



# Fiscal & Economic

## NEWSLETTER

### Missoula City and County Impact Fees Reflect Higher Costs of Less Dense Development

The City and County of Missoula, Montana, plus two fire districts, hired Tischler & Associates, Inc. (TA) to prepare impact fees for four types of public facilities. The analysis revealed higher per unit costs to serve lower density development.

The consideration of geographic service areas also revealed interesting comparisons of City versus County cost factors, as discussed in the following paragraphs.

#### *Geographic subareas reflect different cost factors*

Although the *parks and open space* fee for the City of Missoula and the unincorporated portion of the Urban Growth Area (UGA) share identical cost components, the recommended impact fees vary by jurisdiction for two reasons. First, census data indicates average household size in the City is less than the average household size in the unincorporated area. Using per capita standards for the entire service area yields lower fees for housing units within the City.

Second, revenue from growth in the City helps retire existing general obligation bonds used to purchase open space.

TA's analysis of *fire and emergency medical services* documented higher costs per resident and job as the density and intensity of development decreased. In the City, stations and apparatus can efficiently provide adequate response

(See **MISSOULA**, p. 4)

### Cary, North Carolina Integrates Fiscal Analysis with Growth Policy Planning

The Town of Cary, a growing suburb of Raleigh, retained TA to conduct a fiscal impact analysis of five growth scenarios to 2025 (see Chart 1 on page 2). This analysis was conducted

(See **CARY**, p. 2)

### Transportation Impact Fees for State of Delaware Reflect Innovative Approach

In Delaware, graduated impact fees were authorized as part of the State's Livable Delaware Program. This smart-growth program directs growth areas designated by State, counties and local governments. TA worked with a committee of public and private sector representatives to develop a transportation impact fee methodology consistent with the intent of Delaware's Graduated Impact Fees Act. (Other fees TA prepared included police, schools and transit.)

The methodology utilized the State's transportation model and capital improvements plan. Since all projects benefit existing development, as well as new growth, TA allocated the capital costs to total travel within the State of Delaware forecast for 2008, which matches the time horizon of the capital improvements plan. Thus new development will only pay its proportionate

share of the cost of transportation improvements.

To meet the intent of the Livable Delaware policies, TA used an innovative method to allocate the cost of capital improvements by Traffic Analysis Zone (TAZ) based on vehicle miles of travel (VMT).

VMT is a superior indicator of travel demand because it considers distance in the allocation of costs. Development in rural areas is typically associated with longer trip lengths and greater reliance on single occupancy vehicles, due to a lack of alternative modes of travel. As density and mix of development increase in urban areas, VMT decreases due to shorter trips and more walking, bicycling and transit use.

The cost of transportation improvements in northern Delaware was allocated to each TAZ in New Castle County based on vehicle miles of

(See **DELAWARE**, p. 4)

### IN THIS ISSUE

#### Infrastructure Considerations and Growth Management

There are many questions that should be asked and answered as communities consider growth management policies. One of these is the provision of infrastructure and differential costs by service area. In this newsletter, three assignments are discussed reflecting different issues and perspectives concerning infrastructure needs/costs as they relate to growth. Two articles indicate how impact fees can create locational incentives.

As part of a growth management planning process, Cary, North Carolina hired TA to evaluate the fiscal impact of different development alternatives. Among the alternatives were several that assumed a greater mix of office and business park development. One of the interesting findings is that the increased infrastructure needs/costs outweigh the revenues generated.

#### *Impact fees can create financial incentives for smart growth*

In the City and County of Missoula, Montana, there was a desire to encourage development in areas with existing urban services and create disincentives for development in the unserved areas of the unincorporated county. TA calculated impact fees using unique methodologies reflective of cost differentials within geographic service areas.

Similar to the situation in Missoula, the State of Delaware passed the Livable Delaware Act, in which one of the components was to evaluate the feasibility of creating financial disincentives for development outside designated growth areas. The article pertaining to the State of Delaware discusses the innovative methodology developed by TA to derive the road impact fees.

*Paul S. Tischler*

CARY, NORTH CAROLINA

(continued from p. 1)

ed in concert with other growth management activities.

