



Capital Improvements Advisory Committee

Semi-Annual Report
July 1, 2020 – December 31, 2020

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 July 1, 2020, through December 31, 2020, 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 Texas 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.

On August 1, 2015, the City adopted a new impact fee ordinance, updating roadway impact fees and instituting impact fees for both water and wastewater. However, the new fee structure for roadway impact fees and the impact fees for water and wastewater did not take effect until January 1, 2016.

In the fall of 2019, the City began the process of updating the roadway impact fee study to include areas that have been annexed into Mesquite since 2015. The update did not propose changes to the collection rates for roadway impact fees. The update was considered and approved at the January 21, 2020 City Council meeting.

A summary of impact fee legislation in the City since 1996 can be found in Table 1.

Mesquite's Impact Fee Legislation		
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 12/1/05)
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)
2020	1/21/2020	Ordinance 4756: Adopted update to Roadway Impact Fee Study including Land Use Assumptions and CIP.

Table 1

Roadway Impact Fee Revenue

Calendar Year 2020 (July – December)

The City collected a total of **\$2,626,053.88** in roadway impact fees in the 2020 calendar year with **\$598,120.38** collected in the second half of calendar year 2020. This is a **\$294,857.41** increase from this period in 2019 (July 1 – December 31) and an **\$1,931,285.99** increase from the overall roadway impact fees collected in 2020 from calendar year 2019. Table 2 illustrates the total monthly roadway impact fee collections over the past six years.

Roadway Impact Fees Collected

Month	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020
January	\$67,830.54	\$1,040.25	\$0.00	\$262,145.06	\$55,511.47	\$25,902.22
February	\$16,804.08	\$73,317.33	\$76,236.03	\$7,783.43	\$55,944.00	\$133,695.36
March	\$17,092.18	\$2,584.00	\$304,164.56	\$59,886.53	\$150,850.53	\$347,759.11
April	\$6,591.12	\$5,507.82	\$124,137.28	\$48,021.19	\$50,664.28	\$1,458,416.81
May	\$34,692.05	\$145,105.93	\$79,019.95	\$3,108.00	\$42,323.93	\$93,118.21
June	\$369.00	\$10,644.78	\$37,296.00	\$0.00	\$29,994.71	\$62,160.00
First Half Activity	\$143,378.97	\$238,200.11	\$620,853.82	\$380,944.21	\$391,504.92	\$2,027,933.50
July	\$13,182.24	\$1,732.20	\$21,756.00	\$46,620.00	\$146,668.84	\$48,940.64
August	\$70,519.34	\$44,980.47	\$6,216.00	\$71,484.00	\$6,216.00	\$27,909.84
September	\$58,859.34	\$18,937.04	\$0.00	\$19,313.72	\$83,657.00	\$43,512.00
October	\$15,515.66	\$41,294.96	\$96,855.00	\$65,980.57	\$0.00	\$42,144.48
November	\$5,090.71	\$27,972.00	\$0.00	\$25,943.38	\$3,108.00	\$52,836.00
December	\$8,238.90	\$6,216.00	\$393,058.65	\$0.00	\$63,613.13	\$359,533.44
TOTAL	\$314,785.16	\$379,332.78	\$1,138,739.47	\$610,285.88	\$694,767.89	\$2,626,053.88
Monthly Avg.	\$26,232.10	\$31,611.07	\$94,894.96	\$50,857.16	\$57,897.32	\$218,837.82

Table 2

Roadway Impact Fee by Service Area and Type

Impact fee rates are divided into two types: Residential and Commercial. The January 2020 roadway impact fee update assessed the maximum residential rates per service unit at \$1,097 for Service Area A, \$976 for Service Area B, and \$891 for Service Area C. However, the collection rate did not change from 2016, which was set at \$518 per service unit (equates to a fee of \$3,108 per single-family residence). Texas State law requires impact fees be assessed at the time of plat recording and collected when a building permit is issued for a lot. Impact fees for parcels platted after March 1, 1997 are assessed and collected upon issuance of a new building permit. The 2020 update allowed roadway impact fees to be waived for infill development or residential properties that were platted before March 1, 1997. The assessment may be at the highest rate authorized for each service area. The collection rate may be adjusted periodically by City Council but cannot exceed the authorized rate.

