Mayor's Impact Fee Task Force Committee
Phase I Report

January 14, 2009

COMMITTEE MEMBERS

Nick Cusick	CEO IMSCORP Member of Lincoln Chamber of Commerce Board of Directors
Steve Stueck	Realtor Member of Realtors Association of Lincoln Board of Directors
Fred Hoke[1]	Government Affairs Director Lincoln Home Builders Association
Jim Christo	Homebuilder LIBA Impact Fee Committee Representative
Greg MacLean	Director of City of Lincoln Department of Public Works and Utilities
Steve Masters	Administrator - Department of Public Works and Utilities
Rick Peo	City of Lincoln Law Department
Margaret Remmenga	Business Manager – Department of Public Works and Utilities (retired 10/15/08)
Fran Mejer	Business Manager – Department of Public Works and Utilities (effective 10/20/08)

OTHER CITY STAFF ATTENDING

Denise Pearce	Aide to Mayor Beutler
Michaela Dugan	Department of Public Works – Administrative support to the Committee.

This Impact Fee Task Force Committee (Committee), established by Mayor Chris Beutler in March 2008, has completed an intense bi-monthly schedule of two and three hour meetings over a 9-month period. Throughout the process to date, total Committee attendance was approximately 90%, despite the busy schedules of all Committee members.

All meetings were subject to Nebraska's Open Meetings Laws *Neb. Rev. Stat.* §§ 84-1408 to 84-1414, and all meeting dates, agendas and minutes were appropriately posted. The public was given approximately 10 minutes at the conclusion of each Committee meeting to comment.

[1]Mayor Chris Beutler named Fred Hoke as Director of the City Building and Safety Department, effective December 15. Since 2006 Hoke had worked as the Government Affairs Director for the Home Builders Association of Lincoln (HBAL).

MAYOR'S CHARGE STATEMENT

The Impact Fee Task Force Committee was charged with reviewing and proposing alternatives or modifications to the City's current Impact Fee policies and model subject to the Mayor's directive that all alternatives and/or modifications meet the following objective:

1. Be revenue neutral, in terms of the total Impact Fees collected, or
2. Propose a <u>new</u> source of revenue, to the extent total Impact Fees are reduced.
    - A "new" revenue source does not mean a reallocation of existing resources; and
    - Any new source of revenue should be politically realistic and achievable to the groups represented on the Impact Fee Task Force Committee and actively supported by them.

During the course of the review, the Mayor requested specific consideration of the following alternatives:

1. Elimination or reduction of water and waste water Impact Fees with corresponding increases to the arterial street Impact Fees;
2. Use of square footage or property values as a basis for calculating fees;
3. Creation of more geographic flexibility in the use of Impact Fees and the elimination of the seven-year requirement for the expenditures of collected Impact Fees; and
4. The use of a revolving fund concept in place of the current use of "Directed Impact Fees."

EXECUTIVE SUMMARY

Impact Fees were implemented in 2003 as a partial solution to Lincoln's infrastructure financing gap. At best, Impact Fees were expected to fund only 10% of the reported cost of the Capital Improvements Program (CIP). Long-term recommendations from various study groups included other new or expanded sources of funds, all of which were to work in concert with Impact Fees to solve the infrastructure funding gap. Most of the other sources of funds, however, never came to fruition, thus placing a larger share of the infrastructure financing burden on Impact Fees.

In the 2008/09 CIP, 10.2 % of the total expenditures for Water, Sewer & Streets is funded through Impact Fees. One reason that the percentage approximates the initial expectation for Impact Fees, despite the lack of other new funding sources, is that the overall Capital Improvement Program has been reduced since other new funding sources have not been implemented. See Attachment F for the complete summary of the CIP funding sources for Fiscal Year 2008/2009.

Approximately 15.7% of the total $40,370,900 of street construction in the 2008/2009 CIP is funded from Impact Fees, and it is projected that without any additional new funding sources this amount will fall over the next few years, as our ability to bond against future Wheel Tax and State Highway Allocation revenue has been reduced by past bond indebtedness. See http://www.lincoln.ne.gov/city/plan/capital/08-2014/index.htm for the projected street and highway funding sources through 2013/2014.

The Impact Fee Task Force Committee was charged by the Mayor with reviewing and proposing alternatives and modifications to the City's current Impact Fee Ordinance and policies. While the Mayor's charge to the Committee was relatively narrow in scope, very early in the process the Committee determined that to study the current Impact Fee policy in isolation, without consideration of the broader infrastructure financing issues, would be difficult at best. Thus, the Committee's consensus was to investigate the broader issue of infrastructure financing to better understand the entire issue.

The Mayor's 2008 Impact Fee Task Force Committee has studied Lincoln's five-year Impact Fee experience and has made what it considers to be balanced, Phase I recommendations, given our infrastructure needs and available solutions. The recommendations of the Committee generally confirm the need and validity of a systematic, development-based fee, offer recommendations to fine tune the existing fee structure, present additional funding opportunities, and include miscellaneous recommendations.

The Committee intends to continue its work in early 2009, specifically targeting its research on infrastructure funding models in peer cities. The Committee's intent is to present its Phase II recommendations in summer 2009.

THE PROCESS

While the Mayor's charge to the Committee was relatively narrow in scope, very early on the Committee determined that the Mayor’s charge could not be accomplished without first considering the broader issue of infrastructure financing in general. It therefore was the consensus of the Committee that while it would certainly focus on Impact Fee issues, it would also investigate the broader issue of infrastructure financing.

Due to the enormity and complexity of Lincoln's infrastructure financing needs and obstacles, this Phase I report does not offer definitive solutions. Rather, this report includes specific Impact Fee recommendations, as well as additional, broader funding recommendations that extend beyond the initial scope of Impact Fee adjustments included in the Mayor’s Charge Statement.

REVIEW OF PRIOR FINDINGS, STUDIES, AND EXPERIENCE

One of the Committee’s first tasks was educating the group and reviewing the history and current status of Lincoln's infrastructure financing model, including, but not limited to, the implementation of Impact Fees.

While the City staff members on the Committee were a critical component of this education process, the Committee also called on a wide variety of other people who at one time or another have, or now, play an important role in Lincoln's infrastructure financing discussion. The following guests gave presentations during Committee meetings:

Brad Korell	Former Co-chair of 2003 Mayor's Infrastructure Finance Committee
Dan Marvin	Current Lincoln City Council Member and member of prior study committees
Dr.Eric Thompson, PHD	Director, Bureau of Business Research, UNL
Joe Hampton	Lincoln developer
Mark Hunzeker	Lincoln development attorney
Allan Abbott	Former Director of Public Works and Utilities
Roger Figard	Current City Engineer
Don Herz	Current Director of City’s Department of Finance

As would be expected from this diverse group, the input provided to the Committee was varied, not only in its perception of history, but also in its recommendations for future solutions. Each guest provided valuable, if varied, insight, but all presented a single theme that can be paraphrased as follows:

> **The future health and vitality of the City of Lincoln will depend in large part on its ability to fund growth, with infrastructure financing being a key component.**

The Committee also reviewed a number of prior committee reports and pertinent documents on the subject, including but not limited to the following:

- *Lincoln Chamber of Commerce Infrastructure Financing Strategy Resolution*, Fall 1998
- *Lincoln Infrastructure Financing Study Advisory Committee Report*, January 8, 2001
- *Lincoln Chamber of Commerce Infrastructure Financing Resolution*, September 12, 2002
- *Lincoln Impact Fee Study*, Duncan and Associates Study, October 2002
- *Chapter 27.82: Impact Fees Ordinance*, January 13, 2003
- *Mayor's Infrastructure Financing Committee*, May 2003
- *Streets, Roads and Trails Report*, April 2004
- *Lincoln Chamber of Commerce Public Policy Resolutions*, November 2004
- *The Impact of Growth on Quality of Life and Fiscal Conditions in Lincoln, NE*, Dr. Eric Thompson, May 18, 2005
- *Priority Lincoln: Budgeting for Outcomes*, May 29, 2008
- *Development Impact Fees: A Primer*, Carmen Carrion and Lawrence Libby

Links to these reports are available
http://www.lincoln.ne.gov/City/pworks/ifs/taskforc/index.htm

DEFINITIONS

In an effort to clarify certain statements, concepts or conclusions, a listing of definitions pertaining to the work of the Committee and this report are included as Attachment E at the back of this report.

