



COUNCIL STAFF REPORT

CITY COUNCIL *of* SALT LAKE CITY

TO: City Council Members

FROM: Jennifer Bruno
Deputy Director

DATE: September 18, 2015 at 2:32 PM

**RE: Background Presentation and Interim Report on Impact Fees from City Impact Fee consultant and
Policy Discussion on Impact Fees**

Council Sponsor: **Council Priority**

Item Schedule:

Briefing: 9/22 (tentative)
Set Date: not required
Public Hearing: not required
Potential Action: TBD

ISSUE AT-A-GLANCE

The Council will first receive a presentation from the City's Impact Fee consultant outlining how impact fees work in general, the consultant's general workplan/approach, and the City's options going forward. In preparation for discussion of the Administrative proposal to suspend collection of Impact Fees, the Council Chair has scheduled time for the Council to hold an initial general policy-level discussion on impact fees. The proposal to suspend general fund impact fees has been received by the Council Office and has been distributed to Council Members.

It is expected that the Council's policy discussion will then continue while the City's impact fee consultant is working on the Impact Fees Facility Plan (IFFP) update (the Administration indicates the consultant will continue to work on this update and potentially transmit to the Council sometime after the new year at the earliest). The on-going policy discussions will ensure that the Council can enter into the decision-making process following a full policy discussion.

The Council adopted Impact Fees as a priority project for the 2015 year, and has had a number of discussions on various aspects to date. Much of the project has been in the hands of the Administration, as revising impact fees is required to go through a state-certified consultant. The City has retained a consultant, and the Council's policy guidance through initial conversations about the Impact Fee priority has been provided to them ([see attachment A – Council Impact Fees Priority work plan](#)). The Administration anticipates that the consultant will have a revised proposal for Impact Fees sometime in the new year, with a goal of adopting the new plan sometime before the expiration of the proposed suspension of fees (October 2016).

Once the Administration has forwarded a revised IFFP and proposed a new method for setting and calculating fees, staff will check the proposal against the various Council interest areas. Staff will also plan on sending any



policy conclusions from this discussion along to the consultant for their consideration as work on the IFFP continues.

Goal of the briefing: *To receive an update from City’s consultant on the status of updating the IFFP, and to the extent that time allows, discuss/create and consider officially adopting policy statements with regard to the various approaches toward Impact Fees.*

POLICY STATEMENTS FOR CONSIDERATION

1. Council Staff has drafted the following statements to describe the budget policy aspects of impact fees:
 - o The policy foundation of impact fees is that growth should pay for itself – that new growth pays for the new infrastructure needs created by that new growth.
 - o Impact fees can only be charged to pay for essential projects to offer the same level of service to new residents/development, as is offered to existing residents. Impact fees cannot be used to pay for enhancements to service levels.
 - o Impact fees are a one-time revenue source, and once new growth projects are built, impact fees cannot be charged retroactively.
 - o If impact fees are not a source of revenue for a needed infrastructure project (or are significantly reduced as a source), that funding must come from another source. If other existing sources aren’t sufficient, property tax increases, fee increases, or shifting existing resources are available tools.
 - o The new growth mechanism in property taxes is unreliable as a source of revenue, given the current taxing structure. Impact fees are the most direct revenue source tied to new growth.
2. Council Staff has listed a series of policy statements grouped in a series of “balancing tests.” In other words, policy statements that could be viewed from one end of the spectrum to the other – staff sometimes uses this tool in an issue where conclusions may change depending on policy choices and the relative importance of one viewpoint over another. The Council may wish to discuss these policy statements and consider adopting a series of statements that reflect the Council’s unique perspective on this issue:

| | | |
|--|--|---|
| New growth should pay for new infrastructure needs that are created by that growth. | Existing taxpayers should join new taxpayers to pay for the infrastructure necessitated by new growth. | New growth is encouraged as economic development, and is in the overall long-term interest of all taxpayers. Anything that stands in the way of new growth/development, should be reconsidered. |
| Impact Fees are a creative financing tool, directly tied to new development, that is a new funding source separate from other financing tools (which usually come down to either Sales, Property taxes, or Class C Funds). | | Impact fees are an impediment to economic development, and cause units/commercial square footage to be built elsewhere. |
| If impact fees are not collected, and projects are necessary to service developments (roads, fire stations, etc), other sources for funding must be pursued. The only other significant revenue source that the Council has control over is property | | Impact fees can be burdensome on developers trying to make a project pencil, which can negatively affect economic development in the City. |

| | | |
|--|--|--|
| tax. Future property tax increases could be just as burdensome on new development as impact fees, and increases the burden on existing taxpayers. | | |
| Impact fees should be collected for projects that are worded generally, to preserve maximum flexibility for expending those fees. | | Impact fees should be collected for very specific projects, so that those projects are more likely to be accomplished and the transparency is clear for developers up-front what the potential benefit is. |
| Impact fees should be collected city-wide. Pro: -potentially lower fees, as costs are distributed among many more units in the City Con: -benefit may feel less tangible for developments not located near whatever improvements are made. | | Impact fees should be collected in smaller localized areas. Pro: -tangible, more immediate results Con: -potentially higher fees, as costs are divided by fewer units |

POLICY QUESTIONS

1. Council Staff has requested clarification from the Administration on whether the consultant is advisory to the Administration or to both branches (similar to the approach for the City's financial advisor).
2. The Public Utilities impact fee program is considered separately from the general fund related impact fees. Public Utilities fees are also not part of the Administration's upcoming proposal for suspension of impact fees.
 - o The Council may wish to evaluate the general fund policies associated with impact fees with the enterprise fund policies for impact fees, to see whether consistency in approach is valuable/realistic, and to evaluate whether there are best practices for planning/spending of fees that could be duplicated.
 - o The Council may wish to clarify with the Administration whether the feedback received about impact fees in the EnterpriseSLC process related only to the general fund portion of fees or all City impact fees (including Public Utilities).
 - o If the Council elects to apply different policy approaches in terms of the degree to which new growth covers the associated expenses, it may be helpful to clearly articulate the distinctions and associated reasoning.
3. The Council may wish to ask the Administration if it is worth establishing a singular position in this Administration to track impact fee expenditures and planning, as well as provide regular communications to the public about how impact fees are used.

