



**The City of Oklahoma City
Planning Commission
STAFF REPORT
January 14, 2015**

Ordinance for public hearing: provide recommendation to City Council on adoption of a proposed ordinance amendment to Chapters 38, 50, and 60 of the Oklahoma City Municipal Code, 2010, adopting development fees; and adopt resolution repealing the Planning Commission resolution requiring traffic impact analyses.

I. BACKGROUND

Impact fees (also known as system development charges) are one-time charges on new development that are assessed and spent for the purpose of constructing infrastructure that serves new development. Impact fees benefit citizens, developers, and the City in that they 1) ensure adequate urban infrastructure is provided to new development, 2) help synchronize the installation of new infrastructure with development, and 3) allow tax revenue to be used to enhance the quality of infrastructure in existing neighborhoods. The goal of the City is to establish a partnership between the public and private sectors to share the cost of providing infrastructure for new growth, understanding the percentage of the shared cost must be a carefully negotiated rate.

Besides Oklahoma City, four local cities (Edmond, Moore, Mustang, and Norman) charge impact/connection fees, which range between \$1,450 and \$3,850 for a 2,000 square-foot house. (Other local cities charge impact/connection fees, but they are insignificant, amounting to \$135 or less per home.) Oklahoma City's current impact/connection fee for a 2,000 square-foot, single-family home at \$950 is lower than fees from many comparable cities, which range from \$711 in Kansas City, MO to approximately \$3,000 in Arlington and Fort Worth, TX, to \$4,685 in Lincoln, NE to \$11,732 in Albuquerque.

Discussions about Oklahoma City establishing new development impact fees have been ongoing for several years. At a City Council Workshop in April 2007, the Planning Director presented a multi-departmental study of impact fees. This initial study looked at projected growth and its impact on the city's infrastructure—particularly transportation, parks and trails. In 2008-2009, City staff and members of the development sector met to discuss a proposed methodology for calculating fees and capturing them in different geographic areas. In the midst of this process, legislation was proposed that placed restrictions on the way impact fees are enacted and administered. The City decided to place discussions about initiating impact fees on hold due to the unknown outcomes of the pending legislation and the recession.

In 2011, the State Legislature passed Senate Bill 708, which allows impact fees to fund many types of facilities including water, wastewater, streets, and parks among others. The fees, however, cannot be used to fund the operation, maintenance, or repair of infrastructure.

In 2014, representatives of the development sector approached the City Manager to re-initiate discussion about impact fees. City departments including Planning, Public Works,

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Finance, and Parks and Recreation, as well as the Municipal Counselor's Office worked together to assess funding needs and develop methodologies for calculating impact fees for transportation and parks and recreation. The goal was to achieve legally sound and straightforward methodologies with fee structures that are easy to understand, and then present a proposal to developers and gain their feedback.

From fall of 2014 to the summer of 2015, City staff met with two stakeholder groups to discuss possible calculation methods and fee levels. One group was composed of a variety of residential developers and homebuilders representing the Central Oklahoma Homebuilders Association, and the other involved commercial, office, mixed-use, and industrial developers.

While both groups expressed concerns about the introduction of impact fees and their effect on profitability and viability of development projects, both groups also generally agreed that impact fees are a necessary and beneficial tool and have worked with City staff to arrive at fee levels that are considered reasonable by most involved. City staff worked with representatives from the non-residential stakeholder group to conduct proforma analyses of various hypothetical development projects in an effort to discover what fee levels could reasonably be accommodated by new development. Based on this analysis, staff introduced fee caps for various land use categories. The caps limit transportation fee amounts based on feasibility judgments that resulted from the proforma analyses. The cap method balances the need to raise revenue with the needs to charge fees based on trip generation and to avoid burdensome fee levels.

The resulting Impact Fee proposal establishes different methods for calculating and applying transportation and parks impact fees for residential and non-residential development. Both residential and non-residential development will contribute transportation impact fees for new development, whereas only new residential development will generate impact fees for parks.

