Impact Fee Trends

Growth & Infrastructure Consortium, Atlanta

Clancy Mullen

duncan associates

October 4, 2012
Overview

- State enabling legislation
- Impact fee amounts
- Fee reductions to stimulate growth
- Differential fees to steer growth
- Multi-modal transportation fees
- Simplification of fee schedules
### State Enabling Legislation

#### Types of Fees Authorized by State

<table>
<thead>
<tr>
<th>State</th>
<th>Roads</th>
<th>Water</th>
<th>Sewer</th>
<th>Storm Water</th>
<th>Parks</th>
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</table>
Recent State Legislation

■ End of expansion era
  - 2001 – NV: added parks, police, fire & traffic signals
  - 2001 – CO: new enabling act
  - 2003 – AR: new enabling act
  - 2005 – MT: new enabling act

■ Retrenchment era
  - 2006 – WI: prohibits counties, rec facilities, vehicles
  - 2006 – FL: “recent & localized data,” 90-day waiting period
  - 2007 – GA: Atlanta road fee expenditure restrictions
  - 2007 – NV: prohibits jurisdiction-wide service areas
Recent State Legislation (cont’d)

- 2008 – UT: 90-day waiting period for increased fees
- 2009 – FL: put burden of proof on local government
- 2009 – AZ: 2-year freeze on fee increases
- 2010 – AZ: extended freeze on fee increases
- 2011 – AZ: new restrictive enabling act for cities
Arizona’s SB 1525 – 2011

- Fees prohibited for some facilities:
  - Solid waste fees, general gov’t fees, parks >30 acres, rec centers >3,000 sf, libraries >10,000 sf, fire/police training facilities
  - Required elimination of prohibited fees by January 1, 2012

- Current fees locked in at plat/site plan for 2 years

- 8-month process to adopt or update fees

- Credit required for “excess” construction tax
  - No increase in “excess” construction tax for 3 years

- Full compliance required by August 1, 2014
National Impact Fee Survey

- Conducted annually since 2003
- Has grown from 158-271 jurisdictions
- Records individual fee amounts, not just total fees
  - Roads, water, wastewater, drainage, parks, library, fire, police, general government, schools, other
- Five major land use categories
  - Single-family, multi-family, retail, office, industrial
  - Typical assumptions made in case fees vary by size, density, etc.
    - E.g., single-family unit is 2,000 sq. ft., 3-bedroom, 4 units/acre
Survey Characteristics

- Not exhaustive survey, only a sample
- Not a random sample
- Water/wastewater fees likely under-reported
  - Focus on non-utility fees
- Survey excludes jurisdictions with no impact fees
- Average fees exclude jurisdictions that don’t charge that particular fee
2012 Survey Jurisdictions
## Avg. Fees by Type and Land Use, 2012

<table>
<thead>
<tr>
<th>Facility Type</th>
<th>Single-Family (Unit)</th>
<th>Multi-Family (Unit)</th>
<th>Retail (1,000 sf)</th>
<th>Office (1,000 sf)</th>
<th>Industrial (1,000 sf)</th>
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<tbody>
<tr>
<td>Roads</td>
<td>$3,228</td>
<td>$2,202</td>
<td>$5,685</td>
<td>$3,430</td>
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<tr>
<td>Water</td>
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<td>$1,440</td>
<td>$690</td>
<td>$629</td>
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<td>Wastewater</td>
<td>$3,725</td>
<td>$1,771</td>
<td>$741</td>
<td>$690</td>
<td>$765</td>
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<td>Drainage</td>
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<td>$790</td>
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<tr>
<td>Parks</td>
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<td>Library</td>
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<td>Fire</td>
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<td>Schools</td>
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<td><strong>Total Non-Utility</strong></td>
<td>$8,111</td>
<td>$5,359</td>
<td>$6,174</td>
<td>$4,172</td>
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<td><strong>Total</strong></td>
<td><strong>$11,583</strong></td>
<td><strong>$6,718</strong></td>
<td><strong>$6,347</strong></td>
<td><strong>$4,483</strong></td>
<td><strong>$3,190</strong></td>
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* Average of total fees charged by jurisdictions, not sum of average fees by facility type (non-utility excludes water and wastewater)

** rarely charged to nonresidential land uses, with the exception of school fees in California
Average Total Fees by State, 2012

Total Non-Utility Fees per Single-Family Unit

- AR
- GA
- TX
- WI
- NV
- NM
- NC
- TN
- UT
- NH
- AZ
- CO
- WA
- FL
- OR
- MD
- CA
## Average Fees by State, 2004-2012

### Average Non-Utility Fees per Single-Family Unit

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<th>Sample</th>
<th>2004</th>
<th>2008</th>
<th>Change</th>
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<td>$3,127</td>
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<td>$4,752</td>
<td>$10,846</td>
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<td>$14,178</td>
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<tr>
<td>National</td>
<td>$4,236</td>
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<tr>
<td>Without CA</td>
<td>$3,690</td>
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<td>$8,601</td>
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<td>$18,219</td>
<td>$19,506</td>
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<tr>
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<td>$8,108</td>
<td>9%</td>
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<tr>
<td>Without CA</td>
<td>$5,706</td>
<td>$6,249</td>
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<td>% Change</td>
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*Source: duncan associates*
Annual % Change in Fees, 2004-2012