Commercial rates 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 area, it was found that the new rate falls within the average of area impact fee rates.

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 Texas State enabling legislation, the number of roadway service areas was reduced from 15 to 3. See *Figure 1* for the service area map.

Roadway Impact Fees by Type & Service Area

Service Area	Commercial	Residential	Total
A	\$50,366.46	\$19,393.92	\$69,760.38
B	\$0.00	\$3,108.00	\$3,108.00
C	\$0.00	\$525,252.00	\$525,252.00
TOTAL	\$50,366.46	\$547,753.92	\$598,120.38

Table 3

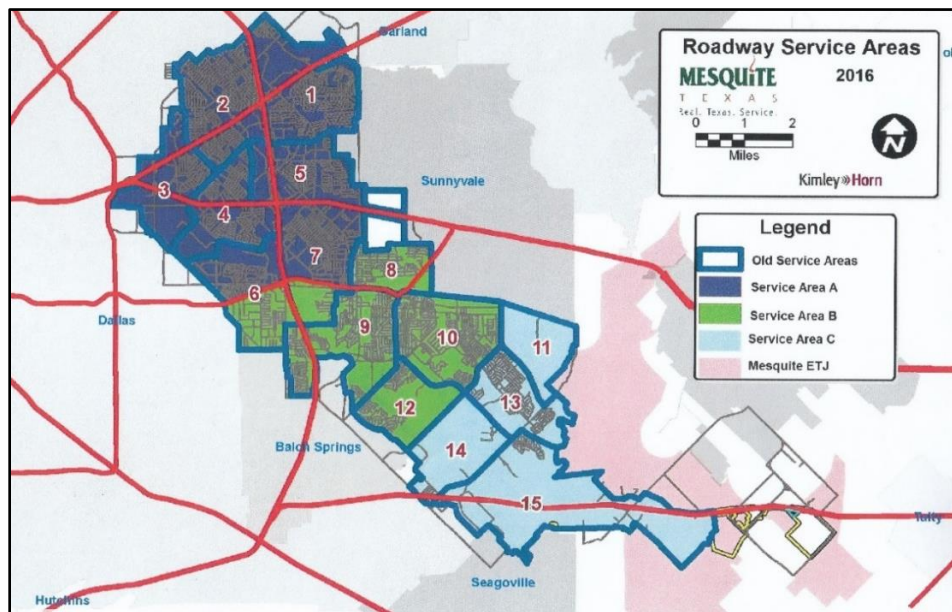


Figure 1: Service Area Map

In the second half of 2020, approximately 92% of all roadway impact fee revenue was generated from residential development and 8% generated from commercial development. This is significantly higher than the second half of 2020 when residential impact fees were 5% of roadway impact fees collected. Several new residential projects will continue throughout 2021 and it is anticipated that residential development will remain steady.

Water and Wastewater Impact Fee Revenue

Calendar Year 2020 (July – December)

The City collected a total of **\$793,105.50** of water impact fees and **\$326,930.00** in wastewater impact fees in calendar year 2020. This represents an increase from calendar year 2019. In the second half of calendar year 2020, the City collected **\$243,187.50** of water impact fees and **\$124,290.50** in wastewater impact fees during the same period. Tables 4 and 5 illustrate the total monthly water and wastewater impact fee collections for calendar years 2016 through 2020.

Water Impact Fees Collected

Month	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020
<i>January</i>	\$0.00	\$0.00	\$36,141.00	\$13,768.00	\$10,326.00
<i>February</i>	\$35,444.50	\$30,978.00	\$0.00	\$27,536.00	\$131,656.50
<i>March</i>	\$0.00	\$80,026.50	\$49,048.50	\$58,514.00	\$103,260.00
<i>April</i>	\$0.00	\$81,747.50	\$0.00	\$64,507.50	\$222,869.50
<i>May</i>	\$45,606.50	\$41,304.00	\$1,721.00	\$28,396.50	\$37,862.00
<i>June</i>	\$15,146.00	\$20,652.00	\$0.00	\$38,722.50	\$43,944.00
First Half Activity	\$96,197.00	\$254,798.00	\$86,910.50	\$231,444.50	\$549,918.00
<i>July</i>	\$3,442.00	\$12,047.00	\$24,094.00	\$0.00	\$43,885.50
<i>August</i>	\$1,721.00	\$5,884.00	\$30,978.00	\$3,442.00	\$40,443.50
<i>September</i>	\$0.00	\$0.00	\$33,559.50	\$43,885.50	\$28,923.00
<i>October</i>	\$52,958.50	\$52,490.50	\$40,443.50	\$9,465.50	\$25,815.00
<i>November</i>	\$33,580.50	\$0.00	\$23,751.50	\$0.00	\$27,536.00
<i>December</i>	\$6,023.50	\$0.00	\$0.00	\$46,467.00	\$76,584.50
TOTAL	\$193,901.50	\$325,129.50	\$239,737.00	\$334,704.50	\$793,105.50
Monthly Avg.	\$16,148.56	\$27,094.13	\$19,978.00	\$27,892.04	\$66,092.13

