

**Impact Fee Advisory Committee Minutes
June 10, 2010**

Attendance:

Committee Members	Staff	Other
Janet Donahue	Bruce Bender, CAO	
Dick Ainsworth	Brentt Ramharter, Finance Director	
John Freer	Steve King, Public Works Director	
Collin Bangs	Kevin Slovarp, City Engineer	
Jerry Ford		
Jim Galipeau		
Mark Muir		
Jinny Iverson		

Mark Muir made the motion to approve the minutes from April 8 and April 22 and Collin Bangs seconded the motion. The minutes were approved.

CIP Projects with Impact Fee Funds – Janet Donahue

Brentt Ramharter said the committee is interested in Hillview Way and how the funds have been allocated, but also the miscellaneous categories. The [handout](#) summarized the CIP forms that had been emailed to the committee. Everything that was on those forms has been transferred to this one spreadsheet. Impact fees, or any fees, are actually calculated to be 100 percent recovered. In most cases, long term projects have funds being matched because of existing deficiencies, and impact fees cannot be used address those deficiencies. They have to be targeted toward growth, the future and future capacity. The majority of the fees are allocated toward projects that are funded in various years, part of them are dependent on environmental sign offs, such as Third Street. The impact fees share the ability to fund the part of the project identified as the growth component. It is the best guess of what will happen when. Some projects have been on solid tracks, some have been on tracks forever and continually delayed. The City has chosen to leave some money unidentified because sometimes developers need help with the project, and it is usually due to growth. Some of the money from the miscellaneous category, or from funds in future years to get the current year project funded. The FY11 projects are what is in the works as of now. Some of them have phases, and if there are no other projects claiming funds, the current project can be accelerated at the end of the fiscal year.

Miscellaneous Un-identified Funds

Collin Bangs said once the committee has had the discussions about certain projects, like Hillview Way, there would probably be an understanding of what the committee thinks is okay to spend the impact fees on. Once there is an understanding of that, Brentt and Bruce could look at the \$50,000 miscellaneous funds and determine if it is what the fees should be used for if there should be a poll of the committee. Once the criteria is established, it will make it more comfortable for the committee to understand the miscellaneous category. Brentt said the money would be spent on a project. He said a project will start moving along, and he will review the money they have. If a bid comes in higher with phases, it would get moved into an ongoing project. Bruce asked if there is an example and said it is done with the sewer fees routinely.

There is a miscellaneous account and projects come up where a developer is coming in with an 8" pipe and the City wants to oversize it serve the growth. It would not be known annually, so there is some flexibility. The City is required by the ordinance to use impact fees in a very specific way. Brentt said it hasn't been done in the past for impact fees. Janet said when the projects are brought to the committee in the future years, and the \$50,000 is used somewhere, it will be accounted for. Bruce confirmed that would happen.

John Freer said there is a list of projects and as a group they decide which projects are valid uses of impact fee money. If the City uses that money within those categories, that is fine, but if it is used on something that is not listed, the committee needs to be notified so they can give their input. The committee would pre-approve use amongst the projects listed that the committee agrees is a valid use. Brentt said this is all the revenue streams are fairly new and they are building up enough revenue to actually do projects. The \$50,000 misc unidentified was coming from the experience with the sewer development fee and it is held within the general impact fee fund. It is not allocated to any impact fee fund. It could be called cash reserve. Bruce said the one that could possibly come up would be transportation. It seems to be the one that might change during the year. Brentt clarified that it is in the transportation impact fee fund, not the general impact fee fund. John said he appreciates the need to have flexibility, but the red flag is calling it miscellaneous. If it is unallocated transportation impact fees, that is what it should be called. Once there is a base criteria that shows what is specifically targeted to growth or future growth capacity, then the money in the unallocated transportation impact fees could be used. His concern is having a category that is miscellaneous unidentified, there really isn't a tracking of it. Brentt said it could be renamed unallocated cash. If there is a project where the bid comes in higher, then it could be explained to the committee and amend the budget. Jim Galipeau said if that line item is budgeted that way, the annual fund budgeted for FY11 of \$393,000 could be spent. More than that amount cannot be spent. Could the \$50,000 be left off this spreadsheet and show the annual funds available as \$343,000? Brentt said all that is allocated is \$343,000 and the \$50,000 is unused cash at this point. He could have that column moved over and they would let the committee know if any of that money needed to be used. There have been years of experience with the sewer development fee where a developer comes in with an issue and using these funds would be appropriate. Janet reiterated that Brentt could move that column to the end after Annual Fund Type Totals and call it Unallocated. Brentt said they have tried to put some restrictions on the unallocated from the standpoint that the cash flows through the four to five years, so there is not a shortage. Jim said if that money was just left off the budget, and the city will not spend the full amount of \$393,000 unless there are overages, and asked if it is the authority to spend up to \$393,000 and not more than that, or if there are overruns can money be spent but taken from another year. Bruce said if the cash is there to be used on the project, it would be amended at the end of the year. Jim confirmed there would be an amendment process, whereas if it is left and call it cash reserve or unallocated, the amendment process wouldn't be needed. Janet said especially if it is allocated to balance the fund. Brentt said it would show as a potential resource for any of those projects and/or another one that came up that qualified for that year. Janet said if there is the cash reserve and an amended budget is needed, the \$50,000 doesn't need to be showed on the spreadsheet. Brentt said there is actually more cash available than the \$50,000. Brentt said what is being proposed is on the spreadsheet, some with multiple phases and all within different years. John clarified if column 11 was removed, it doesn't change the process as to how the money is allocated. He asked if it would be easier to remove that

