DEVELOPMENT FEES AND CHARGES

Presented by Central Missouri Development Council

February 2011

PURPOSE OF STUDY

Recent changes in development fees, through voter approval and actions of the City Council, and recent changes in interpretation of existing city ordinances prompted the Central Missouri Development Council to seek additional information.

CMDC commissioned Jeanne Jarrett, Fiscal Review Services, to perform study.

Study presents information on city fees and charges and does not examine any fees or charges imposed by Boone County, the State of Missouri or any other political subdivision.

DISCLAIMER

- The results of this study are not intended as criticism, but are a statement of facts form data taken from the city
- CMDC agreed with a number of the increase in fees that have been implemented
- We offer these observations in the spirit of questions for our policy makers to consider

INCREASES IN DEVELOPMENT COSTS

- From 1990 to 2010, fees to construct a 2,000 sf home, excluding exactions, increased 711%
- Annualized, increase was 34% per year on average
- Currently, development fees imposed by the City of Columbia are approx. $3,714 (2,000 sf home, $200K value) and infrastructure costs paid by developers are an estimated $28,000. Total= $31,714

SCHEDULE OF FEES

FEE	Fees on 2,000 sf home 1990**	Fees on 2,000 sf home 2006*	Fees on 2,000 sf home 2010*
Building Permit (per square foot)	$75.00	$102.60	$102.60
Plumbing Permit	$25.00	$48.60	$96.12
Electrical Permit	$4.00	$35.64	$51.84
HVAC permit	0	$16.74	$40.00
Right of Way permit	$1.00	$10.00	$10.00
Road Devel charge (per square foot)	$122.00	$300.00	$1,000.00
Stormwater charge (per square foot)	0	$180.00	$180.00
Sewer Connection (3/4”)	0	$400.00	$800.00
Water Connection	$180.00	$560.00	$760.00
Water Meter	$31.00	$330.00	$588.00
Temp Electric Serv	$20.00	$75.00	$75.00
Fuel Gas Permit	0	0	$10.80
TOTALS	$458.00	$2,102.00	$3,714.36

EXACTIONS

The City doesn't account for, or track, the value of land and other infrastructure improvements donated by developers.

Exactions are by far the largest portion of developer contributions to the City. In 2005, Impact Datasource estimated 14% of the cost of new home construction was attributed to city infrastructure.

Recently, the city's Department of Public Works prepared a report which attempts to quantify, in feet or miles, private construction of roadway, sanitary sewer and water main during the years 2005 to 2009.

CITY'S ESTIMATE OF PRIVATE CONTRIBUTIONS TO INFRASTRUCTURE

Infrastructure Installed/Added to Inventory by Type and Year

Source	2005	2006	2007	2008	2009
	Roadway (in miles)				
Private	20.6	20.0	9.1	3.3	2.8
Public	2.4	0.2	2.9	1.1	--
	Sanitary Sewer (in feet)				
Private	185,073	47,550	101,531	50,426	27,331
Public	2,580	84,176	--	17,646	9.935
	Water main (in feet)				
Private	21,544	27,645	28,004	19,092	4,764
Public	3,292	1,345	34,258	11,411	620

Source: City of Columbia Public Works Department & City of Columbia Water & Light Department as taken from 2010 annual Development Report

DEVELOPER CONTRIBUTIONS AS COMPUTED BY IMPACT DATASOURCE, 2005 (% OF CONSTRUCTION VALUE)

- Study by Impact Datasource in 2005 concluded developers contributed to the City's infrastructure by the following percentages of total construction value:

Streets	8%
Sewer	2%
Water	2%
Stormwater	2%
TOTAL	14%

INCREASES IN CITY DEVELOPMENT FEES AND CHARGES

<u>Fees and charges raised by:</u>

Bill introduced by City Council to enact or change city ordinance

Ballot measure presented to voters for approval

Change in interpretation of existing ordinances

IMPORTANCE OF ACCURATE INFORMATION

Fiscal note accompanies bill when presented to City Council for consideration, stating the financial impact to the City.

