

Impact Fees



City Council
February 3, 2020

City Council Actions for Impact Fees

- Considerations:
 - Adopt Impact Fee Study
 - Set impact fee rates – change in fees requires a supermajority (8 votes of Council Members)
 - Adopt Ordinance changes



Purpose of Impact Fee Study

- Update impact fee assessment methodologies to reflect current capital plans
- Calculate maximum impact fees allowed under these methodologies
- Provide for review of impact fee use policies and procedures
- Benchmark Missoula impact fees against peer communities

Summary of Major Changes

- Proposed new rates
- Additional tiers for residential square footages
 - Current minimum tier is 1200 sq ft
 - Proposed minimum tier is 750 sq ft
 - Smaller houses pay lower fees
- Transportation impact fee encompasses city complete streets policy



Summary of Major Changes

- Downtown transportation fee reduction area not supported by study
 - Previous ordinance provided a 33%-42% reduction in residential and 24% for commercial transportation impact fees
- New eligibility criteria for impact fee projects – Impact Fee Advisory Committee
- Ordinance changes – housekeeping changes to conform to new study

Ordinance Updating: MMC 15.66

- 15.66.020 Definition:
 - Impact Fee Service area definitions updated to match definitions from the Tischler Bise study.
- 15.66.050 Development Fee Accounts
 - Narrative updated to use “service area” in place of category
- 15.66.075 Impact Fee Schedules
 - Will be repealed and replaced by new schedule once adopted

What are impact fees?

- One-time payments charged to new development
- Used to construct capital improvements needed to accommodate future development
- Represents future development's proportionate share of infrastructure costs

How are impact fees used?

- Capital improvements or debt service for growth-related infrastructure
- May not be used for operations, maintenance, replacement, or correcting existing deficiencies

This financing tool provides a mechanism for local government to fund infrastructure improvements caused by new growth without relying on additional taxes on existing residents.

Third Street



10-Year Development Projections

- Based on *Activate Missoula 2045*
- Residential Growth
 - 12,630 persons
 - 6,640 housing units
- Nonresidential Growth
 - 8,130 jobs
 - 4.7 million square feet of floor area

10-Year Demand

Category	Estimate Growth-Related Cost
Community Services	\$9,700,000
Fire	\$4,100,000
Law enforcement	\$1,200,000
Parks & Open Space	\$25,900,000
Transportation	\$19,200,000
	\$60,100,000

Rate Proposals

Residential Fees Per Unit

Size of Unit (sq. ft.)	Max. Fees per Unit	Proposed Fees per Unit**	Current Fees per Unit*
750 or Less	\$3,601	\$1,388	\$1,405
751 to 1,000	\$4,773	\$1,546	\$1,405
1,001 to 1,250	\$5,704	\$1,717	\$1,561
1,251 to 1,500	\$6,470	\$1,841	\$1,674
2,001 to 2,250	\$8,137	\$2,335	\$2,123
2,251 to 2,500	\$8,569	\$2,407	\$2,188
2,501 to 2,750	\$8,971	\$2,551	\$2,319
2,751 to 3,000	\$9,335	\$2,610	\$2,373
3,001 to 3,250	\$9,669	\$2,666	\$2,424
4,000 or More	\$10,770	\$2,939	\$2,424

* Current Development fees are restated to conform to the new square footage categories in the study.

**Proposed Development fee is calculated to maximize transportation impact fee, then allocate remaining balance on the Maximum Development Fee Allocation % without Transportation.

Non-Residential Fees

Development Type	Max. Fees per 1,000 sq. ft.	Proposed Fees per Unit** 1,000 sq. ft.	Current Fees per Unit* 1,000 sq. ft.
Commercial / Retail	\$6,196	\$3,993	\$3,630
Industrial	\$1,918	\$1,236	\$876
Office / Other Service	\$3,632	\$2,341	\$2,035
Institutional	\$2,621	\$1,689	\$2,035

* Current Development fees are restated to conform to the new square footage categories in the study.

**Proposed Development fee is calculated to maximize transportation impact fee, then allocate remaining balance on the Maximum Development Fee Allocation % without Transportation.