Change in Average Non-Utility Fee per Single-Family Unit
Fee Reductions: Housing Crisis

Monthly Single-Family Building Permits, 12-Month Rolling Average, 2001-2012

Source: US Census
Local Pressure to Reduce Fees

- Developers/builders more aggressive
  - Desperation: few projects still in process can’t compete with falling prices of existing homes, trying to cut all costs possible

- Opposition to growth weakened
  - Taxes on existing residents no longer going up because of unbridled growth; collapse of housing bubble has created more visible problems

- Herd mentality can set in
  - Everyone else is doing it, we need to stay competitive
Arguments for Fee Reductions

- Need to be competitive to attract development
  - Developers & businesses will go where fees are lowest

- Might stimulate construction and create jobs
  - What have we got to lose? (revenue low)
  - If we don’t try it, we won’t know
  - Worth it if it creates even one job

- If it doesn’t appear to have worked...
  - We don’t know how much worse it would have been
  - We will be positioned for the recovery
Arguments Against Fee Reductions

- Impact fees have never been shown to deter growth
  - Development follows market opportunity, not lowest cost
  - National chains not deterred by fees; “mom & pop” stores rent
  - Industries want good transportation, labor force, low operating costs

- Impact fees are visible, but not only development costs
  - Developers will continue to make road and other improvements

- If it does work, it will only make things worse
  - Increase housing oversupply; depress housing prices

- Reducing/suspending impact fees will create inequities
  - Developers finding their credits devalued (recent flap in Volusia Co.)
  - Builders who have paid fees competing with builders who did not
FL County Fee Reductions, 2007-2012

Total Non-Utility Fee, Single-Family Detached Unit
Research Design

- **Time periods**
  - Fee-reduction period: 19 months (Jan. 2008-July 2009) during which a number of counties reduced their fees
  - Year before fee-reduction period: 2007 calendar year
  - Year after fee-reduction period: Aug. 2009-July 2010

- **Change in single-family fees**
  - Total non-utility fees (water/wastewater excluded)

- **Percent change in single-family permits**
State-Wide Context

Monthly Single-Family Building Permits, Florida, 1996-2010
Sample Counties

- **9 fee reduction counties**
  - Brevard, Charlotte, Citrus, Highlands, Indian River, Manatee, Martin, Nassau, Polk

- **11 non-reduction counties**
  - Collier, Lee, Miami-Dade, Orange, Osceola, Palm Beach, Pasco, Sarasota, St. Johns, St. Lucie, Volusia
Initial Regression Analysis

- Not statistically significant
  - Slope of line in expected direction (bigger fee reduction = lower decline in permits)
  - Explains only 1% of variation
  - 64% chance of random result
  - Manatee County is a major outlier distorting the relationship
Excluding Manatee County

- Statistically significant
  - Slope of line in opposite direction (bigger fee reduction = greater decline in permits)
  - Explains 22% of variation
  - 4% chance of random result

- Conclusion
  - No correlation between reducing fees and issuing more permits
Impact Fees as Geographic Incentives

- Argument: fee differentials can steer development to more developed areas where infrastructure exists
- Prime example: Albuquerque, NM
Evidence from Albuquerque

- **2002-2004 (no fees)**
  - 25% of permits in old areas

- **2004-2006 (phase-in)**
  - 36% of permits in old areas

- **2007-2010 (full fees)**
  - 51% of permits in old areas
Lessons from Albuquerque

- Difficult to quantify actual cost differences
  - “Infill” areas often have inadequate infrastructure
  - City’s road fee differentials were policy-driven, not cost-driven

- Fee differentials not large enough
  - “Punitive” differential for retail fees in growth areas amount to <3% of construction cost at most extreme (W Mesa vs downtown)

- Fee differentials generate controversy/backlash
  - Attempts to gut City fees in legislature; now going to city-wide

- Tend to breed other reductions
  - 100% waivers for “green” building has eliminated fees from SF

- No convincing evidence of actual effectiveness
Multi-Modal Transportation Fees

- Allowed only in certain states
  - States with many impact fees: CA, FL, OR (WA under SEPA)
  - States with few impact fees: AR, HI, NY, NJ, RI, VT
  - Prohibited in: AZ, GA, ID, IL, IN, ME, MT, NV, NM, PA, SC, TX, UT, VA, WV, WI

- Myths in Florida about “mobility fees”:
  - Are the only way to vary fees by geographic area
  - Can use to fund transit operating costs
  - Are lower than traditional road fees
Simplification of Fee Schedules

- Road impact fee schedules tend to list many uses
  - ITE manual has trip generation rates for hundreds of uses
- Results in very high fees for some land uses
  - Gas stations, convenience stores, fast food restaurants, other restaurants, drive-in banks, day cares, medical offices, movie theaters
- Discourages reuse of existing buildings
- Alternative: broader land use categories
  - Base commercial fees on shopping center, combine general/medical office
  - Reasonable: uses change over time, focus on long-term impact
  - Avoids most change-of-use fees
Simplification of Fee Schedules

Road Impact Fees per 1,000 sq. ft., Albuquerque
Resources

- All presentations will be available at GIC website:
  - www.growthandinfrastructure.org
  - Look under conferences, 2012 conference, proceedings

- Additional resources at www.impactfees.com:
  - National impact fee surveys, 2003-2012
  - Summary of state enabling acts
  - Impact Fees and Development Activity: Evidence from FL, 2010