4. The Council may wish to ask if the Administration to explore whether it is possible to let developers know about the actual or estimated impact fee amount very early in the development review process, so it is not a surprise later on.

ADDITIONAL & BACKGROUND INFORMATION

- A. Salt Lake City has four impact fee categories (Public Utilities/Stormwater impact fees are collected separately by that department): fire, police, parks, and roadways. The fire, police, and parks impact fees are collected citywide. The parks fees are only collected on residential projects. Roadway fees are collected only in the Westside Industrial Area (west of Redwood Road).

| Impact Fee Category | Residential <i>(calculated per unit)</i> | Commercial <i>(calculated per square foot)</i> |
|---|---|---|
| Police | \$ 41.00 | \$0.30 |
| Fire | \$ 119.00 | \$0.32 |
| Park <i>(only collected on Residential)</i> | \$2,875 | No Charge |
| Roadway <i>(only collected west of Redwood Road)</i> | | |
| Residential | \$424 <i>(single family)</i> \$249 <i>(multi-family)</i> | |
| Retail | | \$3.28 |
| Office | | \$2.33 |
| Industrial | | \$2.26 |

- B. In 2014, based on feedback from the business community, and a recognized error in the ordinance regarding roadway fees, the Council changed impact fees in the following ways:

- Reduced park impact fees from \$3,999 to \$2,875 for 2 years, at which point they return to \$3,999.
- Clarified that Roadway fees shall be collected in the Westside industrial area only,
- Amended the City’s consolidated fee schedule to reflect the changes to fees and clarification of fees for appeal.

- C. The balance of the various impact fee accounts is as follows:

It should be noted that fees actually expire month by month, 6 years from the date they are collected. So fees don’t expire for the City’s account once per year, but rather, each month, a certain amount of fees expire.

- a. Police – balance of \$3.8 million with no funds set to expire until November 2016. Between November 2016 and January 2017, \$169,435 is set to expire.
 - **Eligible projects/Percentage eligible for impact fees:**
 - Evidence and Crime Lab Facility 25%
 - Impact Fee Study 100%
- b. Fire – balance of \$6.65 million, with \$45,016 set to expire in January 2016. Note: approximately \$913,000 of impact fees is proposed to be spent in the upcoming budget amendment to design Fire Stations #3 and #14 (impact fee eligible). If the Council approves this upcoming budget amendment, no funds will expire.

- **Eligible projects/Percentage eligible for impact fees:**
- Fire Station #3 (Sugar House) Land Acquisition 33%
- Fire Station #3 Construction 33%
- Fire Station #14 33%
- Fire Station #14 Truck 100%
- Impact Fee Study 100%
- Standard of Cover Study 50%

c. Roads \$8.3 million with \$151,288 set to expire in December 2015 (although if the Council adopts the proposed FY 2016 CIP budget as proposed by the Administration, there are two projects that would spend these funds before the deadline).

- **Eligible projects/Percentage eligible for impact fees:**
- 500/700 South – 2800 West to 5600 West 57%
- Indiana Avenue/900 South from Redwood 57%
- to 3600 West
- Gladiola Street 1650 South to 2100 South 57%
- 4400 West from 700 South to 850 South 57%
- Pedestrian safety devices 10%
- Bike lane/pedestrian improvements citywide 10%
- New traffic signals 100%
- Impact Fee Study 100%
- Transportation Master Plan 10%

d. Parks \$7.5 million with no funds expiring until December 2018. The FY 2016 CIP budget has a number of proposed parks impact fees expenditures, including purchase of a property for a new park downtown (100% impact fee eligible), and a community garden.

- **Eligible projects/Percentage eligible for impact fees:**
- Additional acres of parks 100%
- Additional acres of open space 100%
- (Non growth related open space acquisition is not eligible)
- Jordan and Salt Lake Canal Shared Use Pathway 10%
- City Creek Trail 10%
- Restroom improvements 11%
- Jogging/walking path improvements 3%
- Plaza improvements 4%
- Off-leash dog parks 3%
- BMX/bike park improvements 5%
- Impact Fee study 100%
- Parks, Open Space, Trails Master Plan 5%
- Jordan River Master Plan 5%
- Foothills Recreation and Management Plan 5%