Results

**Average Annual Results** - Chart 2 summarizes various average annual net fiscal results over the 25-year analysis period. As Chart 2 indicates, net revenue to the General Fund is not enough to offset the significant net deficits to the Capital Projects Fund. This results in combined General Fund and Capital Projects Fund average annual net deficits.

**Annual Results** - Chart 3 shows the total annual net results over the 25-year analysis period. The "bumpy" nature of the annual net results during particular years represents thresholds being reached for capital facilities and associated operating expenses. The results generally become worse over time.

*All growth scenarios generate net revenues to the General Fund and deficits to the Capital Projects Fund*

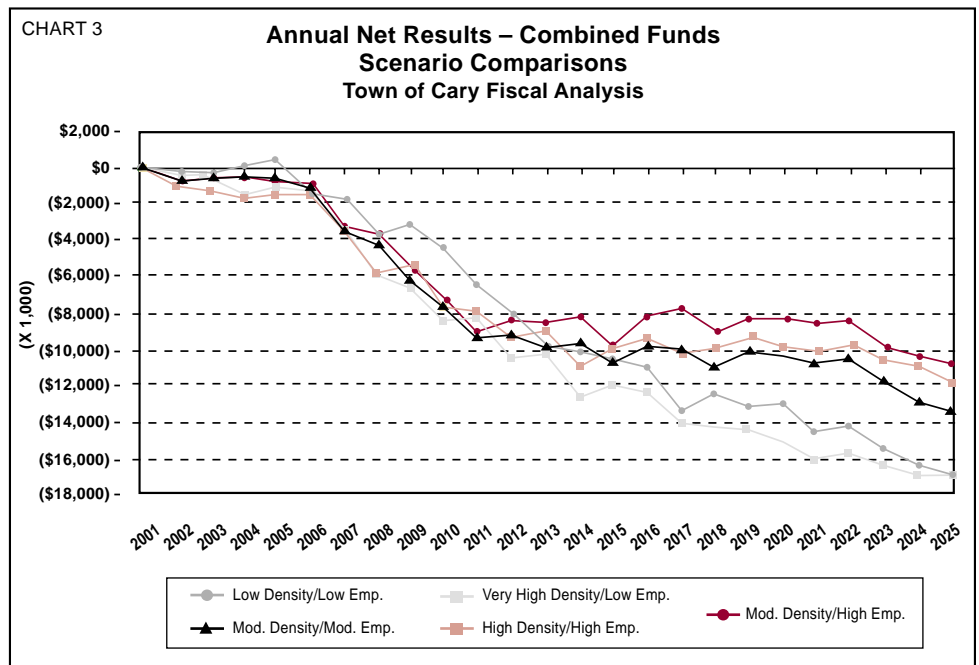
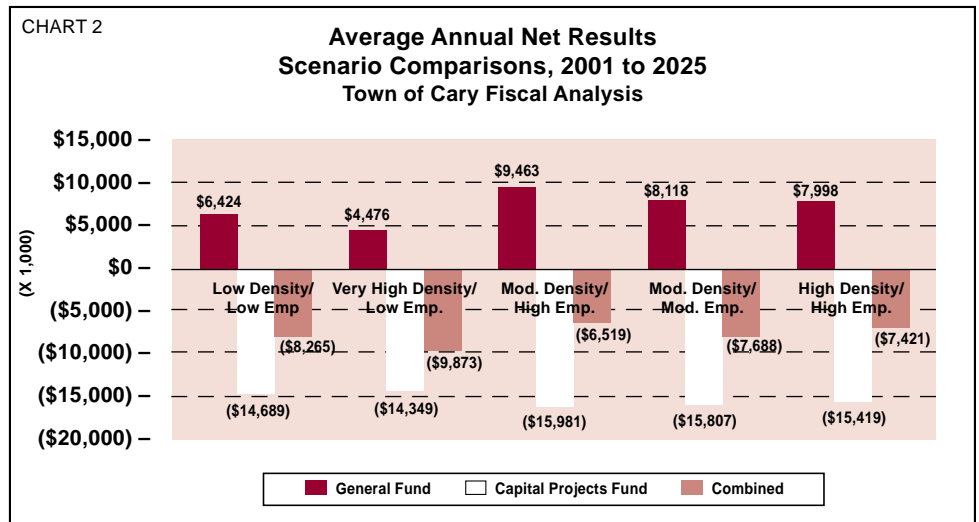
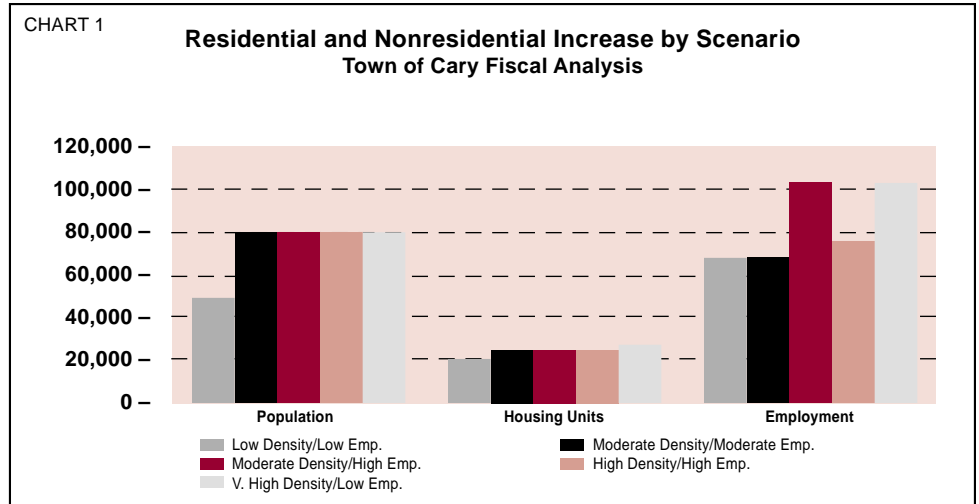
Conclusions

