

Impact Fee Advisory Committee Minutes March 13, 2007

Attendance:

Committee Members

Janet Donahue
Jim Galipeau
Dick Ainsworth
John Freer
Collin Bangs
Mark Muir
Derek Goldman
Jerry Ford
Jinny Iverson (absent)

Staff

John Engen, Mayor
Bruce Bender, CAO
Brentt Ramharter, Finance Director
Cindy Wulfekuhle, OPG
Amber Blake, OPG
Mike Kress, OPG
Dave Prescott, OPG

Other

Paul Tischler, Tischler Bise Inc
Brent Campbell, WGM Group
Mark Bancale, WGM Group

Mayor John Engen thanked the committee for their continuing efforts in advising the City regarding the Transportation Impact Fee. Mr. Engen stated he has spoken with several committee members concerning the facilitation of the meeting and that committee members have asked to have a chair for the committee. He thanked Bruce Bender for facilitating the last several meetings. The chair person will be responsible for running the meetings and occasionally meeting with the Mayor. Mr. Engen asked that when appointing the chair, please make sure the person has the skills to listen well and communicate and is someone who will continue to move the process along. Dick Ainsworth stated he appreciates what Mr. Bender has done with the committee, but he thought since it is a citizen's committee, one of the members should be the chair. He nominated Janet Donahue for chair and stated that she has all the criteria that Mr. Engen asked for. Mr. Engen closed the nominations and a vote was taken. There was a unanimous vote for Ms. Donahue to chair the Impact Fee Advisory Committee.

Introductions of the committee, staff and citizens in attendance were made. Paul Tischler of TischlerBise, Inc. was in town and wanted to attend the meeting to see how things are going.

Collin Bangs moved to approve the [February 6, 2007](#) minutes and Mark Muir seconded the motion. The minutes were approved. Mr. Bangs said he appreciates the thorough minutes they receive as it is very helpful. Mr. Bender stated he would pass that along to Melani Coyle as she works really hard on the minutes.

City Wide Transportation Impact Fee

Brent Campbell stated at the last meeting that Dwayne Guthrie of TischlerBise would be conference called into the meeting, but with Mr. Tischler at the meeting, he did not think it was necessary. Mike Kress said he had spoken with Mr. Guthrie and he did not think it was necessary either.

Mr. Campbell talked about the updated [Transportation Impact Fee Study, March 8, 2007](#). The focus of the report has been changed toward a citywide impact fee and the methodologies used for calculating the impact fees are different. The approach was different from the previous study which was based on a product specific list. The methodology used for the current study is incremental instead of plan based. An

important table to look at is [Figure 9 on Page 15](#). This shows the recalculation of fees for a single family residential home based on the new methodology and the incremental fees are included for different housing sizes, which is shown in [Figure 11 on Page 17](#). A single family detached unit would be assessed a \$2,600 fee. Another important table is [Figure 10 on Page 16](#), which shows where the actual revenue generation is. The bottom line is that \$1.7 million will be generated annually using the citywide methodology, with a five-year cumulative of \$8.5 million.

Mr. Campbell stated that at the last meeting, WGM was directed to develop a list of potential funding projects on a citywide basis that the revenue would be used for. WGM met with the City Public Works Department and developed a list of intersection improvements and street improvements that are not included in the transportation plan funded list of projects. These projects were not eligible for federal aid or were too far down on the priority list. They were screened to determine what would be development related and what would be beneficial to potential growth. Also included was the previous list of improvements from the Mullan Road study that was done. The [handout](#) was separated into high priority (improvements needed very soon to help with development and growth) and lower priority. Intersections alone are almost \$25 million and street improvements are about \$38 million. These are not detailed cost estimates, they are placeholder estimates as the needs are substantial.

