

Impact Fee Study



City Council
October 6, 2020

CITY OF WACO

Background & Purpose

- Legislative History

- Created by Legislature in 1987 (Ch. 395 of Loc. Govt Code)
- Involvement & Support of Texas Association of Builders
- Cited as a “favorable impact fee statute” in the National Association of Home Builders 2016 ‘Impact Fee Handbook’
- Requires a plan for awarding a credit for the property tax and utility revenue generated by the development.
 - Study
 - 50% credit against the CIP implementation cost



Who Pays for Growth?



No Impact Fees:

Existing rate & tax payers build all capital facilities.



Impact Fees:

New development shares in part of this responsibility.

Impact Fees

- Fairness a fundamental component of the law
- Equitably shifts attributable capital growth costs from all tax/rate payers to the new growth
- Effective tool to fund infrastructure needed for new growth
 - accommodates growth where and when it is anticipated
- Sound growth management strategy for both City and Extra-Territorial Jurisdiction (ETJ)
 - Objective 2.06- Growth Management Chapter of Waco Comprehensive Plan 2040)

Impact Fee Study Process

- Council authorized study in December 2018
- **Completed:** Develop Land Use Assumptions and Capital Improvement Plan
- **Completed:** Impact Fee Calculations
- **Completed:** Impact Fee Policy Consideration and Recommendation
 - 7 Capital Improvement Advisory Committee (CIAC) meetings
 - 5 Development Stakeholder's meetings including Heart of Texas Builders Association and Central Texas Chapter of Associated General Contractors members
- Impact Fee Ordinance adoption schedule
 - Public Hearing today
 - 1st reading scheduled for October 20th City Council meeting
 - 2nd (final) reading November 3rd City Council meeting

Staff Recommendation: Impact Fee Rates

	Water	Wastewater	Roadway
Total Eligible Capital Improvement Costs	\$34,046,711	\$63,734,419	\$62,830,130
Growth in Service Units	12,753	12,753	48,768
Calculated Impact Fee* (CIF)	\$3,608	\$7,148	\$0-\$8,473
Maximum Impact Fee after Credit*	\$1,804	\$3,574	\$0-\$4,236
Recommended Impact Fee (City)*	\$1,000 (28% of CIF)	\$2,000 (28% of CIF)	\$1,500** (35% of avg. CIF)
Recommend Impact Fee (ETJ)*	\$1,804 (50% of CIF)	\$3,574 (50% of CIF)	Not Eligible

* Fee for Single-Family Dwelling

** Less in several Roadway Service Areas (\$4,500 max, \$3,000 low)

Staff Recommendation: Single Family Residential

Description	Impact Fee
<ul style="list-style-type: none"> Located in the Core SFR that has received final plat approval or final plat recordation before June 1, 2021 and at least 80% of the lots have been issued building permits the remaining 20% of the lots Affordable Housing: New development must include at least 25% affordable housing units and an additional 25% of units must either be affordable or workplace housing units 	<p style="text-align: center;">Zero (Exempt)</p>
Final Plat is approved before June 1, 2021	<ul style="list-style-type: none"> No fees collected until June 1, 2023 Fees due thereafter: <ul style="list-style-type: none"> June 1, 2023-May 31, 2024: 60% of \$4,500=\$2,700 per single-family (18% of Total) June 1, 2024-May 31, 2025: 80% of \$4,500= \$3,600 per SF lot (24% of total) June 1, 2025-May 31,2026:100% (\$4,500) per SF lot (30% of total)
Preliminary Plats approved by November 3, 2020 (excludes Final Plats qualifying above)	<ul style="list-style-type: none"> June 1, 2021-May 31, 2022: 20% of \$4,500=\$900 per single-family (6% of Total) June 1, 2022-May 31, 2023: 40% of \$4,500=\$1,800 per single-family (12% of Total) June 1, 2023-May 31, 2024: 60% of \$4,500=\$2,700 per single-family (18% of Total) June 1, 2024-May 31, 2025: 80% of \$4,500= \$3,600 per SF lot (24% of total) June 1, 2025-May 31,2026: 100% (\$4,500) per SF lot (30% of total)
All other SFR	<ul style="list-style-type: none"> \$4,500 per lot <ul style="list-style-type: none"> \$1,000 Water (28% of total) \$2,000 Wastewater (28% of total) \$1,500 Roadway (% varies)