BACKGROUND INFORMATION

The financing of new water and wastewater facilities, arterial streets, and parks and trails infrastructure has long been a significant topic of discussion not only in Lincoln, but also in numerous other cities and states throughout the nation. In Lincoln, various committees and study groups have convened during the terms of several mayoral administrations. These groups have analyzed **not only the enormity of the City's infrastructure needs which** is largely accepted, but also what financing method or methods the City should pursue to address these needs.

In 2003, largely as a result of the recommendations from Mayor Don Wesely and the Infrastructure Finance Study Advisory Committee Report dated January 8, 2001, Lincoln joined the ranks of numerous other cities that include "Impact Fees" as a means to fund a **portion** of its infrastructure needs. The proposed and adopted Impact Fee structure was intended to be a partial solution to what, at the time, was estimated to be a $225 million shortfall for streets and highways in available infrastructure funding over a 12-year period. The shortfall was estimated in 2003 dollars, neglecting inflation.

Other funding sources or strategies that were identified in these committee reports included the following:

SUGGESTIONS	ACTIONS TO DATE
General Obligation infrastructure bond issue **Should GO bond fail to receive voter approval a second attempt should be made.*	GO bond for ($4M)sidewalk and trails maintenance–Defeated Nov 02 GO bond for ($75M) Streets and trails–Defeated Sept 04 *The City has not pursued a second attempt.*
City occupation tax implementation **Should occupation tax changes not be approved, the City should approach the State about authorizing dedication of local sales tax to street construction and maintenance.*	State legislature leaders objected to the implementation of an occupation tax. *The City has not sought this authority.*
Local Option Fuel Sales Tax	This would require a legislative change, which the City of Lincoln has not sought.
Creation of Special Assessment Districts	This is not for off-site infrastructure improvements because special assessments are only assessed against the abutting benefited property for local improvements
County wide Wheel Tax	The City does not have the legal authority to implement.
Strategic use of Revenue Bonds	The City currently bonds revenue streams to their full potential.
Encouragement of rural to urban City/county road construction cooperation	The Rural to Urban Standards (RUTS) concept has been implemented.
Gradual Wheel Tax increases	Three $5 increases were approved for implementation in 2004, 2007, and 2010. Five dollar increases were implemented in 2004 and 2007; a third $5 increase is scheduled for 2010. A portion of these Wheel Tax increases have been designated by Ordinance to support maintenance related expenditures.
Utilize Highway Allocation Bonds to smooth out revenue over the 12 year period.	The City issued Highway Allocation Bonds in 2004 for $35 million and in 2006 for $27 million.

For a variety of reasons - including a failed general obligation bond, General Fund budgetary constraints, City services prioritization, political pressures and others - Impact Fees have become the "primary" new funding stream, instead of the planned "partial" solution. This has led to concerns by some that Impact Fees are bearing an unfair and unintended percentage of the burden for new infrastructure financing.

IMPACT FEE HISTORY

Since their inception in 2003, approximately $24.8 million has been collected in Impact Fees through August 31, 2008. (Source:http://www.lincoln.ne.gov/City/pworks/ifs/invest/report.htm) Of this amount, $16.6 million has been collected for arterial streets, $6.9 million for sewer, water and water system and $1.3 million for parks and trails. Impact fees collected from commercial projects have equaled $9.6 million or 39% of the total Impact Fees collected. Residential construction has provided the remaining $15.2 million or 61% of the total Impact Fees collected.

Of the total fees collected, approximately 42% of arterial streets, 91% of sewer and water, and 14% of parks and trails Impact Fees have been spent as of August 31, 2008. Additional fees have been committed to projects that are in various stages of infrastructure design or construction. Reasons for unspent fees include current restrictions on the segregation of funds within the seven Impact Fee districts, the lack of **total** project funding including matching funding requirements, project timing, design and approval lead times and others. **No Impact Fees have been used for projects, or project costs, outside the approved scope of the Impact Fees ordinance**.

When Impact Fees were first implemented in 2003, the Duncan and Associates Study[2] indicated that the maximum potential (100%) that the City of Lincoln could charge for all the Impact Fee facilities, at the 2002 single-family equivalency, totaled $9,017. A "single family equivalent" or "SFE" assigns the costs of system capacity to provide service to a typical residential property. The determination is based on a 3/4 –inch water service, a 4-inch sanitary sewer, and the average miles traveled daily per Lincoln family:

Infrastructure Type	2002 Single Family Equivalent (SFE) MAXIMUM Potential	INITIAL ACTUAL IMPACT FEES (June 2003)	PERCENT OF 2002 SFE COLLECTED INITIAL YEAR (2003)
Arterial Streets	$3212	$1225	38% of SFE
Water ¾" Water Meter	$3669	$ 750	20% of SFE
Wastewater ¾" Water Meter	$1815	$ 375	20% of SFE
Neighborhood parks and trails	$321	$ 150	46% of SFE
Total Fees	$9017	$2500	Overall 28% of SFE

[2]The Duncan and Associates Study is an outgrowth of the Infrastructure Financing Study initiated by the City in June 2000. Three reports were prepared: *Financial Alternatives Memorandum* (September 2000), *Capital Cost Memorandum* (September 2000) and *Fiscal Impact Analysis Memorandum* (November 2000). These reports attempted to quantify the capital and operating costs of accommodating new development at existing levels of service for municipal facilities, such as roads, water and wastewater service. The Duncan and Associates Study was not intended to quantify or analyze the economic benefits of growth.

In 2003, the City Council adopted the Impact Fee Ordinance with fees set lower than the 100% maximum potential identified in the Duncan and Associates Study. The 2003 ordinance included an automatic "phase in" of new fee schedules, which increased Impact Fees in years 2004, 2005, 2006 and 2007. The following chart reflects how the 2007 Impact Fee amounts (without inflationary increases discussed below) compare to the 2002 SFE's identified in the Duncan and Associates Study.

Facility Type	Actual Fees 2007*	Percent of 2002 SFE achieved by year 2007*
Arterial Streets	$2369	73%
Water ¾ " Water Meter	$1211	33%
Wastewater ¾" Water Meter	$599	33%
Neighborhood parks and trails	$321	100%
Total Fees	$4500	50%

*Excludes 2005, 2006 and 2007 inflationary adjustments.

Adjustments for inflation were not included in the 2003 Ordinance. On October 4, 2004, the City Council adopted an amendment to the Impact Fee Ordinance. This amendment provided that beginning January 1, 2005, and on January 1, of each following year the Impact Fee schedules would automatically increase to reflect the effects of inflation. The inflation factor to be used, as set forth in the amendment, is the Consumer Price Index for all US Goods and Services (CPI). The City Council, however, voted to override the automatic inflation increases scheduled to take effect on January 1, 2008 (2%) and January 1, 2009 (6%). As a result, current Impact Fee schedules have been frozen at the 2007 levels.

The "phase in" feature and inflationary adjustments have increased the original Impact Fee schedules as follows:

Date of Increase	"Phase in" Increases per Original Ordinance	Implemented Increases per 2004 Inflation Amendment (CPI)
January 1, 2004	21%	0%
January 1, 2005	25%	2%
January 1, 2006	15%	3%
January 1, 2007	10%	4%
January 1, 2008	0%	0%
January 1, 2009	0%	0%

On top of the intended "phase in" escalations, Impact Fees have been increased an additional 9% for inflation since 2003. The actual cost of road construction has risen 55% since 2003, according to an Associated General Contractors of America report (See Attachment D).