Table 4

Wastewater Impact Fees Collected

Month	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020
<i>January</i>	\$0.00	\$0.00	\$9,649.50	\$7,352.00	\$3,216.50
<i>February</i>	\$11,947.00	\$14,244.50	\$0.00	\$14,694.00	\$60,654.00
<i>March</i>	\$0.00	\$30,327.00	\$14,244.50	\$19,299.00	\$28,489.00
<i>April</i>	\$0.00	\$36,300.50	\$0.00	\$27,453.00	\$70,303.50
<i>May</i>	\$14,704.00	\$17,461.00	\$919.00	\$12,866.00	\$20,218.00
<i>June</i>	\$919.00	\$11,028.00	\$0.00	\$18,380.00	\$19,758.50
First Half Activity	\$27,570.00	\$111,199.00	\$24,813.00	\$100,044.00	\$202,639.50
<i>July</i>	\$1,838.00	\$6,433.00	\$12,866.00	\$0.00	\$18,839.50
<i>August</i>	\$919.00	\$3,676.00	\$16,542.00	\$1,838.00	\$19,299.00
<i>September</i>	\$0.00	\$0.00	\$15,623.00	\$16,082.50	\$13,785.00
<i>October</i>	\$19,758.50	\$21,137.00	\$19,299.00	\$2,757.00	\$13,785.00
<i>November</i>	\$17,920.50	\$0.00	\$8,271.00	\$0.00	\$17,344.00
<i>December</i>	\$3,216.50	\$0.00	\$0.00	\$20,218.00	\$41,238.00
TOTAL	\$71,222.50	\$142,445.00	\$97,414.00	\$140,939.50	\$326,930.00
Monthly Avg.	\$5,935.21	\$11,870.42	\$8,117.83	\$11,744.96	\$27,244.17

Table 5

Water and Wastewater Impact Fee by Service Area and Type

Water and wastewater impact fees have one service area each. The service areas include 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 \$1,721.00 per service unit. Wastewater impact fees are collected at the maximum assessable fee of \$919.00 per service unit. Even at their maximums, these fees remain below the rates charged by most cities in the Dallas-Ft. 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 a rebate of impact fees. The City has not executed any economic development incentives related to impact fees in 2020.

Impact Fees in Annexed Areas of Kaufman County

Since August 2006, the City Council has annexed approximately 3 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 to annexed areas, as well as the ETJ. For the first time, the City has collected impact fees in this area. The 2020 amendment to the Roadway Impact Fee Ordinance now allows the collection of impact fees in areas annexed after August 1, 2015.

The 5-Year Impact Fee Program Update

Texas 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. A 2020 ordinance updated the roadway impact fee service areas to allowed fees to be collected for areas annexed since 2015. The update did not change the collection rate. The City is in the process of making the determination to continue the 2015 Mesquite Impact Fee Program for another five years, or to adopt a new impact fee program.

Conclusions

1. The roadway impact fee update, which was adopted January 2020, included newly annexed areas into the impact fee service areas but did not change the collection rate.
2. Residential impact fee collections increased significantly from the second half of 2019 relative to commercial impact fees.
3. The City issued 276 permits for new single-family homes in 2020 marking the first time since 2005 that Mesquite issued over 200 such permits in one year. As anticipated, residential development has returned to the levels experienced prior to 2008. Therefore, the viability of the impact fee program is beginning to rely on residential development, while still receiving significant funds from commercial construction.
4. After six 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.