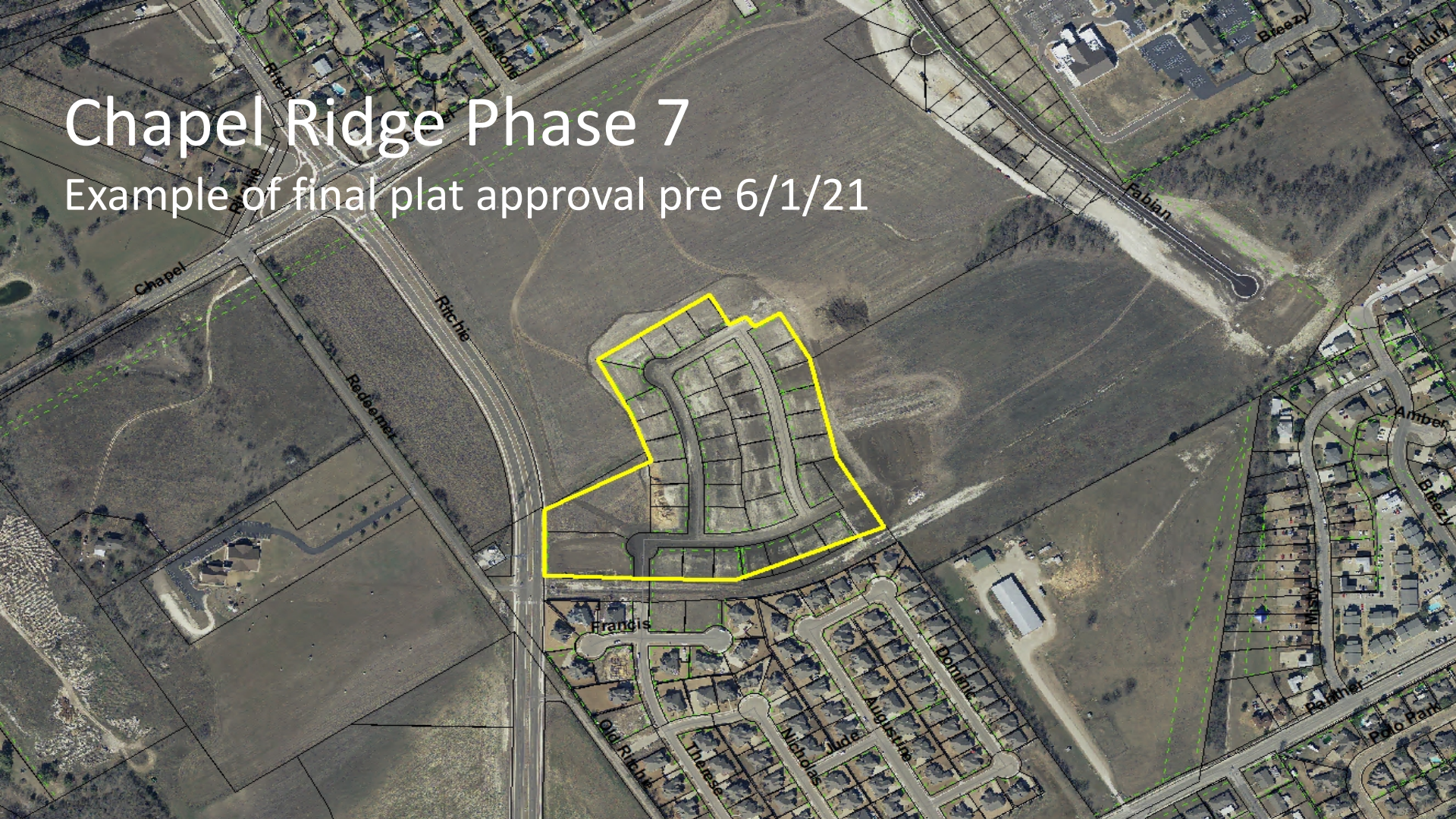
Stone Creek Ranch Phases 4-6

Example of 80/20 buildout
exemption