The following chart is an excerpt from the 2012 IFFP, showing a detailed list of the types of projects that are or are not impact fee eligible in the parks category:

| Type of Capital Facility | Acre/ Miles | Estimated Cost | Portion Attributable to Growth | Impact Fee Eligible | Other Funding Sources |
|---|----------------|----------------------|--------------------------------------|------------------------|--------------------------|
| Parks/Open Space Acquisition and Development | | | | | |
| Additional acres of developed parks and open space to continue current level of service for growth | 44.58 | \$ 15,603,000 | 100% | \$ 15,603,000 | \$ - |
| Additional acres of open space to continue current level of service for growth | 54.30 | \$ 543,000 | 100% | \$ 543,000 | |
| Additional non growth-related open space acquisition | tbd | \$ 2,100,000 | 0% | \$ - | \$ 2,100,000 |
| Trail/Shared Use Pathway Development | | | | | |
| Jordan and Salt Lake (McClelland) Canal Shared Use Pathway | | \$ 4,000,000 | 10% | \$ 400,000 | \$ 3,600,000 |
| City Creek Trail | | \$ 1,200,000 | 10% | \$ 120,000 | \$ 1,080,000 |
| Improvements to Existing Parks - Specific projects to be determined on an annual basis | | | | | |
| Includes playgrounds, restrooms, fields, courts, paths, pavilions, plazas, off-leash dog parks skate parks, BMX/bike parks, irrigation and landscaping, and other miscellaneous improvements | | | | | |
| <i>Playground Improvements</i> | | \$ 1,816,200 | 0% | \$ - | \$ 1,816,200 |
| <i>Restroom Improvements</i> | | \$ 3,000,000 | 11% | \$ 300,000 | \$ 2,700,000 |
| <i>Multipurpose Field Improvements</i> | | \$ 950,000 | 0% | \$ - | \$ 950,000 |
| <i>Basketball Improvements</i> | | \$ 150,000 | 0% | \$ - | \$ 150,000 |
| <i>Tennis Court Improvements</i> | | \$ 4,613,400 | 0% | \$ - | \$ 4,613,400 |
| <i>Volleyball Court Improvements</i> | | \$ 70,000 | 0% | \$ - | \$ 70,000 |
| <i>Softball Field Improvements</i> | | \$ 400,000 | 0% | \$ - | \$ 400,000 |
| <i>Baseball Field Improvements</i> | | \$ 1,400,000 | 0% | \$ - | \$ 1,400,000 |
| <i>Jogging/Walking Path Improvements</i> | | \$ 501,608 | 3% | \$ 16,000 | \$ 485,608 |
| <i>Pavilion Improvements</i> | | \$ 1,200,000 | 0% | \$ - | \$ 1,200,000 |
| <i>Plaza Improvements</i> | | \$ 1,200,000 | 4% | \$ 50,000 | \$ 1,150,000 |
| <i>Off-Leash Dog Park Improvements</i> | | \$ 500,000 | 3% | \$ 12,500 | \$ 487,500 |
| <i>Skate Park Improvements</i> | | \$ 700,000 | 0% | \$ - | \$ 700,000 |
| <i>BMX/Bike Park Improvements</i> | | \$ 300,000 | 5% | \$ 15,000 | \$ 285,000 |
| Miscellaneous Amenities | | | | | |
| Drinking Fountains | | \$ 70,000 | 0% | \$ - | \$ 70,000 |
| Picnic Tables | | \$ 240,000 | 0% | \$ - | \$ 240,000 |
| Horseshoes | | \$ 15,000 | 0% | \$ - | \$ 15,000 |
| Water Features | | \$ 250,000 | 0% | \$ - | \$ 250,000 |
| Bridges | | \$ 250,000 | 0% | \$ - | \$ 250,000 |
| Bleachers | | \$ 112,000 | 0% | \$ - | \$ 112,000 |
| Benches | | \$ 90,000 | 0% | \$ - | \$ 90,000 |
| Earthen Trails | | \$ 375,223 | 0% | \$ - | \$ 375,223 |
| Concessions | | \$ 500,000 | 0% | \$ - | \$ 500,000 |
| Other Improvements | | | | | |
| Landscaping | | \$ 2,305,000 | 0% | \$ - | \$ 2,305,000 |
| Lighting | | \$ 694,770 | 0% | \$ - | \$ 694,770 |
| Irrigation | | \$ 2,394,220 | 0% | \$ - | \$ 2,394,220 |
| Fencing | | \$ 350,000 | 0% | \$ - | \$ 350,000 |
| Asphalt | | \$ 1,182,020 | 0% | \$ - | \$ 1,182,020 |
| Signage | | \$ 312,093 | 0% | \$ - | \$ 312,093 |
| Cemetery | | | | | |
| | | \$ 2,000,000 | 0% | \$ - | \$ 2,000,000 |
| Percent for Art | | | | | |
| | | \$ 500,000 | 0% | \$ - | \$ 500,000 |
| Cost Overruns | | | | | |
| | | \$ 300,000 | 0% | \$ - | \$ 300,000 |
| Total Infrastructure | | \$ 52,187,534 | | \$ 17,059,500 | \$ 35,128,034 |
| Plus Cost of CIP/Fee-Related Research | | | | | |
| Impact Fee Study | | \$ 11,150 | 100% | \$ 11,150 | \$ - |
| Parks Recovery Plan | | \$ 50,000 | 0% | \$ - | \$ 50,000 |
| Parks, Open Space and Trails Master Plan | | \$ 75,000 | 5% | \$ 3,750 | \$ 71,250 |
| Jordan River Master Plan | | \$ 100,000 | 5% | \$ 5,000 | \$ 95,000 |
| Foothills Recreation and Management Plan | | \$ 75,000 | 5% | \$ 3,750 | \$ 71,250 |
| Total Infrastructure Plus CIP/Fee-Related Research | | \$ 52,498,684 | | \$ 17,083,150 | \$ 35,415,534 |
| Minus Impact Fee Balance | | | | | |
| | | \$ 1,040,221 | 100% | \$ 1,184,928 | \$ - |
| Grand Total | | \$ 51,458,463 | | \$ 15,898,222 | \$ 35,415,534 |

