

Texas Local Government Code

Chapter 395

- "Impact fee" means a charge or assessment imposed by a political subdivision against **new development** in order to generate revenue for funding or recouping the costs of capital improvements or facility expansions **necessitated by and attributable to the new development**.
- Water, Wastewater, Stormwater, Roadways

Texas Law: CIP Definition

- Roadway (Street) facilities means arterial or collector streets or roads that have been designated on an **officially adopted** roadway plan of the political subdivision, together with **all necessary appurtenances**. The term includes the political subdivision share of cost for roadways and associated improvements designated on the federal or Texas highway system, including local matching funds and costs related to utility line relocation and establishments of curbs, gutters, sidewalks, drainage appurtenances, and rights-of-way.

What could Street Impact Fees pay for?

Components that *can* be paid for

Capacity Related Projects:

- ✓ Construction cost of capital improvements in the Roadway Capacity Plan
 - Roadways – additional lanes, bridges, including “appurtenances” of roadways
 - Intersections – Signals, turn lanes
- ✓ Corridor Planning and Preliminary Engineering
- ✓ Survey and Engineering fees
- ✓ Land acquisition costs
- ✓ Debt Service of Street Impact Fee Plan
- ✓ Study/Update Costs

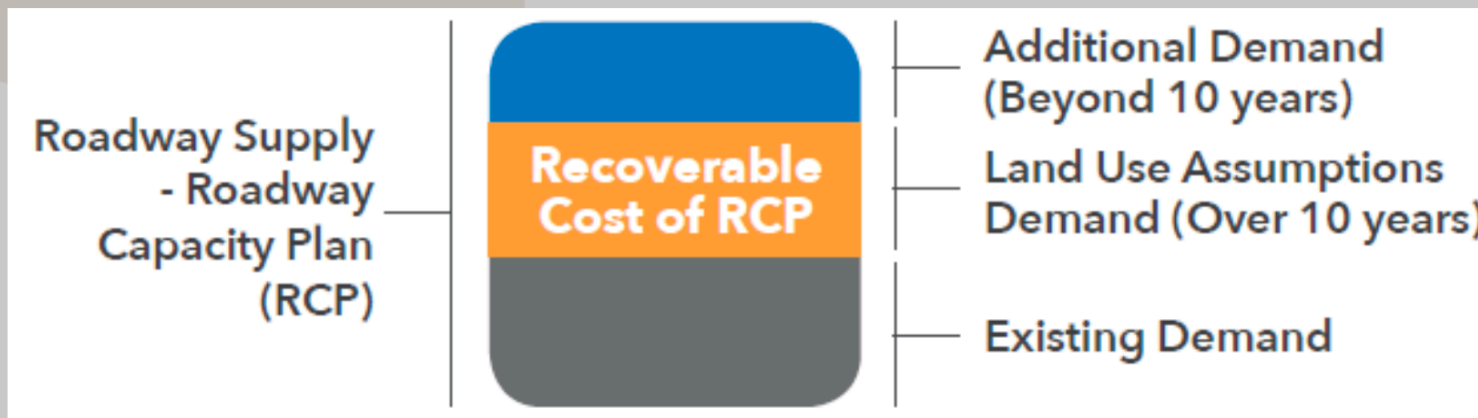
Components that *cannot* be paid for

Non Capacity Related Projects:

- Projects not included in the Roadway Capacity Plan
- Repair, operation and maintenance of existing or new facilities
- Upgrades to serve existing development
- Administrative costs of operating the program

