

Impact Fees: An Effective Means to Economically Distribute Costs for Water, Wastewater, Drainage, and Street Improvements to Developers

City of Sweeny

April 16, 2024

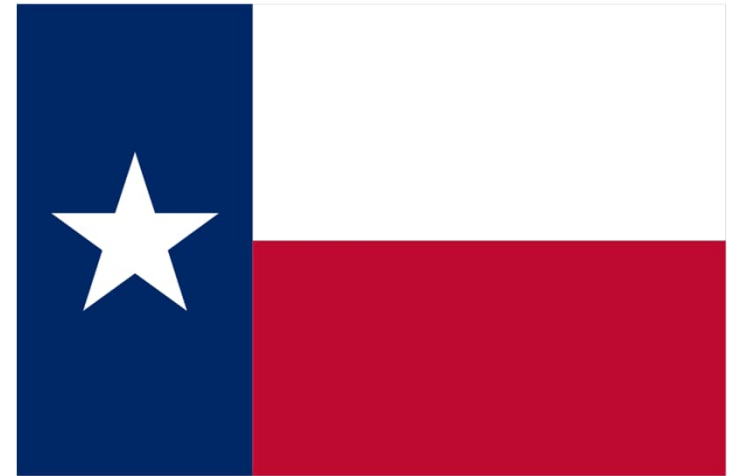


Agenda

- What is an Impact Fee? Why Adopt Impact Fees?
- Impact Fee Development Process
- Capital Improvements Advisory Committee (CIAC)
- Land Use Assumptions (LUAs) and Capital Improvement Plans (CIPs)
- Maximum Assessable Impact Fees
- CIAC Recommendation, Public Hearing, and Impact Fee Adoption
- Questions

What is an Impact Fee?

- Charge or assessment imposed by a City to generate revenue to fund or recoup costs of capital improvements or facility expansions associated with new development
- Governed by Texas Local Government Code, Chapter 395
- Can be assessed for water, wastewater, roadway, and drainage facilities and expansions thereof
- Items payable by impact fees include construction costs, survey and engineering fees, land acquisition costs, and consulting fees to prepare and update the CIPs
- Calculations consider only the portion of the CIPs attributable to new development over a period of 10 years



© sateda - vectorstock.com

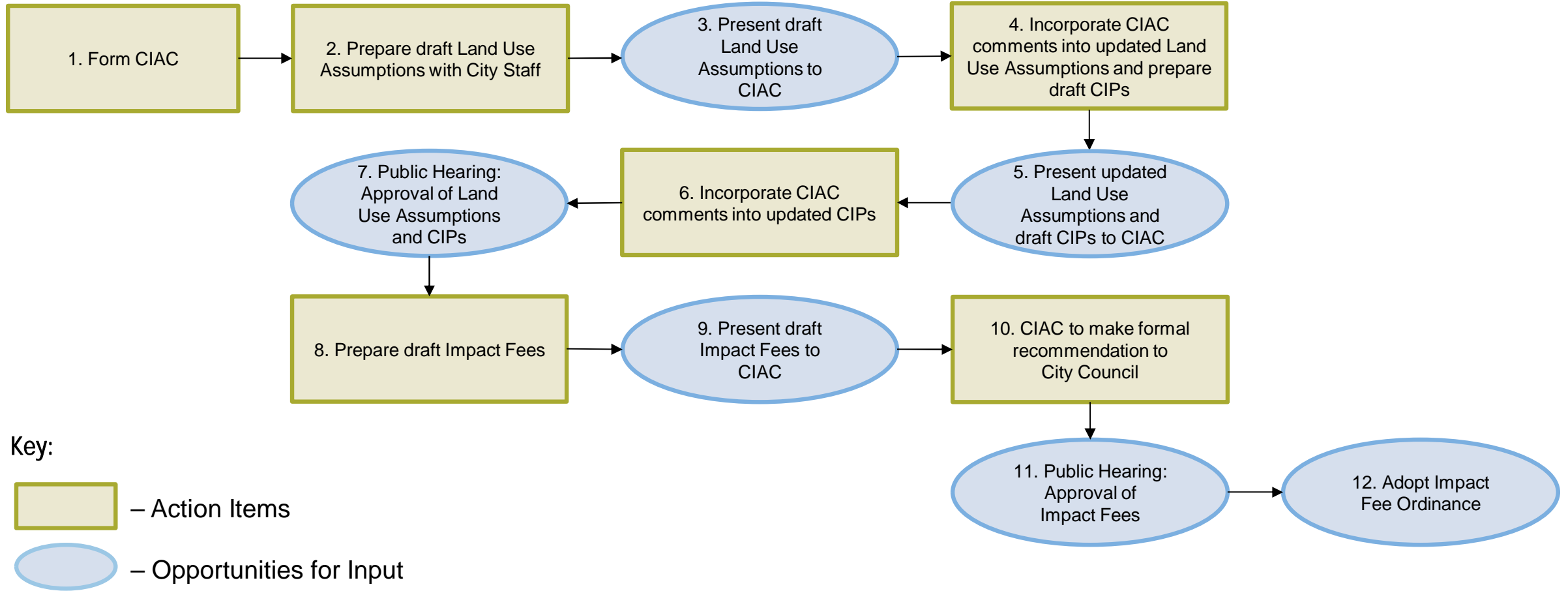
Why Adopt Impact Fees?