D. The Council may wish to ask whether the Administration has more updated information on how Salt Lake City's impact fees compare to other cities in Utah and/or the Western US region. In 2014, staff gathered data where freely available, in order to calculate the percentage of various city impact fees to home sale prices or office lease rates. The Council should note that this is very basic research with information that is free and available. More extensive research would require the purchase of data and additional staff time. It

is possible that the City’s consultant would be able to consider updating these comparables in a revised IFFP proposal. *Please note: this information is dated 2014 and has not yet been updated.*

| Housing | | | |
|-------------------------------------|---------------------------------|--|---------------------------------|
| | Impact Fee (per unit) | Home Prices* (detached, single family) | Fee as a % of home price |
| <i>Utah Cities</i> | | | |
| SLC | \$4,583 | \$307,793 | 1.5% |
| Park City | \$4,775 | \$922,839 | 0.5% |
| Layton | \$4,773 | \$234,500 | 2.0% |
| Sandy | \$4,538 | \$328,774 | 1.4% |
| Provo | \$4,074 | \$279,649 | 1.5% |
| Tooele | \$3,990 | \$175,228 | 2.3% |
| <i>Average Utah Cities</i> | <i>\$4,456</i> | <i>\$374,797</i> | <i>1.5%</i> |
| <i>Other Western Region Markets</i> | | | |
| Salem, OR | \$5,501 | \$223,999 | 2.5% |
| Spokane, WA | \$5,501 | \$203,872 | 2.7% |
| Phoenix, AZ | \$5,334 | \$273,893 | 1.9% |
| Glendale, AZ | \$4,036 | \$232,259 | 1.7% |
| Fresno, CA | \$4,561 | \$272,085 | 1.7% |
| <i>Average Other Markets</i> | <i>\$4,987</i> | <i>\$241,222</i> | <i>2.1%</i> |

*Source: Onboard Informatics, Housing Price by City – “Houses and Residents”, all cities and states, referenced January 29, 2014 (www.city-data.com).

| Commercial/Office | | | | |
|---|---|--|--|----------------------------------|
| <i>Note: this analysis only includes markets where Council Staff was able to obtain commercial lease rates from local real estate brokerages.</i> | | | | |
| City | Impact Fee (per office square foot) | Office Lease Rate * (Class A, per square foot) | Fee as a % of Office lease rate | Notes |
| <i>Utah Cities</i> | | | | |
| SLC- Downtown | \$2.68 | \$22.29 | 12% | |
| South Jordan | \$2.94 | \$21.41 | 14% | Sandy/Southtowne submarket |
| Layton | \$2.66 | \$19.00 | 14% | not officially tracked - \$18-20 |
| Draper | \$2.58 | \$21.29 | 12% | Draper submarket |
| West Jordan | \$1.75 | \$17.58 | 10% | Sandy / Southtowne submarket |
| West Valley City | \$1.44 | \$15.86 | 9% | W Valley submarket |
| <i>Average Utah Cities</i> | <i>\$2.34</i> | <i>\$19.57</i> | <i>12%</i> | |
| <i>Other Western Region Markets</i> | | | | |
| Albuquerque - Downtown | \$3.50 | \$20.50 | 17% | |
| Glendale | \$2.92 | \$17.43 | 17% | W/NW Phoenix submarket |
| <i>Average Other Markets</i> | <i>\$3.21</i> | <i>\$18.97</i> | <i>17%</i> | |

*Source: CBRE, “Local Market Real Estate Reports” – Quarter 3, all cities, referenced January 29, 2014 (http://www.cbre.us/research/Pages/Local-Reports.aspx).

2015 GENERAL FUND IFFP & IFA

SALT LAKE CITY, UTAH



LEWIS YOUNG ROBERTSON & BURNINGHAM, INC.

SEPTEMBER 2015




**LEWIS YOUNG
ROBERTSON & BURNINGHAM, INC.**

INTRODUCTION TO IMPACT FEES



2

- Before imposing an impact fee, each local political subdivision or private entity shall prepare:



IMPACT FEE FACILITIES PLAN (IFFP)

Identifies the demands placed upon the City's existing facilities by future development and evaluates how these demands will be met by the City. Outlines the improvements which are intended to be funded by impact fees.



IMPACT FEE ANALYSIS (IFA)

