CITY OF EL PASO, TEXAS
AGENDA ITEM DEPARTMENT HEAD'S SUMMARY FORM

DEPARTMENT: **Development and Infrastructure Services**

AGENDA DATE: **October 14, 2008**

CONTACT PERSON/PHONE: **John Neal, Office of City Manager 541-4285, 621-6822**

DISTRICT(S) AFFECTED: **All**

SUBJECT:
Presentation, discussion and action on consideration of the following:
a) Annexation Assessment and Impact Fee Report by Halff Associates
b) Creation of an Advisory Committee for impact fees consideration
c) Roadway impact fees
d) Water and Wastewater impact fees
e) Texas statutory requirements for impact fess and timeline
f) Other action related to said report

BACKGROUND / DISCUSSION:
Halff Associates has submitted the Annexation Assessment and Impact Fee Report. The Planning Legislative Review Committee has received a briefing on the report and the above referenced items, and has a set of recommendations. Staff will provide a briefing to the full City Council and is seeking policy direction on these items.

PRIOR COUNCIL ACTION:
Awarded consulting services contract to Hall Associates for this report in June 2007.

AMOUNT AND SOURCE OF FUNDING:
N/A

BOARD / COMMISSION ACTION:
Recommendations of Planning LRC:
1. Accept staff recommendation to move no further on roadway impact fees
2. Continue water and wastewater impact fees evaluation
3. Have CPC review effect of impact fees on home prices and affordability
4. Appoint City Plan Commission as Advisory Committee
5. Advisory Committee to:
   a) Review Service Areas for creation of multiple service areas for water and wastewater
   b) Review issue of using existing capacity for calculation of impact fees
   c) Review options for possible reduction of impact fees for affordable housing

*********************REQUIRED AUTHORIZATION**********************

LEGAL: (if required) ______________________________ **FINANCE:** (if required)______________________

DEPARTMENT HEAD: **Patricia D. Adauto** ____

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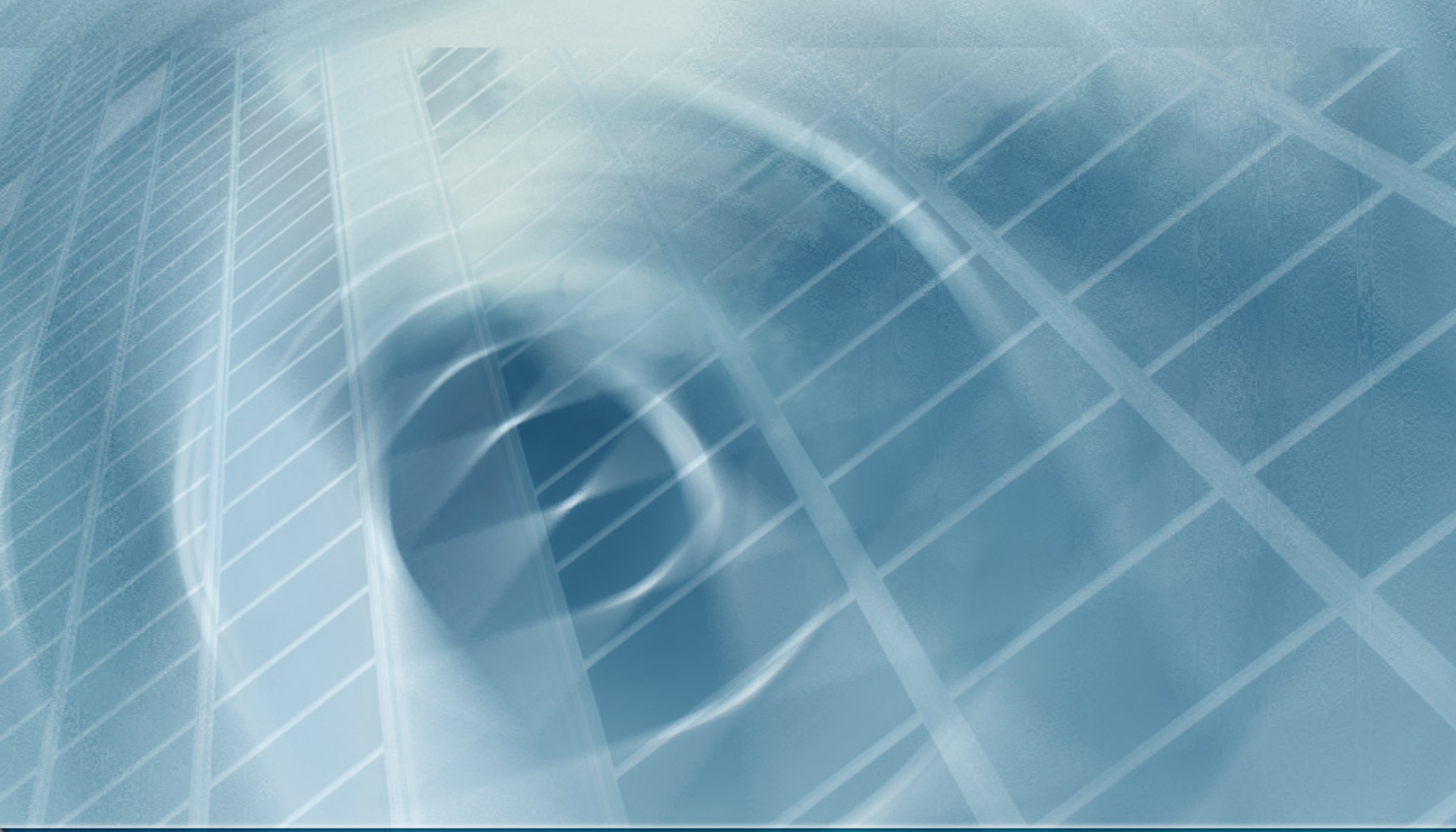
APPROVED FOR AGENDA:

CITY MANAGER: ____**DATE:**_______________



ANNEXATION AND IMPACT FEES

Annexation and Impact Fee Study

- March 2006 Wilbur Smith
- June 2007 Halff Associates
- Red Oak- EPWU

ANNEXATION SEPARATE/PARALLEL TRACK

- Not Inextricably Linked with Fees
- Have Service Areas info for ETJ
- No Roadway Impact Fee in ETJ
- One Service Area Water and Wastewater
- Involuntary Annexation- Three Year Wait

IMPACT FEES

"means 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 facilities expansion necessitated by and attributable to the new development." Texas Local Government Code Chapter 395.

