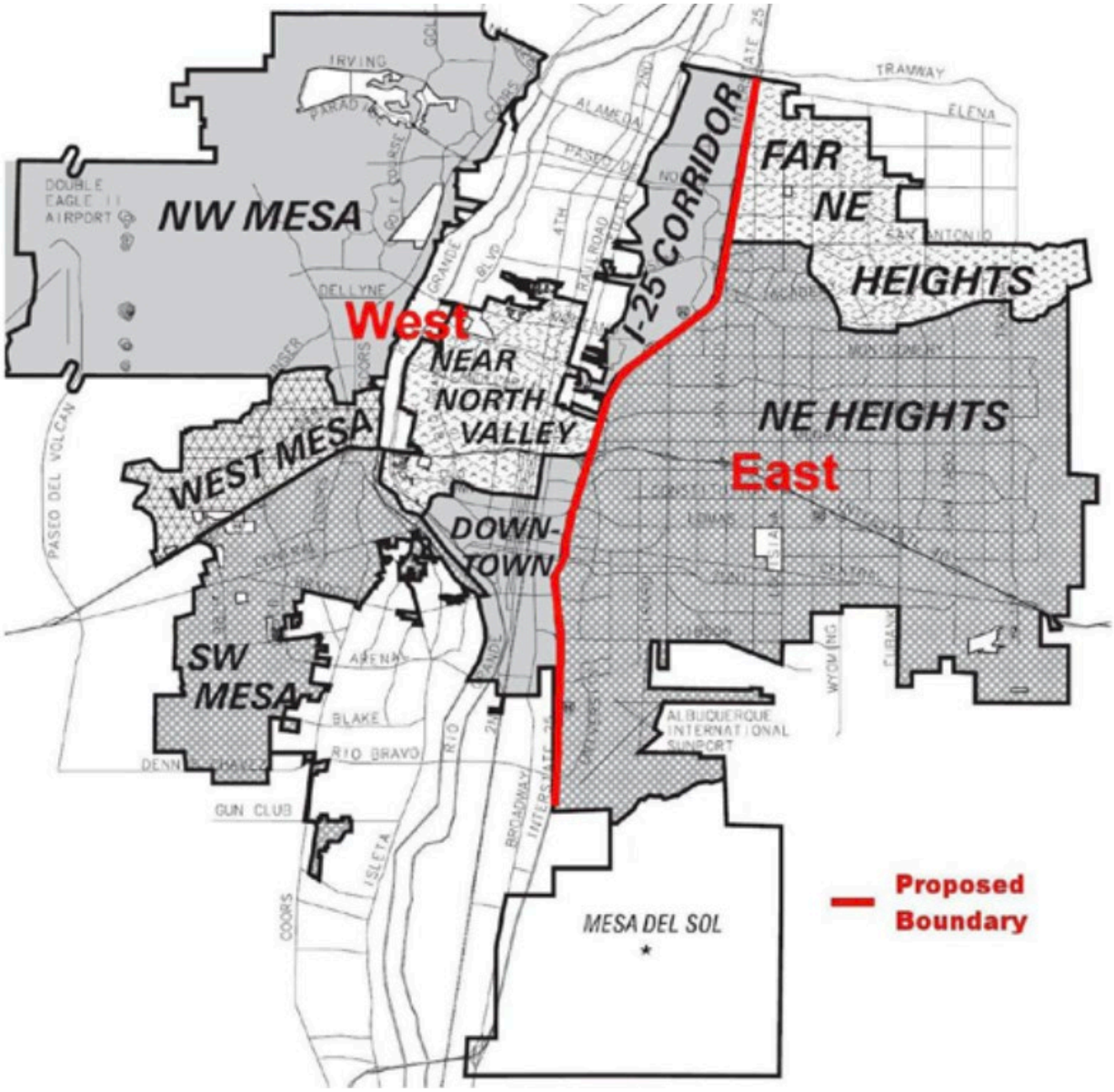
Legend
District 1
District 2
District 3
District 4
District 5
District 6
District 7
Streets Exclusion
Map Document: (N:\Major Projects\IFS\DistrictMaps\Parks Exclusion.mxd) 09/27/2005 -- 4:24:34 PM

City of Albuquerque Road Impact Fee

The City of Albuquerque adopted impact fees in 2004. The City's original impact fee program was very complex, with different service areas for the various fees, resulting in 17 different fee schedules applicable to different areas of the city. In addition to being difficult to administer, the original fee program pitted areas of the city against each other, with residents in high-fee areas believing that the fees were barriers to employment and retail growth. In 2011, the City of Albuquerque retained a consultant to update its road impact fees, which were adopted in 2012. As shown in the figure below, the number of road impact fee benefit areas were reduced to two.