- Information has not always been accurate and complete-in one case “no impact” was stated when measure clearly would generate additional city revenue
- Needs assessment has not always accompanied the bill- there should be a correlation between an increase in cost and a need to raise fees
- Reason for raising fees has not always been clear- in one case noted reason as other comparable cities were charging more and there was a need to raise revenues to meet current bond obligations.

DEVELOPMENT FEES AND CONTRIBUTIONS BY DEVELOPERS

Development Fees and Contributions by Developers

Information derived from City records and from estimates reveals the historical ten-year collection of various development fees and contributions as illustrated in the following chart:

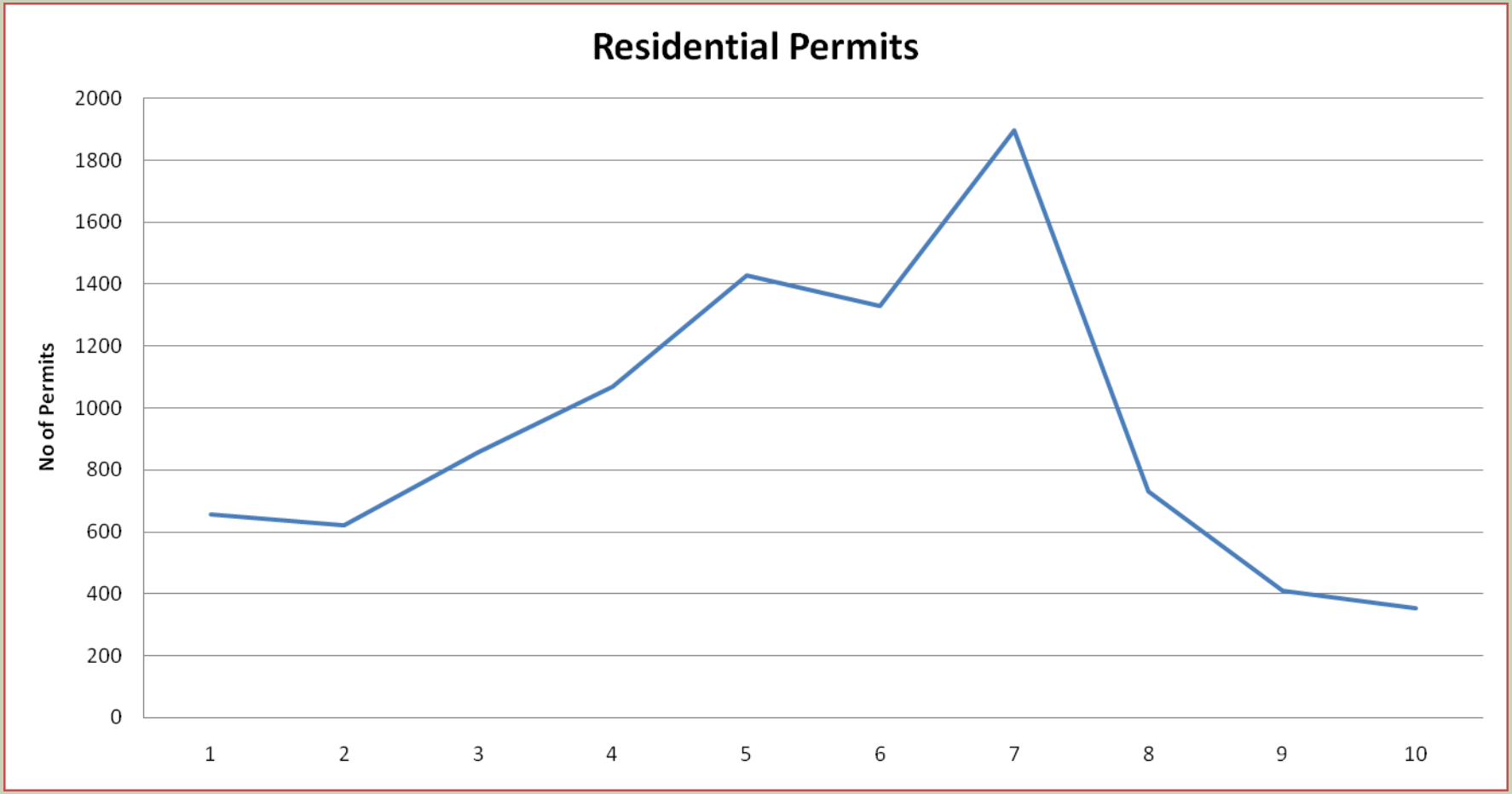
ear	Permit Fees	Development Charges	Sewer Connection Fees	Stormwater Development Charges	Developer Contributions *
2000	$451,300	$190,700	$286,500	$389,500	$15,207,900
2001	$452,000	$194,000	$271,300	$381,700	$17,933,900
2002	$468,400	$197,700	$302,000	$324,200	$24,448,400
2003	$716,500*	$488,300	$573,600	$598,800	$30,689,900
2004	$509,100	$527,000	$775,600	$539,100	$37,460,700
2005	$961,400	$543,200	$688,800	$608,000	$30,030,200
2006	$827,300	$676,800	$740,600	$629,500	$30,995,400
2007	$629,100	$485,700	$737,900	$397,400	$17,745,700
2008	$450,700	$524,500	$336,500	$371,800	$9,742,600
2009	$369,200	$368,500	$341,000	$200,300	$7,761,000