column and remove confusion and then all impact money listed is directly tied to a project. Brentt said that could be done and it would show a true cash flow. Janet said that would work better. Brentt said it would give the committee more information so if there is a request to amend the budget on a project, the committee would be able to see the true picture.

Hillview Way

Brentt said the discussion comes from how the impact fees are being used that could be dedicated to any part of town. The ordinance can be viewed as constrained. Bruce read from Ordinance 3250, 15.66.010 Purpose and Intent, Item 3 says "to ensure that new development benefits from the provision of the public facilities provided with the proceeds of development impact fees" and Item 4 says "to ensure that impact fees collected pursuant to this Chapter are expended only on public facilities the demand for which is generated by the new development against which the fees are assessed". The words new development is used specifically in both those items. In section 15.66.050 Appropriation of development impact fee funds, Item 2 Restrictions on Use, it says "Development impact fees shall not be appropriated ... or for any facility that provides capacity for development other (emphasis added) than new development". It cannot be applied to capacity for other than new development. Bruce said he was thinking about Hillview Way and new development and if funding had been received to apply toward that road. He said there is no new housing that has occurred in the area that could be applied toward it. What the city has done in the past, especially on a city-wide fee, if growth is anticipated in the area and the expansion of the facility, such as Hillview Way which will go to additional bike lanes and sidewalks system which technically is an expansion of the existing facility, that made it eligible to use impact fee money on it. The city has not tracked each facility and look at the service area and ask if funding had been received from that. Hillview Way is not a great example. It is a \$3 million project. He said he understands the restraint of how much money is applied to that project because it is mostly a developed out area. That road is a collector that connects to other facilities such as schools, churches, etc that are used by more than just the local housing. The city felt that \$100,000 on a \$3 million project wasn't putting much into it.

Bruce asked Steve King how much potential development in that area. Steve said they looked at the zoning of the adjacent properties. There is zoning capacity for hundreds of new units and there was a preliminary plat proposed for a major subdivision. There is some building activity in that area now. Dick said there are certainly other areas that will be developed in time. Bruce said historically it has not been determined how much money was received from an area before money was put into a project. Collin said the most difficult thing to define, especially in Missoula with the way the streets are, is when is something expanding for growth and when is the money being used to cure an existing deficiency. Hillview Way is classic example because it is clearly deficient. He asked how it is defined between expanding capacity and deficiency. Adding bike lanes and sidewalks is probably just curing an existing deficiency. Bruce agreed with the sidewalks, but bike lanes is a capacity enhancement. Motor vehicles is usually used in deciding capacity, but bike lanes also are a capacity. It could be argued either way. It is adding facilities that take motor trips off and car traffic could flow better.

Bruce said a better example is Third Street. A third lane is being added which is changing the capacity because turning lanes are being taken out. The funding represents is a third of the cost is from the impact fee and the other two thirds would come from other funding sources.

Bruce said the Hillview Way argument is a little weak, but thought \$100,000 wasn't a large investment in the project. Collin said if missing sidewalks are an existing deficiency and adding a bike lane to a busy street as adding capacity, something has been accomplished.

John said the committee should develop qualifying criteria. It will help with the unallocated funds also. Is it a deficiency? Is the intent of the project to encourage new development? Is there new development that is adding vehicle miles? The committee could come up with qualifying criteria. That way when a project meets that criteria, money would be used. Bruce said a suggested criteria on the transportation impact fee and Janet said it would be helpful. Collin said transportation and parks because there are a lot of times fees are used on existing parks, not adding new parks. Jim said a checklist would be good. Brentt said a lot of these projects are in a grey area, unless it is a brand new park. These discussions happen and it would be a lot easier to have a checklist to follow.

