

Impact Fee Advisory Committee Minutes April 8, 2010

Attendance:

Committee Members	Staff	Other
Janet Donahue	Bruce Bender, CAO	
Dick Ainsworth	Brentt Ramharter, Finance Director	
John Freer	Kevin Slovarp, City Engineer	
Collin Bangs		
Jerry Ford		
Derek Goldman		
Jim Galipeau		

Minutes from the December 11, 2008 meeting were approved.

Update on Downtown Transportation Impact Fee – Bruce Bender [April 5, 2010 City Council Minutes](#)

Bruce Bender said the Downtown Transportation Impact Fee public hearing at City Council was on Monday night, April 5, 2010, and explained the delay in taking the ordinance to council was work load and fine tuning the boundary. The Downtown Master Plan was used to determine the boundary with some adjustments after administration met with staff. There were no comments made at the City Council committee meeting, and Ellen Buchanan spoke Monday night in support of it. The council supports it, but Jason Wiener has an interest in evaluating the loss of revenue since the downtown area is being lowered, as well as in trying to recover that with the citywide fee. Bruce has spoken with Jason and told him that there are data showing the City would have to reimburse more than \$30,000 for the fees that were collected in the last couple of years. Jason has asked for more data. It will be back in committee on Wednesday, April 14.

Collin Bangs asked if City Council was okay with the rebate, and Bruce said yes as he explained why and what it was based on. It was fair because that was the way it started. No one questioned that. Collin said if the committee did want to raise the other fees, there would need to be justification. Bruce said the committee started at 50% of the study value to begin with, so there is justification to raise the fee higher. Janet Donahue said there has to be some basis for raising the fee, and it would require work on the committee's part. Bruce said the committee would review it first and then make a recommendation.

Bruce encouraged committee members to attend the Administration and Finance Committee meeting on Wednesday for this discussion.

Derek Goldman confirmed the information about what was to be [refunded](#) per the ordinance. Bruce said the two large dollar amounts are the Garlington, Lohn & Robinson building and the Meadow Gold improvement on Toole Street. Once this goes into effect, the City will send a letter to the property owners saying they are eligible for the money and ask them to sign a claim so the reimbursement can be processed.

Annual review of impact fee expenditures and revenue – Brentt Ramharter

[Impact Fee Summary of Revenues & Expenses: FY 05 – Current](#)

[Actual Impact Fees Expenses FY 08, 09 and July – Feb 2010](#)

[Proposed Future Impact Fee Projects FY 11-15](#)

[Actual Impact Fee Revenues FY 08, 09 and July – Feb 2010](#)

Brentt showed the committee members the City of Missoula Web site and how they can find information on impact fees on the Finance page: [Impact Fees](#). From the City Web site, go to Services, Financial Services, Impact Fees. This page has information about the transportation impact fee with links to ordinances and past documents. The [Impact Fee Reports](#) page has reports from the inception of the transportation impact fee to current. This information will be kept updated. Most of the reports will be updated within 15 to 20 days after the end of the month.

Transportation impact fees went into effect just as the economy really tipped. What was projected based on the preceding years was about \$850,000. The level of construction has been about half of that, but it has been steady.

Summary of Revenues & Expenses:

Bruce asked about expending \$1 million the first year, and Brentt said it was in Community Service; a majority of it was spent on the Council Chambers. It was heavily leveraged, and it is just about paid off.

Fire had a two-part expansion. There was a new fire station put in Miller Creek on a General Obligation (GO) Bond and rebuilds of the stations on Mount and 39th Street and Latimer Street. Station four on Latimer Street was deficient in maintenance space, which is where the mechanic is stationed, so the maintenance space was expanded. This was done mainly on the general fund with a little money from impact fees. That is also close to being paid off.

The police expenditure was for the study of the new police station. That is going to be held until the economy is better.

The Parks Department staff is busy with their projects, which will be discussed later in the meeting.

The transportation fee fund is building cash. The revenue leveled off in 2006 – 2008 and dropped in 2009.

Actual Expenses:

In FY 10 there are five projects going: Fort Missoula Regional Park, Playfair Park, LaFray Park (a new park off River Road), 44 Ranch development/improvement, which is using the largest amount of impact fees, and the final payment on the police facility study.

In FY 09, the same amount of money was spent. Parks had four projects, and transportation impact fees paid for some intersection work on George Elmer Drive and the police facility study.

In FY 08, \$158,000 was spent. A majority of it was at Fort Missoula. Janet asked if the expenses each year for the police was for the police facility study and Brentt said yes.

Proposed Future Impact Fee Projects:

Bruce said what is being presented here is what is being recommended to City Council in the CIP. They have not been adopted, so this is the opportunity for the committee to comment on it. Brentt said Public Works is recommending splitting \$393,000 into three projects in FY 11: Hillview Way, Miller Creek and miscellaneous unidentified.

