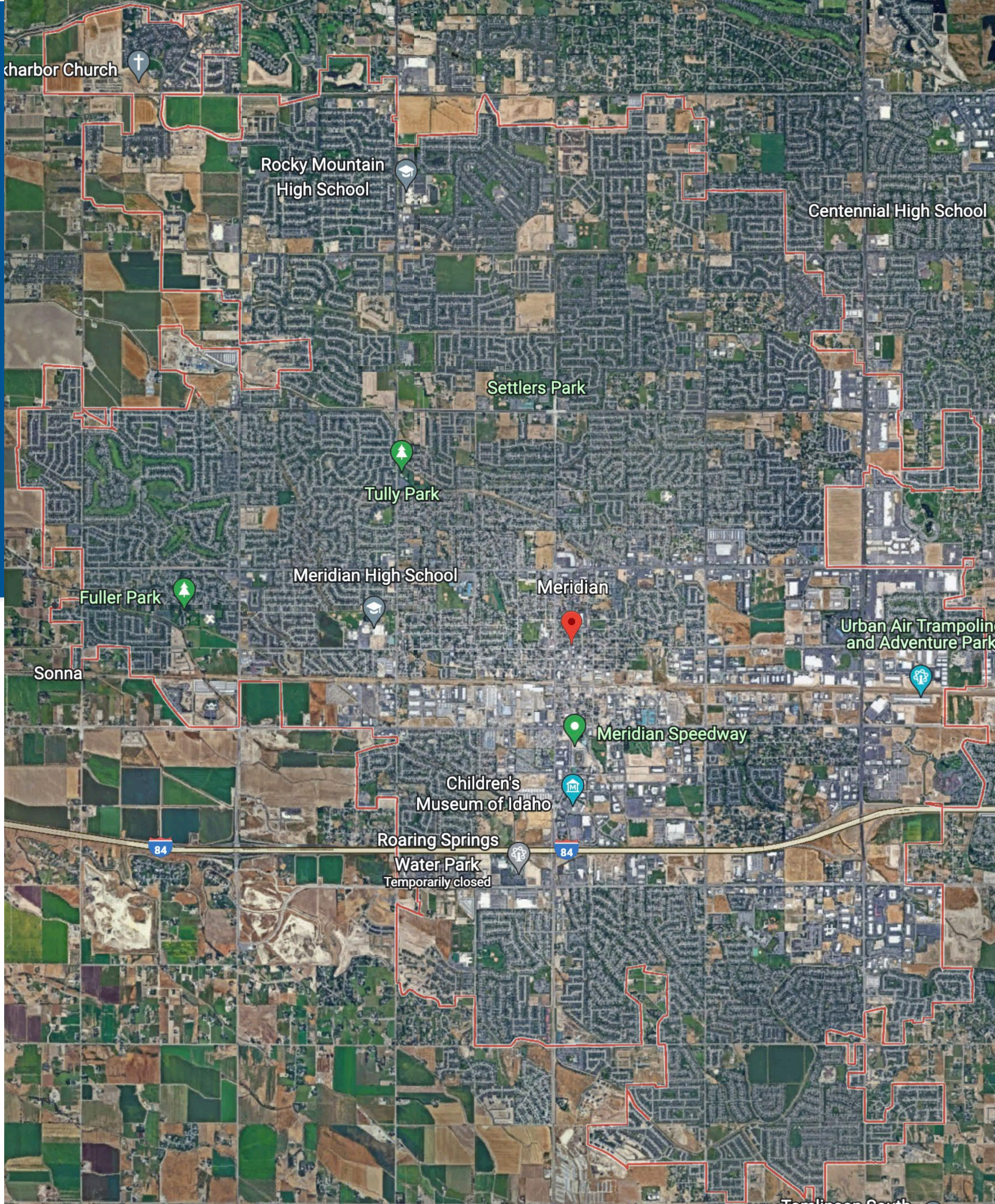
City of Meridian ID

Impact Fee Work Session

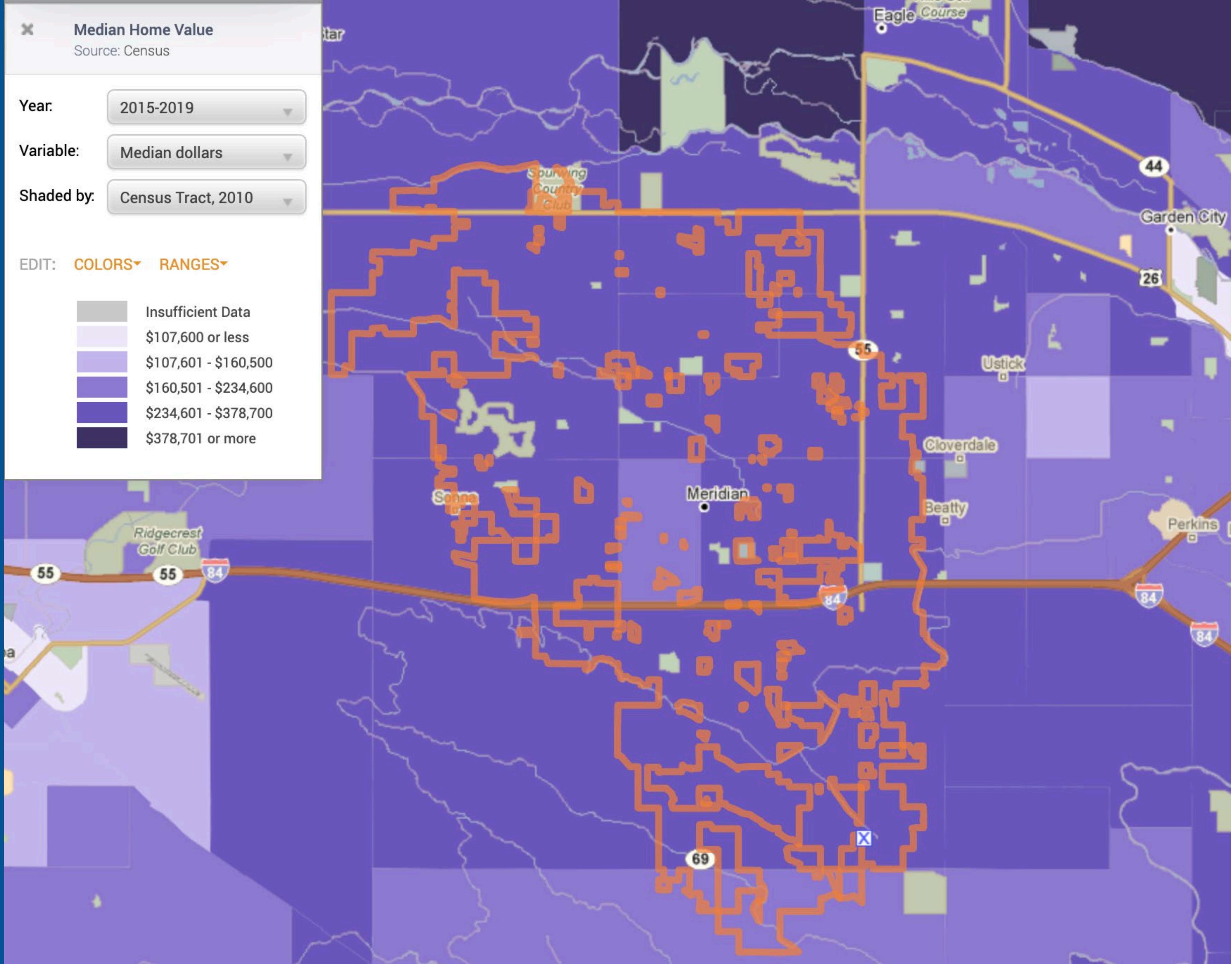
May 3, 2022



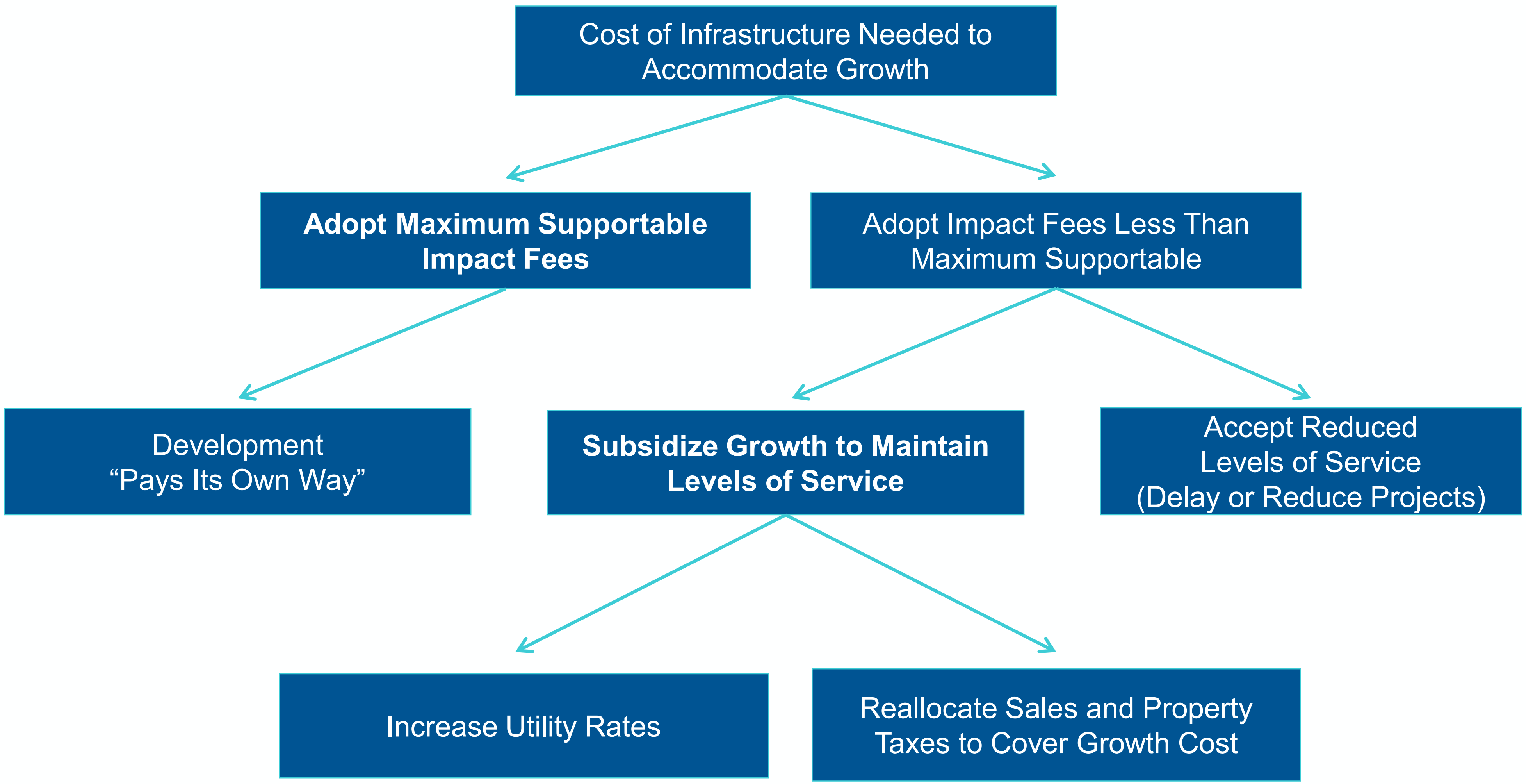
DP Guthrie LLC

Overview

- Decision Tree
- Revenue Strategy Trade-offs
- Impact Fee Fundamentals
  - Concepts and Terms
  - Methods
  - Why local governments choose impact fees
- Legal Requirements
  - General principles
  - Idaho Development Impact Fees Act
- Discussion / Q&A



Decision Tree for Growth Cost Policy



Revenue Strategy Trade-offs

STRONGER | **SMALLER**

Nexus with Demand for Public Facilities

Revenue Base Bearing Cost of Public Facilities

WEAKER | **LARGER**

- **Special Assessments**
- **Impact Fees**
- **Improvement Districts**
- **Utility Rates**
- **Property Tax**
- **Sales Tax**

State	County	Jurisdiction	Updated		Total	Non-Util	Roads	Water	Sewer	Drain	Parks	Library	Fire	Police	GenGov	Schools	Other
					Single-Family Unit (3-BR, 2,000 sf, on 10,000 sq. ft. lot at density of 4 UPA and value of $200,000)												
ID	Ada	Boise	2/10/19		$5,077	$5,077	$3,073				$1,248		$517	$239			
ID	Kootenai	Post Falls	2/10/19		$11,539	$2,972	$1,037	$3,432	$5,135		$1,562			$373			

Source: National Impact Fee Survey, Duncan Associates, 2019.

Why cities choose impact fees to fund growth-related infrastructure

- Maintains level of service for residents and businesses
- Minimizes need for broad-based revenues
  (e.g. user charges or general taxes)
- Current residents do not want to subsidize growth
- Predictable funding for system improvements shared by all new development