Brief Background

- First implemented in 1947
- Texas- First enabling legislation 1986
- 26 States have enabling legislation
- 60% of all cities over 25,000 population
- Average fees $ 10,496 Single Family Dwelling

Types of Impact Fees

Texas:

- Water and Wastewater
- Roadways
- Drainage

Other States:

- Parks
- Libraries
- Fire Stations
- Police Stations
- Schools

Regional Survey

TEXAS BIG 5 SURVEY

IMPACT FEES FOR SINGLE FAMILY DETACHED					
CITY		ROADS	WATER	SEWER	DRAIN
AUSTIN		N/A	$700-$2,500	$400-$1,400	N/A
DALLAS		N/A	N/A	N/A	N/A
HOUSTON		N/A	$331	$1,162	N/A
SAN ANTONIO		N/A	$2,931-$3,696	$847-$1,673	N/A
FORT WORTH		$382-$2,000	$920	$394	N/A

Combined water and sewer range: $1,100 - $5,355 Avg: $2,468

CENTRAL BUSINESS DISTRICT CENTRAL BUSINESS DISTRICT CENTRA

Statutory Process

1. Appoint Advisory Committee
2. Land Use Assumptions and Capital Improvement Plan Hearing
3. Impact Fees Public Hearing
4. Establish Fees

Schedule

IMPACT FEE ABBRIEVIATED SCHEDULE

		FAST	MEDIUM	SLOW
1.	LRC Briefing Advisory Committee recommended	10/2	10/16	10/30
2.	Council briefing	10/7	10/28	11/4
3.	Council appoints Advisory Comm	10/21	11/18	11/25
4.	Council sets Public Hearing Land Use Assumptions (LUA) Capital Improvement Plan (CIP)	11/4	12/2	12/9

Schedule

IMPACT FEE ABBRIEVIATED SCHEDULE (con't)

	FAST	MEDIUM	SLOW
5. Council Public Hearing LUA & CIP	12/9	1/13	2/10
6. Council approves LUA & CIP Sets Public Hearing Fees	12/9	1/27	3/10
7. Council Public Hearing Fees	1/13	3/10	5/12
8. Council Adopts Impact Fees	1/13	3/24	6/9

Advisory Committee Duties

1. Advise and assist with Land Use Assumptions
2. Review Capital Improvement Plan
3. Monitor and evaluate implementation
4. File semi-annual reports
5. Advise on updates and revisions

File comments before public hearings

Advisory Committee membership

Option 1: Appointed by Council. At least 5 members. 40% from real estate, development or building industries.

Option 2: CPC with at least one member from one of the above industries. If not, add one.

And: One member from ETJ.

Texas Impact Fees Eligibility

	City	ETJ	Watershed
Water & Wastewater	X	X	N/A
Roadways	X		N/A
Drainage	X	X	X

Roadways

- Collectors and Arterials, Highway match
- Not in ETJ
- Service Areas not greater than 6 miles
- CIP
- Credit discount 50%

El Paso Roadways

Developer Built Roads

Collectors and Arterials on City MTP

Overwidths

Proportionality

Impact Fee Alternative Approach

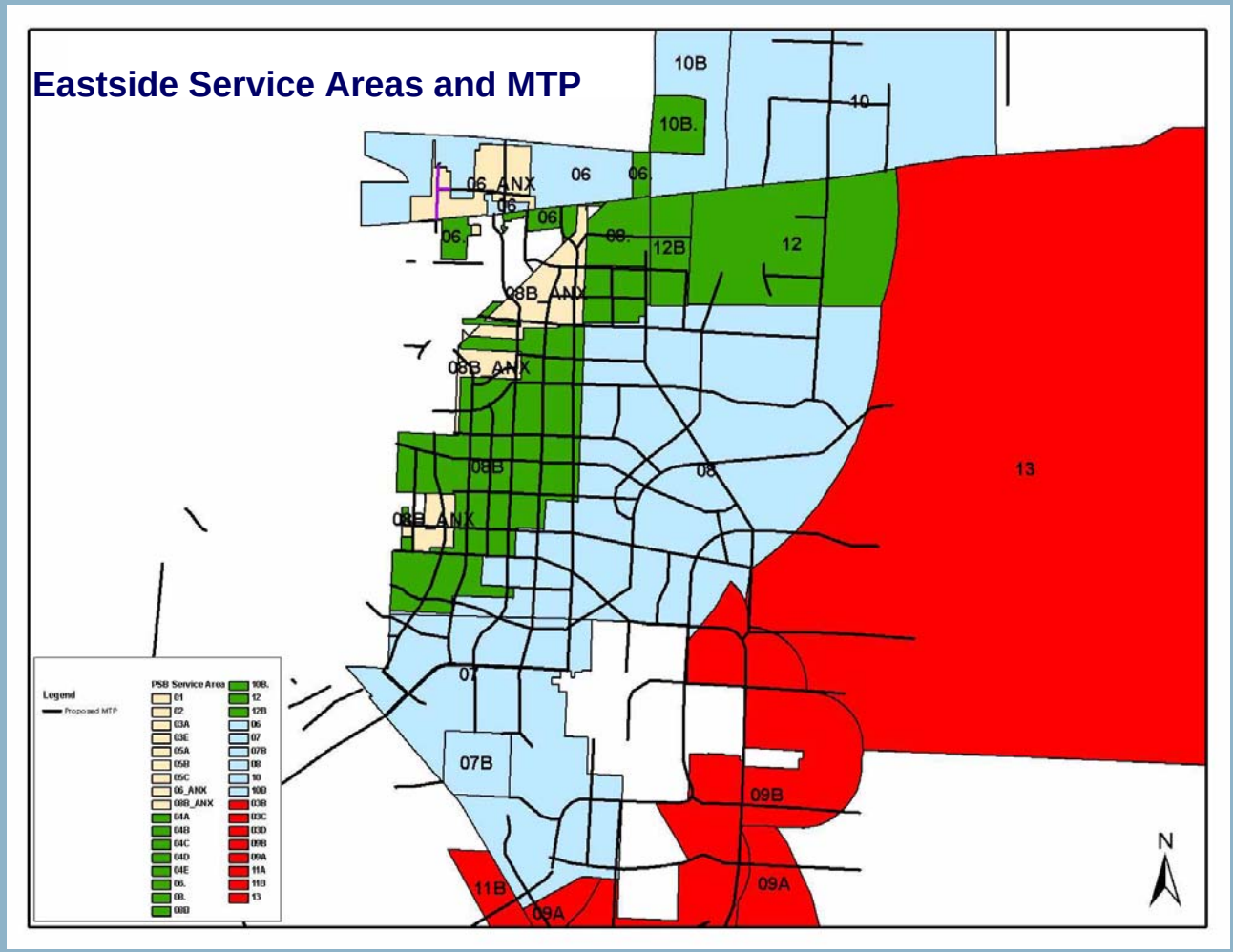
- Easier applicability to City built road scheme
- Basically only a different way to pay for and collect costs
- Proportionality still prevails !