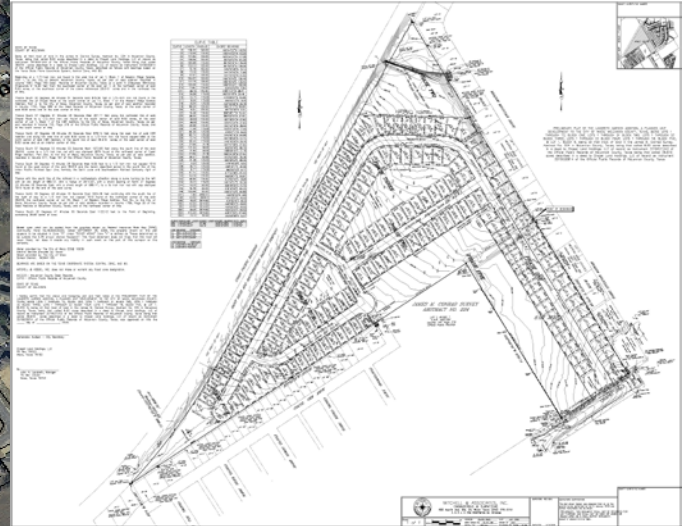
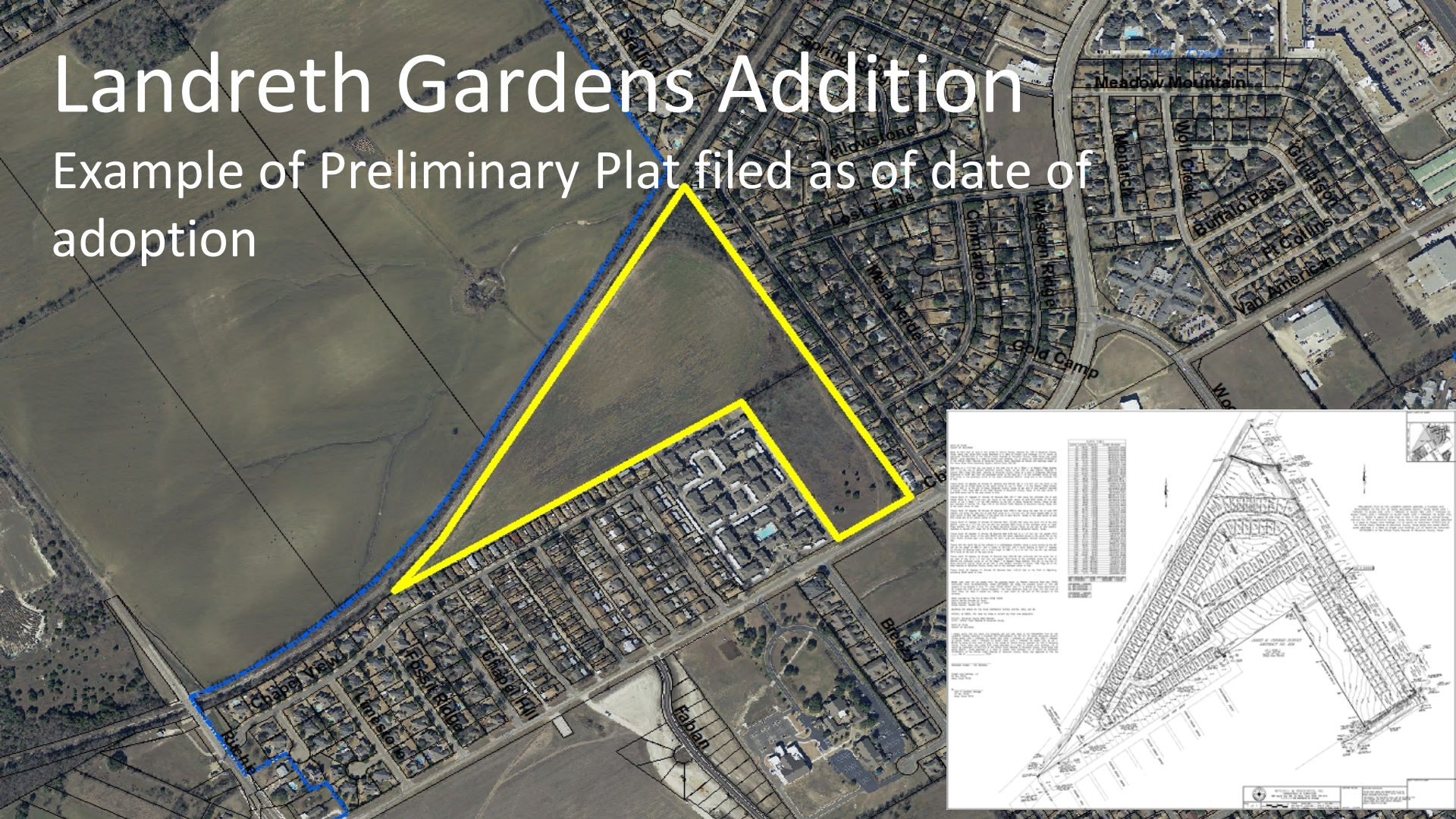
Chapel Ridge Phase 7