City of Tucson Street Facilities Impact Fee

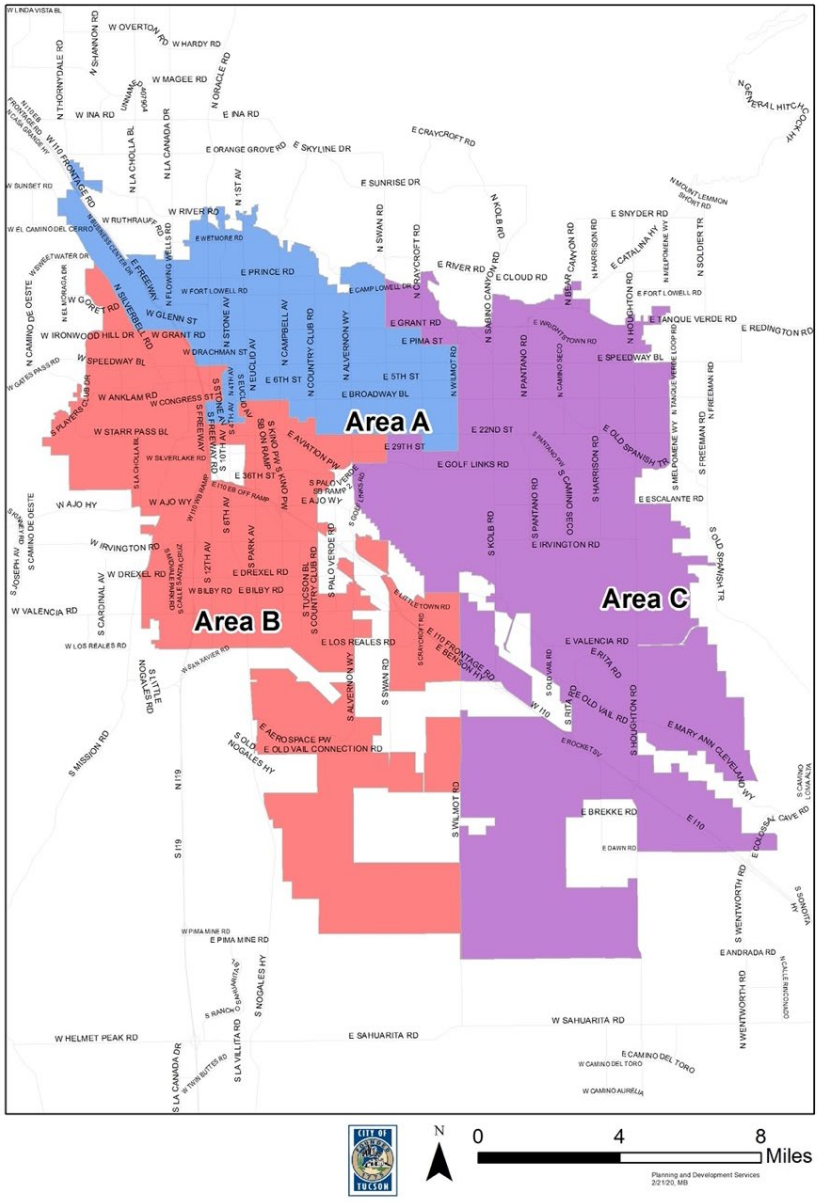
The construction of growth-related road capacity in the City of Tucson is the responsibility of the City and the Regional Transportation Authority of Pima County. The voters of the county approved a $2.1 billion regional transportation plan in 2006 that is funded through a half cent sales tax.

The City of Tucson street facilities development impact fee was last prepared by TischlerBise in 2020. The fee was prepared using an incremental expansion methodology and allocates capital costs to residential and nonresidential development based on vehicle miles of travel.

Service Areas

Capacity projects for which street development impact fees will be collected are anticipated to be built both to serve citywide and subarea transportation needs. Therefore, three Service Areas were recommended based on growth patterns and location of infrastructure (see the figure below). For Streets, a portion of the fee is based on citywide capacity needs reflected in Regional Transportation Authority (RTA) projects and other citywide capacity transportation projects and was recommended to be collected and spent citywide on those projects. The remainder of the fee is for other non-RTA/citywide capacity street improvement projects and is recommended to be collected and spent within the three Services Areas.