**estimated based on percentage developed by Impact DataSource pursuant to a sampling of development projects. Developer contributions are not paid directly to the City, but are donations of infrastructure improvements and other capital assets.*

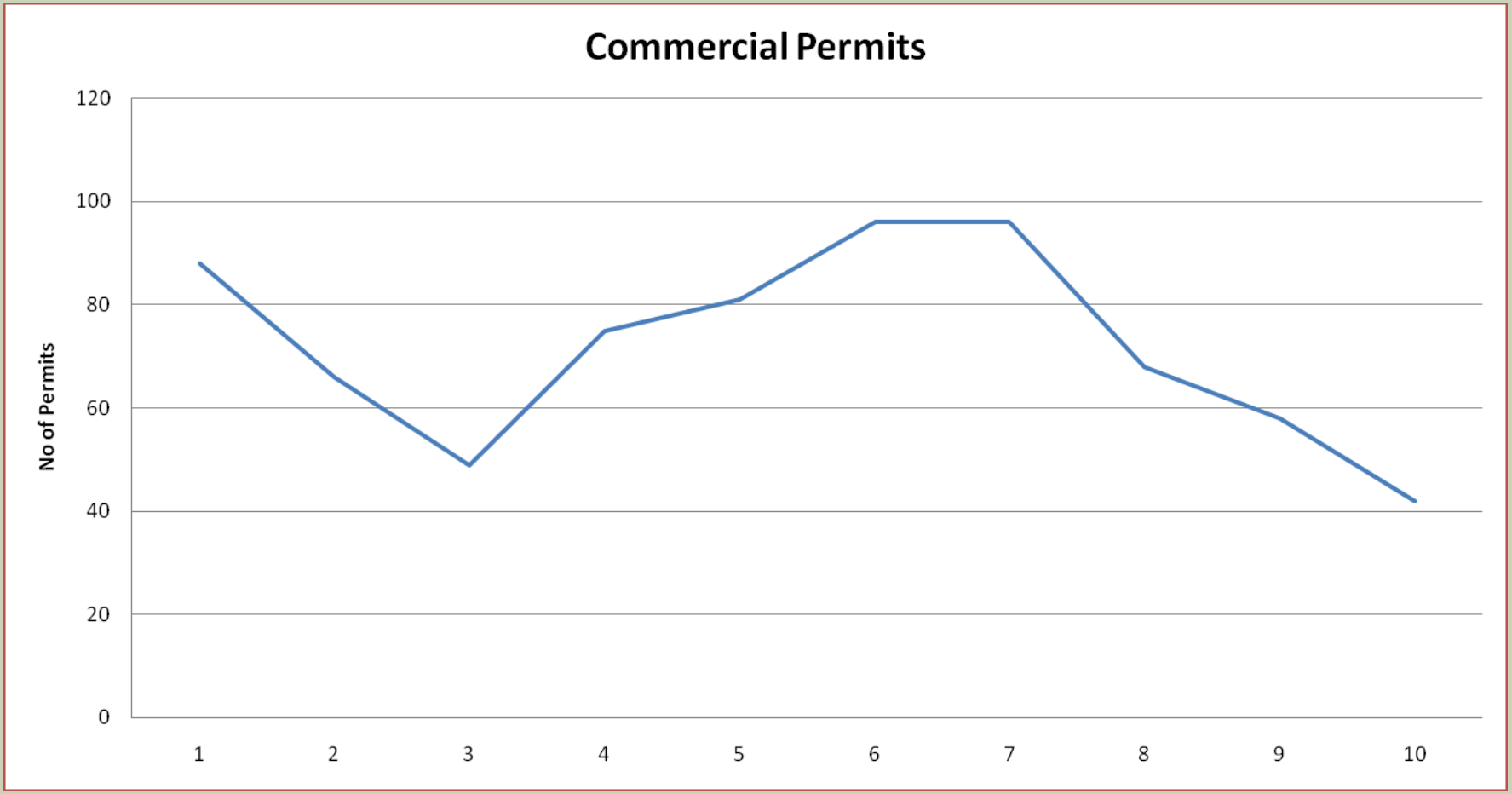
NUMBER OF PERMITS DECLINING, YET CITY STAFF INCREASING

- At a time when construction was decreasing dramatically, the City's Protective Division staffing was actually increasing.
- As reported by the city in their *City of Columbia 2010 Annual Development Report*, "..overall, residential permitting activity since 2005 has seen a 230% reduction."
- Trends in residential and commercial permitting are depicted in the following charts---