Example of final plat approval pre 6/1/21



Landreth Gardens Addition

Example of Preliminary Plat filed as of date of adoption



Infill Development

- Single Family Exempt in Infill Area
- Objectives 2.04 and 2.07- Growth Management Chapter of Waco Comprehensive Plan 2040
 - Recognize benefits and cost savings of utilizing existing infrastructure and services in the city's core
 - Adopt development strategies that encourage infill development
 - Implement programs to encourage infill development within Greater Downtown Waco and older residential neighborhoods

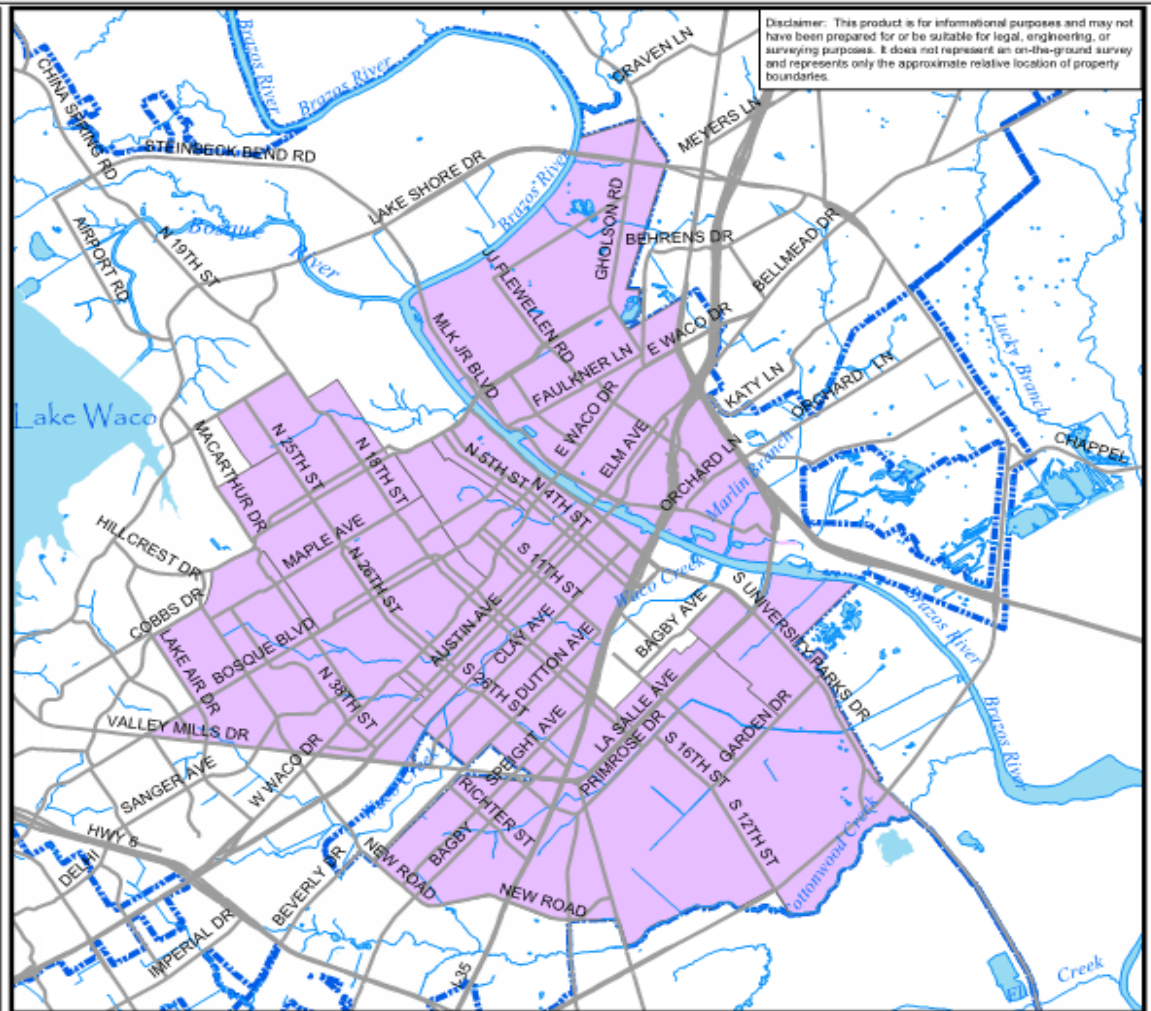


Map 1- Infill Area
Impact Fee for exempted
for Single-Family Residential

 Infill Area- Exemption Area



Disclaimer: This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries.