Service Areas



Summary

This section summarizes the findings from our evaluation.

Development Impact Fee Burden

As the table below indicates, for comparable cities that assess a transportation impact fee, the transportation impact fee for a single-family house in Oklahoma City is among the bottom 50 percent, at $1,200. This is $2,853 lower than the highest fee in Tucson, AZ. This assumes a 3,000 square foot house in each jurisdiction located in the highest impact fee benefit district/service area.

Community	Single Family*#
Tucson, AZ	$4,053
Fort Worth, TX	$3,845
Austin, TX	$3,621
Phoenix, AZ	$3,080
Lincoln, NE	$2,628
Albuquerque, NM	$1,399
Oklahoma City	$1,200
Kansas City, MO	$750
Salt Lake City, UT	$429

*Some residential fees are based square footage.

A 3,000 square foot home is assumed.

#For Cities with multiple Service Areas, highest fee is used.

As the table below indicates, for comparable cities that assess a transportation impact fee, the transportation impact fee for 1,000 square feet of commercial (retail) space is also among the bottom 50 percent, at $2,650 per 1,000 square feet. This is $5,542 lower than the highest fee in Tucson, AZ.

Community	Commercial # (per 1,000 sq ft)
Tucson, AZ	$8,192
Austin, TX	$4,847
Lincoln, NE	$3,850
Phoenix, AZ	$3,758
Fort Worth, TX	$2,777
Oklahoma City	$2,650
Salt Lake City, UT	$1,955
Kansas City, MO	$1,464
Albuquerque, NM	$1,409

#For Cities with multiple Service Areas, highest fee is used.

Development Impact Fee Methodology

Our review of the Oklahoma City's streets impact fee program indicates that it generally reflects current best practices as it relates to methodology and implementation. We also find actual fee amounts to be extremely reasonable and fall generally in the lower 50 percent of transportation impact fees nationally. The methodology acknowledges that that travel demand characteristics are different depending on where you live (e.g., downtown core versus the more rural areas of the City). The methodology utilizes vehicle miles of travel as the indicator of demand. In our opinion, this is a far better demand indicator than average daily vehicle trips. Finally, the residential fee schedule is based on size of unit, which results in better proportionality, as well as assists with housing equity and affordability.

As part of our review, TischlerBise has identified a number of opportunities for consideration in future streets impact fee revisions. For example, the overwhelming majority of impact fees are backed by a detailed , written technical study that outlines and documents the methodology, all assumptions utilized, and relevant demand indicators (e.g., persons per household, vehicle trip generation assumptions, etc.). We recommend Oklahoma City complete this technical study, which should also articulate how the methodology includes any applicable credits to avoid any "double payment" issues.

The City may want to compare its current nonresidential land use categories with other communities. There may be opportunities to include more specific nonresidential categories that may be beneficial from an economic development perspective. For example, the City currently combines office/institutional/lodging into one category when they may best be placed in three separate categories. Conversely, the City has three separate commercial categories (customer oriented high, medium, and low).

Another area for consideration is the number of benefit areas within the four assessment areas (Core, Infill, New Growth, and Rural). We feel there are opportunities to reduce the number of benefit areas (and associated administrative burden), while still satisfying the "benefit test" required for impact fees.

Similar to Ft. Worth, the City may want to consider allowing streets impact fee reductions in projects that that demonstrate the development will reduce trip generation below what is normal. The City could establish criteria for density, mix of land uses, connectivity, and availability of alternative modes of transportation. All of these factors contribute to lower vehicle trip generation rates as a result of internal trip capture and reduced automobile usage.

Finally, and as discussed above, credits for developer-supported capital improvements that would be funded by street impact fees and discounts for fee rates have already been provided in Oklahoma City's development impact fee program. The City could consider providing additional discounts, such as those other cities utilize, to incent certain types of development or as an economic development tool. As this is not a standard provision of development impact fees, this policy decision should consider how to replace impact fee funds lost by providing such discounts and whether other types of economic development programs and incentives meet the purpose of this intent. It should be noted that such discounts were considered previous to the adoption of the current impact fee ordinance. The City chose at that time to avoid the complexities involved and instead continue to utilize the more direct economic development tools already in place.