The following major conclusions can be drawn from the analysis:

- Cary can choose the land use alternative it wants without incurring significant additional net costs compared to other alternatives. One exception relates to transportation, where costs are dependent to a large degree on where new development is located.
- The average annual net deficits incurred by the Capital Projects Fund under all five scenarios are 1½ to 2 times the net surplus to the General Fund. This is primarily a result of growth-related road improvements.

*Current levels of service cannot be fiscally sustained*

- The results indicate that the Town cannot afford to provide current levels of service to new growth under this revenue structure without finding new revenue sources or raising existing rates, such as impact fees.
- The small General Fund net surpluses generated by the scenarios assuming moderate and high employment indicate the cost to serve future nonresidential development is higher than that of the existing base. This is primarily due to new fire stations and the associated operating costs in newly developed areas.
- Given the shortfalls to the Capital Projects Fund, the Town should consider additional development fees, particularly for fire and parks.



## Impact Fees

TA has prepared over 500 impact fees, more than any other firm in the country. Highlighted below are two TA fee assignments.

### Selected Examples

**Teton County, WY** – TA calculated the impact fees that could be charged to support transit service in this tourist-oriented County (i.e., Jackson Hole). In addition, TA evaluated possible revenue mechanisms for covering capital, as well as operating expenses.

**Draper, UT** – This City in the Salt Lake area hired TA to recalculate impact fees prepared by another consultant. TA will be utilizing a combination of methodologies in preparing impact fees for the categories of transportation, storm drainage and water facilities.

*TA hired to revise impact fees prepared by another consultant*

### New Assignments

Listed alphabetically by state are additional jurisdictions for which TA is conducting impact fee assignments. The fee categories include utilities, schools and most other municipal infrastructure categories.

Tolleson, AZ  
Queen Creek, AZ  
Pueblo, CO  
Sunbury, OH  
E. Greenwich Fire Dist., RI  
S. Valley Sewer Dist., UT  
Spanish Fork, UT

## Economic Development / Fiscal Strategies

**McDowell and Wyoming Counties, WV** – These two southwestern counties have experienced a loss of jobs, population and housing, partly as a result of flooding over the last 10 years. The State hired a consultant team headed by Parsons Brinckerhoff to develop a long-term strategy for investing limited public dollars for revitalization efforts. TA's primary

*Economic development and fiscal strengths, weaknesses and opportunities discussed*

responsibility was to evaluate the fiscal and economic development realities and develop overall strategies for these jurisdictions.