Mr. Bangs asked if the items on the handout are currently on the city's Capital Improvement Program (CIP). Mr. Campbell said they are needs that exist in the community and are not in the transportation plan because that is a federal aid plan, not a local improvement plan. Mr. Bangs said the state impact fee law says that impact fees have to be based upon a plan and Mr. Campbell said this is the CIP. Ms. Donahue said this is a different CIP from the general city CIP, which is what the city also did with the other impact fees. Mark Muir said a good example is the new radio tower and building that will be constructed on Water Works Hill. That is being funded by police and fire impact fees, so that is listed in the city's CIP. Mr. Bender said that is only because the funding is available and the city is showing how the money is being allocated. Ms. Donahue asked if they are in both the impact fee CIP for community services and the regular CIP. Brentt Ramharther said the impact fees are in the CIP for the reasons Mr. Bender stated. There was a recap of those fees for FY05 and FY06 handed out at the last meeting and they show the projects that have been identified.

Mr. Bender stated the original study that TischlerBise did does not list all the details that are listed in the CIP now. Ms. Donahue said it listed projects that were fundable under impact fees, but were not necessarily in the city's CIP. Mr. Tischler said the intent of the act is that if charges are being assessed on new growth for road impact fees, the city needs to be able to show where the money is going to be spent. TischlerBise has calculated what the road impact fee can be based on existing travel miles. Before the impact fee is implemented, there has to be an accompanying CIP. Mr. Campbell is showing the committee the projects that would form the CIP. He said they are not in an existing CIP because there was no funding for them. Mr. Bender said they are part of a transportation plan with a list of needs.

Ms. Donahue said the city has a general five-year CIP plan which list all the projects that have potential funding, and that includes parks, streets, etc. With other impact fees that have been implemented, the city developed another list that included parks, community services and public safety. Once funding has been allocated to the impact fee project, it is moved to the five-year CIP plan. That is what will happen with this impact fee. Mr. Ramharther agreed with Ms. Donahue and stated that the other impact fees are included as a funding stream in the five-year CIP plan. Mr. Bangs said that he is aware that the statute ~~re-re~~ requires the city to have a CIP, but it does not state the CIP has to be done first. Mr. Bender said normally there is a plan

done that shows deficiencies and that becomes the basis for impact fees. Mr. Campbell said these projects come out of a list of plans such as neighborhood plans or downtown plans.

Mr. Bangs said on [page 7](#), under 'Current Infrastructure Standards for Transportation', it states "The City of Missoula has categorically excluded interstate highways, minor arterials, collector streets and local streets from the infrastructure inventory used to determine the existing level of service". This would need to be corrected in the study as Mullan Road is a minor arterial, and that is what the committee is focusing on. Mr. Campbell said he was looking at that also and said that on [page 3](#), collector streets are defined and are clearly impact fee generated. The level of service is being calculated off the arterials that exist and not the collector streets. Mr. Campbell said the "Current Infrastructure Standards for Transportation" section is to determine the level of service, which is different than where the money is being sent. [Figure 3 on page 8](#) is a map of existing arterial roads and improved intersections. Mr. Tischler said if collector streets were included, the fee would be significantly higher. Mr. Campbell said the list definitely has collector and above streets.

Mr. Campbell said on the handout it shows that intersection improvements are primarily eligible for 100% of impact fees, but the arterial projects are a lot more expensive and there is an opportunity to leverage other funding sources. Improvements on intersections are of the most benefit and will be necessary for further development to occur in those areas of town. Third Street, Duncan Drive and Rattlesnake Drive are the major street improvements. The Main and Front couplet is a major initiative of the downtown infrastructure plan to modify the street network to turn them back into two-way streets, which would be very beneficial to downtown businesses. One thing that is noticed in Missoula, is that as traffic grows, it is harder to get onto arterials from the neighborhoods. Development occurs and the last developer in the area always gets stuck paying the price for the entire signal project, even though everyone else in the area benefits from it. This list would be a good way to spread the cost of the intersection improvements. Mr. Campbell said they are interested in comments as part of the public involvement process for developing a CIP on priorities. He passed out a second [handout](#) with the same projects, only sorted by the level one priority as determined by Public Works. In five years, \$8.5 million in revenue will be generated. The CIP is updated every two years, so the priority levels of projects could change. Derek Goldman asked if the projects were sorted by priority within each level and Mr. Campbell said no. Mr. Bender said staff missed some key intersections on Third Street that are more important than the 14th & Eaton and Bancroft & South Roundabout projects. Ms. Donahue stated this is just an example of projects that need to be funded and the city would have to go through a process to determine the projects that would be done. Mr. Campbell said this funding could also fund late comers agreements, which Mullan Road is and George Elmer is one of those intersections. The developer is putting in the improvements now and the city is looking for a mechanism to refund the developer for a portion of the signal that was needed. Mr. Bangs asked if the developers impact fee would be reduced. Mr. Bender said there is an agreement that the city is going to give the developer credits and in the future the agreement would be modified and the impact fee would be included to reimburse the developer. Mr. Kress asked if impact fees can be used to fund corridor preservation types of projects and Mr. Tischler said the city has to determine if the road is going to be utilized within a five or six year period of time. Mr. Campbell said if WGM is given direction on a priority list, they would do refined cost estimates and would look at additional funding sources that could be done with Third Street, where sidewalk assessments could be added to help pay for the street improvement. Ms. Donahue said other funding sources that are available for a project could move the priority up because the city is not funding the whole project. Examples of that are the Mullan to Mary Jane project and the Broadway & George Elmer intersection as the airport is participating in it.