Outlook Using Current Approach

Divide Eligible Roads in 3 Categories

1. Areas likely to be annexed
2. PSB Land
3. Balance of roads

Maps


Eastside Service Areas and MTP
10B
10B.
10
06_ANX
06
06.
06
06.
08.
12B
12
08B_ANX
08B_ANX
08B
08
13
08B_ANX
07
07B
09B
09A
11B
09A
N
Legend
Proposed MTP
PSB Service Area
01
02
03A
03E
05A
05B
05C
06_ANX
08B_ANX
04A
04B
04C
04D
04E
06.
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08D
10B.
12
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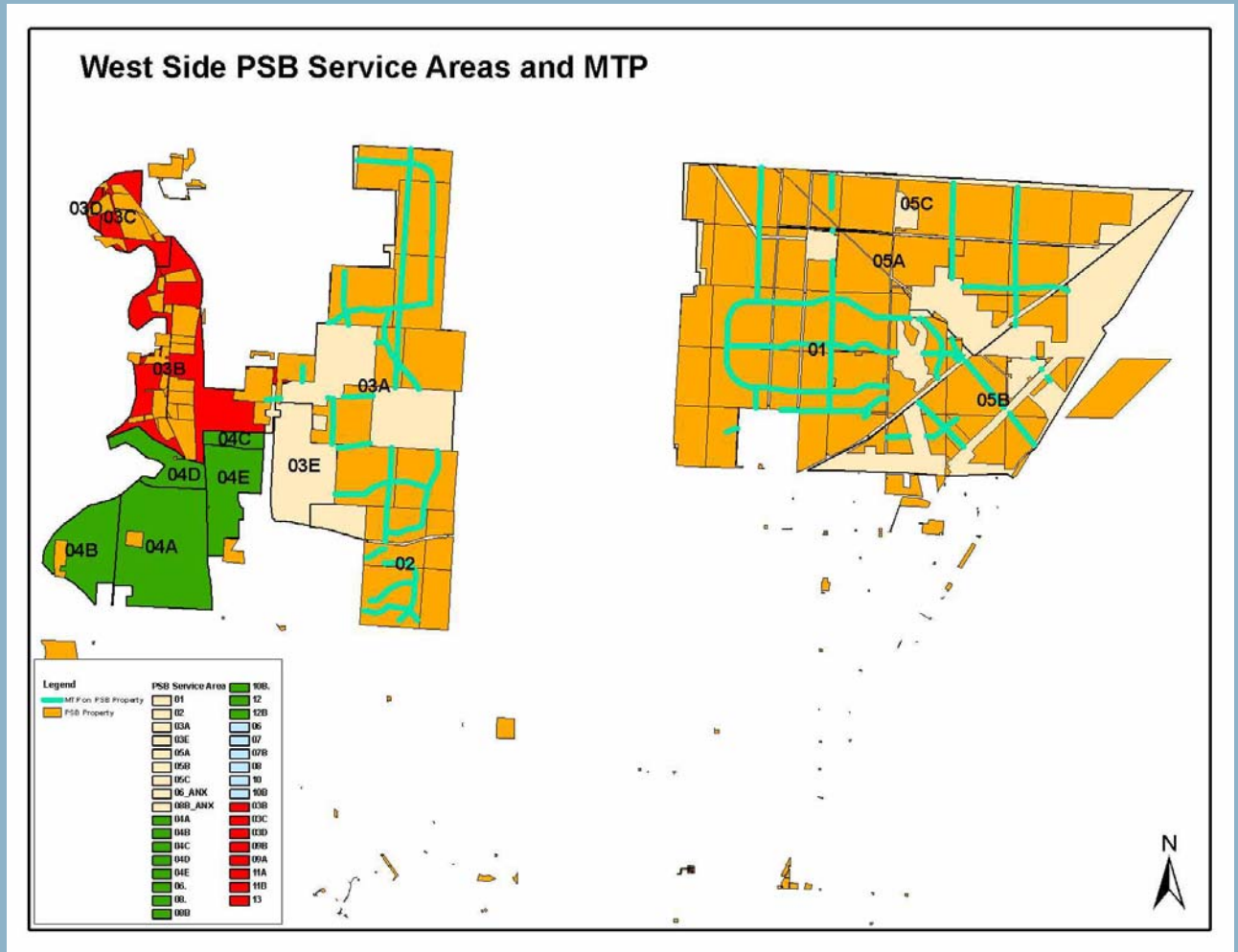
11D
13

Maps


West Side PSB Service Areas and MTP
03D
03C
03B
03A
03E
04C
04D
04E
04B
04A
02
05C
05A
01
05B
N
Legend
MTP on PSB Property
PSB Property
PSB Service Area

Maps

1. **Annexation roads 48 linear miles**
2. **PSB 60 linear miles**
3. **Other less than 30, probably no more than 20 linear miles**

Balance Of Roadways Comparison of Schemes

Current Approach (+)