IMPACT FEES BY THE NUMBERS

The current Impact Fee structure, effective as of January 1, 2007, includes a total residential Impact Fee of $4,685 per single family residence with a ¾" water service and various commercial Impact Fees ranging from $.37 to $6.99 per square foot depending on specific commercial use factors. See Attachment "A" for a complete Impact Fee Schedule effective for calendar years 2007, 2008 and 2009.

Since inception in 2003 an area commonly referred to as the City core has been excluded from arterial street and park and trail Impact Fees. Also some properties initially were exempted from certain Impact Fees based upon the status of existing developer agreements. Those exemptions still are in effect.

Under certain circumstances Impact Fee Credits are given for removal of structures that offset all or portions of Impact Fee assessments.

CONSENSUS BUILDING

At the outset of the Committee work, it was evident that despite the well-understood need for infrastructure financing solutions, Impact Fees in general, and some features of the current Impact Fee structure specifically, were viewed by some in the community as, but not limited to:

- counterproductive
- anti-growth
- sometimes spent outside the approved scope
- overly burdensome on entry-level homebuyers
- unfair to some classes of commercial property

Many argued that the elimination or significant reduction of Impact Fees would spur growth resulting in an increase in Lincoln's tax receipts exceeding the “lost” Impact Fees.

Given the Committee’s diverse makeup, it was clear that before it could provide valuable input to the dialog regarding Impact Fees and infrastructure financing, the group needed to establish certain basic rules of engagement.

Ultimately, the Committee agreed to be bound by these principles:

1. All ultimate recommendations would be the unanimous recommendation of the entire Committee. No recommendation would be forwarded on a split vote of the eight members.
2. To the best of each Committee member's ability, each member was to represent the future well being of the citizens of Lincoln, not any narrower constituency.
3. All recommendations would build on a foundation of unanimously agreed upon facts and beliefs, which are documented in the form of a "Committee Consensus Summary." (See Attachment "B")
4. All Committee members would endeavor to gain support of the Committee recommendations from the respective organizations they represent and others.

CONSENSUS SUMMARY

While the complete Committee Consensus Summary is found in Attachment "B", a few key consensus items that helped guide the Committee's discussion and ultimate recommendations were paramount in the group's deliberations.

- The Committee and all represented business organizations acknowledged that funding for infrastructure is a major issue for the City of Lincoln, not only for today but also into the foreseeable future.
- While investment in infrastructure in Lincoln generates additional City tax receipts that ultimately exceed the cost of those investments, Lincoln has chosen to use this incremental income to reduce the property tax levy since 1993 instead of reinvesting it in future growth. Lincoln's 2009 levy is 0.28788 compared to a 1993 levy of 0.51990 per $100 valuation.
- Relying exclusively on external funding sources (i.e. state, federal, others) for closing Lincoln's infrastructure funding gap leaves the City vulnerable to perpetual funding deficiencies.
- One citizen's critical priority is another citizen's wasteful expenditure. Neither is necessarily wrong or right.
- Economic growth is essential to a vibrant local economy.
- Affordable housing is critical to the City's economic growth.
- Impact Fees are one contributing factor to the increase in the cost of building commercial and residential properties in Lincoln since the 2003 implementation. Other contributing factors include increasing lot prices, City Building code changes, increasing building material cost, general inflation, and others. On a national basis, single-unit residential construction costs have increased 30% since December 2003. (See Attachment D)
- Generally, the current systematic approach used to implement Impact Fees in Lincoln (i.e. using predetermined formulas) has the potential to provide improved equity over the prior method of individually-negotiated funding agreements between developers and the City. The lack of new revenue sources for infrastructure funding, however, has resulted in a combination of predetermined Impact Fees and continued individual developer negotiations (i.e. “Directed Impact Fee” agreements).
- Because of City commitments made in various annexation agreements, Directed Impact Fee agreements, completion of the Antelope Valley Project, unfunded arterial streets both within and outside the current City limits, current street maintenance costs, prior commitments on Wheel Tax revenues, current revenue bond indebtedness and current funding sources, Lincoln is on a collision course for arterial street infrastructure construction to reach dangerously low levels in the near future.

PHASE I RECOMMENDATIONS

The Committee's Phase I recommendations are divided into three categories: Specific Impact Fee Recommendations; Other Revenue or Funding Recommendations; and Other Miscellaneous Recommendations.

- **Specific Impact Fee Recommendations**

  1. Continue the current water and wastewater Impact Fee structure.
  2. Maintain the current policy of annual pre-approved inflationary increases to all Impact Fees. If any pre-approved inflationary increases are overridden due to unfavorable economic conditions, the Mayor **and** City Council should consider recapturing the lost revenues in future years as conditions improve to avoid falling behind inflationary trends.
  3. Reduce the current 7 districts to 4 districts to help speed up the use of collected fees to build infrastructure. Maintain the current policy prohibiting transfer of fees from one district to another. (See Attachment C)
  4. Effective December 31, 2012, eliminate all core exclusion areas included in the current Impact Fee Ordinance. This delay is intended to encourage private development projects within the core, including Antelope Valley. (See Attachments G and H)
  5. Eliminate the 7-year unused Impact Fee refund requirement.
  6. Create a Mayor and Council approved policy outlining the use of Directed Impact Fees.
  7. Create a web-based educational program that clearly informs citizens how the Impact Fee structure works with updates on projects in each quadrant.
  8. Create a unique Impact Fee district comprised of the Arena and West Haymarket Development Area, upon project approval. Impact Fees collected within this unique district could flow out of the district to fund related infrastructure needs, but Impact Fees collected outside the district could not flow into this unique district. Similar unique impact fee districts should be created for projects of comparable magnitude.
  9. Seek opportunities to make presentations to appropriate private sector groups regarding Impact Fee policy and the role those fees play in infrastructure funding (modeled on the recent Wheel Tax presentation prepared by the City's Public Works and Utilities Department).

- **Other Revenue or Funding Recommendations**

  1. Create and then fund ($20-$30 million minimum) a revolving infrastructure fund to supplement, but not replace, Directed Impact Fees. Use the current excess (approximately $8 million) SAR funds as the initial seed money to start this fund, unless community agreement can be reached regarding guaranteed use of the SAR funds specifically for infrastructure tied directly to job creation projects. Fund will be replenished with actual Impact Fees collected and built up over time with other available funds.
  2. Continue to maximize use of highway allocation bonding authority.
  3. Attempt a new General Obligation Bond for road infrastructure, when climate allows to supplement other funding sources.
  4. Continue use of pre-approved additional multi-year rounds of Wheel Tax increases beyond the current scheduled 2010 increase. All future Wheel tax increases should be directed by ordinance exclusively for construction of new

arterial streets.

5. Continue to pursue Urban Growth District concept in the State Legislature (Senator McGill's LB 85 in 2009).
6. Lobby for state approval of a plan to increase the local option sales tax, dedicated to street infrastructure funding.
7. Increase property tax levy if needed to fund properly all City needs, including an appropriate contribution to street infrastructure funding.

- **Other Miscellaneous Recommendations**

1. Develop a standard annexation agreement to eliminate or reduce current inconsistencies.
2. Seek City Charter Amendment requiring a predetermined minimum annual commitment (indexed for inflation) to arterial street infrastructure funding from the General Fund, based on the Growth Dividend that results from City growth. The proposed amount of the initial annual commitment is a subject of the Committee's Phase II work.
3. Create, maintain and publish in a clearly understood format, no less than annually, a report on the City's unfunded infrastructure needs, including City contingent liabilities for development agreements, bond indebtedness, annual bond debt service, Directed Impact Fees and other City infrastructure obligations and needs.

