

Capital Improvements Advisory Committee

Semiannual Report

Through December 31, 2017



MESQUITE CAPITAL IMPROVEMENTS ADVISORY COMMITTEE

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Introduction

Section 395.058 of the Texas Local Government Code requires the City's Capital Improvements Advisory Committee (CIAC) to file a semi-annual report to the City Council "with respect to the progress of the capital improvements plan and . . . any perceived inequities in implementing the plan or imposing the impact fee". This report covers the period from January 1, 2017, through December 31, 2017, and fulfills the CIAC's legislative obligations.

Ordinance History

Mesquite's impact fee program formally commenced in 1996 with the adoption of the first roadway, water and wastewater impact fee schedule. The City discontinued charging water and wastewater impact fees in 1998, and made other adjustments in 2001 and 2002 based on changes in State law.

In 2003, the City updated its impact fee program, including the impact fee rate schedules, and rates took effect on January 1, 2004. Fee rates were amended again in 2005, and became effective December 1, 2005.

In 2015, the City adopted a new impact fee ordinance, updating roadway impact fees and instituting impact fees for both water and waste water. The ordinance took effect on August 1, 2015. However, the new fee structure for roadway impact fees and the impact fees for water and sewer did not take effect until January 1, 2016.

Below is a summary of impact fee legislation in the City since 1996.

1996	2/29/1996	Resolution 03-96: Re-established CIAC (originally established in Resolution 15-90 on 4-2-90)
	5/6/1996	Resolution 15-96: Land Use Assumptions Adopted
	9/16/1996	Ordinance 3111: Adopted water, wastewater and roadway impact fees
1998	3/2/1998	Ordinance 3213: Minor adjustments to definitions
	9/21/1998	Ordinance 3252: Discontinue water and wastewater impact fees
2001	10/15/2001	Roadway fees temporarily amended to comply with Senate Bill 242
2002	5/1/2002	Roadway fees amended on a permanent basis to comply with Senate Bill 242
2003	3/3/2003	Resolution 09-2003: Amend CIAC membership and terms
	11/3/2003	Ordinance 3615: Amend and update land use assumptions, CIP, service credits and fee rate schedule (effective 1/1/04)
2005	11/21/2005	Ordinance 3780: Amend the impact fee rate schedule (effective 21/1/05)
2008	10/20/2008	Ordinance 3999: Five year statutory update completed
2015	6/15/2015	City Council adopts Land use Assumptions and CIP
	7/6/2015	Ordinance 4366: Adopted update to Roadway Impact Fees and established Water and Sewer Impact Fees (ordinance effective 8/1/15; fees effective 1/1/16)

Impact Fee Revenue - Roadway

▪ *Calendar Year 2017*

The City collected a total of **\$1,138,739.47** in roadway impact fees calendar year 2017. This is a \$759,406 increase over the same period last year and more than was collected in the last three years combined. Roadway impact fee revenue was just over \$100,000 lower in the second half of the year than the first half. The following table illustrates the total monthly roadway impact fee collections over the past four years.

Month	CY 2014	CY 2015	CY 2016	CY 2017
January	\$ -	\$ 67,830.54	\$ 1,040.25	\$ -
February	\$ -	\$ 16,804.08	\$ 73,317.33	\$ 76,236.03
March	\$ 2,449.50	\$ 17,092.18	\$ 2,584.00	\$ 304,164.56
April	\$ 9,586.75	\$ 6,591.12	\$ 5,507.82	\$ 124,137.28
May	\$ -	\$ 34,692.05	\$ 145,105.93	\$ 79,019.95
June	\$ 8,077.89	\$ 369.00	\$ 10,644.78	\$ 37,296.00
First Half Activity	\$ 20,114.14	\$ 143,378.97	\$ 238,200.11	\$ 620,853.82
July	\$ 4,156.67	\$ 13,182.24	\$ 1,732.20	\$ 21,756.00
August	\$ 6,867.79	\$ 70,519.34	\$ 44,980.47	\$ 6,216.00
September	\$ 14,709.95	\$ 58,859.34	\$ 18,937.04	\$ -
October	\$ 26,055.75	\$ 15,515.66	\$ 41,294.96	\$ 96,855.00
November	\$ 5,464.98	\$ 5,090.71	\$ 27,972.00	\$ -
December	\$ -	\$ 8,238.90	\$ 6,216.00	\$ 393,058.65
TOTAL	\$ 77,369.28	\$ 314,785.16	\$ 379,332.78	\$ 1,138,739.47
Monthly Average	\$ 6,447.44	\$ 26,232.10	\$ 31,611.07	\$ 94,894.96

Roadway Impact Fee by Service Area and Type

Impact fee rates are divided into two types: Residential and Commercial. Beginning January 2016 residential rates are assessed at \$1,090 per service unit (equates to a fee of \$3,108 per single-family residence). Through the end of 2015, residential rates were \$947 per service unit except where limited by law.¹ State law requires that impact fees be *assessed* at the time of plat recording and *collected* when a building permit is issued for a lot. Impacts fees for parcels platted prior to adoption of the impact fee program are both assessed and collected upon issuance of a new building permit. The assessment may be at the highest rate authorized for each service area. The collection rate is adjusted periodically by the City Council but may not exceed the authorized rate.