Staff Recommendation: Non-Residential

NON-RESIDENTIAL IMPACT FEE SUMMARY

Development	Impact Fee Amount
<ul style="list-style-type: none">• A change of use that does not increase the number of service units beyond those attributable to the immediately preceding use• Existing businesses expanding or relocating within the city limits of Waco are exempt from impact fee based on the following criteria:<ul style="list-style-type: none">◦ Business has been operating within city limits of Waco for a period of at least 2 years.◦ The expansion or relocation is for the purpose of increasing production/ business capacity.◦ Limited to manufacturing, distribution, warehouse, logistics, assembly, processing, fabrication, value added processing, aviation/aerospace, research and development, advanced technology, information technology, information and data centers, corporate and regional offices, and similar facilities. (ITE equivalency)◦ Verification of total # of jobs and salary equal to or greater than jobs and salary at original location.• Schools• Fire suppression systems	Zero (Exempt)
Projects whose water and wastewater impact fees do not exceed \$75,000	Total Impact Fees will not exceed \$75,000
Projects whose water and wastewater impact fees do exceed \$75,000	Roadway impact fees will be exempted
Projects (including Multi-Family) in a Traditional Commercial Corridor and City Core	50% discount on all impact fees
ETJ Projects	Water & Wastewater impact fees only at 50% of total (amounts based on meter size)

Same “ramp up” as Residential:

Final Plats filed before 6/1/21

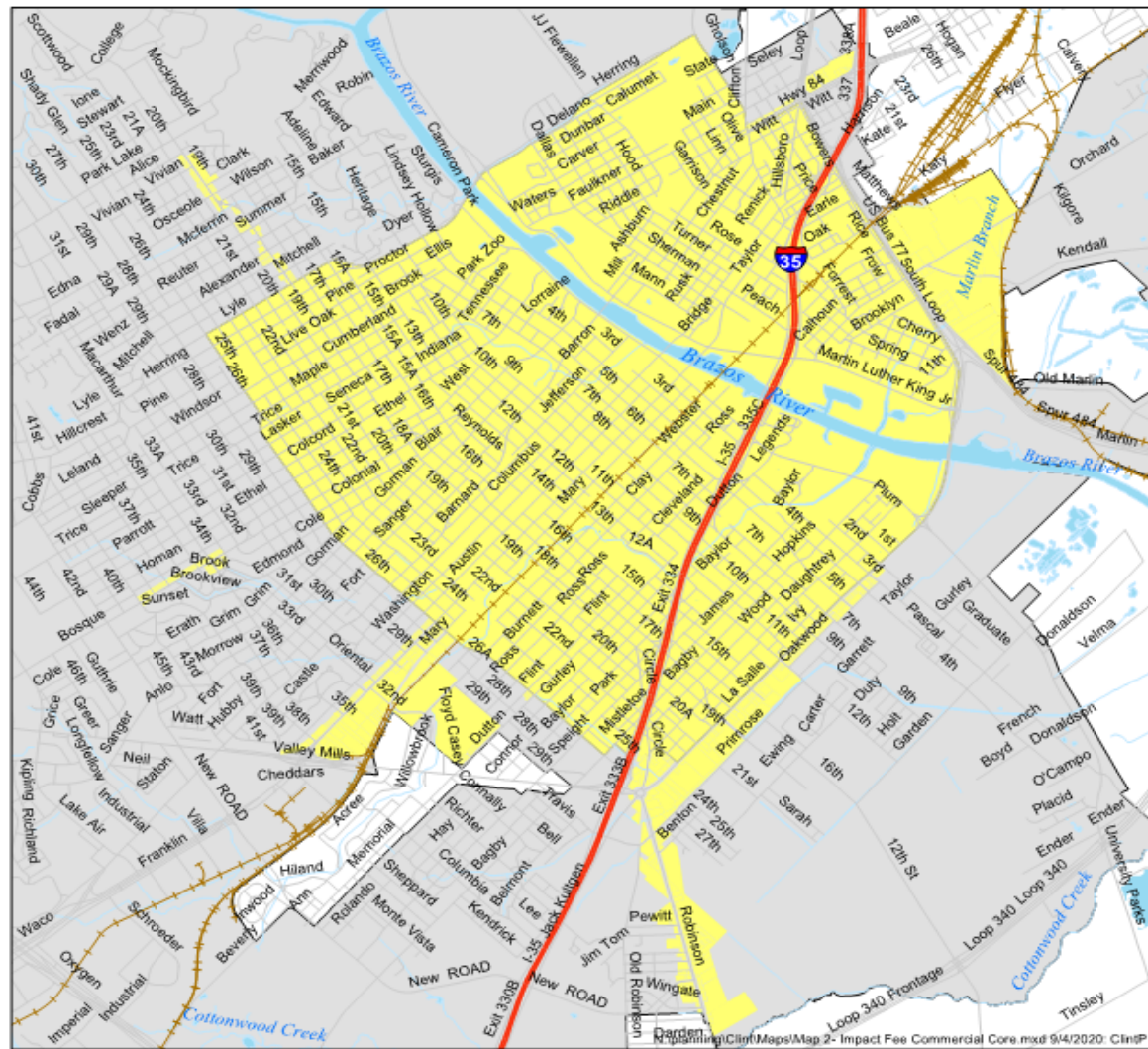
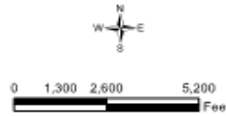
- No fees collected until June 1, 2023
- Fees due thereafter:
 - June 1, 2023-May 31, 2024: 60%
 - June 1, 2024-May 31, 2025: 80%
 - June 1, 2025-May 31, 2026: 100%