Impact Fee Calculation

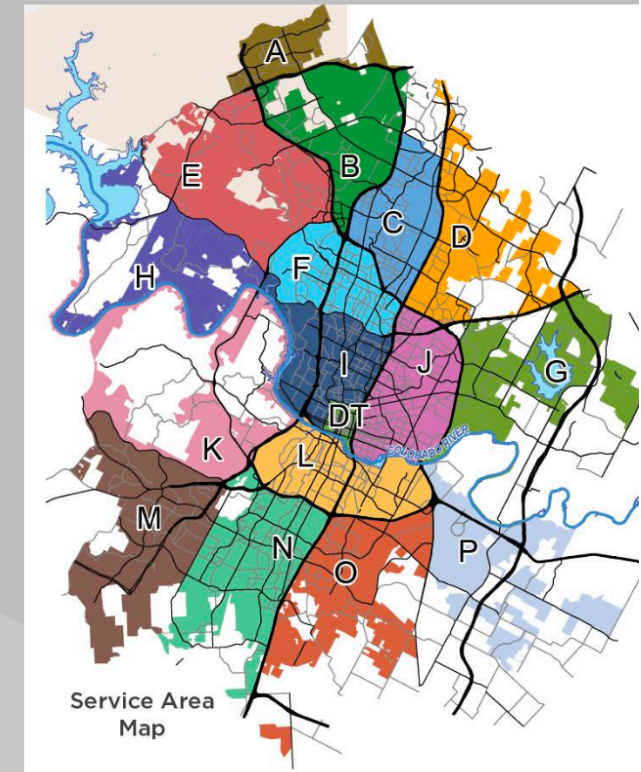
$$\text{Maximum Impact Fee Per Service Unit} = \frac{\text{Recoverable Cost of RCP (\$)}}{\text{New Service Units of Demand}}$$



- Developed Land Use and Population Projections (Demand)
 - Developed 10-Year Impact Fee CIP (RCP)
 - Removed costs associated with existing demand and growth at 10+ years
 - Accounted for prior developer contributions
 - Conducted Credit Calculation
- = Maximum Impact Fee**

Maximum Impact Fees & Draft Recommended Rates

- IFAC process to recommend Collected Rate
- IFAC initially agreed on the following:
 - Flat percentage of maximum across City, not a flat rate
 - Different rates for residential and non-residential
- 50% of maximum for non-residential uses
- 35% of maximum for residential uses



Maximum Fee Scenario					
Land Use	Average	Median	Highest*	Lowest**	Unit
Single Fam	\$ 10,633	\$ 9,449	\$ 24,504	\$ 3,906	DU
Duplex/ADU	\$ 6,013	\$ 5,345	\$ 13,862	\$ 2,205	DU
Restaurant	\$ 41	\$ 36	\$ 86.80	\$ 20.47	s.f.
Office	\$ 11	\$ 9	\$ 22.38	\$ 5.73	s.f.
Retail	\$ 21	\$ 18	\$ 45.90	\$ 9.94	s.f.

IFAC Recommended Rate					
Land Use	Average	Median	Highest*	Lowest**	Unit
Single Fam	\$ 3,721	\$ 3,307	\$ 8,576	\$ 1,367	DU
Duplex/ADU	\$ 2,105	\$ 1,871	\$ 4,852	\$ 772	DU
Restaurant	\$ 20	\$ 18	\$ 43.40	\$ 10.23	s.f.
Office	\$ 5	\$ 5	\$ 11.19	\$ 2.86	s.f.
Retail	\$ 11	\$ 9	\$ 22.95	\$ 4.97	s.f.

Collected Fees – Considerations

Council can consider the following factors in establishing policy/equity:

- **Vary by Service Area:** Use a different collection option by Service Area
- **Vary by Land Use:** Use a different rate or percentage for residential and non-residential
- **Phased-In Approach:** Start with one option in year 1 and transition to another option in the future (e.g. Round Rock)
- **Offsets:** In all options, fees would be offset by system improvements that are built by development
- **Reductions:** Additional reductions for different development types that further other City objectives, such as affordable housing and transit-oriented development

Fee Reductions - Revised

- Internal capture (cap of 20% reduction from effective rate)
- Transportation Demand Management (cap of 40% reduction from effective rate)
- Affordable housing (up to 100%)
- Infill units (100%)
- Building reuse (100%)
- Maximum cumulative reduction (100% from effective rate)

Additional Reductions Under Consideration

- **Creative Spaces Reduction** – studios, galleries, performance spaces receive up to 100% reduction
- **Small Business Reduction** – first 1,000 square feet of specific non-residential land uses (retail, medial, services, institutional) receives 100% reduction

