General Fund Impact Fee Revisions — Background and History

City Council

Salt Lake City Corporation

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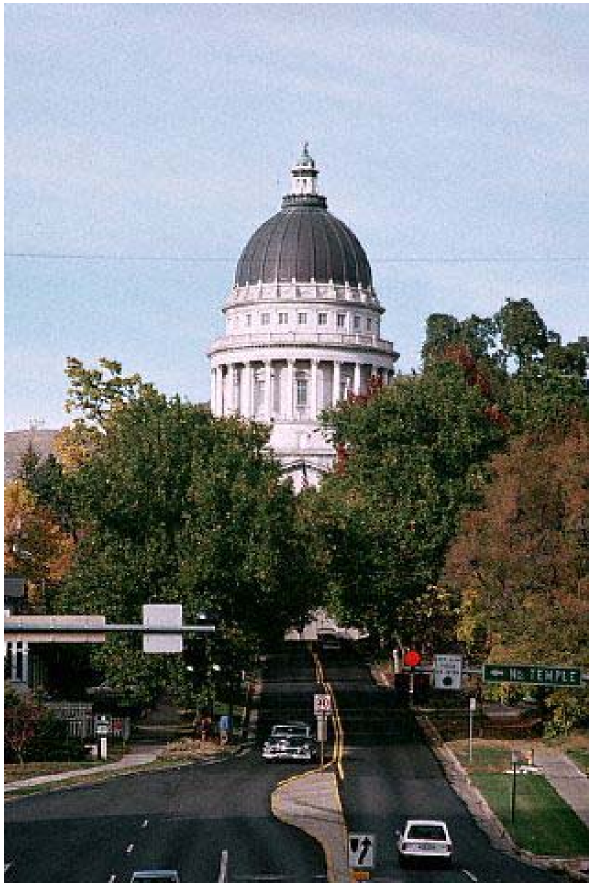
Presentation Goal



"Provide City Council with background and history on General Fund Impact Fees in advance of considering revisions to the fee schedule."

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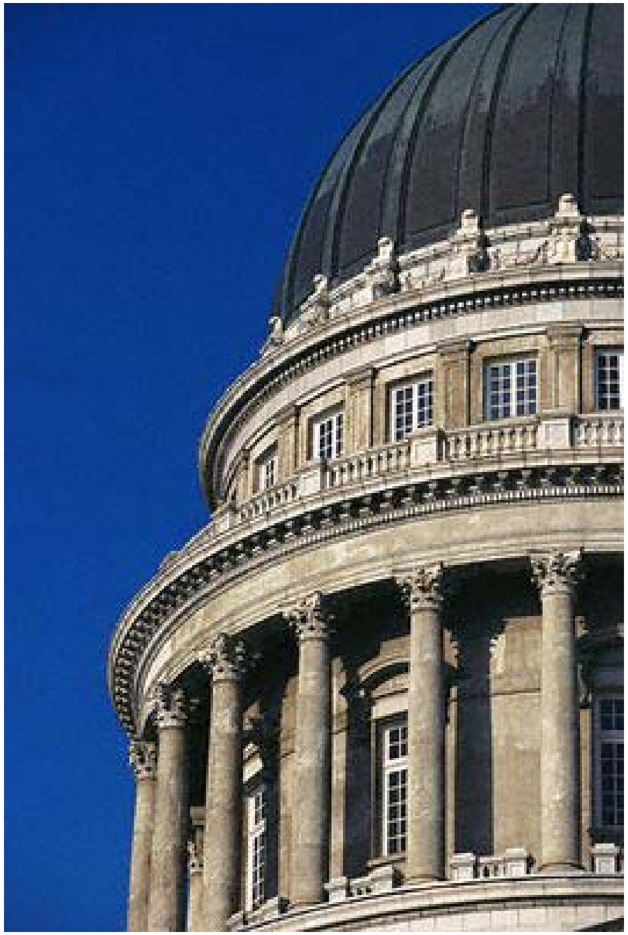
Presentation Agenda

- Definition of Impact Fees
- Current Fee Schedule
- Current Fee Comparison
- Legislative History
- Next Steps
- Important Dates
- Questions and Answers

Definition of Impact Fees



"monies collected formally through a <u>set schedule</u>, or formula, spelled out in a local ordinance. Impact fees are levied only against <u>new development</u> projects as a condition of permit approval to <u>support infrastructure</u> needed to serve the proposed development. They are calculated to cover a <u>proportionate share</u> of the capital cost for that infrastructure."