Preliminary Plats Approved At Time of Adoption

- June 1, 2021-May 31, 2022: 20%
- June 1, 2022-May 31, 2023: 40%
- June 1, 2023-May 31, 2024: 60%
- June 1, 2024-May 31, 2025: 80%
- June 1, 2025-May 31, 2026: 100%

Map 2- Traditional Commercial Corridor and Core Area
Impact Fee reduced by
50% for Non-Residential Uses

- Traditional Corridor & Core Area
- Waco City Limits



Traditional
Commercial
Corridors
&
Core Area

50%
Exemption

Small Business Examples

<u>Business</u>	<u>Traditional Corridor or City Core (50%)</u>		<u>Collection Rate (Areas 2, 3, 7, 9, 10, 11)</u>	
Neighborhood Restaurant (local/non-chain; 5/8" meter; 2,100 sq. ft.)	Water	\$500	Water	\$1,000
	Wastewater	\$1,000	Wastewater	\$2,000
	Roadway	\$1,983	Roadway	\$3,967
	TOTAL	\$3,483	TOTAL	\$6,967
Dry Cleaners (5/8"; 4,800 sq. ft.)	Water	\$500	Water	\$1,000
	Wastewater	\$1,000	Wastewater	\$2,000
	Roadway	\$4,173	Roadway	\$8,347
	TOTAL	\$5,673	TOTAL	\$11,347
Convenience Store (local/non-chain; 5/8"; 1,948 sq ft)	Water	\$500	Water	\$1,000
	Wastewater	\$1,000	Wastewater	\$2,000
	Roadway	\$1,009	Roadway	\$2,018
	TOTAL	\$2,509	TOTAL	\$5,018
Mechanic's Shop (local/non-chain.;5/8"; 10,000 sq. ft.)	Water	\$500	Water	\$1,000
	Wastewater	\$1,000	Wastewater	\$2,000
	Roadway	\$1,757	Roadway	\$3,515
	TOTAL	\$3,257	TOTAL	\$6,515
Sonic Drive-in (1"; 6,500 sq. ft.)	Water	\$1,335	Water	\$2,670
	Wastewater	\$2,670	Wastewater	\$5,340
	Roadway	\$14,107	Roadway	\$28,214
	TOTAL	\$18,112	TOTAL	\$36,224

Heavy Industrial Examples

Sq. Ft. 200,000

Meter: 3

Type: Heavy Industrial

Roadway Service Area	Water Wastewater Ttl Utility			
	3" Meter	\$1,000	\$2,000	
1	23.33	\$23,330	\$46,660	\$69,990
2	23.33	\$23,330	\$46,660	\$69,990
3	23.33	\$23,330	\$46,660	\$69,990
4	23.33	\$23,330	\$46,660	\$69,990
5	23.33	\$23,330	\$46,660	\$69,990
6	23.33	\$23,330	\$46,660	\$69,990
7	23.33	\$23,330	\$46,660	\$69,990
8	23.33	\$23,330	\$46,660	\$69,990
9	23.33	\$23,330	\$46,660	\$69,990
10	23.33	\$23,330	\$46,660	\$69,990
11	23.33	\$23,330	\$46,660	\$69,990