1. No radical change to how roads get built
2. Roadways get built sooner
3. System in place; no additional administrative costs

Impact Fees (-)

1. Funding & time value of money
2. Several risks
3. Credit discount 50%

MPO MTP Projects

EXISTING OR LIKELY TO BE ANNEXED
MPO MTP PROJECTS
HAVING IMPACT FEES CALULATED

PROJECT DESCRIPTION:

1. Trans Mountain- add westbound and 2 eastbound lanes
2. Paseo Del Norte- construct 4 lane divided roadway
3. MLK- 4 lanes divided to NM State line
4. McCombs- 4 lanes north 54, 6 lanes south
5. NE Parkway- 2 lanes w/passing lanes and overpass
6. Patriot Freeway- 4 lanes Kenworthy to McCombs
7. Montana- 6 lanes w/underpass west of 375
8. Pellicano- 4 lanes divided east of 375
9. Zaragoza- widen to 6 lanes south of Montana

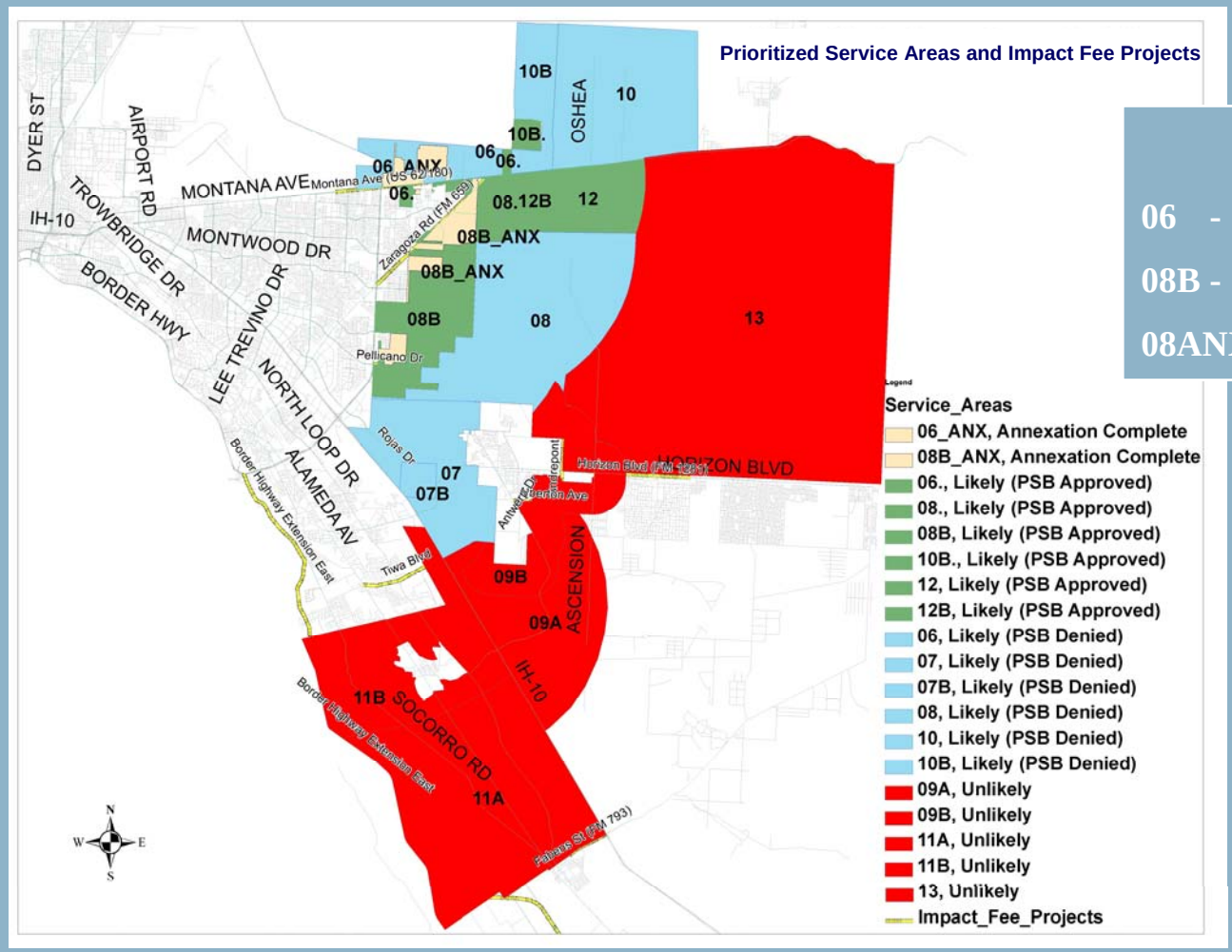
Impact Fee Cost and Service Sharing

PROJECT COST AND SERVICE AREAS SHARE THROUGH IMPACT FEES: In $ Millions

	Total	Share	Percent
1. Trans Mountain	38.5	1.2	3%
2. Paseo Del Norte	25.3	4.8	19%
3. MLK*	7.3	.09	---
4. McCombs*	16.4	.2	---
5. NE Parkway	209.7	17.1	9%
6. Patriot Freeway	41.3	5.2	13%
7. Montana	49.3	5.5	12%
8. Pellicano	7.4	1.8	25%
9. Zaragoza	15.2	1.3	9%
TOTALS	410	37.2	9%