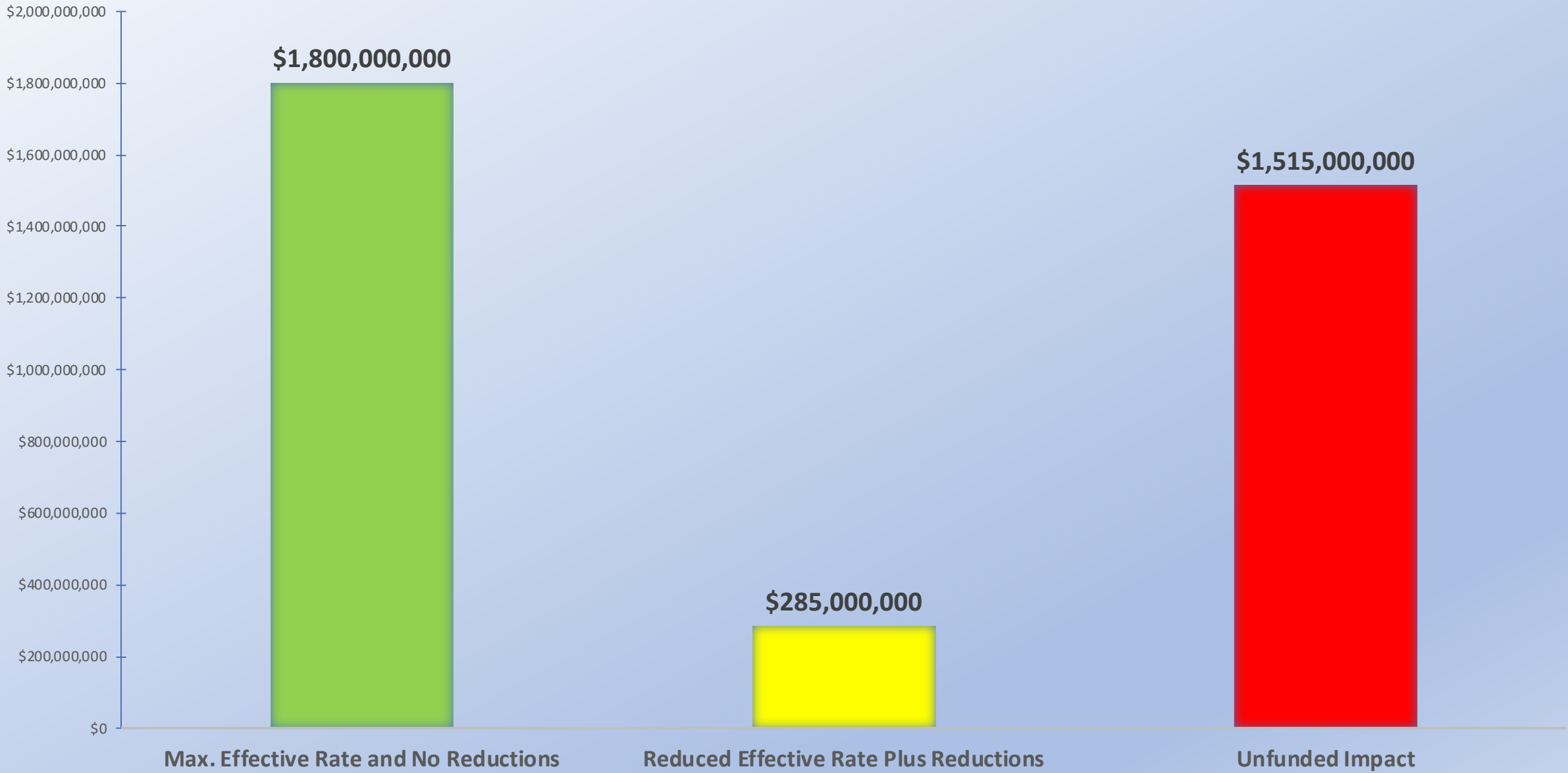
Summary of Revised Staff Recommendations

