

Impact Fee Advisory Committee Minutes April 10, 2007

Attendance:

Committee Members	Staff	Other
Janet Donahue	Bruce Bender, CAO	
Dick Ainsworth	Brentt Ramharter, Finance Director	
John Freer	Mike Kress, OPG	
Collin Bangs	David Gray, OPG	
Jinny Iverson		
Derek Goldman		
Jim Galipeau		
Jerry Ford		
Mark Muir (absent)		

Collin Bangs motioned to approve the [April 3, 2007](#) minutes. The motion was seconded and the minutes were approved.

Discussion/questions on city-wide transportation impact fee

Janet Donahue reviewed the request that the committee had at the April 3 meeting to have some parameters for the fee and how various options might look broken down by square footage like the other impact fees the city has. The two areas with the most residential building is the 1,500 – 1,999 square feet and 2500+ square feet. Dick Ainsworth said the committee decided the recommendation would not be at the highest amount. Brentt Ramharter said the numbers on the spreadsheet that he is going to show the committee is just for the transportation fee.

Mr. Ramharter showed the [spreadsheet](#) on the projector. The residential fees are fairly accurate as Dwayne Guthrie said he was using around \$1.8 million for the total revenue at the highest level. The average number of permits are an average of the last three years. Each level is a 20% step down, and starts with a \$2,500 fee for the 2,500 square foot home, and decreases with house size in each level. The \$2,500 fee for a 2,500 square foot home is between \$1,667 and \$2,500; the \$2,000 fee for a 2,500 square foot level is between \$1,333 and \$2000; the \$1,500 fee for a 2,500 square foot home is between \$1,000 and \$1,500 and the \$1,000 fee for a 2,500 square foot home is between \$667 and \$1,000. The All Other Residential category is for multiplexes and condos, so that fee is charged per unit. The fee is smaller because they are generally smaller units.

Bruce Bender said with the current impact fee structure for fire, parks, etc, the higher fees are residential, not commercial. With the transportation fee, the commercial is higher due to more traffic. They are higher traffic generators, so they should carry the burden of the fee. Mr. Bangs clarified that residential pays for parks, but commercial does not.

Mr. Ramharter and Mr. Bender stated that the numbers could change depending on the multiplier that Mr. Guthrie uses. Derek Goldman asked if the committee could make recommendations on the ratios

and the square footage. Mr. Ramharter said the committee could do a small, big and large for the categories. Ms. Donahue said the committee would not want to vary it too much as it is best to stay the same or close to the current ordinance.

Ms. Donahue said the committee had asked what other impact fees other areas have. Mr. Bender said Melani had received the fees for [Polson](#) and [Bozeman](#).

Polson hired TischlerBise to do their study and just adopted the impact fees. The fees are for Parks, Water, Sewer and Fire and are just per unit, not broken down by square footage. There is some variation in the water and sewer fees. The way the fees are being collected is different than Missoula. Half the fees are being collected upon filing the plat and the remaining half as the units connect. The city is losing half the revenue on the existing platted lots. Usually, the fees are collected when the structure is built. Jerry Ford said the difference with Polson is that they have to get the sewer pipes to the subdivisions, so they get part of the fees at that time. Mr. Bender said that with utility connections, the impact is when the connection is made as part of the capacity is taken. The fees are pretty high, totaling around \$7,000 per house. The sewer fee is fairly close to Missoula. Ms. Donahue asked what Missoula's fees total and Mr. Ramharter said around \$2,200.

Bozeman has impact fees for street, fire, water and sewer. Mr. Bender said they just finished an expansion of the treatment plant and are looking at another \$20 million expansion. The fees are based on general groupings, not square footage. The street fee is also based on trip generation. Mr. Goldman stated that the convenience store and fast food categories are a lot higher compared to the others and Mr. Bender said that is the way it should be because of high trip generation. Mr. Bangs said most of the state doesn't have impact fees.

