To the Mayor and Members of the City Council

January 18, 2022

SUBJECT: 2022 TRANSPORTATION IMPACT FEE STUDY UPDATE

This report provides an overview of the Transportation Impact Fee Study update, policy issues, and schedule for City Council adoption of the Study and ordinance amendments, along with updates to the program administrative guidelines.

Texas Local Government Code Chapter 395 governs transportation impact fees and requires that the 10-year land use and growth assumptions, transportation capital improvement plan and maximum assessable fees be updated at least every five years. The 2022 land use assumptions, capital improvement plan and maximum assessable fees are required to be adopted on or before January 23, 2023. Staff intends for the adoption to occur by October 2022 for the new fees to be effective January 1, 2023.

On September 21, 2021, the City Council approved a contract with Kimley-Horn and Associates, Inc., (M&C 21-0697) to prepare the 2022 Transportation Impact Fee Study (2022 Study). The project is currently in the data collection and policy review phase. As a component of the review, the following policies require analysis.

Impact Fee Service Areas

Chapter 395 sets the maximum transportation impact fee service area as six miles in diameter. With current growth and annexation patterns, the study will determine if additional land area should be added to smaller service areas and if new service areas should be added. The service area review will include consideration of:

- Arterial rights-of-way in Fort Worth's ETJ that should be annexed for inclusion in the 2022 Study (e.g. Bonds Ranch Road and Wagley Robertson Road);
- The adopted 20-Year Planned Service Areas for future annexation contained in the Comprehensive Plan; and
- Ordinance changes necessary to enable regular updates of the service areas boundaries as annexations occur within the five-year study period.

Impact Fee Collection Rate

The City may establish an impact fee collection rate that is below the maximum assessable fee for each service area. The original collection rate established with the creation of the Transportation Impact Fee Program in 2008 was set at a reduced rate in order to be revenue-neutral compared to the City's Community Facilities Agreement Policy at the time. The rate represented 36% of the maximum assessable fee for residential development and 27% of the maximum assessable fee for non-residential development. The rate was also smoothed across the City so the fee amount was the same in most service areas, irrespective of the varied maximum assessable fees in each service area.

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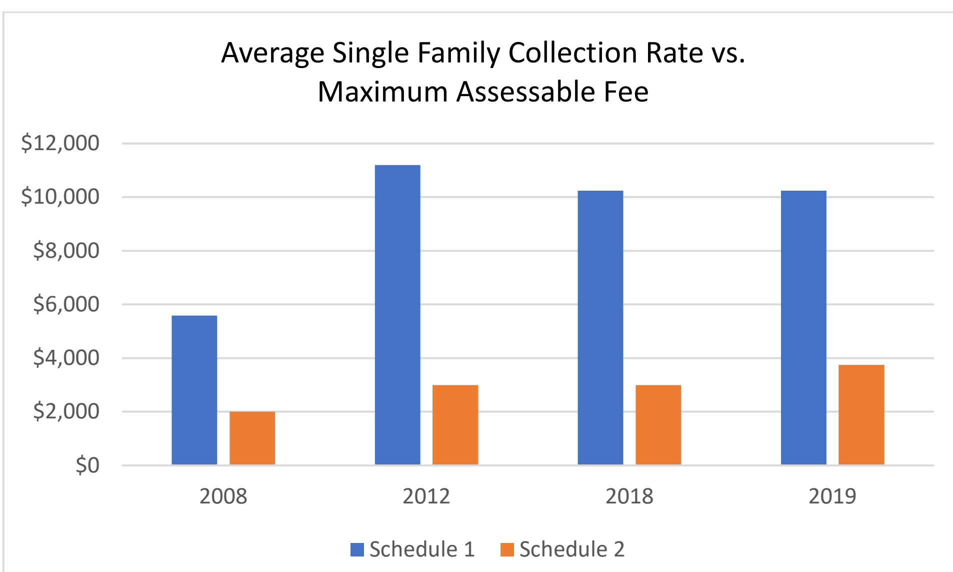
In 2010, the Mayor's Blue Ribbon Task Force on Infrastructure Funding identified a $1.8 billion dollar deficiency in transportation infrastructure needs, including arterial improvements needed due to growth. One of the Task Force recommendations was to increase transportation impact fees for development to cover more of the costs of development:

- Raise the collection rate to 50% of the maximum assessable fee for residential development and 41% for non-residential development in the north, west, and south sectors of the City.
- Maintain the collection rate of 41% for residential and 36% for non-residential in the east sector.