TA conducted an economic development assessment and strategy for both counties. The economic development assessment evaluated population, housing, income and employment. The economic development strategy report discussed target industry clusters and economic infrastructure, which includes capital, markets, physical infrastructure, quality of life, taxation and workforce. It also included an evaluation of strengths, weaknesses and opportunities.

A fiscal viability ranking system was developed by TA to evaluate the strengths and weaknesses from a fiscal perspective of each of the municipalities (21) in the two counties as well as that of the various utility operations, both municipal and special district.

### Fiscal Impact Analysis

**Davie County, NC** – TA has been contracted by this County in close proximity to Winston-

Salem to conduct a prototype land use fiscal analysis. TA is evaluating seven residential land use prototypes and three nonresidential land use prototypes.

**Marysville, OH** – To gain a better understanding of the fiscal sustainability of various types of land uses, the City of Marysville has contracted TA to conduct a prototype land use fiscal analysis. TA is evaluating seven residential land use prototypes and three nonresidential land use prototypes.

**Wake County, NC** – TA, as a subconsultant to Clarion Associates, is estimating infrastructure costs for the next 20 to 30 years for four categories, as well as identifying the funding "gap" not covered by existing revenue sources. TA is also identifying and evaluating potential new revenue sources and expected yields to meet this funding gap.

*Potential revenue needs and sources identified*

## Fiscal Impact Models

**Falls Church, VA** – TA has been retained by this suburb of Washington, D.C. to develop a fiscal impact model capable of analyzing a variety of land use scenarios, as well as specific development projects.

**Lee's Summit, MO** – This suburb of Kansas City has hired TA to develop a long-term financial model for use in evaluating future land use scenarios. This model will enable the City to integrate financial and land use considerations in policy decisions.



**TISCHLER & ASSOCIATES, INC.**

**CALL TOLL-FREE (800) 424-4318**

#### Please send the following:

- Reprint "20 Points to Know About Impact Fees"
- Reprint "Impact Fees – Understand Them or Be Sorry"
- Excerpts from: ICMA IQ Report "Introduction to Infrastructure Financing"
- Excerpts from: ICMA Smart Growth Network "Smart Growth & Fiscal Realities"
- Recent TA *Fiscal & Economic Newsletters*

#### Information About TA Consulting Services:

- Fiscal Impact Analyses
- Impact Fees
- Capital Improvement Programs
- Revenue Strategies
- Growth Policy Studies
- Market and Economic Analyses
- Fiscal and Economic Software

Name \_\_\_\_\_

Title \_\_\_\_\_ Agency \_\_\_\_\_ Telephone \_\_\_\_\_

Street \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

4701 Sangamore Road, Suite N210  
Bethesda, MD 20816  
(301) 320-6900 • Fax (301) 320-4860  
TAFiscal@tischlerassociates.com  
Also: Pasadena, CA



**MISSOULA, MONTANA**

*(continued from p. 1)*

times due to the relatively compact development pattern. The Missoula Rural Fire District serves suburban development adjacent to the City, resulting in mid-range cost factors per resident and job. The Frenchtown Fire District has the highest cost factors due to its large geographic area and rural development pattern. Because of travel distances, adequate response times can only be obtained with a higher investment in stations and apparatus.

***The impact fees reflect higher capital costs for less dense development***

For law enforcement impact fees, TA found a similar pattern of slightly higher cost factors for residents and jobs located in the unincorporated area of Missoula County. Because Sheriff vehicles are not as expensive as fire and emergency medical apparatus, the law enforcement impact fee for a single-family detached house is only \$28 higher in the unincorporated area, or approximately 15% more than the fee within the City.

The community services impact fee addresses the need for facilities and vehicles to provide general government, administrative, health and library services. The County’s substantial inventory of rolling stock, primarily necessary for road construction and maintenance in the unincorporated area, results in a big cost differential between jurisdictions. Community services impact fees are \$209 higher for a single-family detached house in the unincorporated area, or approximately 27% more than the fee within the City.