COMMITTEE PHASE II RECOMMENDATIONS

The Committee will continue to review other communities' infrastructure funding models with the intent to provide a Phase II report in summer 2009.

SUMMARY

The Committee is under no illusions that all segments of the community will agree with all components of our Phase I Report and Recommendations. We hope, however, that our efforts will be accepted as a rational attempt to outline the issues and reach consensus on plans that are for the long range common good of Lincoln and its current and future citizens.

We welcome input regarding our efforts. Written comments can be forwarded to ncusick@bisoninc.com.

ATTACHMENTS

Attachment A	Current Impact Fee Schedule (Effective calendar years 2007, 2008, 2009)
Attachment B	Committee Consensus Summary
Attachment C	Proposed Revised 4 District Impact Fee Map
Attachment D	Associated General Contractors of America Construction Cost Graph
Attachment E	Definitions
Attachment F	2008/2009 Water, Wastewater, and Street Construction Revenue Sources
Attachment G	Downtown/Antelope Valley Arterial Street Fee Exclusion Area Map
Attachment H	Current Neighborhood Park and Trail Impact Fee Benefit Areas Map

CITY OF LINCOLN
Public Works & Utilities

COMMERCIAL

Effective Calendar Years 2007, 2008, 2009

4

Arterial Street Impact Fees - Retail Commercial	Unit of Measure	Fee per Unit
Shopping Ctr (<100,000 sf)	square feet	$3.62
Shopping Ctr (<100,000-299,999 sf)	square feet	$3.26
Shopping Ctr (<300,000-499,999 sf)	square feet	$3.15
Shopping Ctr (<500,000-999,999 sf)	square feet	$2.90
Shopping Ctr (1 million sf+)	square feet	$2.80
Bank	square feet	$6.99
Convenience Store w/gasoline sales	square feet	$4.57
Movie Theater	square feet	$2.70
Restaurant, Fast Food	square feet	$4.27
Restaurant, Sit-Down	square feet	$4.04
Hotel/Motel	room	$882.00

Arterial Street Impact Fees - Office/Institutional	Unit of Measure	Fee per Unit
Office, General	square feet	$3.62
Office, Medical	square feet	$6.92
Hospital	square feet	$1.74
Nursing Home	square feet	$0.68
Church	square feet	$1.07
Day Care Center	square feet	$4.49
Elementary/Secondary School	square feet	$0.41

Arterial Street Impact Fees - Industrial	Unit of Measure	Fee per Unit
Light Industrial/Industrial Park	square feet	$2.22
Manufacturing	square feet	$1.78
Warehouse	square feet	$1.26
Mini-Warehouse	square feet	$0.37

Arterial Street Impact Fees - Recreational	Unit of Measure	Fee per Unit
Amusement Park	acre	$5,612.00
Bowling Alley	square feet	$5.02
Golf Course	hole	$3,881.00
Golf Driving Range	tee	$1,783.00
Health Club	square feet	$3.04
Miniature Golf Course	hole	$483.00

Based on 2007 impact fee schedule

Effective Calendar Years 2007, 2008, 2009

Arterial Street Impact Fees - Residential	Unit of Measure	Fee per Unit
Single-Family Detached	dwelling	$2,466.00
Single-Family Attached Duplex/Townhouse	dwelling	$1,301.00
Multi-Family (3 plex and greater)	dwelling	$1,501.00
Multi-Family Elderly/Retirement	dwelling	$378.00
Mobile Home	pad site	$1,354.00

Neighborhood Parks & Trail Impact Fees	Unit of Measure	Fee per Unit
Single-Family Detached	dwelling	$334.00
Single-Family Attached Townhouse	dwelling	$267.00
Single-Family Attached Duplex	dwelling	$257.00
Multi-Family (3 plex and greater)	dwelling	$200.00
Multi-Family Elderly/Retirement	dwelling	$200.00
Mobile Home	pad site	$284.00

Water/ Wastewater Utility impact FEES

These fees are applicable to both commercial and residential.

Water Meter Size	System Fee	Distribution	Wastewater	Total
3/4"	$778.00	$483.00	$624.00	$1,885.00
1"	$1,296.00	$805.00	$1,039.00	$3,140.00
1 1/2"	$2,592.00	$1,610.00	$2,079.00	$6,281.00
2"	$4,147.00	$2,576.00	$3,326.00	$10,049.00
3"	$8,295.00	$5,152.00	$6,651.00	$20,098.00
4"	$12,960.00	$8,050.00	$10,392.00	$31,402.00
6"	$25,921.00	$16,101.00	$20,786.00	$62,808.00
8"	$41,473.00	$25,762.00	$33,257.00	$100,492.00
10"	$59,618.00	$37,031.00	$47,806.00	$144,455.00

Based on 2007 impact fee schedule

Mayor's Impact Fee Policy Task Force Committee Consensus Summary

The Mayor's 2008 Impact Fee Policy Review Committee, after much discussion, built **unanimous** consensus regarding key fundamental facts and assumptions relating to future Impact Fee policies and general infrastructure financing. These consensus statements were used as a foundation on which all task force recommendations are based.

THE PROBLEM

1. The Committee and all represented business organizations acknowledged that funding for infrastructure is a major issue for the City of Lincoln, not only for today but also into the foreseeable future.

2. In the context of current City budget constraints, it is unlikely that significant funds can be shifted from the General Fund to support infrastructure needs without significant levy increases, staff and service reductions, or re-prioritization of City services.

3. Lack of growth negatively impacts all City funding sources.

4. Because of City commitments made in various annexation agreements, Directed Impact Fee agreements, completion of the Antelope Valley Project, unfunded arterial streets both within and outside the current City limits, current street maintenance costs, prior commitments on Wheel Tax revenues, current revenue bond indebtedness and current funding sources, Lincoln is on a collision course for arterial street infrastructure construction to reach dangerously low levels in the near future.

5. While investment in infrastructure in Lincoln generates additional City tax receipts that ultimately exceed the cost of those investments, Lincoln has chosen to use this incremental income to reduce the property tax levy since 1993 instead of reinvesting it in future growth. Lincoln's 2009 levy is 0.28788 compared to a 1993 levy of 0.51990 per $100 valuation.

6. The disparity in timing between the date that the City or developer spends money on new infrastructure and the timing and uncertainty of the additional cash flow from Impact Fees creates problems for the City. Often times, build-out of a development and the collection of Impact Fees occurs many years after an annexation and necessary infrastructure improvements are in place. Thus, additional revenues generated by a new development, such as additional sales tax and property tax, may take years to realize.

7. In reality, the actual costs of off-site improvements usually exceed the Impact Fees collected, as fees have been based on historical costs and have not been updated to match current construction costs. Lincoln’s Impact Fees are based on a “consumption” model rather than an “improvements-driven” model. The

Duncan and Associates Study acknowledges that the consumption-based model generally underestimates the full cost of growth.

8. At this time and at least as early as 1990, virtually no property taxes or sales taxes are used to fund new street, water or sewer construction in Lincoln. Consequently, the incremental tax receipts derived from new development and construction do not help finance the construction of off-site improvements.

9. While all organizations have inefficiencies that should be addressed, reducing inefficiencies in City operations will not, by itself, solve Lincoln's infrastructure funding shortfall. However, continuing to improve City efficiency will increase confidence in City government.

10. Relying exclusively on external funding sources (i.e. state, federal, others) for closing Lincoln's infrastructure funding gap leaves the City vulnerable to perpetual funding deficiencies.