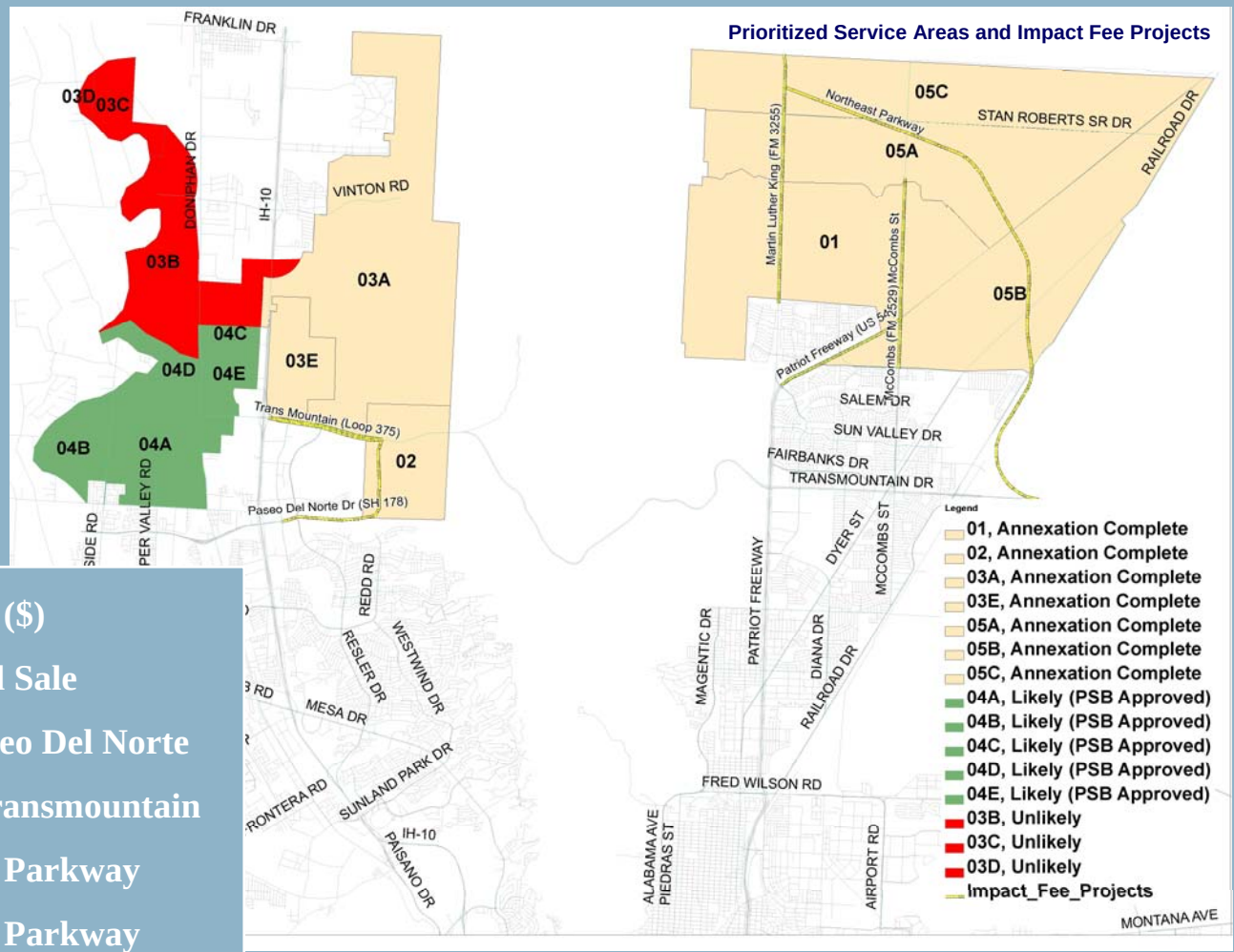
* Total costs include NE Master Plan share.

MPO Roadway projects



SDU Roadway Fee ($)			
06	-	536	100% Montana
08B	-	404	Pellicano
08ANX	-	1,697	Zaragoza – 6 lanes

MPO Roadway projects



SDU Roadway Fee ($)

01 -	823	NE Land Sale
02 -	3,190	86% Paseo Del Norte
03A -	504	100% Transmountain
05A -	8,960	90% NE Parkway
05B -	5867	99% NE Parkway
05C -	10,254	96% NE Parkway

MPO PROJECTS

	Highway	CMP	PSB	TRZ	Toll	Overwidth
1. Transmountain	X	X		X		
2. Paseo Del Norte						X ($6M)
3. MLK			X			
4. McCombs	X		X (part)			
5. NE Parkway	X	X		X	X	
6. Patriot Freeway	X					
7. Montana	X			X		
8. Pellicano						
9. Zaragoza	X	X		X		

Staff Recommendation

Retain Current Scheme to build and fund roads.

Planning LRC Recommendations

1. Accept staff recommendation to move no further on roadway impact fees
2. Continue water and wastewater impact fee evaluation
3. Have CPC review impact fee effects on home prices and affordability
4. Appoint City Plan Commission as Advisory Committee
5. Advisory Committee:

   a) Review Service Areas - consider smaller scale for water and wastewater

   b) Review issue of using existing capacity to calculate water and wastewater impact fees

   c) Review options available on impact fee reduction for affordable housing

Water and Wastewater Impact Fees

Presentation to City Council
October 14, 2008

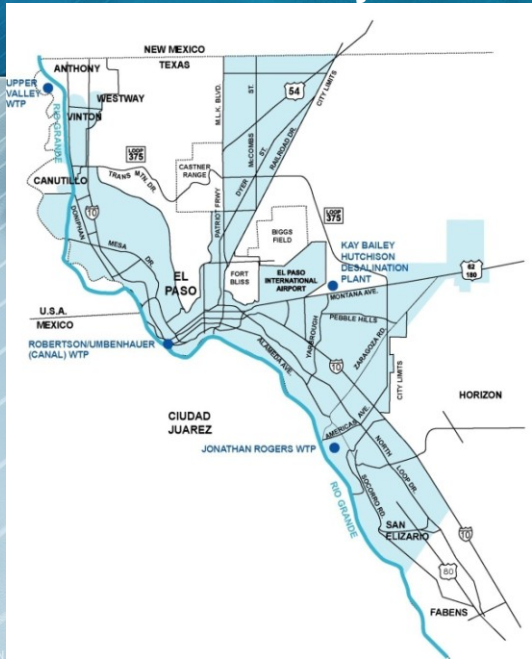
Water and Wastewater Impact Fees

- Currently existing ratepayers subsidize growth and new developments
- Impact fees are a way to charge the cost of new developments to new developments
- In July 1996, impact fees were considered by City Council and defeated
- Since 1995, the Utility estimates it has spent over $200 million in growth related projects that could have been funded, in whole or part, with impact fees
- Having impact fees would have mitigated rate increases and/or allowed for more rehab projects over the past decade