Mr. Bender said Billings has arterial fees, not impact fees, and they have a sewer fee. Ms. Donahue said that with the exception of Kalispell, impact fees are being used in areas where there is growth. Mr. Ainsworth said Hamilton is working on an impact fee in the vicinity of \$8,600 total. Melani spoke with the finance director for Bozeman and he said Belgrade just adopted a transportation fee. Mr. Bangs said Helena does not have one. Mr. Bender said he had created the sewer and water connection fee for Helena, but they never adopted them. Mr. Ford said Kalispell doesn't have impact fees but they are one of the highest growing areas. Mr. Bangs said most of the growth is not happening in Kalispell, but the outer laying areas like Columbia Falls. Mr. Ford said that will cause transportation problems and Mr. Bangs said that is one of the problem with creating impact fees for the city; a lot of the transportation requirements are caused from growth outside the city. As more houses are built in Ravalli County, or farther out Mullan Road, it increases the traffic on the arterials. It does make sense to have the commercial buildings pay the most as that is what brings citizens onto the arterials. The citywide makes more sense because of the growth of commercial.

Mr. Bangs said when it comes to planning the city and what the city wants to be, being able to provide affordable housing for those who work here is important. Places like Jackson Hole and Aspen do not provide housing for people who work there, and Missoula does not want to be like that. Bozeman's housing prices are extremely high since the impact fees were adopted and they did some zoning changes. The prices are at least \$50,000 - \$100,00 higher than Missoula. Most people who work in Bozeman live in Belgrade.

Ms. Donahue said that she has put together a matrix for cost of living in several states for her daughter, and Missoula is by far the cheapest place to live in the areas looked at, including housing, health, etc. The housing in Missoula is 63% of the national average. Mr. Ainsworth said when trying to hire folks from out of state, the cost of housing in Missoula turned some of them away, even though the wages were higher. They went to places like Boise. Mr. Bangs said Boise is one place that has a high rate of growth and still has affordable housing.

Mr. Bangs said he would like the committee to pursue looking at the other impact fees that are in place. Missoula needs the transportation impact fee more than the other fees. He doesn't have a clear idea on what the community service fee will fund in the future, besides police cars. What kind of expansion needs will the city have in the future? Mr. Bender said the expansion needs now are the police facility and fire stations. The CIP shows that parks have a big needs for the impact fees. The development community does not like this fee because they have either given land for the parks or cash-in-lieu of. The needs for expansionary improvement for parks is several million dollars. Other aspects such as equipment and police cars in community service are not significant in cost. Mr. Ramharter said he doesn't dispute Mr. Bangs' thinking on decreasing the community service fee.

John Freer said he would like to see the parks that are needing to be built and asked if they are above and beyond the ones that are being built in subdivisions. Mr. Ramharter said he will send the CIP to everyone that shows the parks. Ms. Donahue said the issue is not the parks that are built in the subdivisions, but the regional parks. Mr. Freer said he is curious as to what the parks are. Mr. Bender said there is a list that the Parks Department has in the CIP. Ms. Donahue said that it isn't that she doesn't think the other fees can't be looked at, she is concerned that with as short of a time as they have been in effect, is that enough time to decide if some of them can be reduced or not. Ms. Donahue asked Mr. Ramharter to compile a list of projects for the parks and community service fees. Mr. Bangs said he doesn't want to reduce the fire and police fees. Mr. Ford said he wants to know what the total fees are for building permits and impact fees. He had the Economic Impact of Home Construction for Montana report done by MSU Billings that summarizes a lot of real estate information, had an [Appendix](#) that showed a summary of the average cost of a home, impact fees, ect. Mr. Ford said the cost of land in Missoula is double any of the other areas. Mr. Ramharter said that housing in Bozeman is more expensive than Missoula, but on the list, it says an average house is less than Missoula. Mr. Bangs said that includes Gallatin County, which includes Belgrade. Belgrade's housing cost are a lot less than Missoula.

Mr. Bangs said the community development has looked at what different things have caused housing to go up as much as it has and there are two things; the cost of land and the cost of infrastructure. The increase of government fees is another thing. Mr. Bangs said that within the next couple of weeks he would be able to show what the total cost for fees for a typical 2,000 square foot home would be, including the building permit, sidewalk permit, etc.