Collin said the other question he had on Hillview Way was that fiscal year 2012 there is a few million dollars showed coming in to build it and asked what the possibility of that happening. Bruce said it is listed in assessments and grants. The idea behind that was if there is any grant money that comes along, the city may go back on the SID. It is a hypothetical scenario. With some of the stimulus money coming out and the fact that there is a design system, the city could quickly move on the project. It is speculative and opportunistic. Janet asked if the \$120,000 is used for the design of the project and Bruce said yes. Bruce said it shows a debt now in the SID account. They tried to create the SID and it failed, but the design is completed. Dick confirmed that the engineer has been paid and Bruce said yes. There was a discussion of if there was a rational to use impact fees to pay the debt off and also it is a contribution toward a future project. The work is done, but there is no money to pay for it. Jinny Iverson said she heard that there was more work to do to have it shovel ready. Steve said the plans are on the shelf waiting for funding. There is a potential for federal grant money in the future. Brentt said the only other way to pay for it is over three years with the gas tax. Jinny said once the qualifying criteria is developed, it should be used on this project because it would be good to get this project taken care of. Collin said the committee does not want to make a habit on spending impact fees on something that may not get built. Bruce said it would be a nice tool to get a project in position for when funding becomes available.

Bruce said there was money designated for Van Buren with the idea that it would put it in a better position to find other funding to get it built. Janet confirmed that is what the \$100,000 is for that project. Bruce said it is a similar concept to Hillview Way with a similar road system that has a lot of existing deficiencies, but a bike lane would be added.

Jim asked what the cutoff date for existing deficiencies and growth was. As of (this date), anything before then is existing. What date will be used? Bruce said it would have to go by the existence of the ordinance, the date the transportation impact fee was established. Bruce said the question that would need be asked for each project is how did that system exist at that time and how does it exist now? Jim said it is very important to establish that date. This date needs to be added to the criteria checklist. John said that is a good point and needs to be developed into the basic qualifying criteria.

Bruce said he has thought the capacity of the system has to be increased to attribute growth. A five lane system could not be rebuilt using transportation impact fees. If there is a signal put in at a critical intersection that is causing congestion, it is serving growth. The signal at George Elmer Drive and Mullan Road will be done many years from now. At that time, it would have to be determined that growth has been occurring.

Bruce said he would work on the qualifying criteria checklist. Janet asked that the committee see the criteria and then apply it to Hillview Way and Van Buren.

Collin said that when he talks to others about impact fees, the one impact fee that really works isn't called an impact fee, but the sewer development fee.

Collin asked if the only way Van Buren will be able to increase capacity is with the bike lane. Bruce is speculating that is the only capacity enhancement that will be done because that road is very deficient. Steve said the only other capacity feature would be a left turn lane at Missoula Avenue. There is no room to do much.

Parks

Brentt said the [handout](#) came to him at 2:30 today. Silver Park is in progress. They have tried several funding sources, and the only place they have found funding is at MRA.

Janet said two categories look like miscellaneous funding: New parks or expansion to existing parks related to growth and Park equipment related to expanded service and use. Brentt said this should have the same criteria as the transportation impact fee. Janet said there needs to be specifics under those categories, and if there aren't, it should be a cash reserve as it is with the transportation impact fee. Brentt said once he discusses this with Parks and he receives the updated information, it will be mailed to the committee.

Jerry Ford said he was in Great Falls for a soccer tournament and looking at the soccer fields and parks, and Missoula's is a lot better and more efficient. Janet said Missoula doesn't have the capacity to hold state soccer or other sports. The Fort Missoula property is not adequate for state soccer. Jerry said there are more parks and more soccer fields for people to play on.

John asked about sports such as ultimate Frisbee. If a course is designed for it, how is that a result of growth versus a deficiency? Mark said ultimate Frisbee did not exist, so is it a deficiency or a new growth? It is a new sport, so does that constitute growth? Jinny said that is what needs to be discussed when the checklist is developed. Janet said the qualifying criteria checklist will help internally with the CIP process.

Jim said that in Ordinance 3250, under purpose and intent, it says new development. That needs to be looked at when determining the criteria.

Other discussions on CIP projects with impact fees

The fire impact fee has nothing new. They are building cash to buy a site west of town.

Mark said the difficult thing with the public safety impact fee is to find something that qualifies. The city grows and has to purchase more police cars because more miles are put on, etc. but the cars aren't expensive enough and don't have a long enough useful life to qualify. Brentt said there is a long history of purchasing those vehicles with tax dollars. The impact fees can be used to buy a site, help fund initial design, etc. The money would be matched with other dollars.

Other discussion

Janet said the committee still needs to give advice to the City about projects that are being funded for next fiscal year. The CIP will be adopted around the first of October. Jinny asked how the committee will engage in the process. Is there a dollar amount and a list to look at? Brentt said he will rework the spreadsheet and work on the qualifying criteria checklist based on the discussion at this meeting. They will be emailed to the committee for comments. There isn't a lot to discuss with the budget this year because all that was done was cutting. Raising taxes and maintenance districts is the only thing that could be discussed. There will not be growth revenue numbers until September, so there is 30 – 60 days to get this done.

Collin said the only unanswered question now is to look at the qualifying criteria checklist. Brentt said the committee could meet again to discuss the draft and finalize it at the meeting.

The next meeting is scheduled for July 22 at 4:00 pm.