– International City Management Association

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1999 Fee Schedule

Description	Infill Development	Nortwest Quadrant Development
Public Saftey — Fire Fees		
Residential (per dwelling unit)	$235.00	$235.00
Commerical/Industrial (per square foot)	$0.14	$0.14
Public Saftey — Police Fees		
Residential (per dwelling unit)(1)	$210.00	$210.00
Commerical/Industrial (per square foot)(1)	$0.13	$0.13
Roadway Fees		
Residential (per single family dwelling unit)	$0.00	$1,710.00
Residential (per multifamily dwelling unit)	$0.00	$1,195.00
Retail (per square foot)	$0.69	$6.49
Office (per square foot)	$0.69	$2.56
Industrial (per square foot)	$0.69	$0.00
Parks Fees		
Residential (per dwelling unit)	$445.00	$950.00
Commerical/Industrial (per square foot)	$0.00	$0.00
Total Fees		
Residential (per single family dwelling unit)	$890.00	$3,105.00
Residential (per multifamily dwelling unit)	$890.00	$2,590.00
Retail (per square foot)	$0.96	$6.76
Office (per square foot)	$0.96	$2.83
Industrial (per square foot)	$0.96	$0.27

(1) Residential units are specified by single family and multifamily; commercial development is specified by retail, office and industrial.

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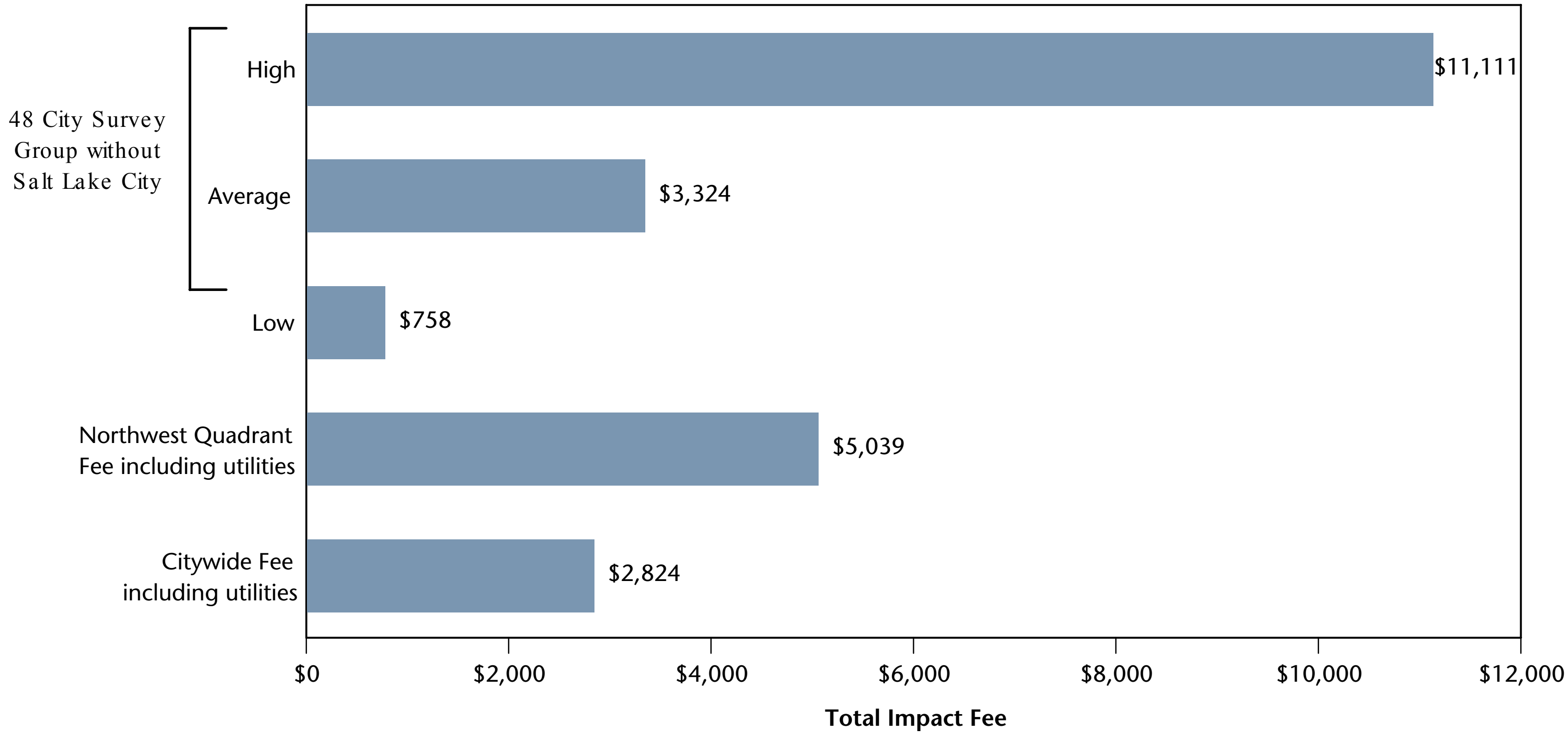
1999 Fee Comparison



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Legislative History

- The City Council considered the potential use of impact fees throughout the late 1990s. As a body, they began to seriously consider the use of impact fees in the spring of 1999 as a means for addressing the City's long range capital needs (if the City utilized impact fees and other revenue sources to fund growth related capital projects, it would be able to get more mileage out of the General Fund transfer to deferred capital maintenance projects).