Commercial rates were nearly doubled to \$1,001 per service unit, effective January 1, 2016. After studying the commercial fees charged by Mesquite's municipal competitors in the Dallas-Ft. Worth region, it was found that the new rate falls within the average of area impact fee rates.

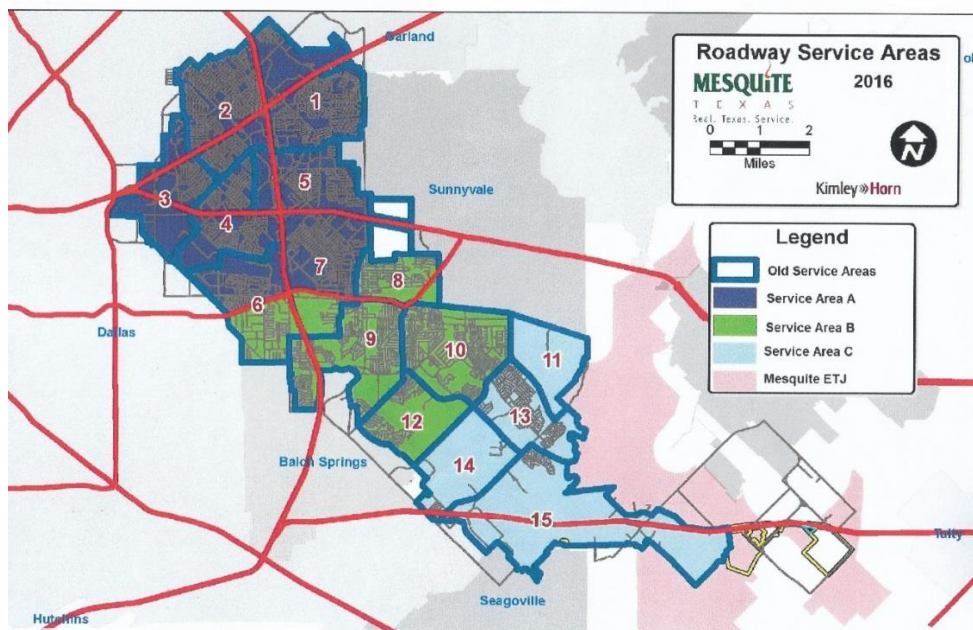
¹ This translates into \$2,699 per dwelling unit (\$947 x 2.85 service units per dwelling unit).

A new impact fee ordinance took effect on August 1, 2015. At that time new service areas for roadway impact fees were established. However, the new rates did not become effective until January 1, 2016. With changes to State enabling legislation, the number of roadway service areas was able to be reduced from 15 to 3. See Exhibit “A” for service area map.

Roadway Impact Fee Collections by Type and Service Area CY2017

Service Area	Commercial	Residential	Total
A	\$ 505,625.73	\$ 45,896.33	\$ 551,522.06
B	\$ 17,002.76	\$ 3,108.00	\$ 20,110.76
C	\$ 393,058.65	\$ 174,048.00	\$ 567,106.65
TOTAL	\$ 915,687.14	\$ 223,052.33	\$ 1,138,739.47

Exhibit A



In 2017, approximately 20% of all impact fee revenue was generated from residential development. Residential impact fee collection as a percentage of overall collections have remained low since the home lending crisis began in 2008. Residential impact fees were 19% of overall roadway impact fees collected in 2016, nearly all of which came in the second half of the year. In 2017, roadway impact fee collections for residential uses improved slightly relative to commercial fee collections. Over the final two months of 2017, no residential impact fees were collected. This was due to all lots of Hagan Hill Phase 1 having permits and Phase 2 not yet ready for permits to be issued. Early in 2018, permitting for homes in Phase 2 will commence. The Ashley Furniture project alone generated over \$393,000 in impact fees. If this project is removed from the calculations, residential collections would have been 43% of all roadway impact fee revenue.

Impact Fee Revenue – Water and Wastewater

▪ *Calendar Year 2017*

The City collected **\$325,129.50** of water impact fees in CY2017 and **\$142,445** in wastewater impact fees during the same period. This represents a year over year increase of 68% and 100% respectively. The following tables illustrate the total monthly water and wastewater impact fee collections for calendar years 2016 and 2017.