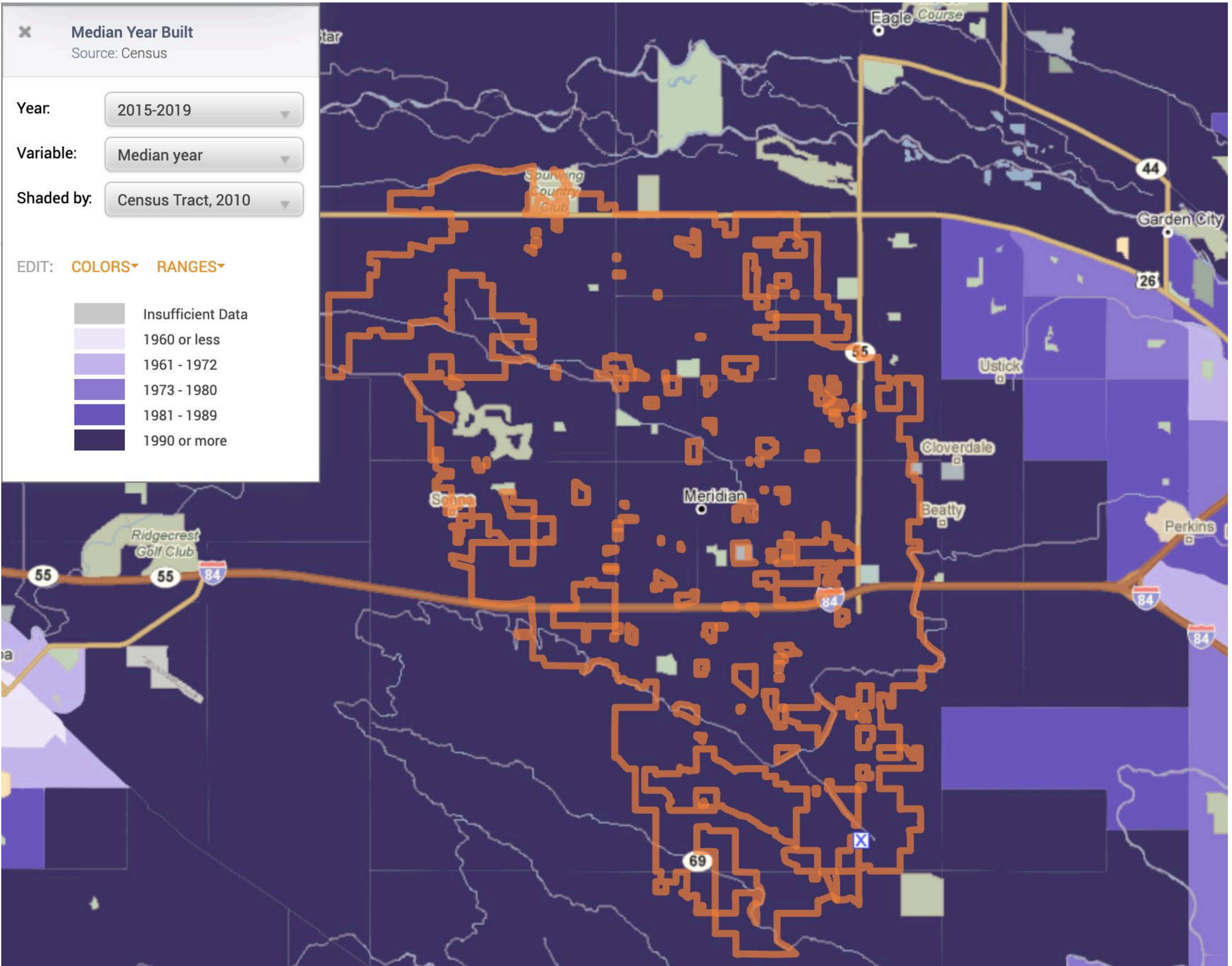
Examples from North Front Range in CO

Comparable Communities	Median Home Price*	Streets, Parks, Fire, Police, and Schools	Water	Sewer	Storm-water	Grand Total	Pct of Price
Timnath	$535,000	$8,931	$11,304	$12,000	$560	$32,795	6.1%
Windsor	$456,000	$10,235	$9,400	$4,400	$882	$24,917	5.5%
Fort Collins	$448,000	$17,578	$8,790	$7,710	$2,286	$36,364	8.1%
Berthoud	$431,000	$10,225	$6,330	$5,500	$3,192	$25,247	5.9%
Johnstown	$394,000	$9,917	$6,437	$5,280		$21,634	5.5%
Loveland	$389,000	$16,666	$8,000	$8,630	$569	$33,865	8.7%
Severance	$366,000	$6,638	$12,200	$6,500	$1,000	$26,338	7.2%
Greeley - Current	**$340,000**	**$11,267**	**$10,500**	**$6,000**	**$402**	**$28,169**	**8.3%**
Evans	$307,000	$10,740	$14,231	$5,535	$734	$31,240	10.2%
Average =>	$407,333	$11,355	$9,688	$6,839	$1,203	$28,952	7.3%

Example from Meridian ID