Policy Topic	Recommendation
Effective Rate	50% of Citywide Maximum for Non-Residential land uses, 35% of Citywide Maximum for Residential land uses
Reduction – Internal Capture	Use ITE Methodology, capped at 20%
Reduction – Transportation Demand Management	Follow City procedures to determine, capped at 40%
Reduction – Affordable Housing	Tiered approach starting w/10% affordable units, also TDM plan
Reduction – Infill units	Up to 3 additional dwelling units and no parking, 100%
Reduction – Building Reuse	Previously occupied bldgs. <1,000 sq. ft. addition, 100%
Reductions Cumulative	Maximum reduction is 100%
Effective Date	Same as ordinance adoption, no collection of fees for 1 year

Example Using Maximum Reductions

	Non-Residential	Residential
Assessed Street Impact Fee	\$100,000	\$100,000
50% reduction for non-residential uses	-\$50,000	
35% reduction for residential uses		-\$35,000
20% reduction for internal capture	-\$20,000	-\$20,000
40% reduction for transportation demand management	-\$40,000	-\$40,000
50% reduction for affordable housing		-\$50,000
100% reduction for infill with no parking		-\$100,000
100% reduction for building reuse	-\$100,000	
Net Street Impact Fee	-\$110,000	-\$145,000
Maximum 100% Reduction Allowed	\$100,000	\$100,000
Street Impact Fee To Be Collected	\$0	\$0