Estimated Revenue

	Police	Fire	Comm Svc	Parks	Transport	Total
2019 Revenues	\$12,473	\$68,277	\$146,150	\$189,067	\$793,038	\$1,209,006
Estimated revenue increase	\$0	\$0	\$0	\$0	\$120,901	\$120,901
Estimated total annual impact fee revenue	\$12,473	\$68,277	\$146,150	\$189,067	\$913,939	\$1,329,907

Impact Fee Capital Plan

Impact Fee Fund Balance Projections

	Impact Fee Categories:	Police	Fire	Comm. Svc.	Parks	Transport.	Total
FY 2019	Revenues	12,473	68,277	146,150	189,067	793,038	1,209,006
	Total Expenditures	485	9,472	79,390	209,285	940,836	1,239,469
	Ending Fund Balance	78,305	315,988	135,441	332,528	2,595,959	3,458,221
FY 2020	Revenues - Projected	16,000	100,000	212,000	225,000	1,083,000	1,636,000
	Proposed Expenditures	-	-	-	317,265	4,026,250	4,343,515
	Projected Ending Fund Balance	94,305	415,988	347,441	240,263	(347,291)	750,706
FY 2021	Revenues - Projected	16,000	100,000	212,000	225,000	1,083,000	1,636,000
	Proposed Expenditures	-	376,000	-	585,239	2,859,600	3,820,839
	Projected Ending Fund Balance	110,305	139,988	559,441	(119,976)	(2,123,891)	(1,434,133)
FY 2022	Revenues - Projected	16,000	100,000	212,000	225,000	1,083,000	1,636,000
	Proposed Expenditures	-	-	-	580,000	4,415,000	4,995,000
	Projected Ending Fund Balance	126,305	239,988	771,441	(474,976)	(5,455,891)	(4,793,133)
FY 2023	Revenues - Projected	16,000	100,000	212,000	225,000	1,083,000	1,636,000
	Proposed Expenditures	-	-	-	150,000	70,000	220,000
	Projected Ending Fund Balance	142,305	339,988	983,441	(399,976)	(4,442,891)	(3,377,133)

Funding projects in future years is contingent upon actual revenues received and changes to project timelines and City Council annual budget approval.

Negative balances are shown in projections to illuminate shortfalls in meeting current needs.

Peer City Benchmarks

City Comparison – Single Family

Single-Family 2,200 sq. ft.	Total	Streets	Police	Fire	Parks	Other	General Gov.
Bozeman	\$8,500	\$8,148	\$0	\$352	\$0	\$0	\$0
Grand Junction, CO	\$2,779	\$2,554	\$0	\$0	\$225	\$0	\$0
Kalispell	\$2,580	\$0	\$277	\$1,067	\$0	\$1236	\$0
Missoula - Proposed	\$2,335	\$1,485	\$22	\$120	\$453	\$0	\$255
Missoula - Current	\$2,123	\$1,273	\$22	\$120	\$453	\$0	\$255
Coeur d'Alene, ID	\$1,780	\$816	\$70	\$138	\$756	\$0	\$0
Whitefish	\$1,376	\$0	\$0	\$446	\$711	\$172	\$47
Livingston	\$1,033	\$601	\$132	\$155	\$145	\$0	\$0
Flagstaff, AZ	\$548	\$0	\$366	\$182	\$0	\$0	\$0
Big Sky	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Helena	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grand Forks, ND	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pocatello, ID	\$0	\$0	\$0	\$0	\$0	\$0	\$0

