

Impact Fees



Administration & Finance Committee

January 29, 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 - Will be repealed and replaced by new schedule once adopted

Overview

- TischlerBise Background
- Impact Fee Fundamentals
- Development Projections
- Proposed Impact Fees
 - Community Services
 - Fire
 - Law Enforcement
 - Parks and Open Space
 - Transportation
- Impact Fee Summary
- Peer City Comparison

TischlerBise Background

40-year consulting practice serving local government nationwide

- Impact fees/infrastructure financing strategies
- Fiscal/economic impact analyses
- Capital improvement planning
- Infrastructure finance/revenue enhancement
- Real estate and market feasibility



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

Impact Fee Fundamentals

- One-time payment for growth-related infrastructure, usually collected at the time building permits are issued
- Can't be used for operations, maintenance, or replacement
- Not a tax but more like a contractual arrangement to build infrastructure, with three requirements
 - Need (system improvements, not project-level improvements)
 - Benefit
 - Short range expenditures
 - Geographic service areas and/or benefit districts
 - Proportionate

Why impact fees?

- Infrastructure capacity is essential to accommodate new development
- New growth pays its equitable share
- Encourages disciplined capital improvement planning
 - Earmarks money for capital improvements
- Promotes comprehensive planning and growth management
 - Helps ensure adequate public facilities
- Compared to negotiated agreements, streamlines approval process with known costs (predictability)
- Anti-growth pressure can be eased

Common Impact Fee Methodologies

- Cost Recovery (past)
 - Oversized and unique facilities
 - Funds typically used for debt service
- Incremental Expansion (present)
 - Formula-based approach documents level of service with both quantitative and qualitative measures
- Plan-Based (future)
 - Common for utilities but can also be used for other public facilities with non-impact fee funding

Evaluate Need for Credits

- Site specific
 - Developer constructs a capital facility included in fee calculations
- Debt service
 - Avoid double payment due to existing or future bonds
- Dedicated revenues
 - Property tax, local option sales tax, gas tax

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

Community Services

- Service Area: Citywide
- Components
 - Facilities (incremental)
 - Vehicles and Equipment (incremental)
- 10-Year Demand
 - Facilities: 83k sq ft, \$8.4 million
 - Vehicles and Equipment: 14 units, \$1.3 million

Community Services

Fee Component	Cost per Person	Cost per Job
Facilities	\$464.22	\$310.80
Vehicles and Equipment	\$69.25	\$46.37
Subtotal	\$533.47	\$357.17
Administration Fee (5%)	\$26.67	\$17.86
Total	\$560.15	\$375.03

Residential Development	Development Fees per Unit			
Size of Unit	Persons per Housing Unit ¹	Max. Fees	Current Fees	Increase / Decrease
750 or Less	1.02	\$571	\$161	\$410
751 to 1,000	1.37	\$767	\$180	\$587
1,001 to 1,250	1.65	\$924	\$213	\$711
1,251 to 1,500	1.88	\$1,053	\$213	\$840
1,501 to 1,750	2.07	\$1,160	\$238	\$922
1,751 to 2,000	2.24	\$1,255	\$238	\$1,017
2,001 to 2,250	2.38	\$1,333	\$255	\$1,078
2,251 to 2,500	2.51	\$1,406	\$255	\$1,151
2,501 to 2,750	2.63	\$1,473	\$270	\$1,203
2,751 to 3,000	2.74	\$1,535	\$270	\$1,265
3,001 to 3,250	2.84	\$1,591	\$270	\$1,321
3,251 to 3,500	2.93	\$1,641	\$270	\$1,371
3,501 to 3,750	3.02	\$1,692	\$270	\$1,422
3,751 to 4,000	3.10	\$1,736	\$270	\$1,466
4,000 or More	3.17	\$1,776	\$270	\$1,506

Nonresidential Development	Development Fees per 1,000 Square Feet			
Development Type	Jobs per 1,000 Sq Ft ¹	Max. Fees	Current Fees	Increase / Decrease
Commercial / Retail	2.34	\$878	\$260	\$618
Industrial	1.63	\$611	\$210	\$401
Office / Other Service	2.97	\$1,114	\$367	\$747
Institutional	0.93	\$349	\$367	(\$18)

1. See Land Use Assumptions

Fire

- Service Area: Citywide
- Components
 - Facilities (incremental)
 - Apparatus (incremental)
- 10-Year Demand
 - Facilities: 10k sq ft, \$2.7 million
 - Apparatus: 6 units, \$1.4 million