Citywide Service Area	*Park and Recreation Facilities*	*Police Facilities*	*Fire Facilities*	*Proposed Total (2019)*	*Existing Total (2013)*	*Increase or Decrease*	*% Change*
Residential (per housing unit) by Square Feet of Climate-Controlled Floor Area							
1000 or less	$781	$56	$258	$1,095	$2,017	($922)	-46%
1001 to 1500	$1,361	$98	$450	$1,909	$2,017	($108)	-5%
1501 to 2500	$1,770	$128	$585	$2,483	$2,017	$466	23%
2501 to 3200	$2,098	$152	$693	$2,943	$2,017	$926	46%
3201 or more	$2,447	$177	$809	$3,433	$2,017	$1,416	70%
Nonresidential (per square foot of building)							
Commercial	$0.00	$0.24	$0.64	$0.88	$0.47	$0.41	87%
All Other	$0.00	$0.05	$0.41	$0.46	$0.47	($0.01)	-2%

Development Impact Fee (DIF) Fundamentals

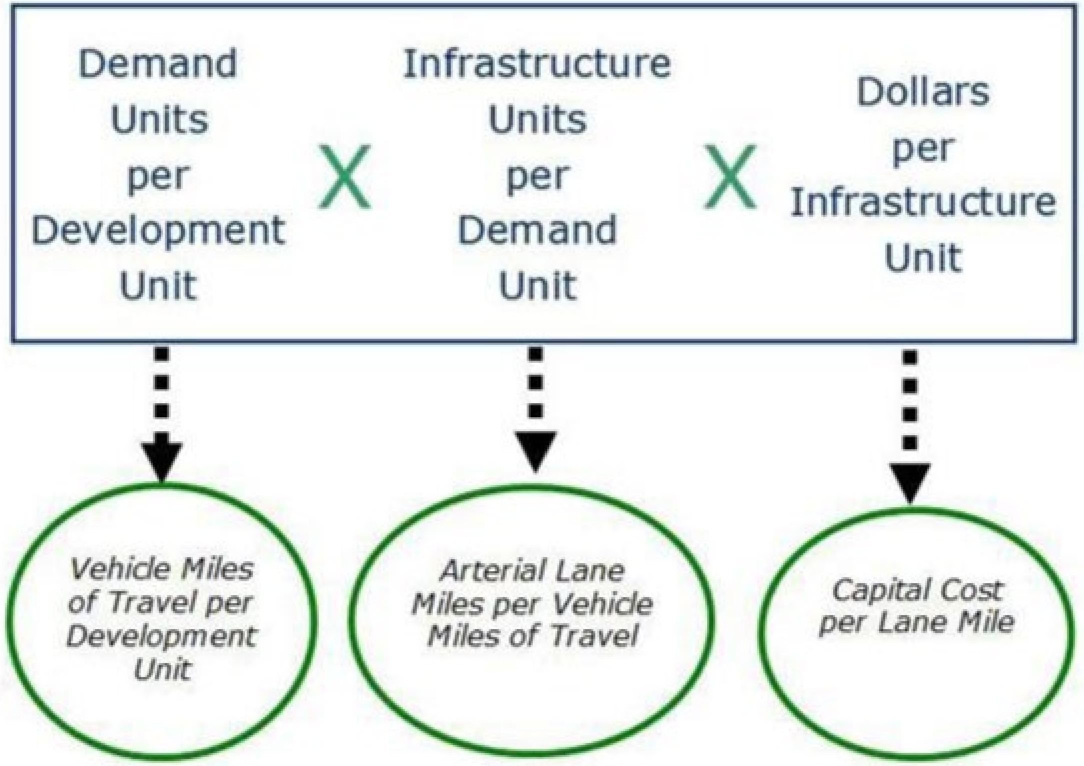


- Impact fees fund the growth share of public facilities needed to serve new development
- One-time fees are typically collected prior to development and passed along to end users
- Can't be used for operations, maintenance, or replacement