11. One citizen's critical priority is another citizen's wasteful expenditure. Neither is necessarily right or wrong.

THE FACTS

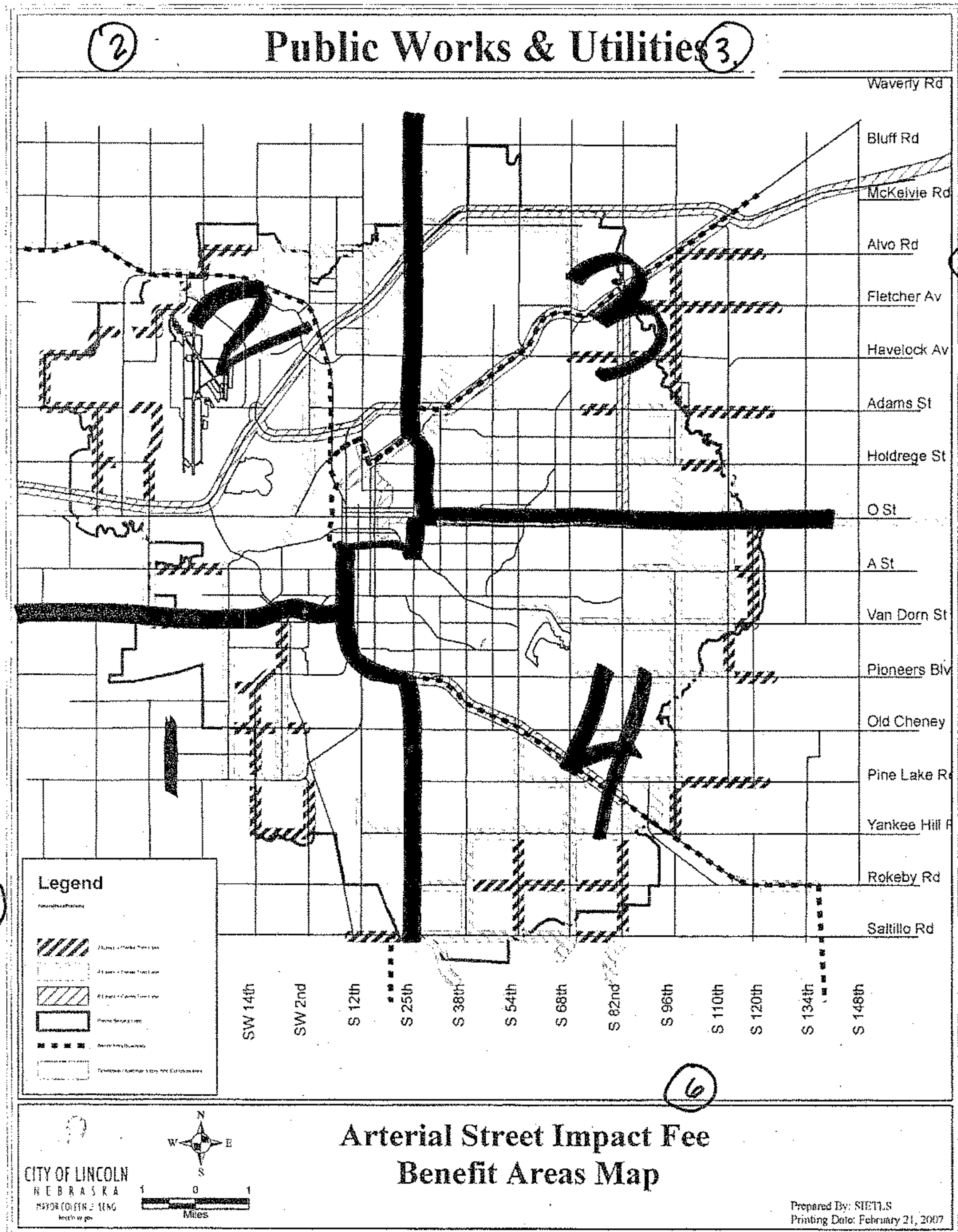
1. The City has the legal authority to assess what has been determined by the court system to be an excise "tax," previously adopted in 2003 as an "Impact Fee."
2. Prior to the initiation of Impact Fees, home buyers and businesses in new developments in Lincoln paid a portion of the major infrastructure expansion costs through negotiated developer-paid fees or other development funding models that ultimately passed costs on to the builder/home-buyer/business in the form of lot prices. New sources of funds, including Impact Fees, were planned to provide "additional" dollars to construct new infrastructure**.**
3. Economic growth is essential to a vibrant local economy.
4. Affordable housing is critical to the City's economic growth.
5. Construction, both commercial and residential, plays a significant role in the City's economy through the jobs it creates and the tax revenue that it generates.
6. Under current infrastructure financing policies in Lincoln, including Impact Fees, **existing** property owners share the cost of infrastructure expansion. Portions of water and wastewater revenues, taxes assessed by the Railroad Transportation Safety District, federal and state gasoline taxes and Wheel Taxes paid by existing property owners help fund infrastructure expansion.
7. Buyers of newly-constructed homes pay a portion of new infrastructure cost through Impact Fees. They also pay to maintain new and existing infrastructure through property taxes, sales taxes, Wheel Taxes and other fees and rates. All residents contribute to the overall funding for the City's operating and Capital Improvement Budget through a variety of funding sources.

8. Street Impact Fees are required by ordinance to be used for growth-related arterial street construction only, not maintenance and not reconstruction of existing streets**.**
9. A $5.00 City Wheel Tax increase generates about $1 million annually. A 1¢ City mill levy increase generates about $1.5 million annually. A 1¢ City sales tax increase generates about $40 million annually.
10. Any infrastructure funding source that does not include a feature that offsets costs of construction inflation will be less effective over time.
11. The current residential Impact Fee structure creates a significantly higher Impact Fee per square foot on smaller homes than larger homes based on the theory that each consumes the same infrastructure capacity.
12. The high concentration of property tax exempt property, sales tax exempt entities, and Impact Fees exempt property in Lincoln places a significant burden on the City to build and maintain roads without corresponding revenue collection.
13. Typical infrastructure projects require up to two years of design and other preconstruction investment.
14. Infrastructure design changes to accommodate developers, builders and property owners may increase cost and cause project delays.
15. The City currently **maximizes** its potential use of revenue bonds as an infrastructure financing tool.
16. Impact Fees are one contributing factor to the increase in the cost of building commercial and residential properties in Lincoln since the 2003 implementation. Other contributing factors include increasing lot prices, the Building Code changes, increasing building material cost, general inflation, and others. On a national basis, single-unit residential construction costs have increased 30% since December 2003. (See Attachment D)
17. As of August 31, 2008, approximately 42% of collected Arterial Street Impact Fees, 91% of Sewer and Water Impact Fees, and 14% of Park and Trails Impact fees have been spent. Other amounts have been committed to pending projects. Reasons for unspent fees include the seven (7) district segregation of funds requirement, project timing, design and approved lead times, design changes, developer negotiations, and the lack of required additional matching or supplemental funding.
18. Since 2003, the costs of street construction have risen 55%, commercial construction 34%, residential construction 30%, and the Consumer Price Index 18%, according to a November 2008 report of the Associated General Contractors of America. (See Attachment D)
19. The current City mill levy rate is 0.28788 per $100 of valuation. Of that, 0.20324 is subject to the state lid of 0.4500, and the remainder is debt service on voter approved bonds. See Attachment E (State Property Tax Lid) for further information.
20. The current Lincoln Wheel tax receipts are largely pre-allocated by ordinance to snow removal, residential street rehab and arterial rehab. For 2008/2009, 42% of Wheel Tax revenue is committed to new infrastructure construction.