Fire

Fee Component	Cost per Person	Cost per Job
Facilities	\$127.29	\$134.30
Apparatus	\$64.84	\$68.41
Subtotal	\$192.13	\$202.71
Administration Fee (5%)	\$9.61	\$10.14
Total	\$201.74	\$212.84

Residential Development	Development Fees per Unit			
Size of Unit	Persons per Housing Unit ¹	Max. Fees	Current Fees	Increase / Decrease
750 or Less	1.02	\$206	\$69	\$137
751 to 1,000	1.37	\$276	\$77	\$199
1,001 to 1,250	1.65	\$333	\$82	\$251
1,251 to 1,500	1.88	\$379	\$92	\$287
1,501 to 1,750	2.07	\$418	\$104	\$314
1,751 to 2,000	2.24	\$452	\$111	\$341
2,001 to 2,250	2.38	\$480	\$120	\$360
2,251 to 2,500	2.51	\$506	\$126	\$380
2,501 to 2,750	2.63	\$531	\$133	\$398
2,751 to 3,000	2.74	\$553	\$138	\$415
3,001 to 3,250	2.84	\$573	\$142	\$431
3,251 to 3,500	2.93	\$591	\$142	\$449
3,501 to 3,750	3.02	\$609	\$142	\$467
3,751 to 4,000	3.10	\$625	\$142	\$483
4,000 or More	3.17	\$640	\$142	\$498

Nonresidential Development	Development Fees per 1,000 Square Feet			
Development Type	Jobs per 1,000 Sq Ft ¹	Max. Fees	Current Fees	Increase / Decrease
Commercial / Retail	2.34	\$498	\$134	\$364
Industrial	1.63	\$347	\$108	\$239
Office / Other Service	2.97	\$632	\$189	\$443
Institutional	0.93	\$198	\$189	\$9

1. See Land Use Assumptions

Law Enforcement

- Service Area: Citywide
- Components
 - Stations (incremental)
 - Evidence Storage (cost recovery)
- 10-Year Demand
 - Stations: 5k sq ft, \$1.2 million
- 20-Year Demand (debt retired in 2038)
 - Evidence Storage
 - Growth Share: 2k sq ft, \$0.5 million
 - Existing Share: 5k sq ft, \$1.4 million

Law Enforcement

Fee Component	Cost per Person	Cost per Vehicle Trip
Stations	\$59.41	\$14.11
Evidence Storage	\$13.19	\$3.00
Facilities Debt Credit	(\$15.20)	(\$3.55)
Subtotal	\$57.41	\$13.56
Administration Fee (5%)	\$2.87	\$0.68
Total	\$60.28	\$14.24

Residential Development	Development Fees per Unit			
Size of Unit	Persons per Housing Unit ¹	Max. Fees	Current Fees	Increase / Decrease
750 or Less	1.02	\$61	\$13	\$48
751 to 1,000	1.37	\$83	\$14	\$69
1,001 to 1,250	1.65	\$99	\$15	\$84
1,251 to 1,500	1.88	\$113	\$17	\$96
1,501 to 1,750	2.07	\$125	\$19	\$106
1,751 to 2,000	2.24	\$135	\$20	\$115
2,001 to 2,250	2.38	\$143	\$22	\$121
2,251 to 2,500	2.51	\$151	\$23	\$128
2,501 to 2,750	2.63	\$159	\$24	\$135
2,751 to 3,000	2.74	\$165	\$25	\$140
3,001 to 3,250	2.84	\$171	\$26	\$145
3,251 to 3,500	2.93	\$177	\$26	\$151
3,501 to 3,750	3.02	\$182	\$26	\$156
3,751 to 4,000	3.10	\$187	\$26	\$161
4,000 or More	3.17	\$191	\$26	\$165

Nonresidential Development	Development Fees per 1,000 Square Feet				
Development Type	Avg Wkdy Veh Trip Ends ¹	Trip Rate Adjustment	Max. Fees	Current Fees	Increase / Decrease
Commercial / Retail	37.75	33%	\$177	\$31	\$146
Industrial	4.96	50%	\$35	\$8	\$27
Office / Other Service	9.74	50%	\$69	\$32	\$37
Institutional	10.72	50%	\$76	\$32	\$44

