

IMPACT FEE FAQ

WHAT ARE IMPACT FEES?

According to State law, impact fees are “a payment of money imposed upon new development activity as a condition of development approval to mitigate the impact of the new development on public infrastructure.” (11-36a-102)

Municipalities use impact fees as a financing tool to maintain a level of service in areas that experience additional demand and need due to growth. The fees can be used to pay for the appropriate portion of a new public facility. A public facility is an improvement that has a life expectancy of 10 or more years and are owned or operated by a local political subdivision. Examples of public facilities include: power facilities, storm water improvements, parks and open space, roadways, or public safety facilities.

Salt Lake City has five areas where impact fees are used: *public utilities, roadways, parks, police and fire*. This overview and the new IFFP and IFA only pertain to roadways, parks, police and fire.

HOW DOES THE CITY DETERMINE HOW TO SPEND IMPACT FEES?

To determine a level of service and the need for new public facilities, the City contracts with an impact fee consultant to prepare an Impact Fee Analysis (IFA) and an Impact Fee Facilities Plan (IFFP). The IFA is a written analysis of each impact fee and the IFFP evaluates growth, level of service, and the public facilities needed to maintain that level of service with their associated costs. The Department of Public Utilities creates and maintains its own IFFP separate from the other four categories.

Once the draft plan is complete and the public has had an opportunity to comment, the Mayor will review the plan and comments and make a recommendation to the City Council. The City Council will then meet in public work sessions to discuss the plan. The Council will also hold a public hearing where public comments will be taken. The Council can make changes to the proposed projects and fees, but will eventually approve the IFA and IFFP. Once those are approved the plan goes into effect. Any fees that are a decrease from the previously approved plan can go into effect immediately while an increase in fees cannot be imposed for 90 days after the approval.

When the plan is adopted, then the new fees will be collected and city departments and divisions can begin spending the fees on approved projects. If fees are not spent or encumbered (tied to the funding of an executed contract) within 6 years of collection, then the fees will be refunded to the current property owner.

ARE THERE REQUIREMENTS AS TO HOW IMPACT FEES CAN BE USED?

Impact fees are governed by State statute 11-36a-101 and by City ordinance 18.98 that provide the following guidelines:

- Impact fees are to be used to keep a current level of service in areas of new growth
- They cannot be used to cure deficiencies serving existing development
- They may not raise the established level of service in existing development
- They cannot include an expense for overhead, such as any cost for operation and maintenance
- An IFFP must consider all revenue sources, such as Class C, bonds, etc.
- Impact fees must be spent or encumbered within 6 years from the date they are collected
- A municipality must use the Impact Fees Facilities Plan to determine the public facilities needed to serve new growth
- Repair and replacement projects are not growth related
- Upgrade projects are not growth related
- Repair, replacement, or upgrades can be included as part of a mixed project where the scope will create capacity to serve projected growth
- Growth is expected to pay only the portion of the cost of capital facilities that are related to growth

CAN YOU GIVE ME AN EXAMPLE OF HOW IMPACT FEES CAN BE SPENT?

The plan adopted in 2012 includes a new fire station to be built in Sugar House to replace the current facility. Based on a calculation that looks at the number of calls to the fire department, it was determined that the new fire station would be 33% impact fee eligible. This means that of the entire cost of the project, 33% of that cost can be attributed to new growth in the area. The plan allows impact fees to be used for land acquisition and development of the site. The location and construction of this project has not yet been approved by the City Council, but if it is, then it is likely that it will be funded through impact fees and a bond.

Another example is the construction of 500 and 700 South between 2600 West and 5600 West. Due to the industrial growth in the area, the current plan allows impact fees to be used for 57% of the project. Salt Lake City has funded this project each year using impact fees, Class C funding, and, on occasion, general fund.

SALT LAKE CITY'S NEW DRAFT PLAN

The City's current IFFP was adopted in 2012 and new fees became effective in January 2013. The 2012 Plan allows impact fees to be collected and spent citywide with the exception of roadway fees. Under the current plan, roadway fees can only be collected and spent in the westside industrial and northwest quadrant service areas in the city.

A new IFA and IFFP were requested by the City Council in 2015. In November of 2015, the City Council also enacted a one-year suspension of the collection of impact fees; however, the City continued to spend impact fees that had been collected to that point in time. Lewis Young, a local financial consulting firm, was selected to do both the IFA and the IFFP. Over the course of a year, Lewis Young worked with City departments and divisions to determine the level of service and identify projects needed to accommodate growth. The draft is complete and can be found on the City's website at either www.slcgov.com/opencityhall or www.slcgov.com/HAND. The new proposed plan requires impact fees to be collected and spent throughout the entire city, rather than just specific service areas.

HOW CAN I COMMENT ON THE NEW PLAN?

The City will sponsor two public meetings where the impact fee consultant from Lewis Young will present the plan that determines the level of service, projects to maintain that level of service, and the impact fees needed to provide a portion or all of the funding for those projects. Your input on the plan and fees is important and will be presented to Mayor Biskupski before she sends her final recommendations to the City Council.

The meetings will be held at the following times and locations:

Tuesday, September 20th, 9:30 am, City & County Building, Room 315

Thursday, September 22nd, 6:00 pm, City & County Building, Room 315

In addition, the plan is on Open City Hall where you can submit your comments. Go to www.slcgov.com to find the link to Open City Hall. If you can't attend the meetings or prefer not to use Open City Hall, please feel free to email your comments to: impactfees@slcgov.com. The deadline for submitting comments is September 30, 2016.