Roadway Fee per S.U.E.	Units	Service Unit Factor	Roadway Impact Fee
\$6.00	200	2.88	\$3,456
\$468.75	200	2.88	\$270,000
\$468.75	200	2.88	\$270,000
\$259.00	200	2.88	\$149,184
\$0.00	200	2.88	\$0
\$236.00	200	2.88	\$135,936
\$468.75	200	2.88	\$270,000
\$0.00	200	2.88	\$0
\$468.75	200	2.88	\$270,000
\$468.75	200	2.88	\$270,000
\$468.75	200	2.88	\$270,000

Total	Impact Fee Amount Per Policy
\$73,446	\$73,446
\$339,990	\$75,000
\$339,990	\$75,000
\$219,174	\$75,000
\$69,990	\$69,990
\$205,926	\$75,000
\$339,990	\$75,000
\$69,990	\$69,990
\$339,990	\$75,000
\$339,990	\$75,000
\$339,990	\$75,000

Sq. Ft. 200,000

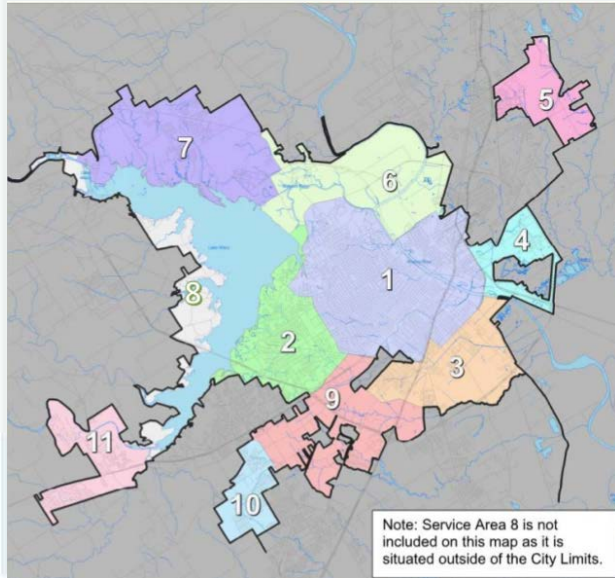
Meter: 4

Type: Heavy Industrial

Roadway Service Area	Water Wastewater Ttl Utility			
	4" Meter	\$1,000	\$2,000	
1	42.00	\$42,000	\$84,000	\$126,000
2	42.00	\$42,000	\$84,000	\$126,000
3	42.00	\$42,000	\$84,000	\$126,000
4	42.00	\$42,000	\$84,000	\$126,000
5	42.00	\$42,000	\$84,000	\$126,000
6	42.00	\$42,000	\$84,000	\$126,000
7	42.00	\$42,000	\$84,000	\$126,000
8	42.00	\$42,000	\$84,000	\$126,000
9	42.00	\$42,000	\$84,000	\$126,000
10	42.00	\$42,000	\$84,000	\$126,000
11	42.00	\$42,000	\$84,000	\$126,000

Roadway Fee per S.U.E.	Units	Service Unit Factor	Roadway Impact Fee
\$6.00	200	2.88	\$3,456
\$468.75	200	2.88	\$270,000
\$468.75	200	2.88	\$270,000
\$259.00	200	2.88	\$149,184
\$0.00	200	2.88	\$0
\$236.00	200	2.88	\$135,936
\$468.75	200	2.88	\$270,000
\$0.00	200	2.88	\$0
\$468.75	200	2.88	\$270,000
\$468.75	200	2.88	\$270,000
\$468.75	200	2.88	\$270,000

Total	Impact Fee Amount Per Policy
\$129,456	\$126,000
\$396,000	\$126,000
\$396,000	\$126,000
\$275,184	\$126,000
\$126,000	\$126,000
\$261,936	\$126,000
\$396,000	\$126,000
\$126,000	\$126,000
\$396,000	\$126,000
\$396,000	\$126,000
\$396,000	\$126,000