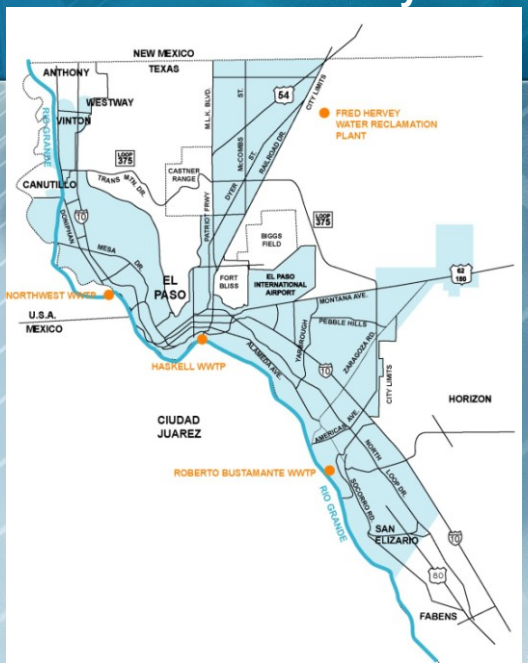
Water and Wastewater Impact Fees

- Impact fees have been calculated for potential service areas for the next ten years except those areas that currently have annexation or preannexation agreements approved by city council
- Impact fees if adopted will mitigate future rate increases going forward
- Existing ratepayers should not have to subsidize growth developments
- Developers do not pay for all the costs associated with growth

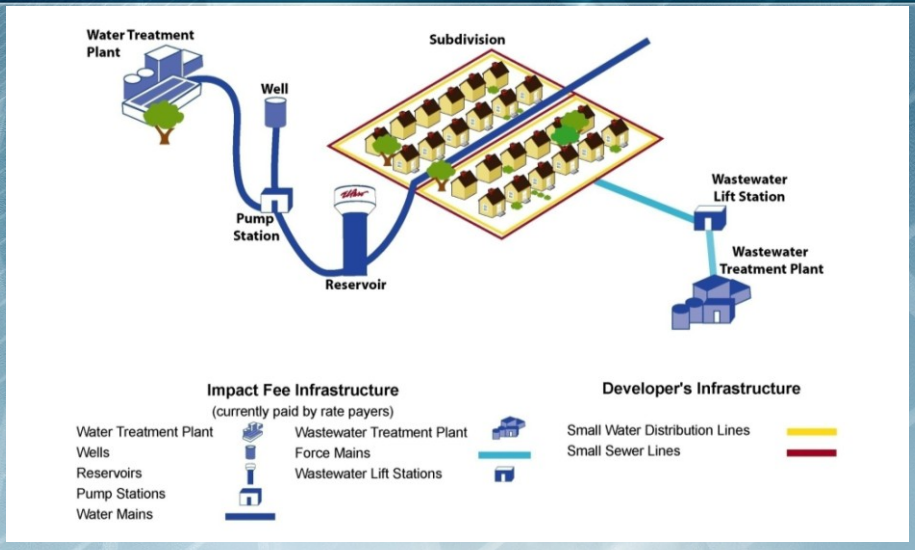
El Paso Water System



El Paso Wastewater System



Who Pays for Water and Sewer Infrastructure?

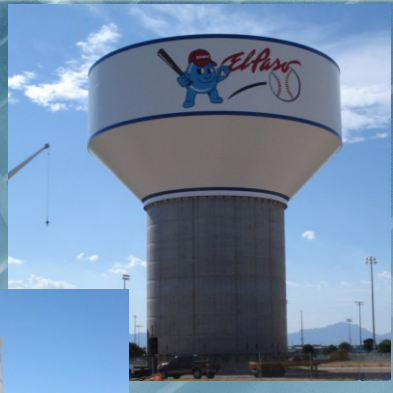


Who Pays for What?

Water and Sewer Facilities	Who Pays?		Included in Impact Fee calculation?
	Developer pays or constructs	Utility is responsible for construction	
Design and Engineering – lines w/in subdivision	$		NO
Service connections to lots	$		NO
Supply / Collection lines within subdivision	$		NO
Oversized Supply / Collection lines	$(1)		NO
Major Transmission Lines		$	YES
Design and Engineering – off-site / backbone facilities		$	YES
Water Pumping / Sewer Lift Stations		$ (2)	YES
Sewer Interceptor lines		$ (2)	YES
Water Storage Facilities		$ (2)	YES
Water and Wastewater Treatment Facilities		$	YES
Water Supply Wells		$	YES
Water Supply Source		$	YES

(1) Cost sharing between Developer and Utility per line extension as per Rules and Regulations.
(2) Developer pays if service is needed ahead of EPWU's schedule. Cost is partially offset as future connections take place.

Vista del Sol - 2.5 MG Elevated Reservoir



Vista Del Sol Elevated Tank = $3.5 M total
Landmark Construction
Moreno Cardenas Inc.

Easyway Lift Station & Easy Way II Dual Force Mains

$20.3 M
Wright Construction (L.S.)
S.J. Louis (Force Mains)
Parkhill Smith & Cooper