THE BELIEFS

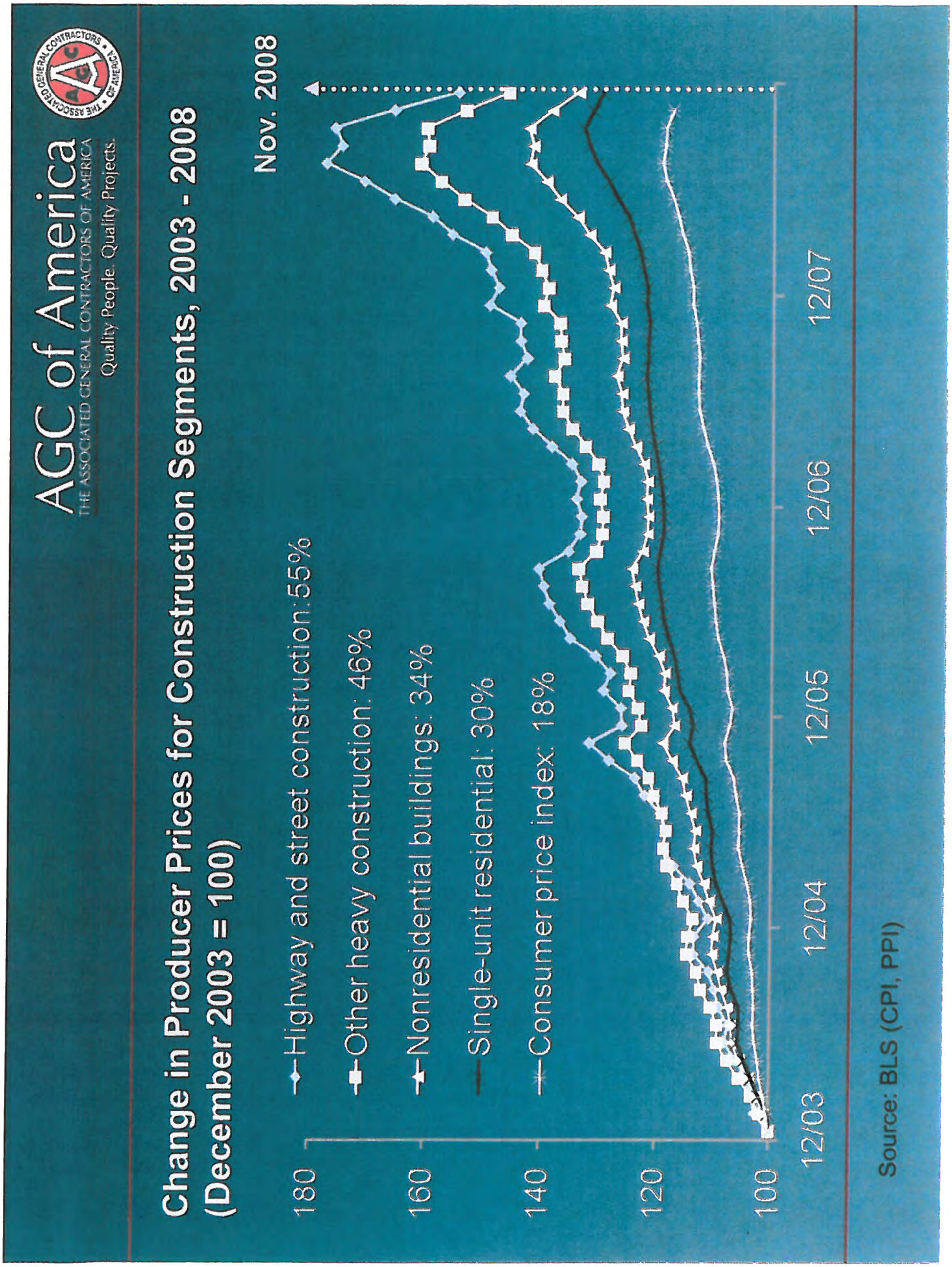
1. The Committee intends to balance residential and commercial interests in making its Phase I and II recommendations.

2. The Committee supports the concept of low or moderate income exemption plan, so long as it is supported by the General Fund.
3. Generally, the current systematic approach used to implement Impact Fees in Lincoln (i.e. using predetermined formulas) has the potential to provide improved equity over the prior method of individually-negotiated funding agreements between developers and the City. The lack of new revenue sources for infrastructure funding, however, has resulted in a combination of predetermined Impact Fees **and** continued individual developer negotiations (i.e. “Directed Impact Fee” agreements).
4. The City must carefully weigh any future increases in the Impact Fees with the effect such increase may have on growth.
5. The Committee supports the general recommendation of the Mayor's 2008 Road Design Task Force Report, including "RUTS" City/County road planning.
6. The City should limit growth to planned CIP areas unless there is a dependable and agreeable infrastructure funding method.
7. All of Lincoln's bond ratings are excellent at this time, and no plan that deteriorates these ratings to a point where interest rates would rise would be advisable.
8. Bonding is a valid tool to fund investments in infrastructure. Bonding will pay for itself so long as Lincoln permits the incremental property tax and sales tax revenue to be used to pay down the bonds and pay increased operating costs resulting from the infrastructure addition.



1 2 3 4 5 6 7 - Current Districts

1 2 3 4 - "Proposed" new district LINES.



AGC of America
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
Quality People. Quality Projects.
Change in Producer Prices for Construction Segments, 2003 - 2008
(December 2003 = 100)
Nov. 2008
Highway and street construction: 55%
Other heavy construction: 46%
Nonresidential buildings: 34%
Single-unit residential: 30%
Consumer price index: 18%
180
160
140
120
100
12/03
12/04
12/05
12/06
12/07
Source: BLS (CPI, PPI)

DEFINITIONS

Affordable Housing	Affordable housing is a term used to describe dwelling units whose total housing costs are deemed "affordable" to a group of people within a specified income range.
Annexation Agreements	A written agreement between the City and owners of land stating the terms, conditions and obligations of the parties allowing the annexation and future development of the property to take place. The agreement may be used to assure the annexation occurs consistent with the CIP.
Antelope Valley Project	Construct a landscaped Antelope Creek waterway from "J" street to Salt Creek designed to safely carry the 100-year flood waters.
Bond	A long-term debt security issued by the City offering fixed interest payments periodically for a period of more than one year. Bonds do not represent ownership; rather an investor who buys a bond is actually lending money to the City, to help finance assets that have an estimated life exceeding one year. The City typically issues bonds using a 15 to 25 year repayment period.
Bond Rating	In securities trading, a formal opinion given by an independent, professional service on credit standing of the issuer of a bond and on the investment quality of the security. The opinion is normally expressed in letters: AA, Baa-I, etc. There are three independent professional rating services that rate the bonds of the City. The City has AAA ratings from Moody's and Standard and Poor's for our general obligation bonds. The various revenue bonds have slightly lower ratings depending on the utility for which the bonds are issued.
Capital Improvement Program (CIP)	The CIP is the City's plan for capital expenditures to be incurred each year over a fixed period of years, identifying the expected beginning and ending date, and the amount to be expended in each year and the funding for those expenditures.
Consumer Price Index (CPI)	An index of prices used to measure the change in the cost of basic goods and services in comparison within a fixed base period.