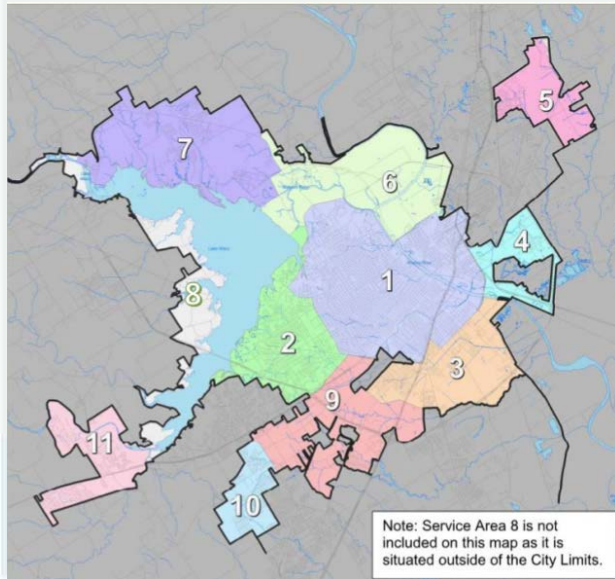
Medical Dental Office

Sq. Ft. 5,000
Meter: 3/4
Type: Medical-Dental Office

Roadway Service Area	Water Wastewater Ttl Utility			
	3/4" Meter	\$1,000	\$2,000	
1	1	\$1,000	\$2,000	\$3,000
2	1	\$1,000	\$2,000	\$3,000
3	1	\$1,000	\$2,000	\$3,000
4	1	\$1,000	\$2,000	\$3,000
5	1	\$1,000	\$2,000	\$3,000
6	1	\$1,000	\$2,000	\$3,000
7	1	\$1,000	\$2,000	\$3,000
8	1	\$1,000	\$2,000	\$3,000
9	1	\$1,000	\$2,000	\$3,000
10	1	\$1,000	\$2,000	\$3,000
11	1	\$1,000	\$2,000	\$3,000

Roadway Fee per S.U.E.	Units	Service Unit Factor	Roadway Impact Fee
\$6.00	5.0	12.04	\$361
\$468.75	5.0	12.04	\$28,219
\$468.75	5.0	12.04	\$28,219
\$259.00	5.0	12.04	\$15,592
\$0.00	5.0	12.04	\$0
\$236.00	5.0	12.04	\$14,207
\$468.75	5.0	12.04	\$28,219
\$0.00	5.0	12.04	\$0
\$468.75	5.0	12.04	\$28,219
\$468.75	5.0	12.04	\$28,219
\$468.75	5.0	12.04	\$28,219

Total	Impact Fee Amount Per Policy
\$3,361	\$3,361
\$31,219	\$31,219
\$31,219	\$31,219
\$18,592	\$18,592
\$3,000	\$3,000
\$17,207	\$17,207
\$31,219	\$31,219
\$3,000	\$3,000
\$31,219	\$31,219
\$31,219	\$31,219
\$31,219	\$31,219



CITY OF WACO

Capital Improvement Advisory Committee Recommendation

Mayor Deaver and Members of the City Council:

The Capital Improvements Advisory Committee (CIAC), which consists of the members of the Plan Commission and four (4) ad hoc members consisting of Scott Bland, Herb Cross, Ken Cooper, and David Mercer, have been working with City staff and the consulting firm of Freese and Nichols, Inc. since July 2019 on the preparation of Land Use Assumptions and Capital Improvements Plans for Water, Wastewater and Roadway facilities, which are used to calculate Impact Fees. After review and discussion of these items, the CIAC recommends the following:

- Adoption of the Land Use Assumptions, Capital Improvements Plan, and Impact Fee Calculations for Water, Wastewater and Roadways as presented in the Impact Fee Study dated July 2020, which is included as Attachment A.
- Adoption of the Water, Wastewater and Roadway Impact Fees based on the policy considerations provided in the staff recommendation outline, which is included as Attachment B, with the following exception:
 - Delay the implementation of Commercial Impact Fees for 6 months to allow for further discussion and study by the CIAC, with implementation to take place no later than December 1, 2021.

Staff Recommendation Recap

Residential

- Staff and CIAC recommend the residential fees as presented with a June 1, 2021 implementation

Non-Residential

- CIAC: a 6-month delay on commercial impact fees for more study (no later than December 1, 2021 implementation)
 - Calculator tool to measure impact on different types of businesses only definitive request
 - Would require another public hearing
- Staff: recommends June 1, 2021 for commercial
 - Fee structure sized for Waco; 5 year phase in
 - Delayed effective date and phased-in approach accommodates current development under construction or in the pipeline
 - \$75,000 cap for most businesses (only developments with meters <3" or multiple meters equivalent <3" pay more; no Roadway Impact Fees for these)
 - Economic Development considerations for new industry, existing growth industry and small business

Discussion

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