Jerry Ford said he thought when the city approved subdivisions, they would be required to make improvements to intersections. Mr. Bender said the purpose of the study was to recognize the interial road system. The road system immediately adjacent to the subdivision is the primary duty of the subdivision. When the roads meet an arterial like Mullan Road, the area is much more general. There might be a subdivision that is served and would benefit from the project. There are general benefit facilities and impact fees can be allocated toward them. Ms. Donahue said the city has required improvements before with projects like WalMart and Costco as they paid to put in major lights and reconfigure entrances into their businesses. Mr. Muir said it is mentioned under the ‘Current Infrastructure Standards for Transportation’ on [page 7](#) and states “traffic signals at the entrance of a major retail development are project level improvements, thus excluded from the impact fee analysis”.

Mr. Ainsworth said one thing the city and county have both done for several years is to require a waiver of a special improvement district (SID) to make improvements to some of the off-site projects. He also stated people should not have to pay for an impact fee and SID. Mr. Campbell stated the attorneys say it is difficult to do an assessment for an SID for an off-site project based on square footage. They may be able to go to the next signal, but if anyone else benefits, the people paying the SID can’t be assessed more than what they benefit from. Mr. Bangs said that Mullan Road to Mary Jane could use SIDs for the immediate neighborhoods, and they would get a reduction in impact fees in return. Mr. Tischler said yes as citizens cannot be double assessed. The key is if the project is not in the impact fee CIP, they would not get credit. Mr. Bender said another example of a SID use versus impact fee is the Pleasantview subdivision. All the phases were required to waive the right to a SID to connect England Boulevard to Reserve Street. Last year, the city assessed the SID which was in the \$1,000 range. If an impact fee would have been in place, the connection would have been financed because it was a general benefit connection. SIDs work, but they are difficult, cumbersome and people get upset.

Ms. Donahue asked for questions or comments on the Transportation Impact Fee Study.

Mr. Bangs said on [page 9](#) under ‘Average Trip Length on Principal Arterial Roads’, it says “dividing 423,500 vehicle miles of capacity by 247,798 average weekday vehicle trips yields an unweighted average trip length of approximately 1.721 miles”. He asked if that assumes that the streets are already at full capacity because it is talking about the miles of capacity compared to the average number of trips. Mr. Campbell said the term capacity is not correct in that sentence. It is actually miles of travel.

Mr. Bangs also said on page 9, under ‘Trip Length Weighting Factor by Type of Land Use’, it says “vehicle trips from residential development are approximately 122% of the average trip length”, but this information is from the 2001 National Houshold Travel Survey. He asked if there is any adjustment for the size of the city in that survey. A large city with longer commutes should have a larger average trip than a smaller city. Mr. Tischler said there is not an adjustment for the size of the city in the survey. The larger the community, the more likely it is that more state and county roads will be travelled.