- Infrastructure improvements are needed to serve new development while maintaining regulatory compliance and the quality of life the existing citizens have come to appreciate
- Impact fees provide an alternative means to fund portions of costly off-site infrastructure improvements and facility expansions needed to serve new development
- Lessens the burden of increasing utility rates and taxes on existing residents and employers that are currently paying for such infrastructure improvements



Peach Street elevated storage tank

Impact Fee Development Process Provides Multiple Opportunities for Input and Comment



CIAC Responsibilities Cover Key Aspects of Process and Review Appropriate Documentation

- Recommend LUAs, CIPs, and impact fees to City Council
- Review CIPs and file written comments
- Monitor CIP implementation
- File semi-annual progress reports
- Advise City Council of the need to update or revise the LUAs, CIPs, and impact fees



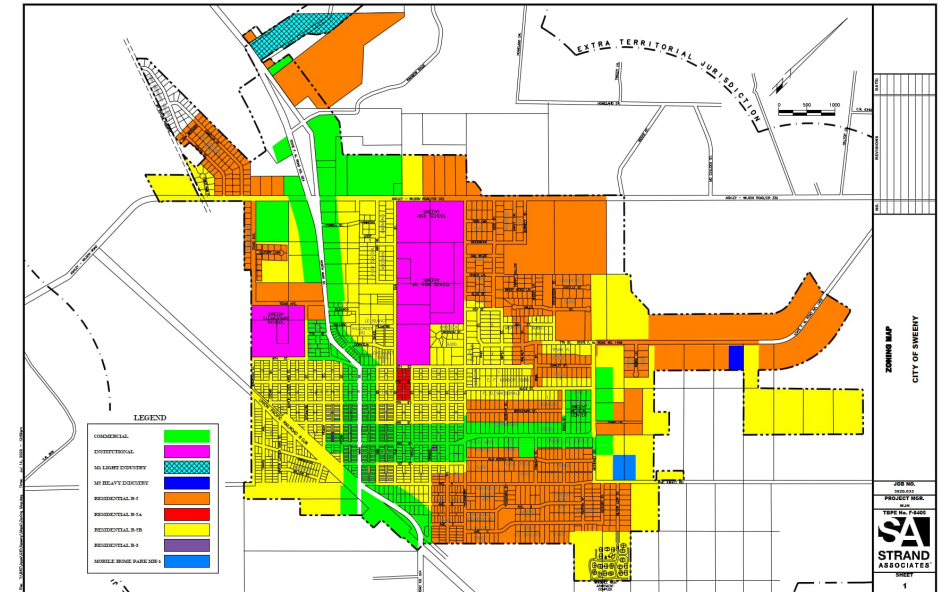
Several Requirements Affect Formation of the CIAC

- Minimum of 5 members appointed by majority vote of City Council
- Minimum of 40 percent must be representatives of real estate, development, or building industries that are not employees or officials of a City or other governmental entity
- Planning and Zoning Commission (P&Z) may act as CIAC if it includes at least 1 representative from the real estate, development, or building industries that is not an employee or official of a City or other governmental entity
- If impact fees are applied to the extraterritorial jurisdiction (ETJ), CIAC must include a representative from the ETJ



Appropriate Development of LUAs Delivers Strong Foundation for Impact Fee Process

- LUAs: description of the service area and projections of changes in land uses, densities, and population in the service area over a 10-year period
- Work with City staff throughout process
- Use of comprehensive planning builds on past work
- Integrate known and anticipated future developments
- Incorporate population trends and density projections from state planning entities and other available data
- Present draft LUAs to CIAC and incorporate feedback



City of Sweeny zoning map

Impact Fees Fund Eligible Capacity Improvements on the Adopted CIPs

- CIPs developed by the engineer based on updated LUAs
- Impact fees may only be assessed for projects listed on the final, adopted CIP
- Present updated LUAs and draft CIPs to CIAC and incorporate feedback
- Updated LUAs and CIPs are presented at a Public Hearing and adopted by the City Council following the hearing

