

CITY COUNCIL MEMORANDUM

AGENDA ITEM

**AUTHORIZE COMPLETING THE PROCESS TO
DEVELOP LAND USE ASSUMPTIONS AND
IMPLEMENT IMPACT FEES FOR WATER,
WASTEWATER, AND ROADWAY**

ORIGINATING DEPARTMENT

Public Works

BACKGROUND INFORMATION

In March 2014, Kimley-Horn and Associates, Inc. (Kimley-Horn) presented City Council with information relating to infrastructure funding options. This presentation described various infrastructure financing possibilities, to include utilizing property taxes, issuing Certificates of Obligation or General Obligation bonds, establishing various different types of policies (rough proportionality, traffic impact study requirements, etc.), Tax Increment Reinvestment Zones and 380 Agreements, and, finally, the establishment of impact fee policies, and the establishment of a transportation utility and implementation of a transportation utility fee.

In May 2014, City Council authorized entering into a professional services agreement with Kimley-Horn for the development of land use assumptions and water, wastewater, and roadway impact fees under Local Government Code 395 and to determine the feasibility of a transportation utility (CCM/R 14-056R). Additionally, in May 2014, City Council also authorized a separate professional services agreement with the Alliance Transportation Group to update the City's Thoroughfare Master Plan and associated CIP Plan which was necessary to complete the impact fee study (CCM/R 14-058R). The Thoroughfare Master Plan and associated CIP Plan update was adopted by City Council in March 2015 (CCM/R 15-033R).

Throughout the remainder of 2014 and into 2015, presentations were provided to City Council relating to impact fees and the establishment of a transportation utility fee, ultimately, City Council reached a consensus in a workshop on July 21, 2015 to discontinue the pursuit of either infrastructure funding option.

On August 9, 2016, City Council reached a consensus to move forward with resolutions to formally determine whether the City should move forward with impact fees. The purpose of this resolution is to formally establish City Council's direction in relation to completing the process to develop land use assumptions and implement water, wastewater, and roadway impact fees in accordance with Texas Local Government Code, Chapter 395.

DISCUSSION/CONCLUSION

In the past and currently, the City of Killeen has utilized a variety of approaches to address and fund ongoing infrastructure expansion and maintenance needs. These have included securing exactions through the development process, issuing debt based on established master plans and/or City Council direction, entering into City-Owner agreements with land developers, and allocating funds for ongoing maintenance and repair for the City's water, sewer, drainage and transportation infrastructure networks. As stated above, in 2014, City Council desired to identify additional potential funding sources to address needs associated with expanding infrastructure necessary to address the growing needs of the City's expanding population. One option

discussed was the possible implementation of impact fees to offset the cost associated with such capital improvement needs.

Municipalities require a range of major capital improvements, such as potable water transmission lines; sanitary sewer interceptors; pump stations and lift stations; water and wastewater treatment plants; storm drainage facilities; and roadways, to adequately meet the demands of ongoing development. Such public infrastructure is characterized by a high capital cost and a useful facility life exceeding five years. In addition to material and construction costs, other significant costs associated with capital projects include right-of-way acquisition, site entitlement, engineering, planning, and long-term project financing. Local financing of public facilities is generally built upon a foundation of three traditional planning elements: an annual budget, a capital improvements program, and a long-range visioning statement. Many local governments also adopt master plans to support the well-planned development of such public facilities.

Impact fees generally have been welcomed by local governments as a valuable tool in financing facilities and other capital projects. Impact fees shift a portion of the cost of providing capital facilities to serve new growth from the general tax base or utility fees to the new development specifically generating the demand for the public facilities.

Chapter 395 of the Texas Local Government Code (LGC) describes the procedure Texas cities must follow to create and implement impact fees. Senate Bill 243 (SB 243) amended LGC Chapter 395 to specifically define an Impact Fee as "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." By contrast, a utility is a fee collected by a political subdivision to fund necessary facility operations, maintenance, and capital improvement projects that are commensurate with the service demand exerted by existing development.

For a municipality to implement impact fees, LGC Chapter 395 requires the performance of an engineering feasibility and financial study that includes a determination of underlying land use assumptions, the development of capital improvement plans, and a determination of the maximum assessable impact fee for the types of planned capital infrastructure.