Mr. Bangs asked about the percentage that is attributable to growth in [Figure 6 on page 11](#). He asked if there is someplace the committee can look to understand why Mullan Road from Reserve Street to Mary Jane had 57% contributable growth where Mary Jane to Cote is only 36% and asked where the numbers come from. Mr. Bancale said the capacity of the roadway and the existing volume of traffic on the road determines the percentages. The volume changes between Reserve Street and the WalMart entrance. Ms.

Donahue asked Mr. Bancale if they measured between the sections and Mr. Bancale said yes. Mr. Bangs asked for a copy of how the percentages are determined and Mr. Bancale said he could provide the documentation. Ms. Donahue asked if information is being given to one committee member, it be given to the whole committee.

Mr. Bangs mentioned the charge for commercial properties shown in [Figure 9 on page 15](#) and then [Figure 11 on page 17](#), which includes the administrative surcharge. A commercial area/shop under 100,000 square feet is \$6,789, which is 5 times more than they are paying now with all the impact fees together. The university paid \$30,000 plus for a new building and with impact fees they would have been paying \$150,000. The commercial properties should not have to pay the majority of the fees, and the developers need to know up front of the cost and be involved in the process. Mr. Bender said the differential is the trip generations. Mr. Kress said it makes it easier to understand that it is \$64.56 a square foot. Mr. Campbell said for a big box store that is 250,000 square feet, it would be \$1.3 million. Mr. Tischler said that total is getting near the higher end of what other cities are charging. Commercial retail is higher than office buildings. Retail generates the most trips, more police and EMS calls, which causes their cost to be higher. Some cities write a policy that says for certain types of nonresidential use that meets the city's objectives, they are willing to consider a partial waiver or exemption. Ms. Donahue said there is a tax exemption for certain types of construction, but is not used much anymore. It is not available to everyone as they have to meet certain criteria. Mr. Campbell said neighborhood commercial businesses that reduce trip generation should get a discount, and they could possibly add another section on the table. Mr. Tischler said he would discourage that. It would not be in the fee schedule, it would be in another policy. He also talked about large grocery stores being in the neighborhoods that will put the \$5.00 per square foot into their 30 year lease and it will not make or break a decision for them. Mr. Goldman and Ms. Donahue both stated it was the small neighborhood stores, like the Rattlesnake Market, that was being discussed, not a big store like Safeway.

Mr. Bangs asked what level category the university buildings fall into. There are elementary and secondary schools in the list, but no university level. Given the fact that there is a university in the city, the list should include it. Mr. Bangs also reminded the committee that it has been discussed to revisit the single family fee and break it down by square footage like the other impact fees have been done.

Ms. Donahue wanted to clarify the fee schedule in figure 11. She stated she would like more information on the breakdown of the single family detached homes similar to what the city looked at with other impact fees; the commercial cost and how the city deals with that; and why it is broken out between elementary and secondary schools, with no university being included, instead of just being schools in general. Mr. Kress mentioned that elementary school is listed twice; once under nonresidential (per 1,000 sq ft of floor area) and once under nonresidential (per unique demand indicator). Mr. Tischler said part of it is classroom space in separate buildings. Ms. Donahue asked if there are any other concerns about the fee schedule. Mr. Goldman asked how the residential category would be broken down. Would it be by square footage, and if so, what would the square footage breakdown be? Mr. Bender said it starts at 1,000 square feet and then goes up in 500 square foot increments. Ms. Donahue asked if there is something the committee can look at to see what the comparable fees are with other cities. Mr. Tischler said each community is unique. Ms. Donahue reminded Mr. Tischler he had said the city of Missoula was at the higher end of the impact fee scale and said she would like to know what the range is. Mr. Ford said he thought there should be a break for commercial properties for units under 100,000 square feet. Mr. Bender said the current ordinance has a break for 50,000 square feet. Mr. Bancale said the reason it is at 100,000 square feet is because of the trip

generation data. Mr. Tischler said a cautionary note would be the smaller the retail square footage, the more trips per 1,000 square feet and the higher the fees are going to be. He suggested that unless the city wants a higher impact fee for the smaller retail stores, stay away from a break.