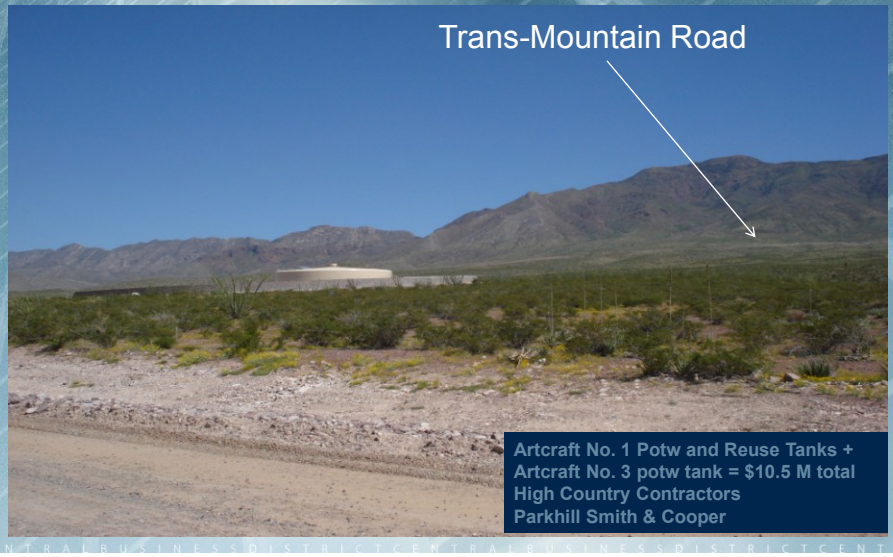
Artcraft Site #2
1-2MG PTW, 1-2MG Reuse

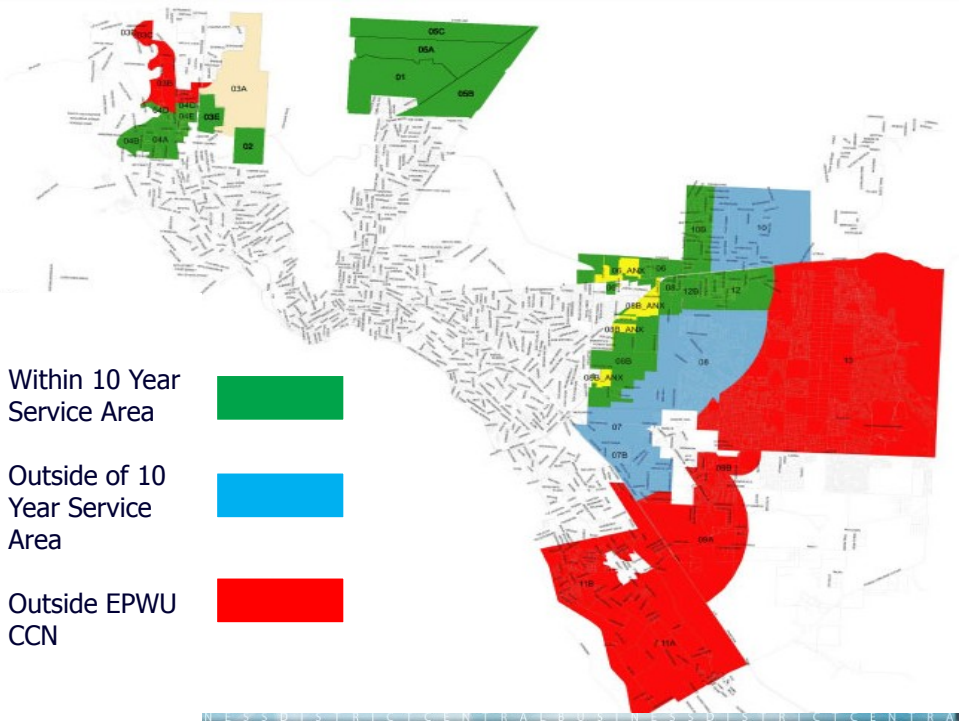
Artcraft No. 1 Potw and Reuse Tanks +
Artcraft No. 3 potw tank = $10.5 M total
High Country Contractors
Parkhill Smith & Cooper

Artcraft #2 Site

Artcraft #3 Site

Artcraft Site #3, 1- 2MG PTW, Viewed from Access Road





Water and Wastewater Impact Fee Methodology

- A 2-Part Approach:
  - Part 1 includes the value of existing investment with capacity to serve future development
  - Part 2 includes the value of future growth or expansion related investment to serve future development
- Determine Credit for Debt to be Paid Via User Charges, i.e., monthly rates for service

Water Existing Investment

Category	Treatment System	Distribution System
Water Rights	$ 0	$0
Source of Supply	138,945,000	0
Water Pumping	19,593,000	0
Water Treatment	277,615,000	0
Water Storage	0	0
Transmission and Distribution (larger than 12-inches)	0	0
Total Existing Assets	436,153,000	0
Less: Grant Funds	(44,887,311)	0
Less: Outstanding Principal	(270,317,054)	0
Total Existing Investment	$120,948,635	$0

Wastewater Existing Investment

Category	Treatment System	Collection System
Wastewater Treatment	$214,803,000	$0
Interceptors & Collection (larger than 12-inches)	0	0
Total Existing Assets	214,803,000	0
Less: Grant Funds	(7,904,904)	0
Less: Outstanding Principal	(106,768,799)	0
Total Existing Investment	$100,129,297	$0

Water 10-Year Growth Costs

Project	Treatment System	Distribution System
Water Supply Facilities	$14,760,000	$0
Reservoirs		54,230,000
Distribution Pumping Equipment		39,000,000
Distribution Lines		84,100,000
Total Incremental CIP	14,760,000	177,330,000
Add: Projected Debt (NPV of Interest)	2,225,263	26,734,811
Total Incremental Investment	$16,985,263	$204,064,811

Wastewater 10-Year Growth Costs

Project	Treatment System	Collection System
Treatment Plant Expansions	$33,000,000	$0
Collection System		78,610,000
Pumping & Force Mains		12,831,000
Wastewater Reuse Distribution System		39,310,852
Total Incremental CIP	33,000,000	130,751,852
Add: Projected Debt (NPV of Interest)	4,975,391	19,713,380
Total Incremental Investment	$37,975,391	$150,465,232

Water Impact Fee

	Treatment System	Distribution System
Existing Investment	$120,948,635	$ 0
Incremental Investment	16,985,263	204,064,811
Total Investment	137,933,898	204,064,811
Existing System Service Unit Capacity	419,164	0
Proposed Additional Service Unit Capacity	29,291	115,231
Total Service Units	448,454	115,231
Fee per Service Unit	**$308**	**$1,771**

Wastewater Impact Fee

	Treatment System	Collection System
Existing Investment	$100,129,297	$ 0
Incremental Investment	37,975,391	150,465,232
Total Investment	$138,104,688	$150,465,232
Existing System Service Unit Capacity	276,044	0
Proposed Additional Service Unit Capacity	43,956	122,144
Total Service Units	320,000	122,144
Fee per Service Unit	**$431**	**$1,232**