PROPOSED STREET IMPACT FEE - STAFF ESTIMATED FEES GENERATED OVER 10 YEARS



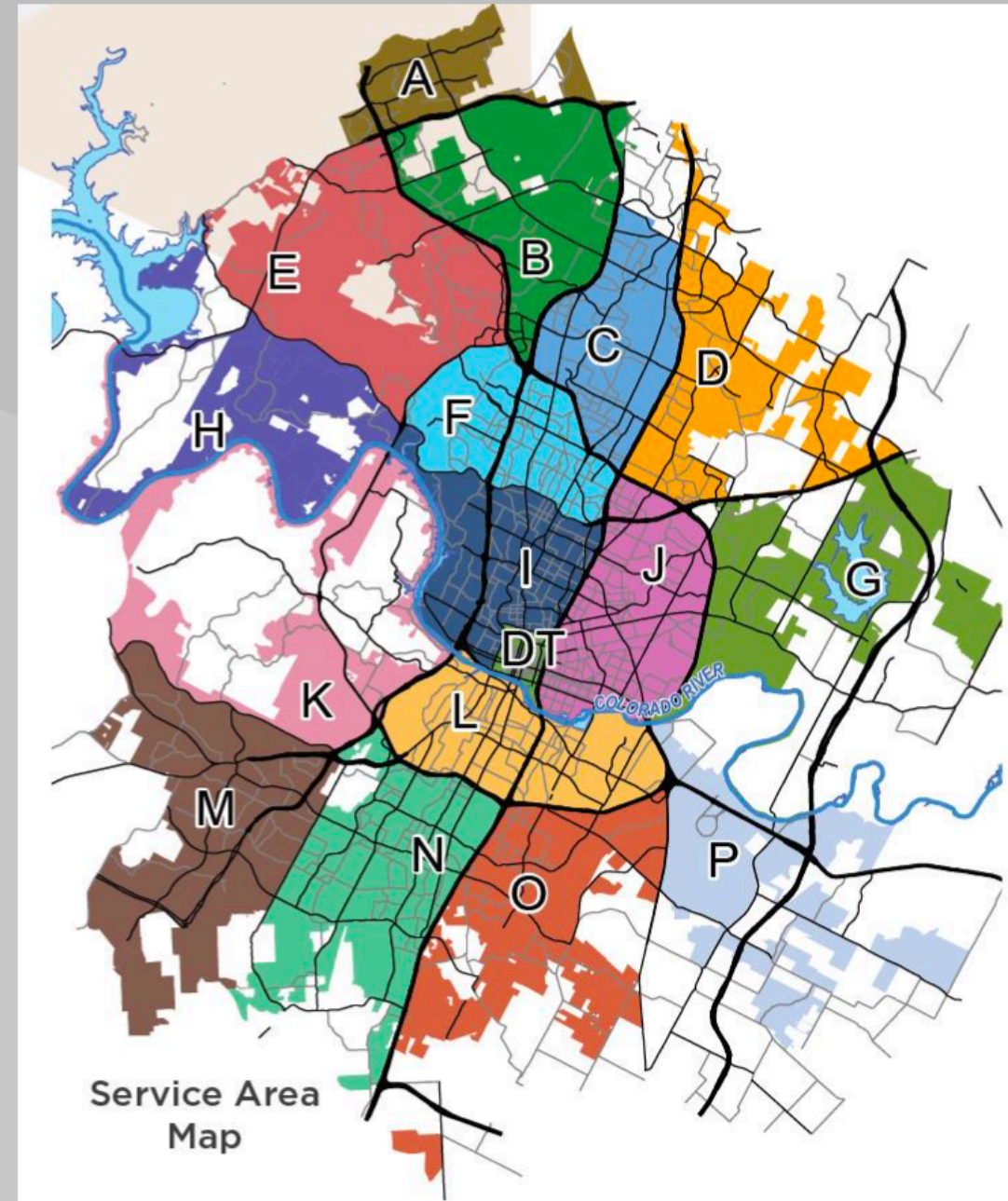
Revised Staff Recommended Rates

Service Area	Single Family (ITE 210)	Townhome / Duplex, ADUs or 1-2 Story Multi-Family (ITE 220)	Mid-Rise Apts & Condos 3 – 10 Stories (ITE 221)	3,000 s.f. Restaurant (ITE 931)	10,000 sf. Office (ITE 710)	50,000 s.f. Retail (ITE 820)
Outside Loop	\$3,621.00	\$2,048.50	\$1,317.50	\$55,003.05	\$47,263.50	\$484,785.00
Inside Loop	\$2,439.50	\$1,377.00	\$884.00	\$54,820.80	\$51,880.50	\$443,475.00

Inside Loop means Service Areas entirely contained within the highway boundaries of SH 71, US 183, and SL 360. (F, I,J,L,DT)



Note: \$ values shown reflect 35% of citywide maximum for residential land uses and 50% citywide maximum for non-residential land uses. Does not include reductions.



Issues and Concerns...

- Proposed effective rates and reductions could shift the cost for over \$1.5 billion in unfunded street impact mitigation from developers to renters and homeowners through more bonds and higher rents and property taxes! (*Same as it ever was!*)
- Reductions were explicitly not included in street impact fee study! The proposed reductions undermine a basic purpose of the street impact fee, which is to ensure that developers, not taxpayers, pay the costs to mitigate the impact that their developments have on roadway capacity.
- “Affordable” units is not defined in draft ordinance! A big loophole that developers will exploit!

Issues and Concerns... continued

- Impact fees in service areas inside urban core will be lower than the impact fees for services fees outside the urban core even though it costs considerably more for roadway infrastructure in the urban core compared to greenfield suburban areas. *(This policy is apparently based on an assumption that roadways are mostly built out in the urban core while roadways in suburban areas still being developed; therefore, development in suburban areas should pay higher street impact fees than development in urban areas.)*
- Based on Council policy to encourage and promote density in the urban core, reductions of up to 100% are more likely to be granted for development in the urban core; thereby, effectively transferring the costs for development in the urban core to renters, homeowners, and businesses in suburban areas.

Next Steps: Street Impact Fee Public Meetings

- Planning Commission Meeting - July 28, 2020:
 - Speaker signup deadline 12:00 PM, Monday, July 27, 2020.
- City Council Meeting – July 30, 2020:
 - Speaker signup deadline 12:00 PM July 29, 2020.
 - Council may direct the city manager to modify the proposed draft ordinance and bring it back to Council on August 8 for possible adoption.
- Street Impact Fee Resources:
 - <https://www.austintexas.gov/departments/street-impact-fee>
 - liane.miller@austintexas.gov
 - 512.974.7922

Questions and Comments

Thank you!