Jim Galipeau said with the numbers that have been brought up at this meeting, the building he worked on for JCCS would have cost another \$60,000. If the impact fee would have been in place, he might have looked at other options. For big box stores coming in, the cost is not a problem; but for local citizens, it is going to be a lot tougher. Mr. Bangs said it will be hardest on the local folks that are trying to open up a new business and be in competition with someone who did not have to pay the fee. Mr. Ford said that buildings that are being remodeled should share the fees. Ms. Donahue said if the square footage of the building was increased or there was a change of use, the impact fee would be assessed. Mr. Tischler said someone who will not have a more marginal operation is going to think twice about a new building and will look more for existing buildings. In the majority of cases, when building new retail space, it is worth building larger square footage units. For someone building a 5,000 square foot building, the price will be extremely high for the small space. For a larger square footage, the banks are going to require the applicant to have tenants for the space and have it based on a pro-forma. They are not going to give a discount to the local person trying to build a shopping center. Mr. Ainsworth asked if the change of use triggers the fee, how would that work. Mr. Bender said there was a house on South Avenue that was recently converted to an office complex. The city would have to see if there is a differential in the rate between the house and office. Mr. Ainsworth said if the existing property is an office and they remodel, they shouldn't have to pay the impact fee and Mr. Bender said as long as it stays office, they wouldn't be assessed the fee. If it is changed to commercial, it is a change of use and could be assessed the fee. Mr. Ramharter asked if the property has a change of use, does it still go by square footage? Ms. Donahue said the fee should not be assessed unless there is a change of square footage and Mr. Bender agreed that remodeling does not get assessed the fee unless there is a change in square footage.

Mr. Goldman asked if there are any other cities that have implemented a road impact fee based on this model, and if so, requested to see the information. Mr. Tischler said yes, most of the clients use the incremental approach because it is easier to use than the plan based approach. In many states, cities are not required to have a CIP, which makes it even easier to use. Mr. Goldman asked if development trends have been studied for cities that have had this type of impact fee. Mr. Tischler said most cities do more than just roads. The reason for impact fees is growth pressured because they don't have the money to stay up with infrastructure. Once developers see a community with demand, they will keep building. The average home in Missoula is \$200,000, and the transportation impact fee is around \$2,000, that's only 1%. Mr. Goldman asked about the quality of development and Mr. Tischler said that with the price of plans and other construction costs going up, the housing prices will go up as well. Mr. Goldman asked if there are different trends in commercial development in places that have had impact fees. Mr. Tischler said only to the extent that impact fees indicate to a community that it is also doing other things.

John Freer asked what the timeline is to make a recommendation to the city. He has more questions now about affordable housing and where the committee is with the county. He also stated he disagrees that a \$2,000 impact fee only cost \$2,000. The \$2,000 before construction is probably going to add \$2,800 to the cost of the house. Ms. Donahue said the city initially wanted to have something adopted for the FY08 budget. She said when the other impact fees were adopted, developers were given 120 days from when the budget was adopted, and started being charged in October. A specific building season was not targeted. She said she is hoping the committee can get through it within the next month and a half so it can go to City

Council because once at City Council, there is another process it has to go through. She also stated she didn't think the task of the group is to answer the affordable housing question; the task is to determine if an impact fee should be recommended for transportation and the amount. Mr. Freer said he doesn't understand how it can be recommended or not recommended if ramifications of affordable housing is not discussed. Mr. Bender said the county is not part of the role of the committee. The committee gave the county the encouragement of creating an impact fee, but the committee will not be reviewing county fees. The county is going to create their own committee. The purpose of this committee is to review the process of calculating and assessing the impact fee and then advise the city on the fee. Mr. Goldman said part of the role of the committee is that if there is a recommendation made to the city, and the City Council approves it, the committee will then monitor the spending of the fee. Mr. Muir said he thought it would be appropriate to include what ramifications there could be on affordable housing as part of the advisement to the city.