On June 23, 2015, City Council received a draft engineering feasibility and financial study (Draft Report) from Kimley-Horn that calculated the maximum assessable impact fees for water, wastewater and roadways. The Draft Report based these calculations on land use and population projections and master plan infrastructure requirements (as established by the City's adopted water and wastewater master plan and thoroughfare master plan) in order to develop a 10 year impact fee Capital Improvement Plan (CIP). This CIP, as required by LGC 395, removed all projects in the master plans that addressed capacity deficiencies associated with existing development and also those projects that are related to growth outside of the 10 year planning window. Following this analysis, the CIP was used to calculate the pre-credit maximum assessable impact fees per service unit and a deduction of 50% was applied as required by LGC 395.014(7)(B). The results of that analysis were included in a presentation to City Council on July 14, 2015, a copy of which accompanies this resolution; however, in essence the presentation provides the following:

Roadway Impact Fees:

Service Areas: Roadway service areas are limited to six (6) miles by LGC 395. Therefore, the impact fees collected in each service area must be spent on Capital Improvement Projects that serve that area. Based on the Draft Report, the City of Killeen is proposed to be split into three (3) service areas generally located as follows: Service Area A: Northern Killeen area bordered by Central Texas Expressway on the south, SH 195/City limits on the west, Fort Hood boundary on the north and City limits on the east; Service Area B: Central Killeen Area bordered by Stagecoach/SH 201 on the south, SH201/City limits on the west, Central Texas Expressway on the north and City limits on the east; and Service Area C: City limits on the south, SH201/City limits on the west, Stagecoach/SH 201 on the north and City limits on the east.

Land Use Assumptions: Determined by analyzing historic growth trends reflected in the City's Comprehensive Plan and other master planning efforts, and also noted to include only the area within the City limits as required by LGC 395. Projects within the CIP were developed from the projects reflected in the City's adopted Thoroughfare Master Plan and then, only those portions of the projects that are for additional capacity associated with projected growth of undeveloped property. Maps of the eligible projects are included within the Draft Report and attached presentation.

Potential Cost Recovery: Based on the eligible CIPs, recoverable cost was determined to be approximately \$25.7 million over the 10 year CIP period, leading to maximum assessable Roadway impact fees per single-family dwelling unit of \$656, \$3,403 and \$3,739 for Service Areas A, B and C, respectively. Calculation examples were also provided for multi-family and office uses in the attached presentation, with the specifics for all land use classifications detailed in the Draft Report.

Water and Wastewater Impact Fees:

Service Areas: In contrast to Roadway Impact Fees, the Water and Wastewater Impact Fee service area encompasses the entire City limits and extraterritorial jurisdiction (ETJ). Therefore, regardless of where an impact fee is collected, the fees can be utilized for eligible capital improvements anywhere within the City or the ETJ.

Land Use Assumptions: Determined utilizing the same methodology associated with developing the Roadway Impact Fees (above) by establishing infrastructure demands consistent with the City's adopted Water and Wastewater Master Plan.

Potential Cost Recovery: Based on the eligible CIPs, recoverable cost was determined to be approximately \$7.5 million and \$6 million over the 10 year CIP period for water and wastewater, respectively. These maximums lead to a maximum fee per service unit (a standard single-family residence utilizing a 5/8" or 3/4" water meter) of \$683 and \$549 for water and wastewater impact fees, respectively.

Impact Fee Implementation Schedule:

Finally, the report provided a detailed Impact Fee Implementation Schedule indicating that the Public Involvement process was anticipated to take approximately 4 months to complete, starting with City Council's consideration of the Draft Report, City Council's establishment of a Capital Improvement Advisory Committee (CIAC), advertisements and public hearing dates for the CIAC and City Council, and, ultimately, adoption of an Impact Fee Ordinance. This period would be followed by a one year statutory delay (LGC 395.016(b)) for the collection of impact

fees for any service unit that is issued a building permit within one year after the date of ordinance adoption.

Based on the information above and attached, in the event that City Council desires to authorize the completion of the Impact Fee implementation process, City staff will reengage the services of Kimley-Horn and move forward as directed.

FISCAL IMPACT

The fiscal impact of this action is \$28,975, which represents the cost to reengage the services of Kimley-Horn to complete the Impact Fee process as dictated by LGC 395. Funds for this action are available in account 550-3435-432-44-20.

RECOMMENDATION

City staff recommends that City Council formally authorize the completion of the Impact Fee implementation process, to include authorizing the City Manager to execute a professional services agreement with Kimley-Horn to facilitate the completion of the same.