Mr. Ainsworth asked about the community service fee and if there is any expansion planned. Mr. Bender said if the city is successful in getting a new building for the police, city hall will be remodeled for growth. Every large department will be expanded like Finance, IT, Attorney, Public Works. The remodel cost will be around \$1 million. Ms. Donahue said there has to be a list in the CIP for impact fees. It is listed in the [CIP Impact Fees FY 2007 – 2011 Budget](#) handed out at last meeting. The [parks](#)

projects are also listed in this document. Mr. Ramharter said there is some component attributable to growth for impact fees for the list of parks projects. Mr. Freer said he has questions about the parks and how they are attributable to growth because a lot of what the parks department is asking for money for is not due to growth. Mr. Ramharter said it is and that there is very little impact fees that go into parks. Ms. Donahue said that on the PR08 forms in the CIP budget handout, it shows how much of the project is to be paid for with impact fees. Mr. Bender said each project is looked at to determine if there is an expansion of park due to development. Ms. Donahue said the parks department can submit projects showing it is attributable to growth, but the committee scrutinizes the list to determine what is attributable to growth.

Mr. Bender said the [Fort Missoula Regional Park](#) expansion is a big request. Mr. Goldman asked if the park impact fee covers the cost of the acquisition of land or just development and expansion of park. Mr. Ramharter said just development and expansion, no repair or maintenance. Mr. Bender said the cost of building a new park, but not the acquisition of land for the park.

Mr. Ramharter said that as there is growth in the city, and more miles of road, the work load indicator shows the large purchases in the community services area will be in the street department for adding large trucks to the fleet. If the equipment is bought to add to the fleet due to growth, it is eligible to be bought with community services funds.

Ms. Donahue said the committee needs a clearer ideas for community service projects for the next five years. Parks is explained well in the CIP budget document unless the committee wants more detail. Mr. Bangs asked about the study for the city that list community services and parks and Mr. Bender said the Local Government Study Commission did a survey throughout the city. Traffic and streets were the top two concerns for citizens. Police and fire was good. Affordable housing was also a concern. Ms. Donahue said the committee will get a copy of the survey. Mr. Ramharter said the only thing on the list in community services is tandem axel trucks. Ms. Donahue asked for information regarding what is on the list versus the revenue that is collected. The committee was in agreement that police and fire fees would not be adjusted.

Mr. Bangs said he thinks this is the direction the committee needs to take. An analysis of the existing fees and the transportation fee. Mr. Bender clarified the committee would look at parks and community service.

Ms. Donahue said one thing the committee might be able to do is make a recommendation to the city that the fee in a certain area is too high. The committee can't make the decisions, but can make recommendations to the city. She is not sure the committee can make a justifiable recommendation at the current time.

Mr. Bangs said that the committee needs to recommend something that will pass with a two-thirds vote. The parks fee is half of the fees for a house and if the development community will approve of a transportation fee, the parks fee has to be decreased. The development community pays for parks several times; first, the land is donated or cash for the land is given, which is 9% of the cost, a lot of money since the land in Missoula is the highest in the state; second, the development community pays to improve the neighborhood parks; third, new homeowners pay to maintain the neighborhood parks because the city does not want them; fourth, the homeowner's taxes pay to maintain everyone else's

parks and the expansion of those parks. Citizens that have an existing home only pays once, but new homeowners pay four times for the parks. There is not a justification to have the largest impact fee be for parks. It is not right and if it is not changed, there will be a battle with the development community. The parks fee will have to be decreased for the transportation fee, that is needed, to pass.

Mr. Goldman clarified that Mr. Bangs does not think the committee should move forward with the transportation impact fee until the other fees are looked at. He stated he thought the committee was formed to work on a transportation impact fee and then monitor the other impact fees. Mr. Ford said what Mr. Bangs is saying is that the transportation impact fee will not pass if other fees are not reduced.