Consumptive Use Model	The consumption-based model simply charges a new development a portion of the cost of replacing the capacity that it consumes of the City's infrastructure. These costs include not only the immediately adjacent arterial streets, water and wastewater and park construction, but also the less obvious cost of expanding capacity for such things as wastewater treatment, City water well fields and similar capacity related needs that are increased as a result of new development. Lincoln's Impact Fees are computed based on this model.
Directed Impact Fees	Pursuant to an annexation agreement, the Impact Fees actually collected within the subdivision would be used to reimburse the developer for eligible Impact Fee facility construction costs. All work to be reimbursed is based upon the actual cost of construction and is verified by receipts and proof of payment by the developer.
Duncan and Associates Study	The Duncan and Associates Study is an outgrowth of the Infrastructure Financing Study initiated by the City in June 2000. Three reports were prepared: *Financial Alternatives Memorandum* (September 2000), *Capital Cost Memorandum* (September 2000) and *Fiscal Impact Analysis Memorandum* (November 2000). These reports attempted to quantify the capital and operating costs of accommodating new development at existing levels of service for municipal facilities, such as roads, water and wastewater service.
Funding Gap	The gap between (1) the anticipated revenues, and (2) the projected costs for new infrastructure construction to keep up and catch up with the City's projected growth and maintenance cost for existing infrastructure.
General Fund	In governmental accounting, the fund used to account for all activity of a government except those particularly assigned for other purposes in another more specialized fund. It is the primary operating fund of a governmental unit. Much of the usual activities of a municipality such as the day-to-day operation of basic government activities. (i.e. legislative, administration, police and fire protection, legal services, planning, and parks and recreation) are accounted for in the General Fund.
General Obligation Bonds	These bonds are municipal bond backed by the full faith and credit (which includes the taxing and further borrowing power) of a municipality. A General Obligation bond is repaid with general tax revenue and requires a vote of the citizens of Lincoln.
Highway Allocation Bond	Highway Allocation Bonds pledge future gas tax funds which are received through the State of Nebraska. Issuance of these bonds requires a vote of the City Council.
Impact Fee District	The City has been divided into seven districts or benefit areas, and each has a separate account. Fees collected in a district or benefit area may be used only for new construction in that area. Districts apply to arterial streets, water distribution, wastewater and parks and trails.
Impact Fee Exclusion Areas	This phrase refers to the core area of the City where Street and Parks Impact Fees are not collected or used for projects. The arterial street fee and neighborhood park/trail fee have exclusion areas. (<u>See maps</u> Attachments G and H). In the Downtown/Antelope Valley Redevelopment exclusion areas, Impact Fees for arterial streets are not collected. This also means that arterial street Impact Fees may not be spent on any improvements within this area. The City determined that this area should be excluded from the arterial street Impact Fee in order to

	encourage redevelopment in this area. (Section 27.82.070 (a) (4)) The neighborhood park/trail exclusion area is a large area covering 50 square miles. In this area, the park/trail Impact Fees are not collected. Again, this means park/trail Impact Fees may not be spent on any improvements within this area. This exclusion area was adopted because neighborhood parks and trails are already substantially developed within it. (Section 27.82.070 (a) (5))
Impact Fee Exemption Areas	Exemptions refer to the developments that are not subject to Impact Fees. Prior to June 2, 2003, negotiations took place between developers, builders and the City. Based on these negotiations, developers or builders were required to construct certain eligible Impact Fee facilities. This construction determined the categorically exempted areas.
Improvement driven	The "improvements-driven" approach is one means of determining impact fees. It essentially divides the anticipated cost of growth-related improvements for a fixed planning horizon by the number of new service units projected to be generated by growth. The result is an improvements-driven cost per service unit. Accurate planning and forecasting are critical for this method.
Legislative Urban Growth Bond	This bill would allow Lincoln to create one or more geographic districts on the edges of the City and pledge the estimated sales tax revenues generated within that district to the payment of urban growth bonds. The proceeds of the bonds would then be used to fund a wide-range of infrastructure needs, including roads. These urban growth bonds would be backed by the City's full faith and credit.
Levy	A tax assessed on real estate by the local government. The tax is usually based on the value of property (including the land). Lincoln's current total levy is .28788 per $100 of valuation including land. (See State Lid Limit.)
Off-site infrastructure	Facilities that serve the entire community connecting neighborhoods. Examples include arterial streets, large diameter water and wastewater pipelines wastewater treatment plants, well fields, and pumping stations.
On-site infrastructure	Facilities that serve the neighborhood, or local area, within the subdivision. Examples include two lane residential streets, 8-inch wastewater, and 6-inch water mains.
Project Cost Categories o Design	 Engineering drawings and specifications prepared to guide bidding and construction of a project.
o Right of way acquisition	Land, property or interest acquired for or devoted to storm drainage, sanitary sewer, water, or transportation purposes. This term can include acquisition of City property by deed, purchase of permanent easements, and/or temporary easements.
o Construction	Building a Project

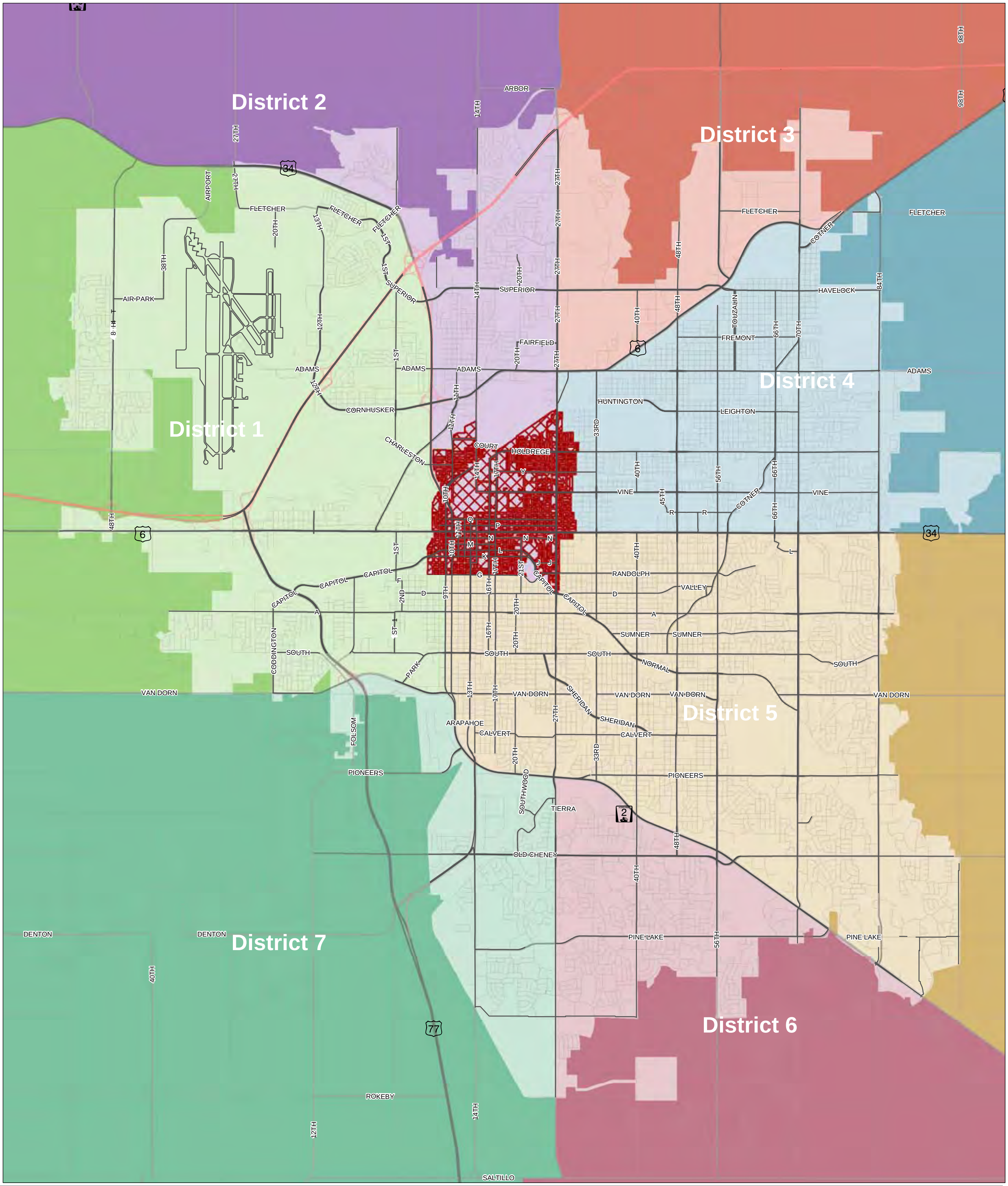
o Inspection	Ensuring the project requirements are met to protect the safety, health and well-being of the community are met.
Revenue Bond	A bond that is secured by the income expected to be generated by the project financed by the bond, as opposed to a general obligation bond that is secured by the government's taxing authority. Revenue bonds are authorized by a vote of the City Council.
State Property Tax Lid	This lid is the maximum property tax rate a City is allowed to adopt, per state statute. Nebraska's levy lid limit is .4500 per $100 of assessed valuation. Lincoln's levy is .28788 per $100. Of that, .03464 is for bonded indebtedness, which is exempt from the state levy lid. Lincoln's levy also includes a .05000 exemption for inter-local agreements. Thus, the amount of Lincoln's levy subject to the state lid is .20324, which is less than half of the state lid limit.
Wheel Tax	Nebraska law allows a City or municipality to levy a tax on all motor vehicles to be paid at the time of a vehicle's annual registration. Such funds shall be used by a City or municipality for constructing, resurfacing, maintaining, or improving streets, roads, alleys, public ways, or parts thereof or for the amortization of bonded indebtedness when created for such purposes. The distribution of the funds in Lincoln is largely set by City ordinance. The current Wheel tax rate is $60 and scheduled to increase to $65 in 2010. Where does the Wheel Tax go? o Snow removal (10.20% currently, 9.26% in 2010) o Residential street rehabilitation (10.20%, 9.26%) o New construction (42.86%, 48.15%). o Residual fund (arterial rehabilitation) (35.74%, 32.33%) Note: The County Treasurer receives 1% off the top for administration and collection of the Wheel Tax.