- The Council retained the services of Rick Giardina and BBC Research & Consulting to conduct an impact fee study, and facilitate the Council in discussions on growth policy.

- During a Council retreat on growth in July 1999, the Council generally agreed the with the statements "The City needs strict fiscal discipline, pay our own way, no anxiety about growth passing us by; bottom up, micro, and incremental approach versus incentives, annexations and condemnations." While Council Members expressed concerns about the impact that this approach might have on individual developers, they also expressed a policy-level desire to make intentional decisions about the growth of the City. The Council tentatively agreed that growth would be desirable if it was consistent with the master plan; yields a surplus to the City; balances compatible land uses; and is aesthetically pleasing and livable. Throughout the fall of 1999, the Council continued to develop its growth policy to reflect these intents.

Legislative History (continued)

- With these intents in mind, the Council agreed to consider the use of impact fees as a capital financing tool. The Council was not committed to adopting such fees at the time, but wanted to have a qualified study conducted prior to further discussion. The study was conducted in late 1999.

- The Council requested that the process include a significant amount of communication and feedback from the development community.

  1) The most outspoken opponents of the use of impact fees at that time were several smaller homebuilders in the valley. They expressed a concern that the adoption of impact fees would disable them from being able to build in SLC, and force them to build elsewhere.

  2) Other larger developers in the community indicated that they were less concerned with the adoption of impact fees than the fee level as compared to other cities in the region.

  3) Organizations that build affordable housing (NHS, Housing Authority, Gateway housing project) expressed concerns that impact fees would negatively impact their ability to produce the maximum number of units without increasing rental rates past desirable levels. They were particularly concerned about projects that were already in the design and proforma stage. They wanted to be exempt from fees.

  4) Large developers in the industrial area (e.g., the Ninigret property) expressed a belief that their development would produce a positive fiscal impact for the City, and they should therefore be exempt from the fees. The Ninigret development suggested that the Council consider exemptions for developments that involved a significant amount of environmental reclamation.

Legislative History (continued)

- Council Members took these comments seriously, They extended the consultant's scope of work to include a comprehensive survey of impact fee levels in surrounding and regional cities (the list of cities was developed by the development community). They requested that the consultant's work with Council staff to develop some options regarding the exemption of fees. They also expressed an interest in knowing the extent to which impact fees have chilled development in other areas.

- The consultant's survey of fees in the valley resulted in the following findings:

  1) The proposed impact fees for SLC, not including the NW Quadrant surcharges but including the Westside industrial district, fell below the fees charged by South Jordan, Draper, Riverton and Sandy. They were higher than fees in West Jordan, Woods Cross, North Salt Lake, St. George, Ogden, Murray, Provo, Midvale, South Salt Lake, Bountiful, and West Valley City.

  2) A statewide comparison of industrial and commercial fees was not available and the study team was unable to conduct such a survey in the timeframe already established by the Council. Other cities break their fees down by specific land use, which was difficult to compare to the fees being considered by the Council.

Legislative History (continued)

- The consultant's survey of fees in the valley resulted in the following findings: (continued)

  3) The Council was aware that some cities in this survey (most notably West Valley City) had made a policy decision to adopt fees at a level much lower than the maximum allowable. The consultant's encourages the Council to consider at what level (up to the maximum allowable fee) impact fees should be assessed. Possible considerations with respect to this decision might include:

     - The extent to which growth should "pay for itself" or the capital it requires,
     - The extent to which existing residents should subsidize the capital improvements necessitated by growth,
     - The extent to which impact fees might decrease the attractiveness of Salt Lake City as a desirable or financially feasible city in which to build, and
     - The extent to which, should Salt Lake City be considered less attractive to developers, the loss of development would result in a net loss of revenue (new property or sales tax revenue in excess of the cost to provide City services and infrastructure).

  4) The Council was aware that this meant that WVC had made a policy decision to expend a greater portion of General Funds on growth-related infrastructure, rather than requiring that it "pay its own way."

Legislative History (continued)

- Council Members asked about differentiating the impact among single and multi-family units. The study team indicated that, other than trip generation data relative to street fees, no definitive evidence exists within the industry on the extent to which single and multi-family developments differ in terms of their impact or reliance on services or capital infrastructure (an exception is utilities, because utility impact fees correspond to the size of the meter or connection). Second, since the size of the unit does not necessarily determine the number of occupants and therefore the exact impact, differentiating the impact between different sized apartments becomes somewhat of a subjective act, which the state legislation tried to prevent. As such, the study team indicated that they could not develop a fee analysis that would support a differential fee structure. However, as indicated above, the Council may wish to assess only a percentage of the maximum allowable impact fee, although the percentage assessed should be uniform throughout development types in order to retain the integrity of the fee methodology.