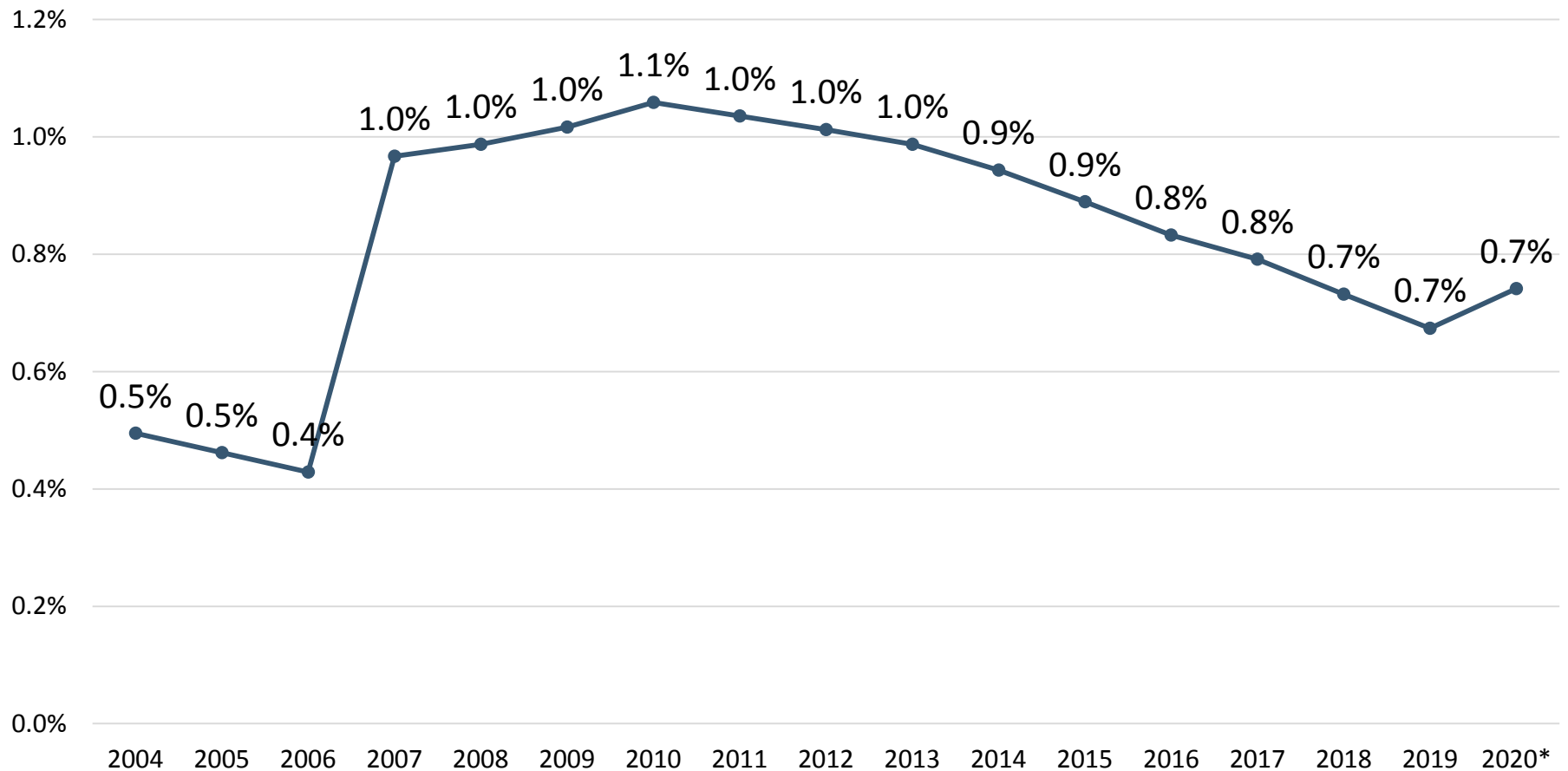
City Comparison - Multi-Family

Multi-Family 1,000 sq. ft.	Total	Streets	Police	Fire	Parks	Other	General Gov.
Bozeman	\$3,888	\$3,657	\$0	\$231	\$0	\$0	\$0
Grand Junction, CO	\$1,994	\$1,769	\$0	\$0	\$225	\$0	\$0
Kalispell	\$1,948	\$0	\$210	\$811	\$0	\$927	\$0
Coeur d'Alene, ID	\$1,780	\$816	\$70	\$138	\$756	\$0	\$0
Missoula - Proposed	\$1,546	\$955	\$14	\$77	\$320	\$0	\$180
Missoula - Current	\$1,405	\$814	\$14	\$77	\$320	\$0	\$180
Livingston	\$1,033	\$601	\$132	\$155	\$145	\$0	\$0
Flagstaff, AZ	\$512	\$0	\$342	\$170	\$0	\$0	\$0
Whitefish	\$380	\$0	\$0	\$220	\$70	\$70	\$20
Big Sky	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Helena	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grand Forks, ND	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pocatello, ID	\$0	\$0	\$0	\$0	\$0	\$0	\$0

City Comparison - Office

Office 50,000 sq. ft.	Total	Streets	Police	Fire	Parks	Other	General Gov.
Kalispell	\$299,132	\$0	\$35,123	\$152,657	\$0	\$111,352	\$0
Bozeman	\$196,218	\$173,350	\$0	\$22,868	\$0	\$0	\$0
Grand Junction, CO	\$157,050	\$157,050	\$0	\$0	\$0	\$0	\$0
Missoula - Proposed	\$111,950	\$82,550	\$1,600	\$9,450	\$0	\$0	\$18,350
Missoula - Current	\$101,750	\$72,350	\$1,600	\$9,450	\$0	\$0	\$18,350
Livingston	\$80,050	\$69,650	\$6,200	\$4,200	\$0	\$0	\$0
Whitefish	\$19,000	\$0	\$0	\$11,000	\$3,500	\$3,500	\$1,000
Flagstaff, AZ	\$17,000	\$0	\$11,500	\$5,500	\$0	\$0	\$0
Coeur d'Alene, ID	\$4,343	\$756	\$1,211	\$2,376	\$0	\$0	\$0
Big Sky	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Helena	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grand Forks, ND	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Pocatello, ID	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Impact Fee as Percentage of Median Home Price



**2020 percentage uses the proposed impact fees and the 2019 median home price.*

City Fees

Estimated fees charged for a recent 2,398 sq. ft. home.

Fee Type	Cost per lot/home
Sewer Development Fee	\$1,400
Building Permits	\$3,774
Subdivision Fees (major subdivision)	\$119
Impact Fees	\$2,156
Total City Fees	\$7,449

Next Steps:

Feb 3 – Consider resolution
adopting study and setting
fees

Feb 24 – Public hearing on
ordinance changes