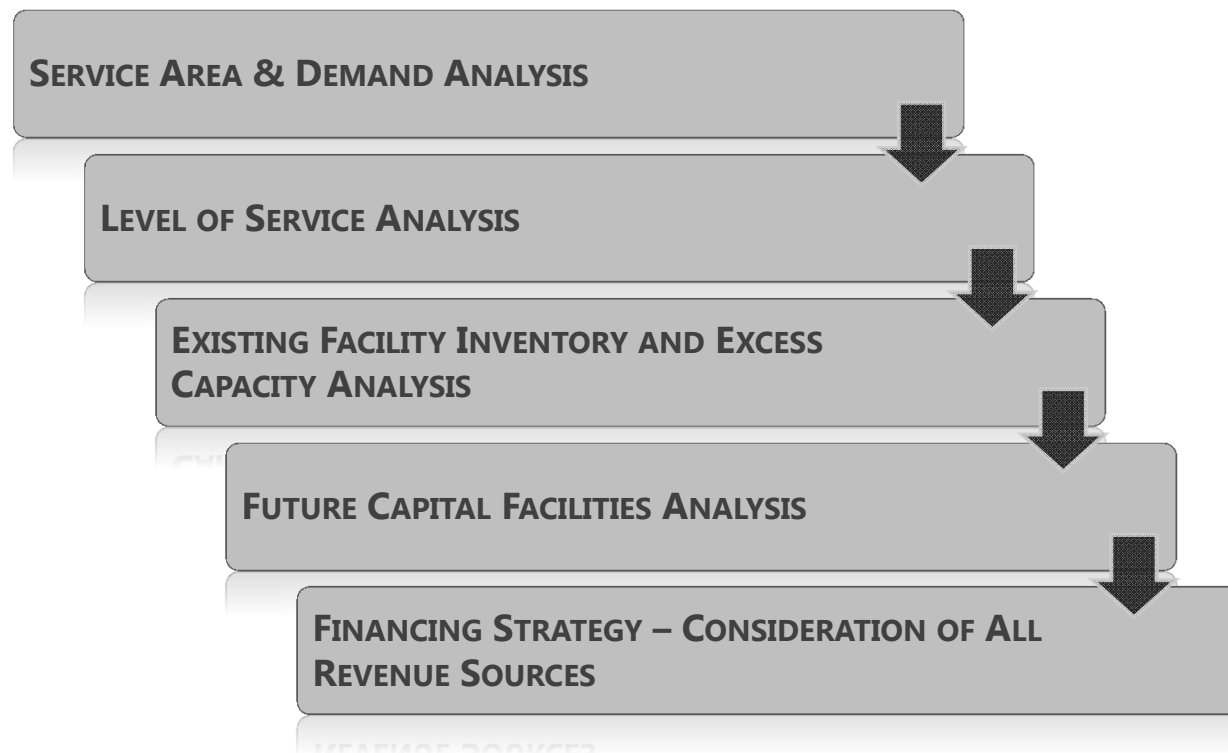
Proportionately allocates the cost of the new facilities and any excess capacity to new development, while ensuring that all methods of financing are considered.

INTRODUCTION TO IMPACT FEES



3

- The following elements are important considerations when completing an IFFP and IFA:

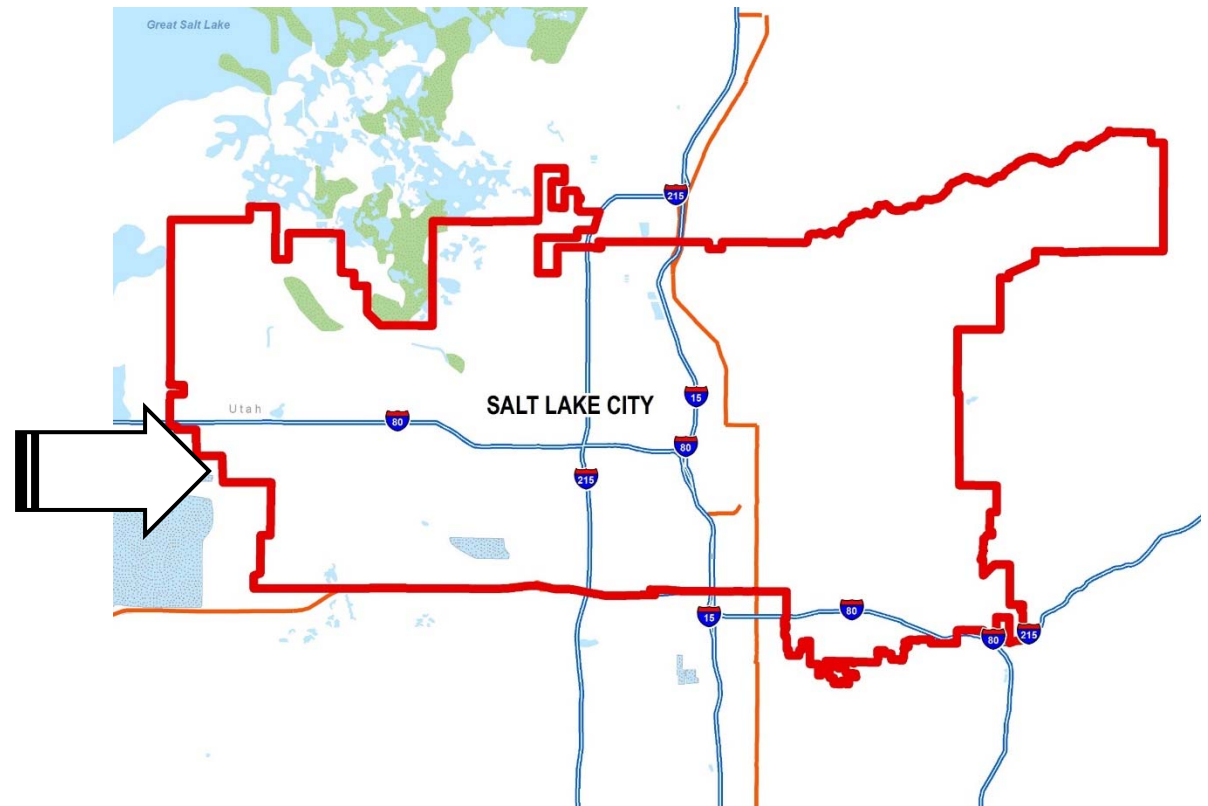


1. SERVICE AREA & DEMAND



4

Single City-Wide
Service Area
vs.
Specific Service
Areas



1. SERVICE AREA & DEMAND

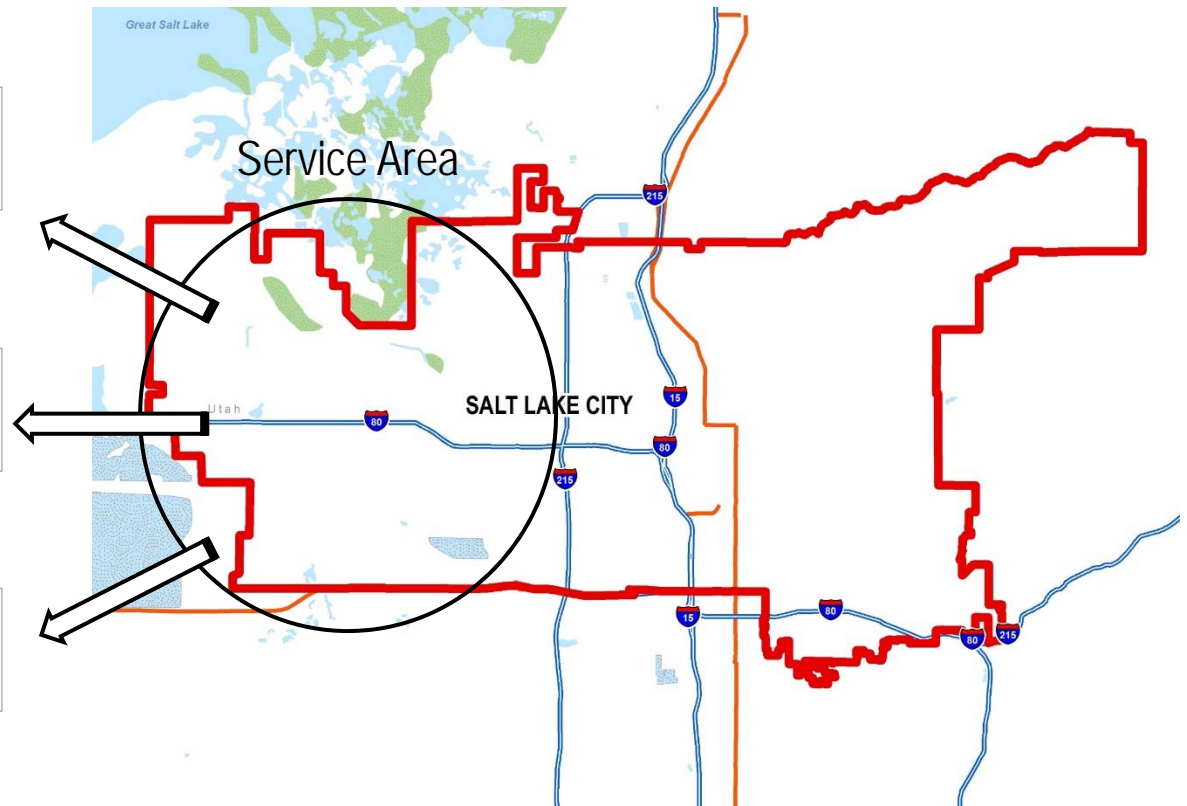


5

Identifying specific demand unit
(Calls vs. trips vs. population)

Determine existing demand and
future demand

IFFP Planning Horizon = Projects
occurring within 6-10 yrs



2. LOS ANALYSIS



6

- Identify existing level of service (LOS)
- Identify proposed LOS
- Proposed LOS cannot exceed existing LOS
- New development can only be charged for the proportionate cost of the new facilities that maintain the LOS

3. EXISTING FACILITIES



7

- Inventory existing facilities based on original value, type and useful life
- Calculate system capacity by component (e.g. storage facilities vs. source/supply)
- Delineate system improvements vs. project improvements in existing facilities

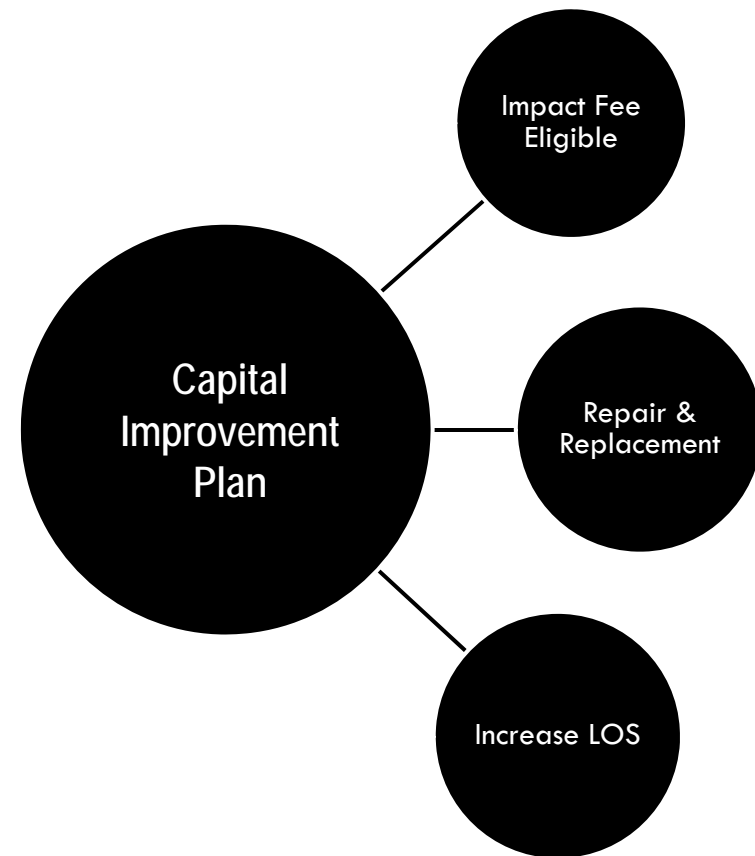
Facility Inventory necessary to establish any excess capacity within the system

