



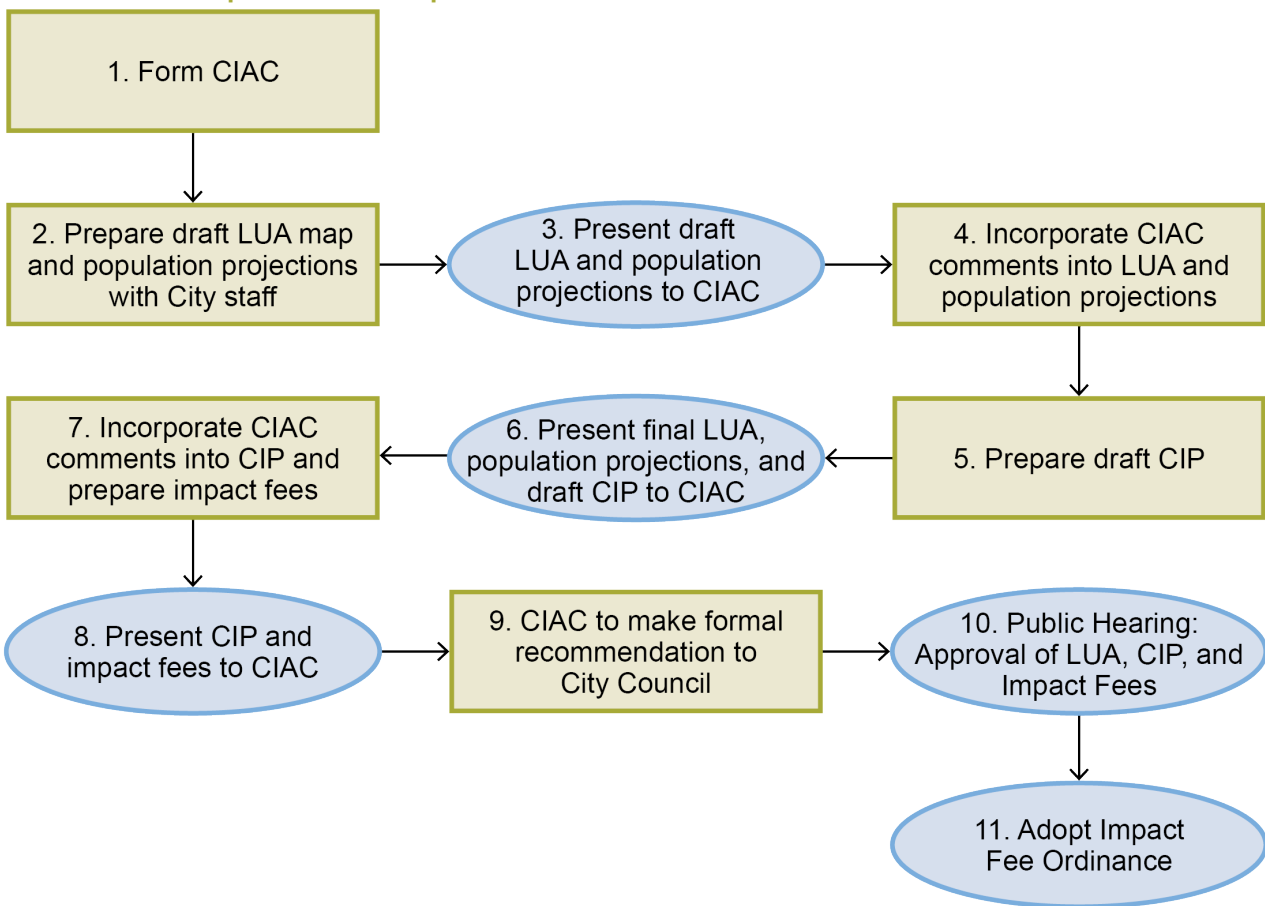
Impact Fees: An Effective Means to Economically Distribute to Developments Costs for Water, Wastewater, Drainage, and Street Improvements

What is an Impact Fee?