Impact Fee Methods and Credits

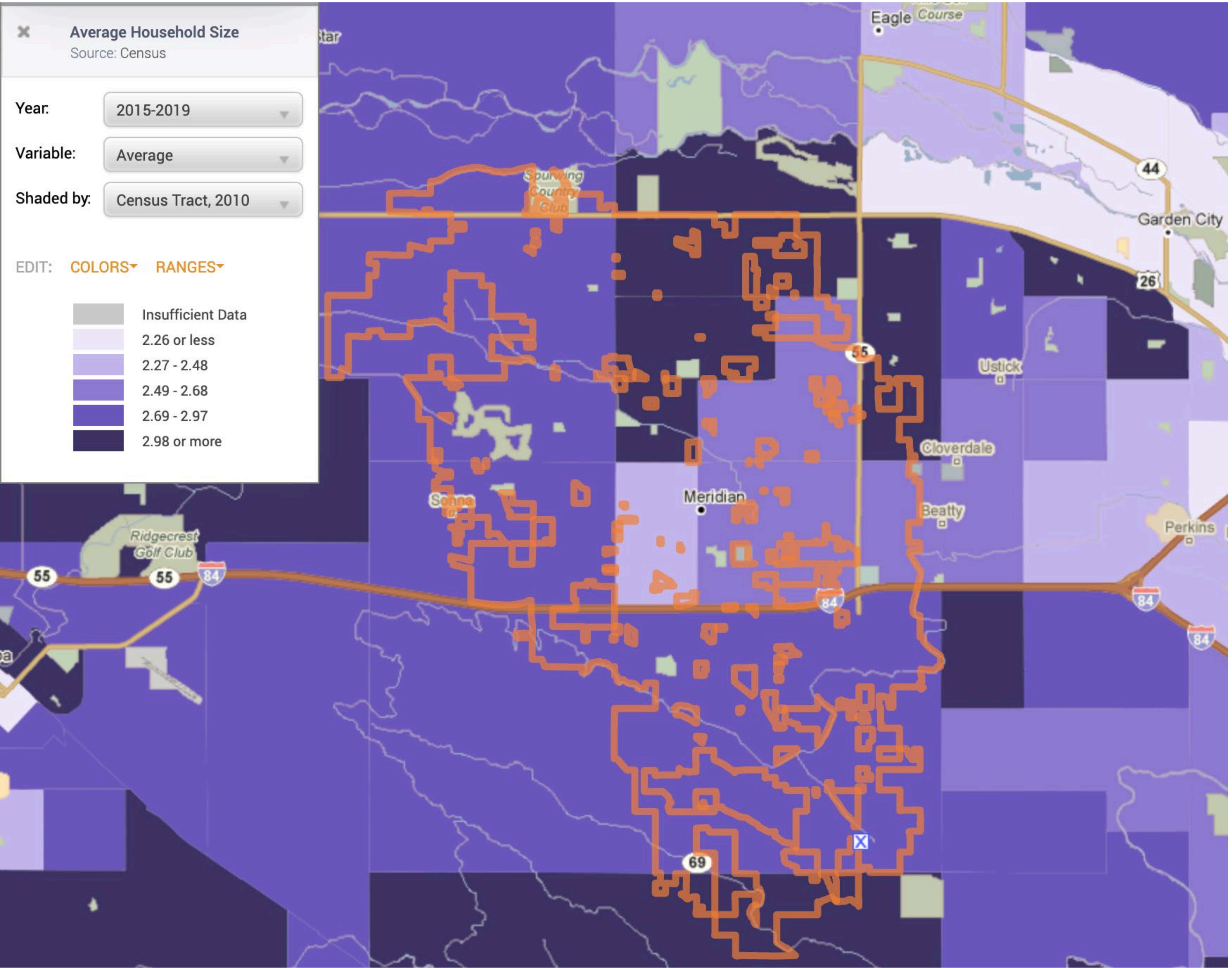
- **Cost Recovery Method (past)**
  - Oversized and unique facilities
  - Debt service
- **Incremental Expansion Method (present)**
  - Generic formula-based approach
  - Document level-of-service with both quantitative and qualitative measures
- **Plan-Based Method (future)**
  - Specific public facilities
  - Usually requires non-impact fee funding
- **Evaluate Credits**
  - Revenue credits for grants, dedicated funding, or taxes (policy decision)
  - Development agreements may require site-specific credits or reimbursements to developers

Conceptual Impact Fee Formula



Source: Guthrie and Bise, 2015. *Next-Generation Transportation Impact Fees*, Planning Advisory Service Memo, American Planning Association.