4. FACILITIES TO SERVE GROWTH



8

- Determine necessary projects to cure existing deficiencies or raise the level of service (not included in IFA)
- Identify existing excess capacity utilization (this will serve as a buy-in component in the IFA)
- Outline future capital facilities for new growth (typically this is part of a capital facilities or master plan)
- Differentiate between system improvements and project improvements.
- Identify the capacity of future projects based on the base demand unit (i.e. # of ERCs served by new water tank).

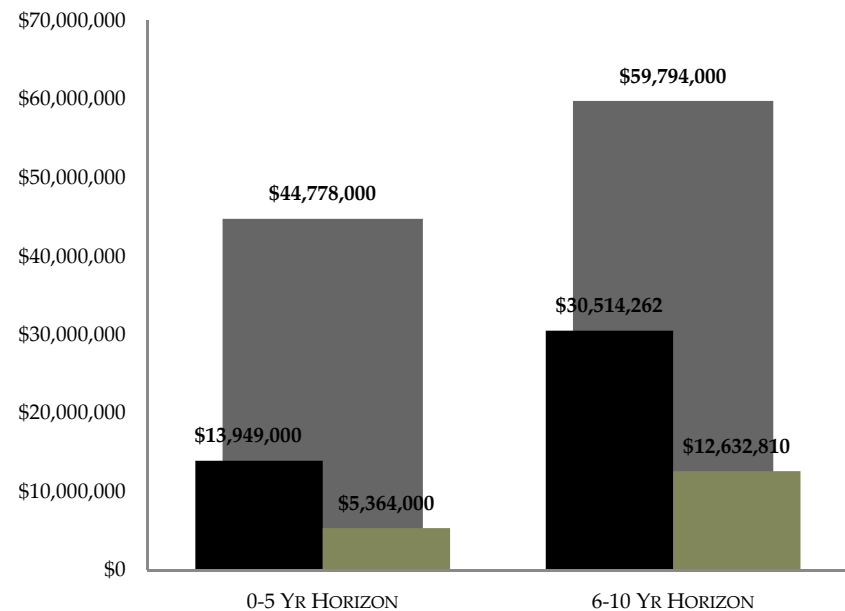


5. FINANCING STRATEGY



- Consider all revenue sources in the financing of system improvements
- Illustrate existing and future public facilities funding mechanisms
- Purpose: To show that impact fees are necessary to achieve equity.