ATTACHMENT F

2008/2009 Water, Wastewater, and Street Construction Revenue Sources *

FUND SOURCE	WATER	Pct of funding source	WASTEWATER	Pct of funding source	STREETS	Pct of funding source	TOTAL OF FUND SOURCE	Pct of funding source
Impact Fees	$1,050,000	6%	$500,000	3%	$6,325,000	16%	$7,875,000	10%
City Wheel Tax, New Construction					$4,595,300	11%	$4,595,300	6%
City Wheel Tax, Residential Rehab					$1,084,700	3%	$1,084,700	1%
City Wheel Tax, Residual					$3,971,200	10%	$3,971,200	5%
Community Improvement Financing - (TIF)			$600,000	4%			$600,000	1%
Federal Congestion Management Air Quality					$350,000	1%	$350,000	0%
Developer Contributions			$353,100	2%			$353,100	0%
Federal Highway Funds					$7,857,300	19%	$7,857,300	10%
Federal Urban Area Projects					$2,800,000	7%	$2,800,000	4%
General Revenue Fund					$0	0%	$0	0%
Highway Allocation Bonds					$6,940,000	17%	$6,940,000	9%
State Highway Allocation Funds					$4,112,400	10%	$4,112,400	5%
Railroad Transportation Safety District					$1,500,000	4%	$1,500,000	2%
Water Revenue Bonds	$9,130,000	47%					$9,130,000	12%
Wastewater Revenue Bonds			$12,735,900	73%			$12,735,900	17%
State-Train Mile Tax					$1,000,000	2%	$1,000,000	1%
Wastewater Utility Revenue			$3,169,100	18%			$3,169,100	4%
Water Utility Revenue	$9,070,000	47%					$9,070,000	12%
Total	$19,250,000	100%	$17,358,100	100%	$40,535,900	100%	$77,144,000	100%

*A portion of the total funding shown in the chart above was for capital maintenance or rehab, not new construction.



Impact Fee - Streets Exclusion

City of Lincoln, Nebraska
Public Works & Utilities

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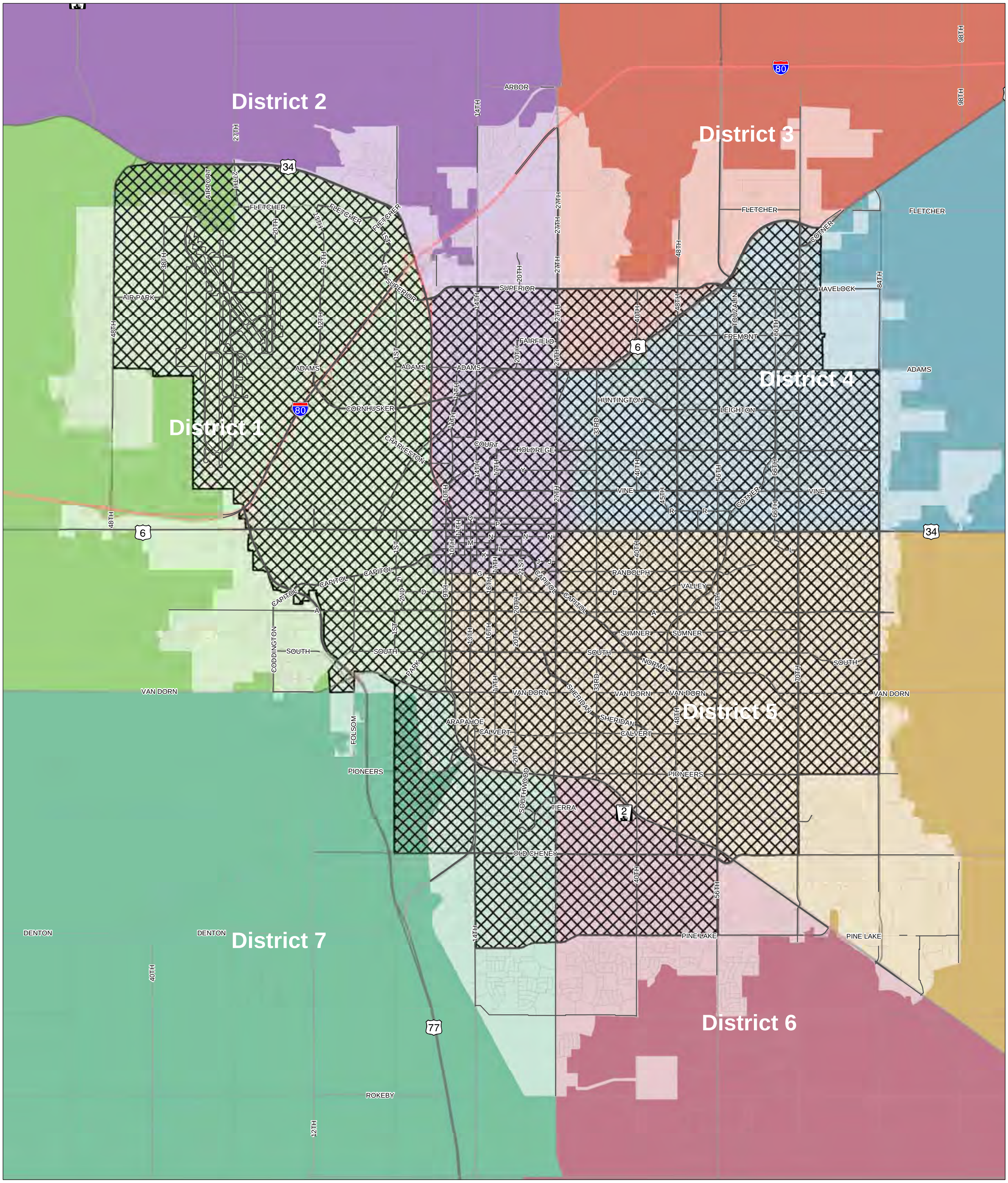
Miles

Legend

District 1	District 5
District 2	District 6
District 3	District 7
District 4	Streets Exclusion



Impact Fee - Parks Exclusion

City of Lincoln, Nebraska
Public Works & Utilities

CITY OF LINCOLN
NEBRASKA
MAYOR CHRIS BEUTLER
lincoln.ne.gov

1 0 1
Miles

Legend

- District 1
- District 2
- District 3
- District 4
- District 5
- District 6
- District 7
- Parks Exclustion

Map Document: (N:\Major Projects\IFS\DistrictMaps\Parks Exclusion.mxd) 09/27/2005 -- 4:24:34 PM