Process Summary

Fall 2014 to summer 2015	Commercial and residential stakeholder group meetings
Summer 2015	Ordinance development
August 13, 2015	Planning Commission Study Session
October 6, 2015	Review draft ordinance with commercial and residential stakeholder groups
November 12, 2015	Presentation of proposed ordinance to Urban Development Committee of Planning Commission, which included commercial and residential stakeholders. Committee voted 5-0 to set the ordinance for introduction at the December 10, 2015 Planning Commission meeting.
December 10, 2015	Introduction of proposed ordinance to Planning Commission

SUMMARY OF IMPACT FEE PROPOSAL

Transportation Impact Fee

- The methodology for setting this fee is “consumption-based,” meaning new development pays for the amount of system capacity it demands (or “consumes”) per development unit.
- Fees vary by land use type (residential, industrial, office/institutional/lodging, and customer-oriented low, moderate, and high).
- Fee rates fall into four Assessment Areas: 1) Core, 2) Infill, 3) New Growth, and 4) Rural. The assessment areas help ensure users of the transportation system pay proportionately according to their usage of the transportation system, understanding that average trip lengths are longer farther from the core of the city.
- The city is divided into multiple “Benefit Areas” to ensure fees are captured and spent within proximity to the development paying the impact fee.
- Fees will be phased in over two years through a 50 percent discount lasting until July 1, 2017.
- The City will no longer require developer-funded traffic impact analyses for individual development proposals. Rather, the City will assume the responsibility for transportation planning by completing and maintaining area transportation plans.

Fee Rates

Land Use Category	Rate per Square Foot of Development by Assessment Area Category			
	Rural	New Growth	Infill	Core
Residential	\$0.55	\$0.55	\$0.46	\$0.40
Industrial	\$0.99	\$0.65	\$0.55	\$0.48
Office/Institutional/Lodging	\$2.00	\$1.88	\$1.58	\$1.38
Customer-Oriented Low	\$1.67	\$1.67	\$1.41	\$1.23
Customer-Oriented Moderate	\$2.33	\$2.33	\$1.97	\$1.71
Customer-Oriented High	\$4.00	\$4.00	\$3.38	\$2.94

Parks and Recreation Impact Fee

- The methodology for determining capacity / demand is “plan-based,” using the recently adopted Oklahoma City Parks Master Plan.
- Fees only apply to new residential development.
- Fees will be phased in over two years through a 50 percent discount lasting until July 1, 2017.
- Development located within an existing local park service area will be exempt from a portion of the parks system parks development fees.

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- Partial exemptions may be provided for local private parks installed by a developer that meet defined criteria for size and amenities.

Fee Rates

Total fee: \$0.37 / sq ft, divided into two categories:

- Parks: \$0.26 / sq ft
- Trails: \$0.11 / sq ft

II. SUMMARY OF PUBLIC FEEDBACK

Representatives of the residential and non-residential development industry offered the following comments at the November 12, 2015 Urban Development Committee meeting about the proposed ordinance.

- *Comment: Impact fees will increase development costs in Oklahoma City and drive development to other cities.*
- *Comment: Some developers are currently in the process of developing projects which required them to pay for infrastructure. These projects should be credited that cost toward impact fees, so they are not charged twice.*
- *Comment: Fees are too high for large industrial projects.*
- *Comment: If a business moves to a new building in the same area of an existing business, the impact fee should be waived at the new location.*
- New local private parks may qualify for a partial exemption to the Parks and Trails impact fee. (Page 9, Paragraph L.)

Comment: Developments with existing local parks that meet the same standard should be eligible for the exemption.

- Developers that construct a local park that qualifies for a partial Parks and Trails exemption are required to post a performance bond to ensure construction of the park. (Page 9, Paragraph L.)

Comment: Requirement of a performance bond would be a financial burden. Instead, the City could withhold building permits at 50 percent build-out if promised park facilities are not yet built.

- Local parks that qualify for a partial Parks and Trails exemption may include pools and splash pads, if they are designed to serve 10 percent of the development's projected population. (Page 12-13, Paragraph L.7. and 8.)

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Comment: *Ten percent of the total population would result in unreasonably large pools and splash pads, and it is not likely that ten percent of a large subdivision's population would be using such a facility at any given time.*

- Both the Streets and Parks ordinances relay that the City may require the developer to install certain improvements, such as turn lanes, beyond the purview of impact fees. (Pages 14 and 22, Paragraph M.)

Comment: *This provision is too broad and could be misinterpreted to cause developers to overpay if both impact fees and additional improvements are required.*

- The ordinance includes an automatic annual fee adjustment based a national construction cost index in order to account for inflation. (Page 27, Paragraph 2 and 3; Page 31, Paragraph A.1. B and C.)

Comment: *A national index may not adequately represent local construction cost increases and Oklahoma's economy has different cycles than the national economy. Developers do not support an automatic annual adjustment, and would like the opportunity to review and comment any fee changes at a public hearing.*

III. STAFF RECOMMENDATION

Provide recommendation to City Council on adoption of ordinance and adopt resolution repealing traffic impact analysis requirement.