IMPACT FEE FACILITIES PLAN

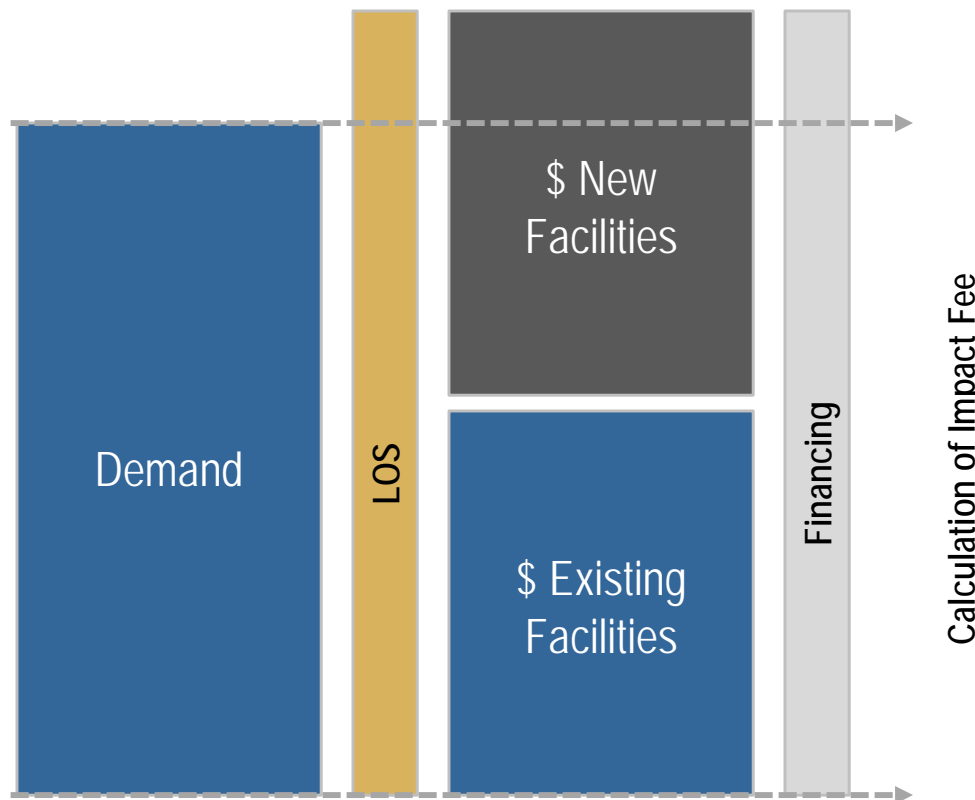


■ PLANNING LEVEL COST ESTIMATE ■ GROWTH RELATED COSTS ■ IMPACT FEE ELIGIBLE COST

PROPORTIONATE SHARE ANALYSIS SUMMARY



10



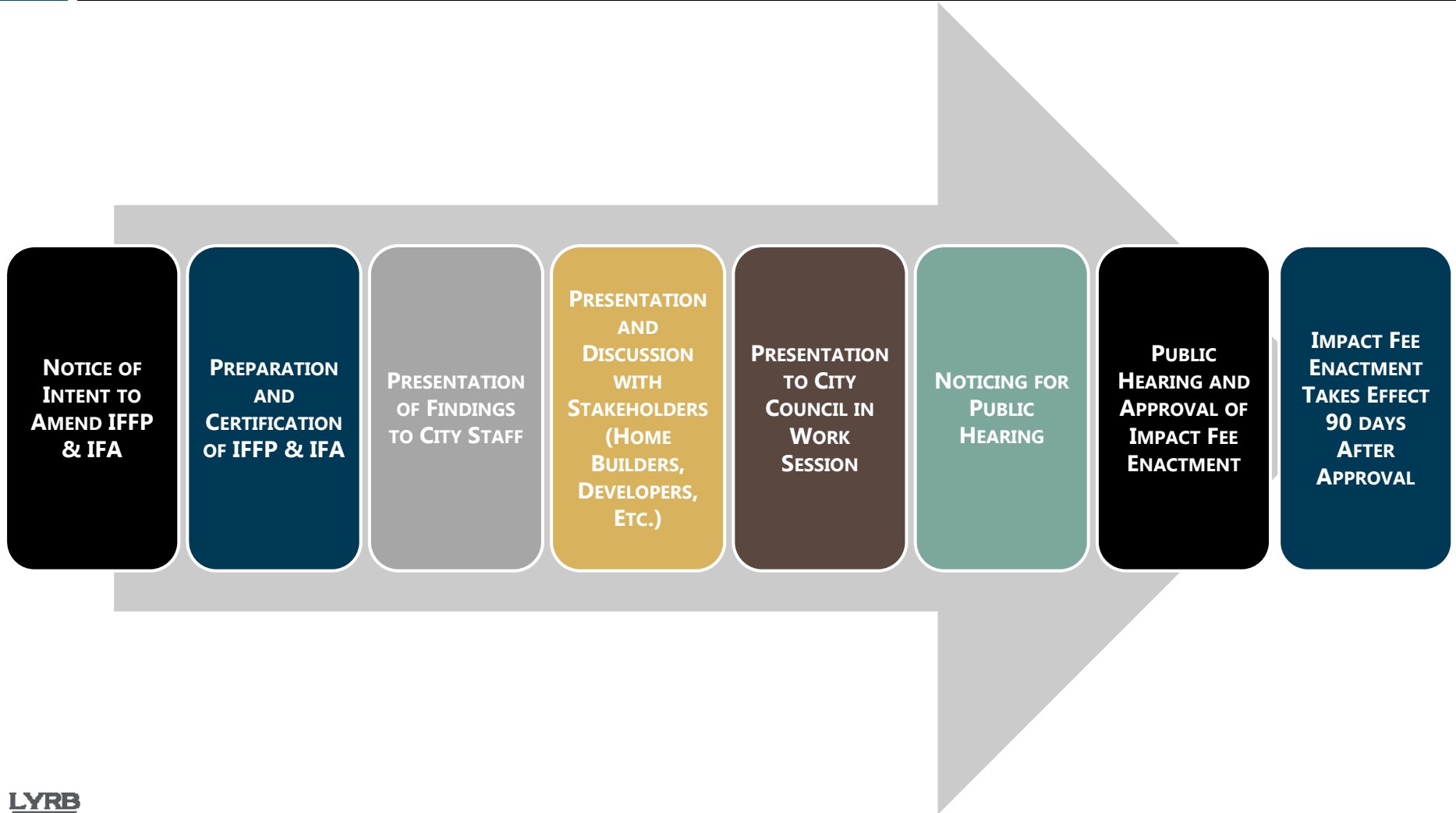
Calculation of Impact Fee

| | GROWTH RELATED COSTS WITHIN IFFP HORIZON | ERUS SERVED | FEE PER ERU |
|----------------------------------|--|-------------|----------------|
| Source Excess Capacity | \$307,209 | 1,368 | \$225 |
| Treatment Excess Capacity | \$671,178 | 1,368 | \$491 |
| Storage Excess Capacity | \$1,134,687 | 1,368 | \$829 |
| Distribution Excess Capacity | \$523,255 | 1,368 | \$382 |
| Future Improvements | | | |
| Source Future Improvements | - | 1,368 | - |
| Storage Future Improvements | - | 1,368 | - |
| Distribution Future Improvements | \$1,969,874 | 1,368 | \$1,440 |
| Other | | | |
| Professional Expense | \$3,788 | 1,368 | \$3 |
| Impact Fee Fund Balance | (\$79,517) | 1,368 | (\$58) |
| Total | \$4,530,475 | | \$3,312 |



WE PROVIDE SOLUTIONS

IMPACT FEE PROCESS



PROJECT STATUS



12

- Finalizing Calculation of Demand
- Finalize Capital Improvement Plan
- Determine Appropriate Path Forward