Water CIP Projects			Connections Served By Project				Opinion of Probable Costs		
ID	Name	Year	Ultimate	Existing	10-Year	10-Year (%)	Total Costs (2023 Dollars)	10-Year Costs (2023 Dollars)	10-Year Costs (Escalated)
WT1	SWTP Improvements	2023	12,322	10,283	2,039	16.5%	\$ 24,300,000	\$ 4,021,076	\$ 4,021,076
WT2	Loesch Street Water Plant	2023	1,505	0	1,505	100.0%	\$ 11,700,000	\$ 11,700,000	\$ 11,700,000
WT3	Westside Water Plant	2031	1,505	0	1,326	88.1%	\$ 12,700,000	\$ 11,189,502	\$ 15,616,875
WS1	Hwy 36 South EST	2025	1,955	0	1,955	100.0%	\$ 3,036,000	\$ 3,036,000	\$ 3,348,768
WS2	Gun and Rod Road EST	2030	1,955	0	1,298	66.4%	\$ 3,036,000	\$ 2,015,718	\$ 2,705,078
WM1	Hwy 36 South WM	2025	195	0	116	59.5%	\$ 741,250	\$ 440,949	\$ 486,375
WM2	Old Masonic Road WM	2026	375	100	162	43.2%	\$ 1,289,900	\$ 557,237	\$ 639,229
WM3	Dixie Road WM	2027	1,255	0	885	70.5%	\$ 805,000	\$ 567,669	\$ 677,244
WM4	Mustang Road WM	2028	306	0	192	62.7%	\$ 378,900	\$ 237,741	\$ 294,977
WM5	FM 2935 WM	2028	683	0	683	100.0%	\$ 1,366,450	\$ 1,367,010	\$ 1,696,114
WM6	Hwy 290 West WM	2029	105	10	53	50.5%	\$ 496,700	\$ 250,715	\$ 323,517
WM7	FM 332 WM	2029	23	0	12	52.2%	\$ 1,287,800	\$ 671,896	\$ 866,999
WM8	Hwy 290 East WM, P1	2030	45	0	25	55.0%	\$ 847,250	\$ 465,988	\$ 625,352
WM9	Hwy 105 WM	2031	79	30	27	34.2%	\$ 1,006,200	\$ 343,891	\$ 479,959
WM10	Small Area Plan WM	2032	806	0	443	55.0%	\$ 1,576,250	\$ 866,351	\$ 1,257,507
WM11	Hwy 290 East WM, P2	2032	19	0	5	26.3%	\$ 857,400	\$ 225,632	\$ 327,504
Study	Study	2023	1	0	1	100.0%	\$ 65,000	\$ 65,000	\$ 65,000
							\$ 65,490,100	\$ 38,022,374	\$ 45,131,575

Example of Adopted CIP

Chapter 395 Allows Credit to be Awarded to Developers Using Two Different Methods, Revenue Credit and 50 Percent Credit