1. See Land Use Assumptions

Parks and Open Space

- Service Area: Citywide
- Components
 - Amenities (incremental)
 - Community and Regional Park Land (incremental)
 - Trailheads (incremental)
 - Vehicles and Equipment (incremental)
- 10-Year Demand
 - Amenities : 73 acres, \$17.8 million
 - Community and Regional Park Land : 52 acres, \$7.7 million
 - Trailheads: 5 units, \$250k
 - Vehicles and Equipment: 2 units, \$150k

Parks and Open Space

Fee Component	Cost per Person	Cost per Job
Community/Regional Park Land	\$609.79	\$0.00
Park Amenities	\$1,411.47	\$0.00
Trailheads	\$19.45	\$0.00
Vehicles and Equipment	\$11.85	\$0.00
2014 Parks & Trail Bond Credit	(\$152.09)	\$0.00
2018 Open Space Bond Credit	(\$39.74)	\$0.00
Subtotal	\$1,860.73	\$0.00
Administration Fee (5%)	\$93.04	\$0.00
Total	\$1,953.77	\$0.00

Residential Development	Development Fees per Unit			
Size of Unit	Persons per Housing Unit ¹	Max. Fees	Current Fees	Increase / Decrease
750 or Less	1.02	\$1,993	\$286	\$1,707
751 to 1,000	1.37	\$2,677	\$320	\$2,357
1,001 to 1,250	1.65	\$3,224	\$380	\$2,844
1,251 to 1,500	1.88	\$3,673	\$380	\$3,293
1,501 to 1,750	2.07	\$4,044	\$422	\$3,622
1,751 to 2,000	2.24	\$4,376	\$422	\$3,954
2,001 to 2,250	2.38	\$4,650	\$453	\$4,197
2,251 to 2,500	2.51	\$4,904	\$453	\$4,451
2,501 to 2,750	2.63	\$5,138	\$481	\$4,657
2,751 to 3,000	2.74	\$5,353	\$481	\$4,872
3,001 to 3,250	2.84	\$5,549	\$481	\$5,068
3,251 to 3,500	2.93	\$5,725	\$481	\$5,244
3,501 to 3,750	3.02	\$5,900	\$481	\$5,419
3,751 to 4,000	3.10	\$6,057	\$481	\$5,576
4,000 or More	3.17	\$6,193	\$481	\$5,712

1. See Land Use Assumptions

Transportation

- Service Area: Citywide
- Components
 - Complete Streets (incremental)
 - Improved Intersections (incremental)
 - Commuter Trails (incremental)
- 10-Year Demand
 - Complete Streets: 6 lane miles, \$9.6 million
 - Improved Intersections: 9 intersections, \$4.1 million
 - Commuter Trails: 3.9 miles, \$5.5 million

Transportation

Fee Component	Cost per Trip
Complete Streets	\$84.27
Improved Intersections	\$35.46
Commuter Trails	\$48.42
2018 Open Space Bond Credit	(\$1.98)
Subtotal	\$166.18
Administration Fee (5%)	\$8.31
Total	\$174.49

Residential Development	Development Fees per Unit			
Size of Unit	Avg Wkdy Person Trips ¹	Max. Fees	Current Fees	Increase / Decrease
750 or Less	4.41	\$769	\$733	\$36
751 to 1,000	5.56	\$970	\$814	\$156
1,001 to 1,250	6.44	\$1,124	\$871	\$253
1,251 to 1,500	7.17	\$1,251	\$972	\$279
1,501 to 1,750	7.77	\$1,356	\$1,100	\$256
1,751 to 2,000	8.30	\$1,448	\$1,174	\$274
2,001 to 2,250	8.77	\$1,530	\$1,273	\$257
2,251 to 2,500	9.18	\$1,602	\$1,331	\$271
2,501 to 2,750	9.57	\$1,670	\$1,411	\$259
2,751 to 3,000	9.91	\$1,729	\$1,459	\$270
3,001 to 3,250	10.23	\$1,785	\$1,505	\$280
3,251 to 3,500	10.52	\$1,836	\$1,505	\$331
3,501 to 3,750	10.79	\$1,883	\$1,505	\$378
3,751 to 4,000	11.04	\$1,926	\$1,505	\$421
4,000 or More	11.29	\$1,970	\$1,505	\$465

Nonresidential Development	Development Fees per 1,000 Square Feet			
Development Type	Avg Wkdy Person Trips ¹	Max. Fees	Current Fees	Increase / Decrease
Commercial / Retail	26.61	\$4,643	\$3,205	\$1,438
Industrial	5.30	\$925	\$550	\$375
Office / Other Service	10.41	\$1,816	\$1,447	\$369
Institutional	11.45	\$1,998	\$1,447	\$551