Legal Requirements

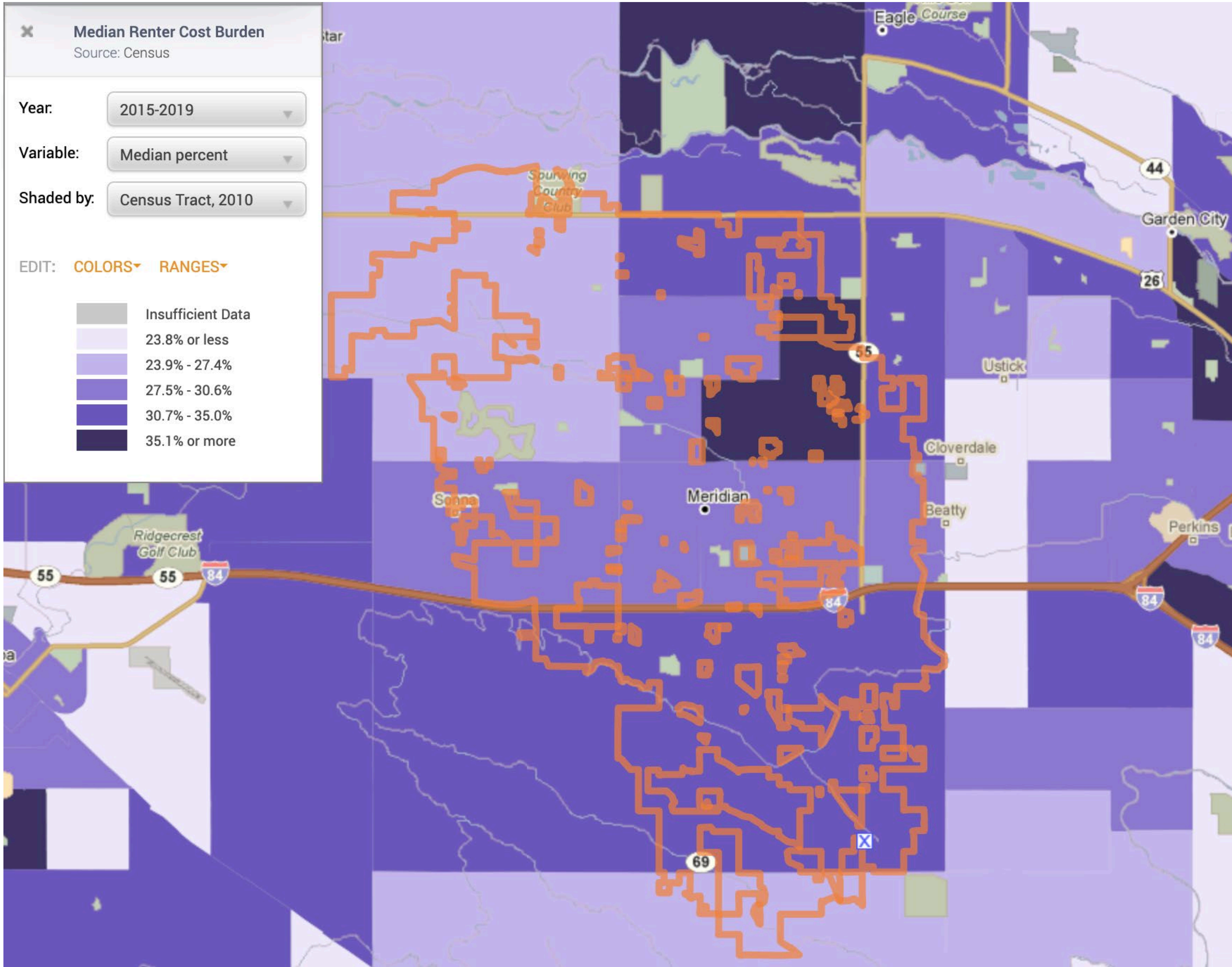


- Impact fees are <u>not</u> a tax (purpose is to provide facilities not raise revenue)
- Fees are based on police power (health, safety and welfare)
- Three legal requirements (rational nexus)
  - Need (system not project-level improvements)
  - Benefit (short range infrastructure)
  - Proportionate
- Idaho Development Impact Fee Act