WATER

Month	CY 2016	CY 2017	CY 2018	CY 2019
January	\$ 0.00	\$ 0.00		
February	\$ 35,444.50	\$ 30,978.00		
March	\$ 0.00	\$ 80,026.50		
April	\$ 0.00	\$ 81,747.50		
May	\$ 45,606.50	\$ 41,304.00		
June	\$ 15,146.00	\$ 20,652.00		
First Half Activity	\$ 96,197.00	\$ 254,798.00	\$ -	\$ -
July	\$ 3,442.00	\$ 12,047.00		
August	\$ 1,721.00	\$ 5,884.00		
September	\$ 0.00	\$ 0.00		
October	\$ 52,958.50	\$ 52,490.50		
November	\$ 33,580.50	\$ 0.00		
December	\$ 6,023.50	\$ 0.00		
TOTAL	\$ 193,901.50	\$ 325,129.50	\$ -	\$ -
Monthly Avg.	\$ 16,148.56	\$ 27,094.13	\$ -	\$ -

WASTEWATER

Month	CY 2016	CY 2017	CY 2018	CY 2019
January	\$ 0.00	\$ 0.00		
February	\$ 11,947.00	\$ 14,244.50		
March	\$ 0.00	\$ 30,327.00		
April	\$ 0.00	\$ 36,300.50		
May	\$ 14,704.00	\$ 17,461.00		
June	\$ 919.00	\$ 11,028.00		
First Half Activity	\$ 27,570.00	\$ 111,199.00	\$ -	\$ -
July	\$ 1,838.00	\$ 6,433.00		
August	\$ 919.00	\$ 3676.00		
September	\$ 0.00	\$ 0.00		
October	\$ 19,758.50	\$ 21,137.00		
November	\$ 17,920.50	\$ 0.00		
December	\$ 3,216.50	\$ 0.00		
TOTAL	\$ 71,222.50	\$ 142,445.00	\$ -	\$ -
Monthly Avg.	\$ 5,935.21	\$ 11,870.42	\$ -	\$ -

Water and Wastewater Impact Fee by Service Area and Type

Water and wastewater impact fees have only one service area each. The service area for each includes the entire Mesquite corporate limits, as well as much of Mesquite's Extra-territorial Jurisdiction (ETJ). Unlike roadway impact fees, water and wastewater impact fees may be assessed and collected in the ETJ.

Water and sewer impact fees are calculated based on the size of the water meter. In the case of water meters for irrigation only, no corresponding sewer impact fee is collected. Water impact fees are collected at the maximum assessable fee of \$1721 per service unit. Wastewater impact fees are collected at the maximum assessable fee of \$919 per service unit. Even at their maximums, these fees remain below the rates charged by most cities in the Dallas/Fort Worth area.

Economic Development Incentive Programs

The City of Mesquite has several options available in its economic development toolbox for attracting and retaining business. In appropriate cases, incentives may include the rebate of impact fees. The City provided economic development incentives for water and sewer impact fees for Ashley Furniture in 2017. The incentives totaled \$43,885.50 for water and \$23,434.50 for sewer impact fees.

Impact Fees in Annexed Areas of Kaufman County

Since August 2006, the City Council has annexed approximately 2.8 square miles into the city limits of Mesquite. The area is largely greenfield and is centered within the I-20 corridor in western Kaufman County. Prior to August 1, 2015, impact fees did not apply in the newly annexed area because there were no roadway projects approved for funding in the city's Capital Improvements Plan. When the new Impact Fee Ordinance became effective on August 1, 2015, roadway impact fees became assessable and collectible in these areas. As of January 1, 2016 water and wastewater impact fees are assessable in the recently annexed areas, as well as the ETJ. To date, no impact fees have been collected in this area.



The 5-Year Impact Fee Program Update

State law requires local impact fee programs to be updated every five years. Prior to 2015, the last complete update was conducted in 2003. In 2008 the CIAC and City Council determined that land use assumptions had not changed since the 2003 update and that no further update was necessary. The latest update began in late 2013 and was adopted in 2015. The 2015 ordinance updated roadway impact fees and established water and sewer impact fees.

Conclusions

1. With the completion of the 5-year update in 2015, the City of Mesquite Impact Fee Program is in conformance with all the provisions of State law.
2. Residential impact fee collections have continued to improve. Residential collections are expected to increase over the next few years.
3. Although single-family residential development has begun to increase, it is still well below the level of development that Mesquite experienced prior to 2008. Therefore, the viability of the impact fee program will continue to be heavily dependent upon commercial construction.
4. After the two years of assessing and collecting roadway impact fees at the new rates and the commencement of water and wastewater impact fees, there is no indication that either the increased or the additional fees have affected development.
5. There are no perceived inequities in the Mesquite impact fee program.