With the 2012 Transportation Impact Fee Study, the City reduced the collection rate to 27% for residential and 20% for non-residential development. The average fee increased 25% to cover inflation, but the collection rate percentage decreased due to higher maximum assessable fees. The collection rate was again smoothed across the north, west and south sectors of the City, and the previous 2008 collection rate was adopted for the east sector.

With the 2017 Transportation Impact Fee Study, a similar 25% increase in the average fee was adopted to address inflation. As a concession to the development community, an interim collection rate was adopted which decreased the percentages to 29% for residential and 18% for non-residential. The most recent collection rates, which went into effect January 1, 2019, are 37% of maximum for residential and 22% for non-residential. The total value of eligible arterial projects in the 2017 Study for the 10-year growth period is **$1.14 billion**.



Max Rate Collection Rate

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The table below shows a comparison of the current Maximum Assessable Fee to the Collection Rate for various development types within Service Area E in Far Northwest Fort Worth.

Service Area E

Land Use	Unit Value	Vehicle-Mile/ Devel Unit	Current Maximum Fee	Current Collection Rate Fee	Remaining City Cost Burden
Single-family Residential	# Units	4.85	$16,727	$3,750	$12,977
Mid-Rise Multifamily Residential	# Units	2.16	$7,449	$1,670	$5,779
Shopping Center	1000 SF	7.03	$24,246	$3,295	$20,951
General Office Building	1000 SF	6.90	$23,798	$3,234	$20,564
Warehouse Building	1000 SF	0.95	$3,276	$445	$2,831

The total City arterial cost burden accrued just for Service Area E since adoption of the 2017 Study is **$25.5 million.**

Several modifications to the Collection Rate are being considered as part of the 2022 Study:

- Increase the Collection Rate to a higher percentage of the Maximum Assessable Fee so development pays more of its proportional share for arterial infrastructure needs created by the development. This reduces the City cost burden.
- Remove the smoothed rate in the north, west and south sectors of the City. The smoothed rate in these sectors increases the unfunded arterial need and City cost burden in service areas with a higher maximum assessable fee.
- Maintain the proportional reduction for non-residential uses compared to residential uses.
- Determine whether to review the collection rate midway through the five-year study period or other time period.

Impact Fee Discounts

There are three discounts available within the Transportation Impact Fee Program. The discounts are cumulative, and a project can receive a discount of up to 100% of the fee.

Adequate Facilities Discount: Collection rate is discounted 50% for projects that take 75% of their vehicle trips from fully constructed arterial streets.

Extraordinary Investment Discount: Collection rate is discounted 15% - 50% for capital investments of $15 million or greater for projects that have 100 or more employees with pay of at least twice the minimum wage plus benefits.

Land-Use / Transportation Connection Discount: Collection rate is discounted 5-15% for mixed-use developments with trip capture within a development that is served by mass transit.

The discounts are being reviewed for effectiveness as part of the study.

- The Extraordinary Investment Discount has never been utilized and may not be needed given other economic development incentive tools.
- The Land-Use / Transportation Connection Discount has only been used one time for the Centreport development in 2011.
- The Adequate Facilities Discount needs to be adjusted due to unintended consequences of the 2016 Master Thoroughfare Plan Update. Arterials that were constructed as capital projects or developer projects were classified as existing roadways and later phases of development are benefitting from both credit agreements and the Adequate Facilities Discount (double dipping).

Collection Rate Grace Period

The program currently provides for a two-year grace period from the recording date of a final development plat until the current collection rate is applied. The previously adopted collection rate is applied during the grace period. State law only requires a grace period with the initial adoption of the program, and only for one year. The City thus does not fully benefit from fee updates as development occurs.

- The study will determine whether to retain a grace period and, if so, the appropriate timeframe.

For any questions on this report, please contact D.J. Harrell, Development Services Director, at 817-392-8032 or Dalton.Harrell@fortworthtexas.gov.

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