Idaho Public Facilities Definition

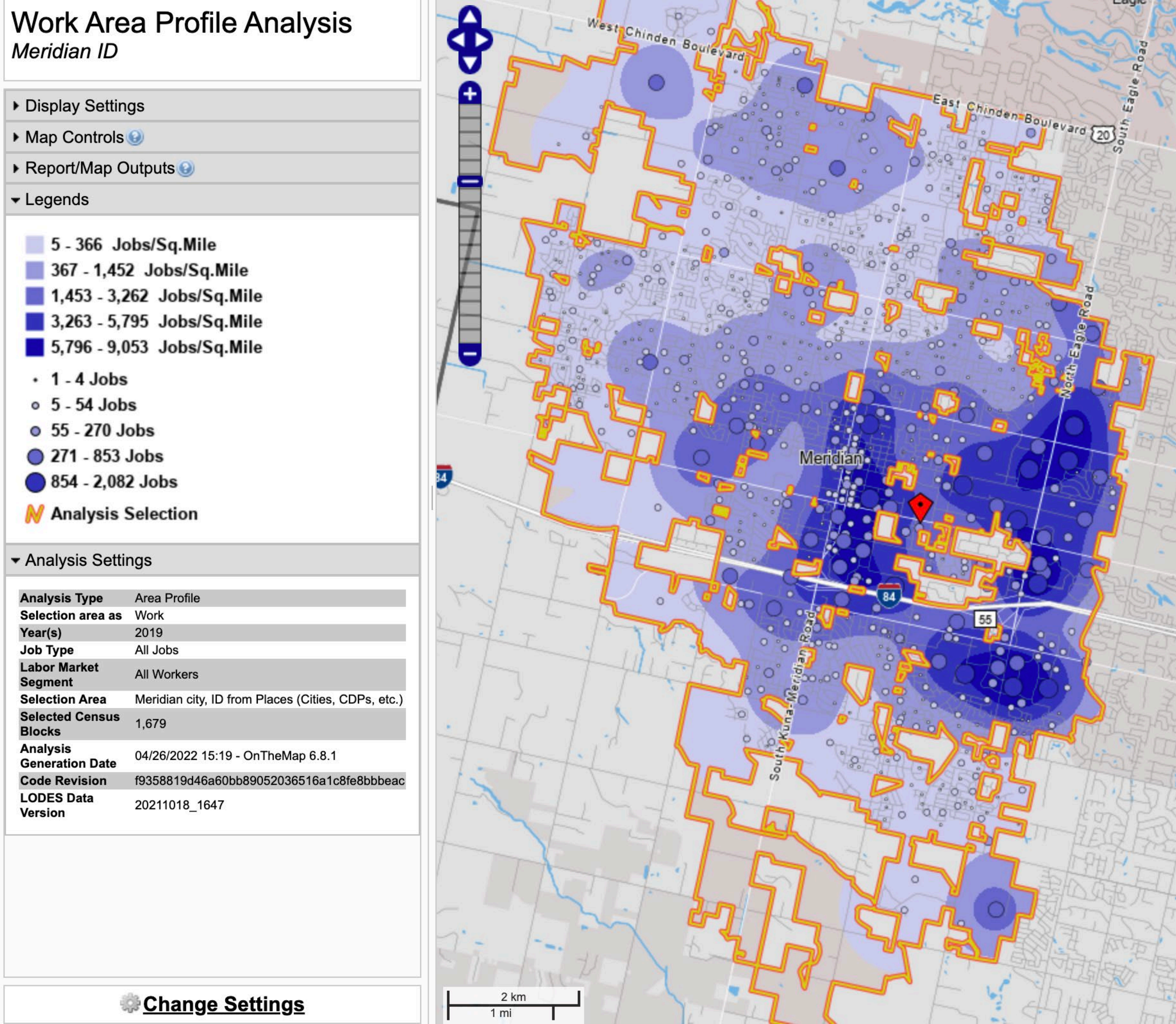
- Fees limited to the following types:
  - Water
  - Wastewater
  - Roads
  - Stormwater
  - Parks / Recreation / Open Space
  - Public Safety
- Useful life of ten years or more

Excludes schools



Idaho Impact Fee Process

- Establish a DIF Advisory Committee
- Adopt Land Use Assumptions (LUA) and CIP
- Adopt DIF ordinance
- Set up implementation mechanisms
  - Annual Report on collections and expenditures
  - Spend fees within 8 years or refund money (20 years if sewer or stormwater)



Analysis Type	Area Profile
Selection area as	Work
Year(s)	2019
Job Type	All Jobs
Labor Market Segment	All Workers
Selection Area	Meridian city, ID from Places (Cities, CDPs, etc.)
Selected Census Blocks	1,679
Analysis Generation Date	04/26/2022 15:19 - OnTheMap 6.8.1
Code Revision	f9358819d46a60bb89052036516a1c8fe8bbbeac
LODES Data Version	20211018_1647