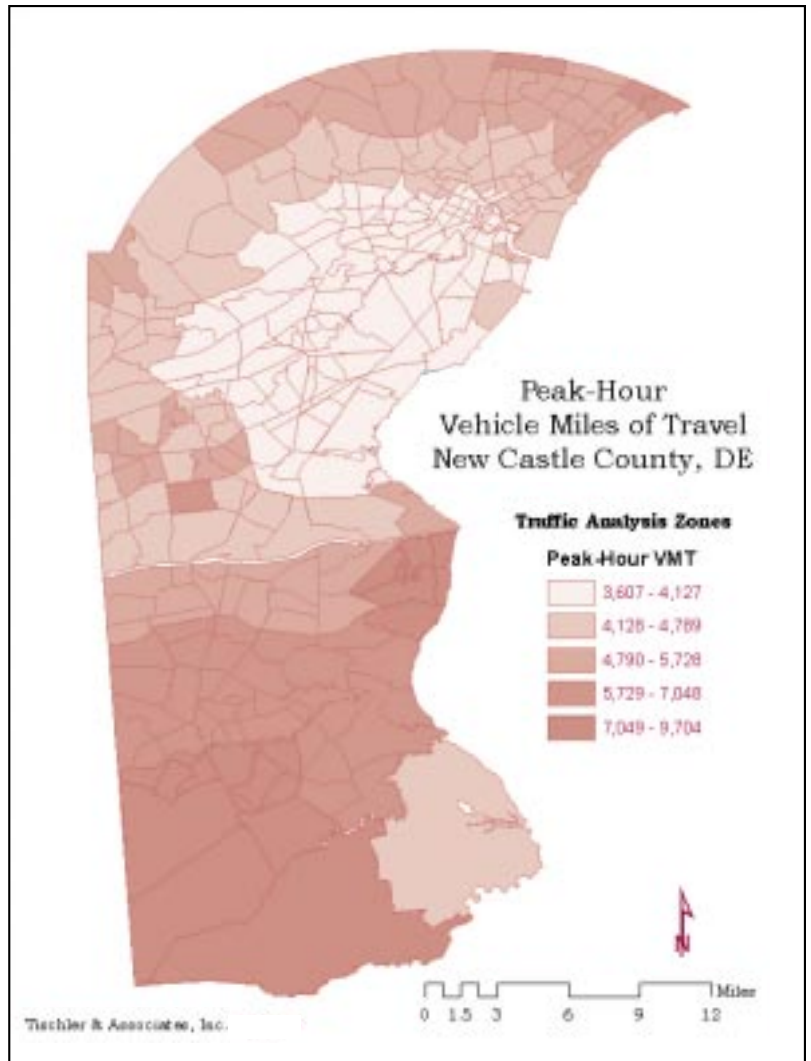
**STATE OF DELAWARE**

*(continued from p. 1)*

travel. VMT data for New Castle County are reflected in the map shown on the right. TA followed the same procedure for both Kent and Sussex Counties.

***Road impact fees varied by geographic subarea***

The final step in deriving Delaware’s transportation impact fees was to use geographic information system (GIS) software to determine the average fee by type of development for each Strategy Area in both service areas (i.e., New Castle County in the north and Kent



and Sussex Counties in the south). TA used ArcMap software to perform a union overlay analysis whereby Strategy Areas were assigned to each TAZ, or portion thereof if split by multiple Strategy Areas. After adding Strategy Areas to the TAZ databases, TA averaged the fees by type of development and Strategy Area to make the fees easier to administer.

**(800) 424-4318**

- Fiscal Impact Analyses
- Impact Fees
- Capital Improvement Programs
- Revenue Strategies
- Market and Economic Analyses
- Growth Policy Studies
- Fiscal and Economic Software

**COST OF GROWTH SERVICES**

*Also: Pasadena, CA  
www.tischlerassociates.com*

4701 Sangamore Road • Suite N210 • Bethesda, MD 20816

**Providing Solutions for Growth**  
**Tischler & Associates, Inc.**



PRSRT STD  
 U.S. Postage  
 PAID  
 Rockville, MD  
 Permit #5832