Mr. Bender asked the committee to be focused and expedite the recommendation because there is still a lengthy process ahead. He also stated the committee can still participate in the future process by showing up at committee meetings and making comments. Mr. Bancala brought to the committee's attention that every month this decision is delayed, \$130,000 in impact fees is not being collected. Mr. Tischler said one of the important things that would be beneficial for the committee to do is to provide guidance to what WGM has done with prioritizing the projects.

Mr. Bangs said this is a three part process. The first is gathering information and understanding it; the second is discussing the information and understanding the ramifications of it; and the third is trying to come up with an actual recommendation. The committee is almost done with the first phase as most of the information has been provided. The next step will be to discuss the information in detail and look at alternatives, which will take a lot longer than the third phase, which is the recommendation.

Ms. Donahue said she would like to be able to forward a recommendation within the next month and a half. Mr. Bangs said one of the most difficult parts is gathering all the information and making a final decision of a citywide or Mullan Road only impact fee. Ms. Donahue said the committee has already made the decision to go with the citywide fee [and the committee agreed](#). She suggested the date of May 1 for forwarding the recommendation to the city and scheduling the meetings needed. Mr. Ainsworth said the committee needs to intensify the meetings and meet every couple of weeks to make that deadline.

Mr. Goldman said the one reason he wanted the Wye Mullan site specific impact fee was that it could be used as a test area as the committee is not going to get it perfect the first time and the impacts of the recommendations is going to impact a lot more people with the citywide. Mr. Bender said that is why the city hired a national consultant who has done this throughout the nation. Ms. Donahue said citywide impact fees have already been done, so the mechanics of the process have been set. The adjustments will be in the projects. Mr. Tischler said the company has done over 60 road impact fees and they have never had to go to court over the fees. What is being recommended is defensible.

Report on revenues from other impact fees

Mr. Ramharter talked about the reports on revenues from other impact fees for [FY05](#) and [FY06](#). The fees were started in October 2004, and went through the end of the fiscal year of June, 2005. Fiscal year 2006 includes the whole year and has a better summarization. The reports recap the collection of fees a couple of different ways. The big picture is that the city collects around \$450,000 a year. There was a study done that broke out the percentages for each dollar collected for each type of project. For any permit at any address, it

is shown how the dollars were split. There are also summary reports by category that show where the level of construction is occurring. One category that has a lot of fees collected is the 1,000 – 1,500 square feet. The reports also show how the fees are being applied.

Mr. Bangs asked why Pleasantview didn't pay an impact fee. Mr. Ramharter said they were receiving a parks credit. They paid the other impact fees, but negotiated the parks fee with the city. If their parks met what was in the city's park plan, they were eligible for a credit.

Mr. Ramharter said there are certain fees that were applied to various types of projects in the four general categories. A question that arose was if a particular project calculated out such that it would require more fees than would be generated in the category, should the amount of fees that would be collected in one year go toward the project and have the general fund pick up the difference, or should the project be held in a CIP fund. The decision was to hold the project. There were two different projects in the general government category that were held for funds: the Municipal Court expansion and the new City Council Chambers/MRA Building. Both of them were growth driven. An interim report of year-to-date fees will be handed out at the next meeting. The reports are also going to be added to the Finance webpage for easier accessibility. Mr. Bangs asked approximately what share of the expansion of Municipal Court was paid by impact fees and by other funds. Mr. Ramharter said that Municipal Court expanded their space by about 50% and cost approximately \$300,000. The split was about half from impact fees and half from other funds. The City Council Chambers/MRA building had a split of about 1/3 impact fees and 2/3 other funds.

Ms. Donahue asked to have the last item on the agenda "sewer development fee report for revenue and expenditures" carried over to the next meeting agenda. She also said Melani will schedule meetings every two weeks and let the committee know when they are. Please respond back to the email so she will know if there is a quorum. If there is no quorum, the meetings will be adjusted.

Ms. Donahue asked the committee when they are having meetings outside the meeting time, with three or four committee members with Mr. Ramharter or others that the committee is made aware of what is going on. It is best that the meetings only happen with all of the advisory committee so everyone knows what is going on.

The next meeting is scheduled for April 3 at 4:00 pm in the Mayor's Conference Room, 2nd Floor City Hall.