Bruce said there was a lot of money spent on the design of the Hillview Way project, and the design is about 90% design complete. There is an investment in that road, and it will be expanded to have shoulders, bike lanes and sidewalks, which is the justification to pay off the design because it shows as a debt now. If federal money becomes available, the road is designed and could be rationalization for getting that money.

Kevin Slovarp said the Miller Creek Road project is ongoing right now with the roundabout at Wye and Briggs. The mitigation fund that the County implemented is the most significant revenue contribution to this project. This project cost approximately \$3 million, and this is partial funding for the expansion of that road system.

One of the problems with having the money going into the Miller Creek Road project was that the other share of monies coming to this project are from Maloney and Twite as prepayments to the City for impact fees they will pay in the future. There are past payments of mitigation funds that are from the County. As the project developed, there was need for more funding, so the City went to Maloney and Twite, who both agreed to lend money to make the project go forward. That lending is prepaid transportation impact fees. The problem was that the City is pre-obligating itself in that area. The transportation impact fund is not going to see that money because the developers have already prepaid the fees. It was a good deal because of the benefit of getting the project done and because this was a small amount of funding for the project and Council agreed to it. John asked if they only prepaid the transportation impact fee, and Bruce said yes. John said the prepaid road fees should be in the fund balance. Bruce said it should because it is a debt. Jim said it is showing up on the City books as a note payable and as the fees are assessed against them, it reduces the payable. He then asked what kind of an interest rate they got. Kevin said it is a one-for-one credit on Maloney's initial \$550,000 investment. There is an additional \$50,000 for Maloney to make up the \$600,000 total that will be paid back with 6% interest over ten years and will be paid back in credit, not in money. Twite has the same agreement with the first \$550,000 being credited one-for-one per unit for his planned developments. The additional \$50,000 to make up the \$600,000 total will be reimbursed at the same 6% interest over ten years, which will be paid back in cash instead of credits. Bruce said the mitigation fund had a house fund of \$1,800, and the transportation impact fee is \$1,300 to \$1,400 for a typical house in that area. This area is paying more than the transportation impact fee, which is a carryover from the County when they approved the subdivisions. Technically, there is a higher amount being collected than the transportation impact fee. That was another rationalization for bringing in some of the outside money. Kevin said if the impact fees increase or are over the \$1,800, the difference would be collected.

Bruce said one of his major frustrations was that when the transportation impact fee was created, the highest priority was Third Street. That project still cannot be started primarily because of the EIS on Russell Street. The City tried to get the design going, and MDT would not allow that to happen until

the EIS was complete, even though there were no federal funds being used. The EIS is supposed to be done by the end of this year.

Derek said the document labeled future impact fee projects looks like there are only transportation and parks projects. He asked if there are any proposed fire, police or community service projects. Brentt said they were not put on the information because they are so far off and there is a deficit to pay off. Fire will be paid off in the next couple of years, and then they are going to bank money for about ten years for the next fire station. Derek asked how it is determined where the next station will be built. Brentt said it has to be focused toward growth, per the Fire Master Plan. Derek asked if the impact fees can cover hydrants. Bruce said they have not been used that way because subdivisions are supposed to have hydrants as a standard infrastructure, not an expansionary infrastructure. Brentt said if there is a hydrant need, it is being treated as a current deficiency, so other monies are being used.

Brentt said Parks fees are spread among projects because it takes a couple of years to get all the resources in place for a park. It took a few years to build the money and it is being spent very frugally. It is strictly on growth components of new parks or expanding parks. It cannot be used for replacing equipment.

Community Services was used for the expansion of City Hall, which was a current deficiency. In the future, it can be used if infrastructure was expanded. The money is coming in, and old debts will be paid off. The projects will evolve when growth happens.

Derek said it appears the fire, police and community service accounts have never been in the black. Maybe the committee needs to look at increasing the impact fees in those three areas. Brentt said they had tried hard, and a lot of it had to do with the current funding streams that counted against the City. Bruce said the committee cannot justify the increase based on need; it has to be justified on the study.

Jerry asked if the "South 3rd West (Russell to Reserve)" included Russell Street, and Bruce said no. Russell Street will be federally funded. One reason the money was put into Third Street was because there was not enough money to do Russell Street. This is a combination of assessments for curb and sidewalks to the adjacent property owners, gas tax and transportation fee. The rationalization for a third of the cost being paid for by transportation impact fees is that a middle turning lane will be added. The numbers will change once there is a design.

Bruce said with the decision to help on the design of Hillview Way, the City talked about Van Buren being a potential expansion. There are funds allocated to get a design for Van Buren because it is a very deficient system. This project would go up to the curve at the old school. If design can be done on this project, it opens the doors of funding it somehow, whether through SID or federal money, etc.