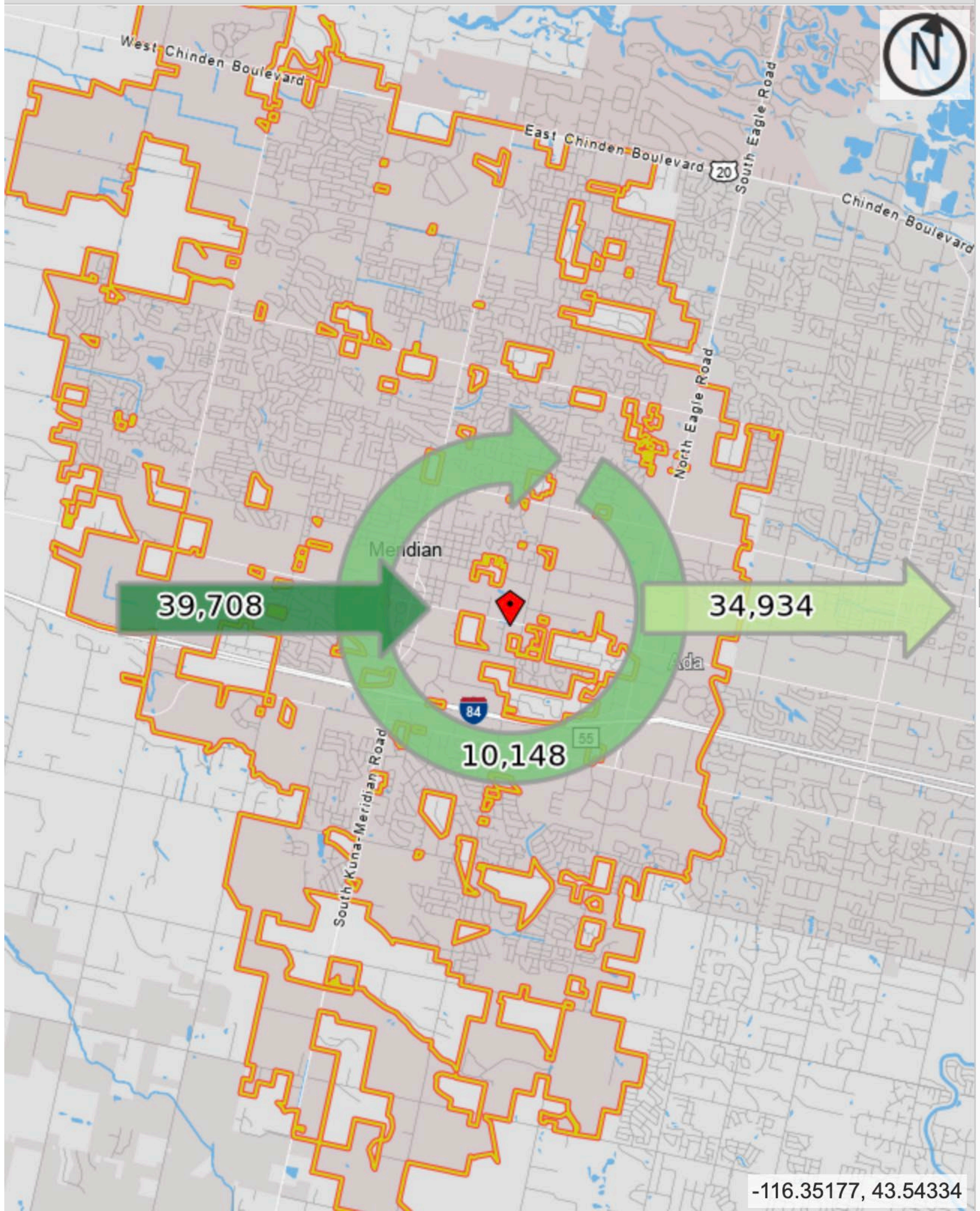
Source: OnTheMap U.S. Census Bureau 2020

Idaho Impact Fee Requirements

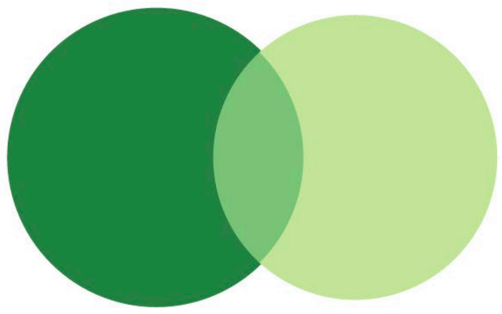
- Actual costs or reasonable estimates
- Same infrastructure standards for existing and new development
- Evaluate credits (e.g., debt service and site specific)
- Determine service areas
- Reasonable and fair formula to establish proportionate share
- Schedule of fees for residential, commercial, agricultural and industrial

Idaho CIP Procedures

- Consult with the DIF Advisory Committee
- Adopt Capital Improvements Plan (CIP)
- Update CIP at least once every 5 years



Inflow/Outflow Job Counts in 2019



- 39,708 - Employed in Selection Area, Live Outside
- 34,934 - Live in Selection Area, Employed Outside
- 10,148 - Employed and Live in Selection Area

Inflow/Outflow Job Counts (All Jobs)

	2019	
	Count	**Share**
Employed in the Selection Area	49,856	100.0%
Employed in the Selection Area but Living Outside	39,708	79.6%
Employed and Living in the Selection Area	10,148	20.4%
Living in the Selection Area	45,082	100.0%
Living in the Selection Area but Employed Outside	34,934	77.5%
Living and Employed in the Selection Area	10,148	22.5%

Reset Highlighting

Source: OnTheMap U.S. Census Bureau 2020

Idaho Capital Improvements Plan

- Document land use assumptions
- Identify service units attributable to new development
- Describe existing public facilities and deficiencies
- Analyze total capacity, current, and committed use
- Project demand for improvements (up to 20 years)
- Describe system improvements and their costs
- Schedule construction of system improvements
- Identify all sources and levels of funding

Expectations Regarding Collaboration

- Engage with critical thinking
  - Identify and prioritize improvements
  - Realistic capital costs and growth shares
  - Tailor fees and policies to Meridian
- Build consensus
  - Engage stakeholders
  - Work sessions with elected officials
  - Management team
    - Ensure collaboration between Departments
    - Monitor cumulative fees relative to comparable communities

Supporting Documentation for All Fees

- Service areas (citywide or sub-areas)
  - › Average annual development units over past 3-5 years
- Service and development units (current and projected over ten years)
  - › Service units
    - – Population
    - – Jobs (place of work employment)
  - › Development units
    - – Housing units
    - – Nonresidential floor area
- Revenue credits (avoid potential double payments)
  - › Annual principal payments and primary revenue source
  - › Deduct grants
  - › Dedicated revenue
  - › Current impact fee fund balances

Data Request for Each Impact Fee

- What infrastructure do you currently have?
  - Brief description
  - Measurable units (e.g. square feet of buildings, acres of parks, lane miles, count of vehicles with useful life of 10+ years)
  - Current cost factor per infrastructure unit
- What improvements are planned for the next 5-10 years?
  - Brief description
  - Total project cost
  - Growth share to be paid by impact fees

Thank you!

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