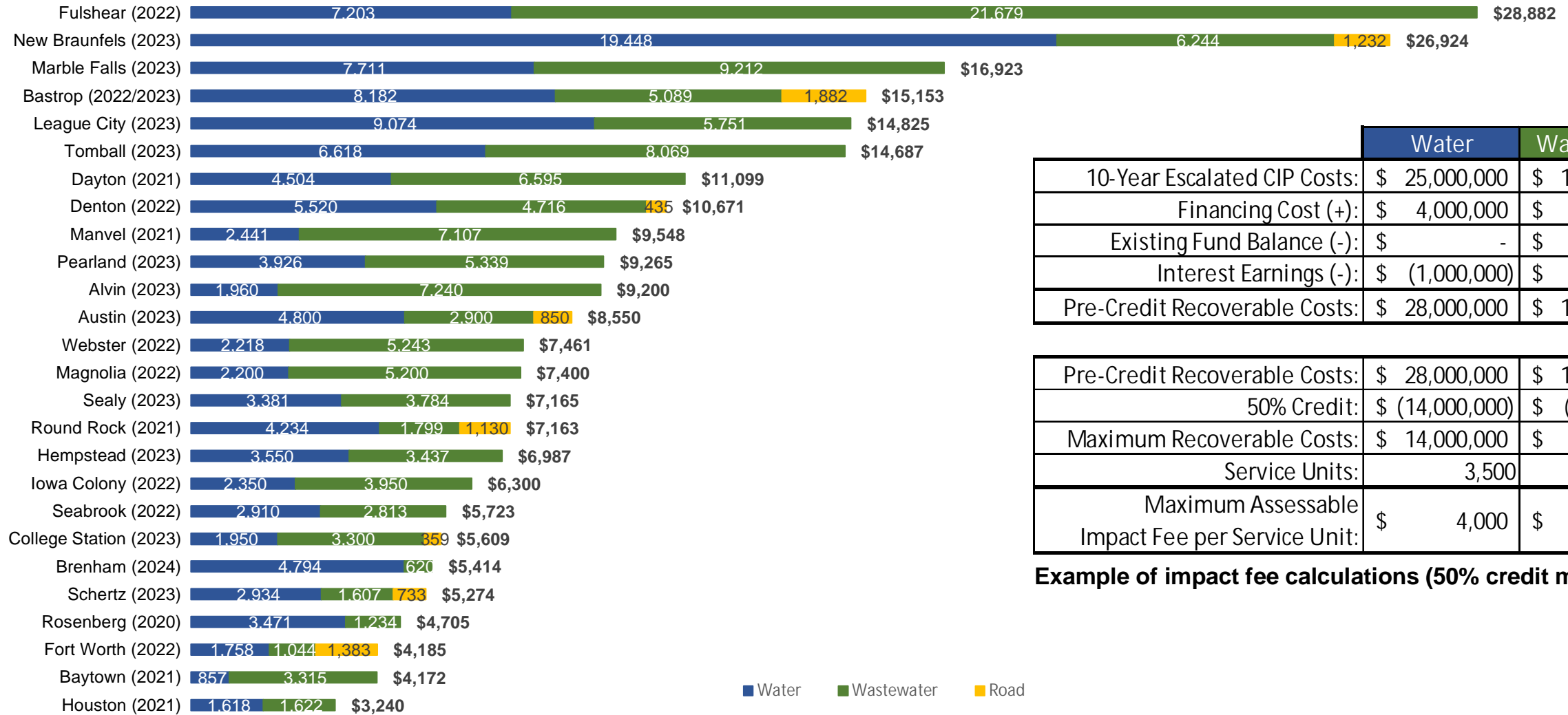
- CIP costs, financing costs, existing fund balances, and interest earnings are considered in calculating pre-credit recoverable costs
- Revenue credit method awards credit for portion of ad valorem taxes and utility service revenues generated by new service units
- 50 percent credit method assumes a credit equal to 50 percent of the total projected cost
- Maximum assessable impact fees are calculated by dividing maximum recoverable costs by the new service units added

	Water	Wastewater
10-Year Escalated CIP Costs:	\$ 25,000,000	\$ 15,000,000
Financing Cost (+):	\$ 4,000,000	\$ 3,000,000
Existing Fund Balance (-):	\$ -	\$ -
Interest Earnings (-):	\$ (1,000,000)	\$ (500,000)
Pre-Credit Recoverable Costs:	\$ 28,000,000	\$ 17,500,000

Pre-Credit Recoverable Costs:	\$ 28,000,000	\$ 17,500,000
50% Credit:	\$ (14,000,000)	\$ (8,750,000)
Maximum Recoverable Costs:	\$ 14,000,000	\$ 8,750,000
Service Units:	3,500	3,500
Maximum Assessable Impact Fee per Service Unit:	\$ 4,000	\$ 2,500

Example of impact fee calculations (50% credit method)

Impact Fee Marketability is Supported by Review of Impact Fees Recently Adopted by Neighboring Communities



	Water	Wastewater
10-Year Escalated CIP Costs:	\$ 25,000,000	\$ 15,000,000
Financing Cost (+):	\$ 4,000,000	\$ 3,000,000
Existing Fund Balance (-):	\$ -	\$ -
Interest Earnings (-):	\$ (1,000,000)	\$ (500,000)
Pre-Credit Recoverable Costs:	\$ 28,000,000	\$ 17,500,000

Pre-Credit Recoverable Costs:	\$ 28,000,000	\$ 17,500,000
50% Credit:	\$ (14,000,000)	\$ (8,750,000)
Maximum Recoverable Costs:	\$ 14,000,000	\$ 8,750,000
Service Units:	3,500	3,500
Maximum Assessable Impact Fee per Service Unit:	\$ 4,000	\$ 2,500

Example of impact fee calculations (50% credit method)

CIAC Recommendation Improves Confidence in Impact Fee Study

- CIAC provides a formal recommendation to adopt the LUAs, CIPs, and maximum impact fees per service unit
- CIAC recommendation may also include setting reduced impact fee amounts to encourage continued growth
- Public Hearing to consider impact fees is held, after which the City Council may adopt an impact fee ordinance
- Impact fees are commonly assessed at the time a plat is recorded and collected when a building permit is issued
- Impact fees cannot be collected on any building permits issued within 1-year of the ordinance adoption, if the development was platted prior to the ordinance adoption
- Development moratorium cannot be enacted to delay development while impact study is being performed



© WK Stock Photo – stock.adobe.com

Questions?



© ma_rish – vectorstock.com