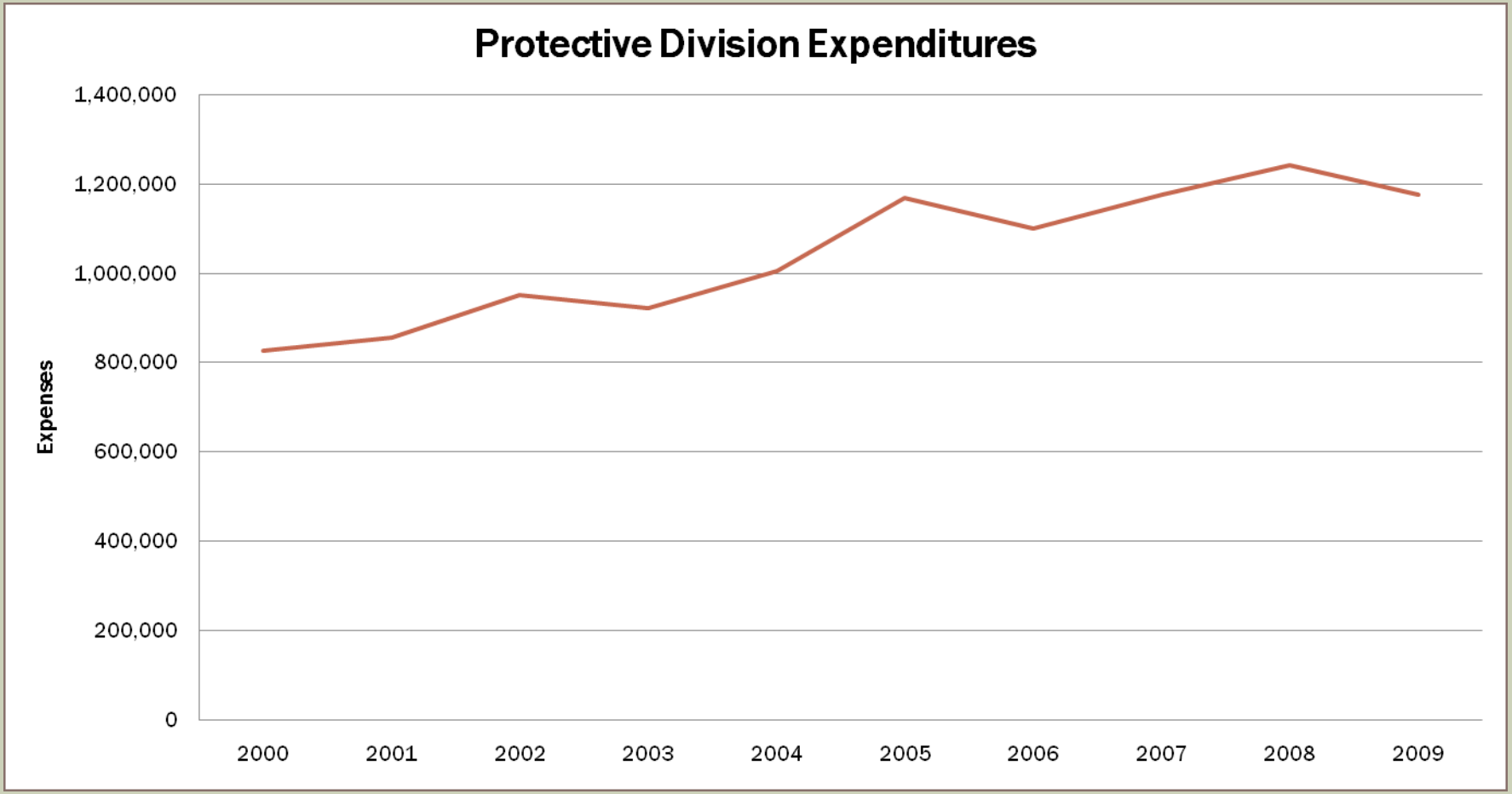
TREND IN RESIDENTIAL PERMITS 2000-2009



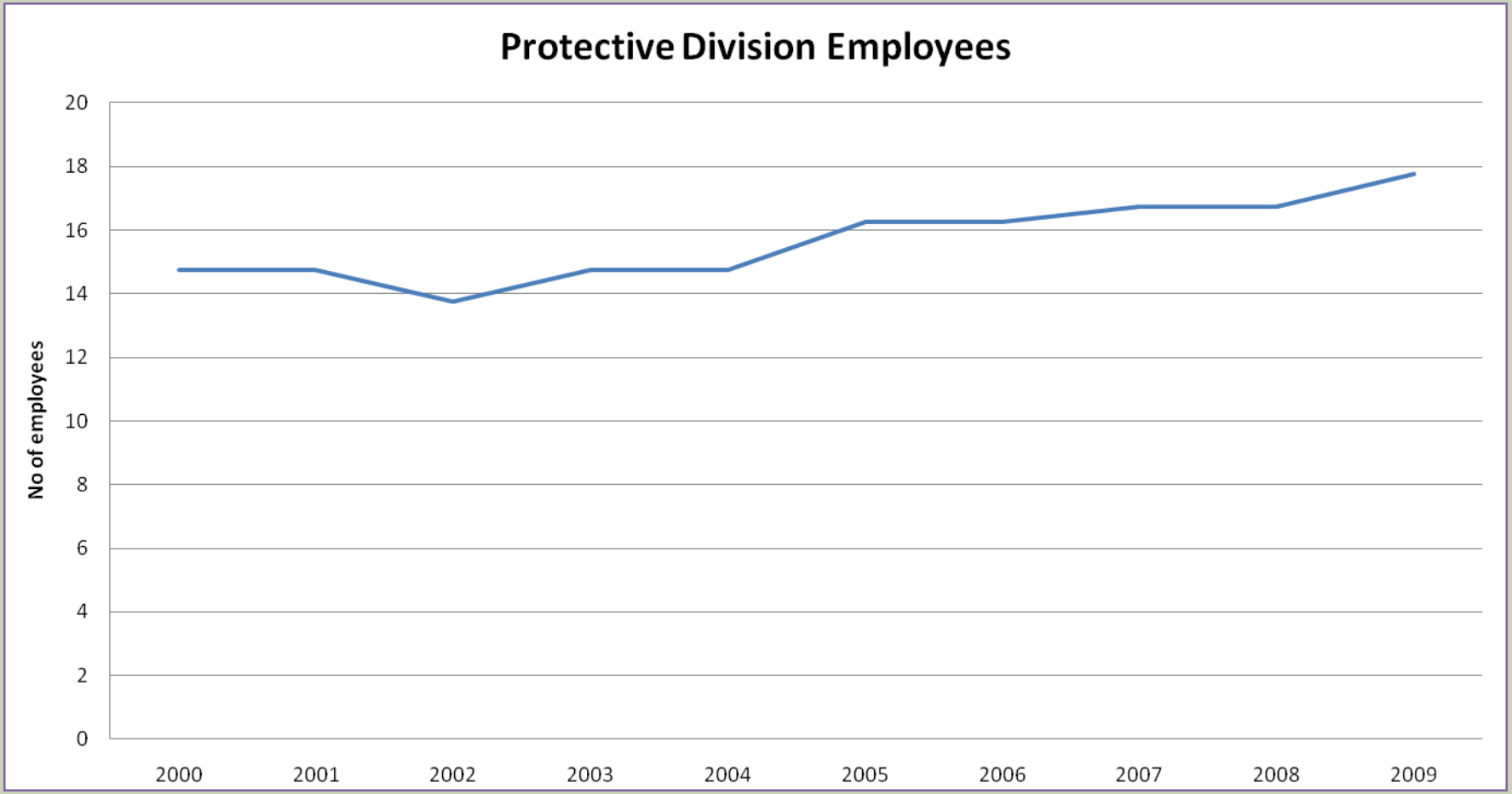
TREND IN COMMERCIAL PERMITS 2000-2009



CITY EXPENDITURES RELATED TO PERMITTING AND INSPECTIONS



CITY STAFFING RELATED TO PERMITTING AND INSPECTIONS



UTILITY CAPITAL PROJECTS AND REVENUES

Annual operating revenues and expenditures for the City's Utility Funds increased by 77% from 2000 to 2009.

Spending for capital projects did not keep pace with increases in revenues for the period 2000-2004; however, more recent years have seen increases.