- Council Members raised concerns about the efficacy of impact fees charged to projects already receiving subsidy from the City (i.e., projects that the Council is subsidizing as the RDA and then turning around and zeroing out the subsidy with the impact fee).

Legislative History (continued)

- The consultant and Council staff prepared alternatives for the Council to consider in terms of exemptions for developments which involve affordable housing, net positive fiscal impact, and those receiving City subsidy (remediation and living wage exemptions were abandoned by the council at this point). The consultants advised the Council that any such exemptions would require that the value of the exemption be funded elsewhere in order to keep the impact fee "whole."

- The consultant reported that research conducted nationally and locally had resulted in the opinion that "impact fees in Utah correlate with the fastest growing communities (Utah Foundation 1995), and there is little evidence that the imposition of impact fees has ever been responsible for stifling development (American Planning Association 1997)"

- The Council requested that the City Attorney prepare the necessary ordinance to adopt impact fees. The council determined, based on the above research and many work sessions, that it would be most aligned with their policies about growth and intentions regarding the funding of the CIP program over time to adopt fees at their maximum allowable level. Individual council members prepared motions to address differing options about the desired status of the affordable housing, net fiscal impact, and subsidy exemptions.

Legislative History (continued)

- The development community was advised of the progress of the Council's discussion. Their outstanding concern was for projects that were already in the pipeline. To address this the Council asked that a grace period of 6 months be included in the ordinance.
- The Council adopted impact fees in December 1999. The ordinance included a sliding scale exemption for affordable housing, an exemption for net positive fiscal impact, and an exemption for projects already receiving subsidy from the city.
- The Council rescinded the latter two exemptions in 2002.

Next Steps

- Update Capital Facilities Plan
- Update Residential Growth Forecast
- Update Commercial Growth Forecasts
- Consider key implementation issues
  - Comparison of impact fee waiver polices among Utah cities
  - Economic development implications of impact fees
  - Non-impact fee options to pay for growth-related infrastructure
  - “Routinizing” the CFP update and approval process
  - Guidance on impact fee spending policies

1999 Capital Facilities Plan

Service Area	Growth	Repair & Replacement	Total
Fire	$ 6.5	$ 13.7	$ 20.2
Police	5.5	35.0	40.5
Streets	38.3	53.4	91.6
Parks and Recreation	10.3	14.4	24.7
Other Public Buildings*	1.4	19.4	20.8
Total	**$ 62.0**	**$ 135.9**	**$ 197.8**
Percent	**31%**	**69%**	**100%**

City-provided data for the 20-Year Inventory of Capital Needs.
* Includes planned fleet maintenance facility.

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1999 Residential Growth Forecast

	2000	2020	Difference: Number	Difference: Percent
Population(1)	176,731	208,040	31,309	17.7%
Households(2)				
Single Family	39,226	47,366	8,140	20.8%
Multifamily	36,848	44,495	7,647	20.8%
Total	76,074	91,861	15,787	20.8%
Square Feet(3)				
Single Family	73,548,750	88,811,706	15,262,956	20.8%
Multifamily	51,771,440	62,515,133	10,743,693	20.8%
Total	125,320,190	151,326,839	26,006,649	20.8%

(1) 2000 population and households are based on estimates provided by the Wasatch Front Regional Council (WFRC).
(2) Projected population is based on WFRC projects, with adjustment provided by the Salt Lake City Planning Division to account for development in the Northwest Quadrant. Projected households and household splits are Study team estimates.
(3) All square footage is based on household splits and median square feet per household type in the 1984 and 1992 Census Bureau American Housing Survey.

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1999 Commercial Growth Forecast

	Projected	Increase from 1999 Amount	Percent
Retail	5,634,749	2,115,080	38%
Office	30,651,851	10,489,780	34%
Industrial	71,962,794	23,469,582	33%
Subtotal Commercial	108,249,394	36,074,442	33%
Residential	151,326,839	26,006,649	17%
Total	259,576,233	62,081,091	24%

Note: Commercial projections: Planning Division estimates based on County employment projections and expected Northwest Quadrant development.

Residential figures are Study Team estimates that are based on the Census Bureau's 1984 and 1992 American Housing Survey and demographic information provided by the WFRC and the Salt Lake City Planning Department.

Important Dates

	Date
■ Draft Report Complete	End of October
■ Meeting with Development Community	November 12^{th}
■ City Council Briefing	November 16^{th}
■ Public Hearing and Adoption of Revised Capital Facilities Plan and Impact Fee Schedule	TBD

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Questions and Answers