Impact Fees – LUE Values

	Treatment	Distribution /Collection	Total
Water(1)	$308	$1,771	$2,079
Wastewater(1)	431	1,232	1,663
Total	**$739**	**$3,003**	**$3,742**

(1) Less than 1" meter

Proposed Water Impact Fees

Meter Size	Maximum	Credit	Net Fee
Less than 1-inch	$2,079	($378)	$1,701
1-inch	3,472	(631)	2,841
1 ½-inch	6,923	(1,258)	5,665
2-inch	11,081	(2,013)	9,068
3-inch	20,790	(3,778)	17,012
4-inch	34,657	(6,297)	28,360
6-inch	69,293	(12,591)	56,702
8-inch	110,873	(20,146)	90,727

Proposed Wastewater Impact Fees

Meter Size	Maximum	Credit	Net Fee
Less than 1-inch	$1,663	($400)	$1,263
1-inch	2,778	(669)	2,109
1 ½-inch	5,539	(1,334)	4,206
2-inch	8,866	(2,135)	6,731
3-inch	16,634	(4,005)	12,629
4-inch	27,730	(6,677)	21,053
6-inch	55,443	(13,349)	42,093
8-inch	88,712	(21,359)	67,352

Proposed Water & Wastewater Impact Fees

Meter Size	Maximum	Credit	Net Fee
Less than 1-inch	$3,742	($778)	$2,964
1-inch	$6,250	($1,300)	$4,950
1 ½-inch	$12,462	($2,592)	$9,871
2-inch	$19,947	($4,148)	$15,799
3-inch	$37,424	($7,783)	$29,641
4-inch	$62,387	($12,974)	$49,413
6-inch	$124,736	($25,940)	$98,795
8-inch	$199,585	($41,505)	$158,079

Impact Fee – Incremental Only

	Water	Wastewater
Treatment	$ 16,985,263	$ 37,975,391
Distribution / Collection	204,064,811	150,465,302
Incremental Investment	$ 221,050,074	$ 188,440,693
Additional Service Unit Capacity	144,522	166,100
Incremental Fee	$2,351	$2,096
Hybrid Fee	$2,079	$1,664
Difference	$ 272	$ 432

Affordable Housing Credit

- Section 395.016 Time for Assessment and Collection of Fee, subsection (g)
- City Council may Reduce or Waive an Impact Fee for Affordable Housing
- May be a Full or Partial Credit Based on Council Policy – Existing Credit Programs in Austin and San Antonio

Impact Fee Survey
September 2008

City	Impact Fee
Houston	Water $326 Sewer $1,157
Phoenix	Water $1,872-$4,055 Sewer$1,067-$5,039
San Antonio	Water $2,931-$3,696 Sewer $847-$1,673
Austin	Water $700-$2,500 Sewer $400-$1,400
Fort Worth	Water $920 Sewer $394
Arlington	Water $480 Sewer $380
El Paso	None
Santa Fe	Water $7,500 Sewer $180
Ruidoso	Water $3,062 Sewer $1,908
Las Cruces	Water $2,378 Sewer $1,665
Tucson	Water $1,528 Sewer $202
Albuquerque	Water $2,421 Sewer $1,816 WSC $1,250

Summary

- City Council should consider impact fees as a way to mitigate future water and wastewater rate increases to its' existing customers
- The PSB recognizes the slow down in the local housing market
- With that in mind, the PSB will be recommending that the collection of any impact fee adopted be implemented no sooner than March 1, 2010

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Meter Size	Maximum	Credit	Net Fee
Less than 1-inch	$2,079	($378)	$1,701
1-inch	3,472	(631)	2,841
1 ½-inch	6,923	(1,258)	5,665
2-inch	11,081	(2,013)	9,068
3-inch	20,790	(3,778)	17,012
4-inch	34,657	(6,297)	28,360
6-inch	69,293	(12,591)	56,702
8-inch	110,873	(20,146)	90,727

Proposed Wastewater Impact Fees

Meter Size	Maximum	Credit	Net Fee
Less than 1-inch	$1,663	($400)	$1,263
1-inch	2,778	(669)	2,109
1 ½-inch	5,539	(1,334)	4,206
2-inch	8,866	(2,135)	6,731
3-inch	16,634	(4,005)	12,629
4-inch	27,730	(6,677)	21,053
6-inch	55,443	(13,349)	42,093
8-inch	88,712	(21,359)	67,352

Proposed Water & Wastewater Impact Fees

Meter Size	Maximum	Credit	Net Fee
Less than 1-inch	$3,742	($778)	$2,964
1-inch	$6,250	($1,300)	$4,950
1 ½-inch	$12,462	($2,592)	$9,871
2-inch	$19,947	($4,148)	$15,799
3-inch	$37,424	($7,783)	$29,641
4-inch	$62,387	($12,974)	$49,413
6-inch	$124,736	($25,940)	$98,795
8-inch	$199,585	($41,505)	$158,079

Affordable Housing Credit

- Section 395.016 Time for Assessment and Collection of Fee, subsection (g)
- City Council may Reduce or Waive an Impact Fee for Affordable Housing
- May be a Full or Partial Credit Based on Council Policy – Existing Credit Programs in Austin and San Antonio

Impact Fee Survey
September 2008

City	Impact Fee
Houston	Water $326 Sewer $1,157
Phoenix	Water $1,872-$4,055 Sewer$1,067-$5,039
San Antonio	Water $2,931-$3,696 Sewer $847-$1,673
Austin	Water $700-$2,500 Sewer $400-$1,400
Fort Worth	Water $920 Sewer $394
Arlington	Water $480 Sewer $380
El Paso	None
Santa Fe	Water $7,500 Sewer $180
Ruidoso	Water $3,062 Sewer $1,908
Las Cruces	Water $2,378 Sewer $1,665
Tucson	Water $1,528 Sewer $202
Albuquerque	Water $2,421 Sewer $1,816 WSC $1,250

Summary

- City Council should consider impact fees as a way to mitigate future water and wastewater rate increases to its' existing customers
- The PSB recognizes the slow down in the local housing market
- With that in mind, the PSB will be recommending that the collection of any impact fee adopted be implemented no sooner than March 1, 2010