ENTERPRISE FUND REVENUES, EXPENDITURES AND CAPITAL SPENDING

Year	Enterprise Capital Projects Expenditures	Enterprise Fund Revenues	Enterprise Fund Expenditures
2000	$15,649,200	$101,244,000	$90,927,000
2001	$14,159,000	$115,195,000	$94,412,000
2002	$15,400,800	$118,833,000	$96,150,000
2003	$15,649,200	$117,539,000	$101,630,000
2004	$15,818,700	$126,220,000	$106,644,000
2005	$20,787,000	$148,849,000	$121,276,000
2006	$31,868,000	$162,718,000	$136,536,000
2007	$39,133,000	$175,795,000	$148,296,000
2008	$29,042,000	$176,491,000	$154,624,000
2009	$24,167,000	$179,641,000	$160,732,000

CMDC COMMENTS AND OBSERVATIONS

- Many of the Fee Increases were agreed to and supported
- We are now more competitive in comparison to other like communities
- City Departments receive revenue windfalls when fees are increased or when levels of service are shifted or reduced with no reduction in rates or user cost
- Using anticipated growth in fees is a n unreliable method of budgeting
- Many of these fees only apply to new home owners who's use and demands on City systems and infrastructure are significantly less than older homes and infrastructure
- Caution should be exercised with future increases and with reductions in service

QUESTIONS??