The Mullan and George Elmer Drive intersectional signal has been pushed out until FY 14 and will probably be pushed out farther until that area develops more. That is an obligation to the state that based on growth in the area, that signal will have to go in.

Janet reminded the committee that the last two years shown in the CIP are not as developed. The first three years are projects that are most likely going forward, awaiting Council's approval.

Janet asked if there were recommendations or thoughts about fee adjustments. She said over 3,200 square feet collected the most fees in FY 10.

John said before the committee discusses any changes in impact fees, he would like to visit time pay impact fees and find out what options are available, what the statute will allow, etc. There are several places that do time pay and some of them are structured as a senior tax lien on a property rather than an upfront cost. Long term, it is a smaller cost to the homeowner. What options are there, and will that require a change to the state statute? Bruce said he didn't think it requires a change to the state law; it is a matter of how it is collected. It would be an ordinance change if that is something the committee recommended.

Janet asked how it would work and who would pay for it. John said it becomes a tax lien so that it is directly on the property owner and not the builder. Brentt asked if it would be an option at the point of sale after it is built, and Bruce said it would be an option at the time of the building permit is being issued. There would be a sidebar agreement that is signed by the builder that it becomes a lien on the property. Whoever is the owner of the property is responsible for the lien. Derek said it seems it would require a change in statute. Bruce said it would be up to the city how it would be collected. There is something like that in the sewer development fee where the property owner can enter into an agreement and pay it over a period of time. Bruce will look into it and e-mail the committee.

Brentt said at some point it gets paid in full or there is a SID. Bruce said it is a tax lien, and they enter an agreement to pay it off. He didn't think it can be added to the taxes, just as a lien on the property. It is an agreement with the City. The banks and loaners don't want the lien on the property and require it to be paid off when the house is purchased. Bruce said this is not a public improvement, so a SID would not be an option.

John asked Bruce to find out how it has been done, what kind of administrative cost there is, etc., because if the committee looks at raising fees, it would make it easier. Collin said he is not against raising impact fees, but this is definitely the wrong time. There is a lack of growth, builders already have to compete with for sale by owners, foreclosures, existing structures, etc.

Derek clarified that he was looking at the fire, police and community services and the context of what Brentt said that they can't do any projects for five years because those funds are in the red. Bruce said the committee talked about redoing the fire impact fee because there have been some big improvements made, but a lot of them were done with the GO bond, which can't be counted. Brentt said the fire uses money in large lumps. A lot of the projects in other impact fee funds can be split between years, but it doesn't work for fire. Derek asked if the level of service is decreased because there is a reduction in response times to a fire, would that justify an increase in the impact fee? If there is an increase in growth out Mullan Road and there is a fire, can a homeowner sue the city because there isn't a fire station out there? Bruce said that is one thing the fire department has talked about with the expansion to the west.

Committee function – Janet Donahue

Janet said it is good for the committee to review itself. There are three questions she would like to have the committee members to answer: (1) how are we doing as a committee; (2) what can we do better; (3) how can the City help us do better? One example is that she feels it is important to actually report to City Council once a year whether there are changes or not. It is the committee's responsibility to discuss with them what the committee has seen, what changes the committee would like to see and why, and if those changes can't be done, why. Bruce Bender said the resolution says "advise the City of Missoula government body with the respect to the impact fees as provided by state law".

Janet said the committee hasn't met for over a year. Bruce said spring is the right time to meet because this is the time when the revenue is coming in, going into the budget, etc. Prior times were driven by the reports received from the consultant, etc. Janet said the committee's task is not burdensome, and it should meet once a year. Brentt said it is a lot easier to run the numbers and keep updated with the Web site.

Janet asked committee members to e-mail responses to the three questions, and she will compile them and bring them to the next meeting.

Derek asked what the process is to get the information from the committee meetings to City Council. Bruce said there have been specific recommendations on ordinances, and that is what has gone to Council. Melani Coyle confirmed that the minutes for each meeting are on the Web, as they are for all boards and commissions, so council members, citizens, etc. can read the minutes.

Collin said the committee should be looking at how the money is spent and approving the expenditures. To do that, the committee needs to get information before the meeting instead of reviewing it at the meeting. He would like to have more detail on some items that were presented at this meeting, which he could have requested if he had the information before the meeting. There are questions on some of the parks items and Bruce said Donna Gaukler could be invited to the next meeting to discuss the questions.

Jim said he did not know what to report to Council at this point. It could not be done after this meeting. Collin said the report would be what the committee has reviewed the expenditures for over the past year.

Collin said there is enough information on the transportation fee, but not on the parks. He would like more detailed information about what the money is being spent on. Brentt confirmed what information Collin would like to have on existing parks and new parks.

The next meeting was scheduled for April 22 at 4:00 pm in the Jack Reidy Conference Room. Donna Gaukler will be invited to present information on the parks impact fee.