Impact fees are governed by Chapter 395 of the Texas Local Government Code. An impact fee is a charge or assessment imposed by a city to recoup costs of capital improvements needed for the new development. Impact fees may only be assessed for the following capital improvements:

- Water Supply, Treatment, and Distribution Facilities
- Wastewater Collection and Treatment Facilities
- Stormwater, Drainage, and Flood Control Facilities
- Roadway Facilities

Overview of the Impact Fee Development Process



1. Form Capital Improvement Advisory Committee (CIAC)

The CIAC is made up of at least 5 members who are to be appointed by a majority vote of the governing body of the political subdivision (i.e., City Council). At least 2 of the members must be representatives from real estate, development, or building industries and cannot be employees or officials of the city. A planning and zoning commission (P&Z) may act as the CIAC if it includes at least one representative of the real estate, development, or building industry who is not an employee or official of the city. If the impact fees are to be applied in the extraterritorial jurisdiction (ETJ) of the City, the CIAC must also include a representative from that area. The CIAC will be consulted regularly during the process of developing the impact fee.



2. Prepare Draft Land Use Assumptions (LUA) Map Recommendations and Population Projections

Comprehensive planning and zoning maps are a good source for developing an LUA map. The LUA Map is updated with known and anticipated future developments. Land uses identified on the LUA Map, along with population trends provided by state planning entities and population density projections, are used to prepare preliminary population projections.

3. PRESENT Draft LUA and Population Projections to CIAC

Solicit feedback from the CIAC on the draft LUA Map and preliminary population projections.

4. Incorporate CIAC Comments Into LUA and Population Projections

Comments provided by the CIAC will inform decisions on finalizing the LUA Map and population projections. The map and projections form the foundation for future steps in the impact fee development process.

5. Prepare draft Capital Improvement Plan (CIP)

A CIP will be developed to identify projects and project costs necessary to serve the projected level of growth for the community for a period of 10 years. This is where a consulting engineer can be helpful. Many cities choose to develop more detailed Master Plans for various aspects of their community in conjunction with the impact fee development process; however, this is not required.

6. PRESENT final LUA, Population Projections, and Draft CIP to CIAC

The CIAC will be presented the finalized LUA Map and population projections, along with a draft CIP of the projects needed to serve anticipated development for the next 10 years. Feedback from the CIAC on the draft CIP will be solicited.

7. Incorporate CIAC Comments and Prepare Impact Fees

Comments provided by the CIAC will be considered and incorporated into the final CIP and cost opinions. 'Maximum Assessable Impact Fees' will then be calculated. There are two methods of calculating impact fees: Credit Calculation and 50% Credit. Credit calculation is a credit for the portion of ad valorem tax and/or utility service revenues generated by new service units over the next 10 years used to pay for projects in the CIP.

8. PRESENT CIP and Impact Fees to CIAC

This is the final presentation to the CIAC. The CIAC will be presented the final CIP along with the Maximum Assessable Impact Fees calculated for water, wastewater, drainage, and/or roadways using both methods.

9. CIAC to Make Formal Recommendation to City Council

The CIAC will make a formal recommendation to the City Council to approve the LUA Map, population projections, CIP, and Maximum Assessable Impact Fees for water, wastewater, drainage, and/or roadways.

10. Public Hearing: Approval of LUA, CIP, and Impact Fees

The City Council will hold a public hearing on the LUA Map, population projections, CIP, and Maximum Assessable Impact Fees.

11. Adopt Impact Fee Ordinance

The City Council may then approve the Maximum Assessable Impact Fees or adopt a lower impact fee.

Impact fees may not be collected on any development for which a valid building permit was issued within one year of the impact fee ordinance adoption date, provided the development was platted prior to adoption of the impact fee ordinance. A moratorium may not be placed on new development to allow time to adopt impact fees.

We Can Help!

As a full-service engineering firm, we can assist with every step of the process to implement impact fees. Contact your Strand representative for more information.