1. See Land Use Assumptions

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

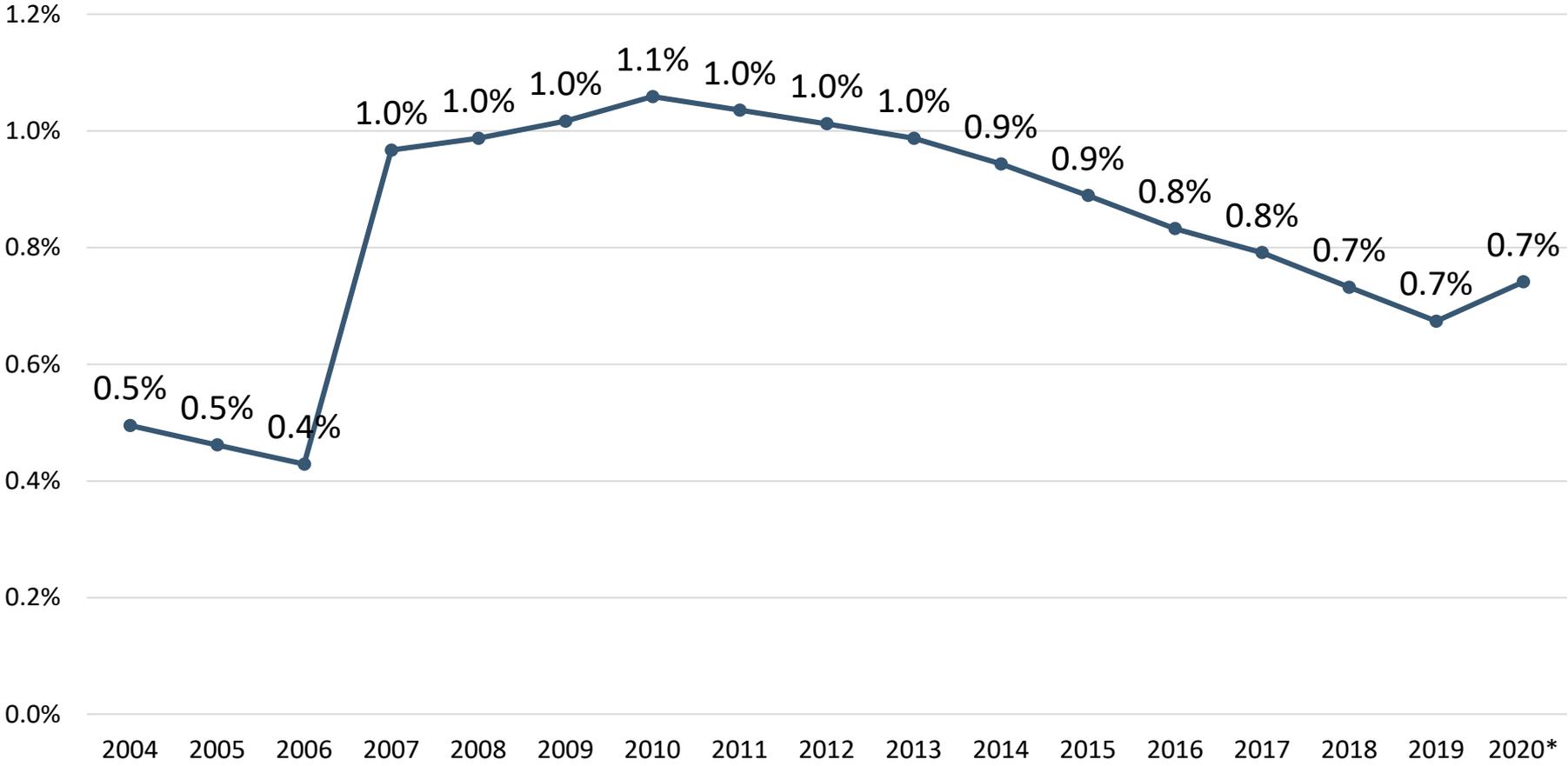
City Comparison - Multi-Family

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.

Next Steps:

Jan 15 – Feb 3 – Public hearing on impact fee study and fees, first reading on ordinance, set ordinance public hearing

February 24 – Public hearing on ordinance changes