Mr. Bender said there is a legal issue and the city is trying to not get into a litigation aspect of whether the current impact fees are legal if a new impact fee is implemented. Parks is not one that is listed in the new state law. In the public discussion with the transportation impact fee, people will be saying the parks fee is not legal. Mr. Goldman said the parks fee precedes the new law and Mr. Bender said yes. Mr. Bender clarified the group needs to have a suggestion to handle the discussion of the fees. The building community representatives are saying if the city needs the transportation impact fee, lower the other fees. There would be some give and take on both sides.

Jim Galipeau asked for clarification on the [fee table for housing](#) that Mr. Ramharter handed out at the last meeting. The first section says "Fee Table – Per Housing Unit/Per 1,000 Square Feet". Is it broken out by square feet or by housing unit and Mr. Ramharter said they are different categories. The residential is by housing unit and the commercial is by 1,000 square feet.

Mr. Freer asked about how fees are set up based on the incremental square footage. It ends up being more for a smaller house than a larger house. One thing the committee has talked about from the start is the affordability issue. How difficult would it be to make to change the residential to a straight square footage and Mr. Ramharter said it is an affordable housing issue as the nexus is lost. Mr. Kress said there has been a report done by Mr. Guthrie for another city where square footage has been broken down by 100 square foot and everything over 3,500 sq foot is one fee. This wouldn't be consistent with the other fees the city has. Mr. Ramharter said it could help, because the large houses pay the higher fee. Mr. Freer said as it is now, the 2,500 square foot home pays \$1 a square foot, but the less than 1,000 square foot is \$1.70 a square foot.

Mr. Bangs clarified the committee needs to see how much money is needed for transportation and what can be done to offset that amount. If the committee looked at the middle sections (\$2,000, \$1,500 and \$1,000) of the spreadsheet that Mr. Ramharter had on the projector, and did a projection of what the money could be used for over the next five years. Ms. Donahue asked if the goal is to keep the impact fees at the same amount as they are now and Mr. Bangs said no, impact fees will go up. Mr. Ainsworth said he hopes it won't more than double. Mr. Bender said the city was hoping the transportation fee would be around \$1,000 to \$1,500. Mr. Ainsworth said if the parks and community service fees went down a little bit, the transportation fee would be okay. Mr. Ramharter said the city is still reimbursing itself for the upfront expenditures for the MRA/City Council Chambers building and would like to hold some level of revenue in the fund. The committee said they are not asking to get rid of any fee, just decrease a couple of them. Mr. Galipeau asked the committee what kind of impact on the transportation fee there would be by lowering the amount of parks fees. Ms. Donahue said there will be a greater impact fee than just the residential because the fee for commercial properties is higher.

Mr. Bender asked if the committee wanted to work with some numbers with the different fees and wrote the following numbers on the board. He divided the parks and community service fee approximately in half as the committee had been talking about. Mr. Bangs said that is the direction the committee should be looking at. Mr. Ramharter said that a \$1,200 transportation fee would net around \$1 million annually.

Fee	Amount now	Resulting Amount
Parks	\$420	\$200
Community Service	\$238	\$100
Police/Fire	\$166	\$170
Transportation	\$0	\$1,200
TOTAL	\$824	\$1,670

Items Requested from Committee:

Copy of the Local Government Study Commission survey.

Ms. Donahue asked to have the fees broken down by square footage in 100 foot increments. Mr. Kress will work with Mr. Guthrie to break down the fees in 100 foot increments.

Ms. Donahue asked for the estimated revenue and projects for the community service impact fee and parks impact fee over the next five years.

Mr. Bender asked if there is there a way to get the total amount of revenue received in parks and community service impact fees and how the revenue is being allocated in an easy to read format.

Mr. Bangs asked for the projected revenue from the middle three sections (\$2,000, \$1,500 and \$1,000) of the spreadsheet that Mr. Ramharter had on the projector, and a projection of what the money could be used for over the next five years. Mr. Bender said the list of projects that WGM handed out at an earlier meeting could help with this question. He also stated the Third Street from Russell to Reserve Street project would be the highest priority.

Next meeting is next Tuesday, April 24 at 4:00 pm in the Mayor's Conference Room, 2nd Floor City Hall.