City of Albuquerque
Impact Fee Committee

COMMENTS TO CITY COUNCIL REGARDING ROADWAY FACILITIES IMPACT FEES

Recommendation: *The Committee believes that the report should not be approved by the City Council as it is presently written. The Committee members believe that the consultants' report is flawed as a result of methodological and factual errors. The report is also incomplete because it does not address and was not allowed to address a comprehensive set of credits, waivers and reductions. The time pressures and workload demands placed on the consultants and the Committee have resulted in a product in which we are not confident. We suggest that the City Council insist that the errors be corrected and that the methodological concerns must be addressed in order that a legal, fair and comprehensive impact fee program be designed.*

Introduction

The Impact Fee Committee heard presentations from consultant Steve Tindale of Tindale Oliver regarding Roadway Facilities Impact Fees on May 25, 2004 and August 24, 2004, and received Tindale Oliver's final report on August 31, 2004.

Steve Tindale, P.E., AICP, has been involved in over 40 impact fee studies and their implementation. He is the former City of Tampa Public Works Director and chairs the Institute of Transportation Engineers Trip Generation Length Subcommittee.

Methodology

The consultants propose seven Service Areas for Roadway Facilities Impact Fees:

- Downtown;
- Northeast Heights;
- Near North Valley;
- Far Northeast Heights;
- I-25 Corridor;
- Northwest Mesa; and
- Southwest Mesa.

(See attached map – Exhibit A)

The Roadway Facilities Impact Cost Study is based on a standards-driven impact cost methodology. In the case of a standards-driven analysis, it is assumed that new development consumes some roadway capacity on <u>all</u> roads, both existing and required new ones, regardless of whether the roads are among those that are planned for improvements. As such, the cost to serve new development in each of the seven service areas is calculated as follows.

- Determining the *unit demand* for travel placed on the roadway facility system (i.e., the amount of road system consumed) by each land use included in the impact cost schedule, using the following units of measure:
  - Number of trips generated (Trip Rate);
  - Length of the trips (Trip Length); and
  - Proportion of travel that is new travel (% New Trips), rather than travel that might have already been on the road system.

- Determining the *unit cost* for all aspects involved in the addition of one lane mile of roadway capacity for city and private projects in the City of Albuquerque based on information from the 2025 Metropolitan Transportation Plan (MTP) and from the City of Albuquerque.

- Determining the *offset* to the calculated cost component, which represents an estimate of the annual non-impact fee revenues generated by a new development that are allocated to roadway construction or facilities expansion. For the City of Albuquerque, the offset component is based on two different aspects: (1) the new revenue for roadway construction that a given development generates (i.e., the gas tax proxy offset) and (2) the comparative ability of existing and future development to generate revenues for roadway capital improvement (i.e., offset based on the existing/new development revenue ratio). This latter aspect is included to account for the ability of existing development to generate revenues for capital improvements and is based on the rate of growth occurring within the community.

- Assessing and quantifying other variables required for the Roadway Facilities impact cost equation, such as facility life, interest rate, fuel efficiency, effective days per year, and average daily capacity added per lane mile of roadway constructed.

- Assessing and quantifying an Interstate Facility Adjustment Factor to reduce the vehicle miles of travel that occur on the Interstate system for each land use included in the impact cost schedule. This variable is used to recognize that Interstate highway improvements are funded by the State using earmarked State and Federal funds and that, typically, impact fees are not used to pay for these improvements.

- Setting the legal maximum roadway facilities impact fee by type of development by inputting the variables identified in the previous bullets into the following general equation,

  $$(\text{Unit Demand} \times \text{Unit Cost}) - \text{Offsets} = \text{Net Impact Cost}$$

  where the Net Impact Cost represents an "up front" payment for a portion of the cost to replace the roadway facilities consumed by a development.

- Projecting maximum impact fee receipts by service area to 2012 and contrasting projected receipts with proposed capital expenditures to 2012 and, if necessary, adjusting downward the level of impact fees so that projected impact fee receipts will not exceed the cost of growth-serving capital improvements.

Impact Fee Committee Comments on Methodology

Comments of support:

- *Tindale-Oliver is clearly a firm of "qualified professionals", as defined by the NM Development Fees Act.*

- *The consultants believe that the methodology on which the Roadway Facilities costs are based is a marginal cost approach, as required by Ordinance 02-39 which adopted the Planned Growth Strategy. The marginal cost approach identifies the cost to accommodate the "next unit" of growth, and the methodology takes into account the requirements for new capacity that are generated by growth in specific service areas. The consultants further claim that this is in contrast to assigning an "average cost" to accommodate growth no matter where in the city it occurs.*

- *The growth estimates utilized in the methodology are the Land Use Assumptions adopted in Ordinance 04-9.*

- *The methodology is tied strongly to local characteristics. Tindale-Oliver has worked closely with City of Albuquerque staff in the Department of Municipal Development and with Transportation Planning staff in the Mid Region Council of Governments - NM. John Castillo and John Hartmann in the Department of Municipal Development and Berry Ives and Nathan Masek in MRCOG-NM (City and MRCOG Staff) have contributed information and experience that has helped shape the methodology. For example,*

    - *The Service Areas for Roadway Facilities were based on the Traffic Sheds contained in Resolution 02-111 after discussion with the MRCOG-NM staff.*

    - *The Level of Service for Roadway Facilities was set at the service level that would be produced by implementation of the MRCOG MTP 2025 Plan for the Albuquerque Metropolitan Area. This Plan was adopted unanimously by members of the MRCOG Board which is made up of elected officials from the Mid-Region governmental (counties, municipalities, etc.) units.*

    - *Future specific capital needs and unit costs for a lane mile of new capacity were derived from the new capacity projects identified in the MTP 2025 Plan for the Albuquerque Metropolitan Area.*

- *The consultant and City and MRCOG Staff have been open to suggestions from the Impact Fee Committee and revisions resulting from these suggestions have been incorporated.*

    - *The Roadway Facilities Impact Fee study report was presented to the Impact Fee Committee in May, 2004, and revised for its final presentation to the Committee in August. Among the changes made in this process were the development of* *tracking-tables for volume to capacity ratios to meet the NM Development Fees Act requirement that impact fees not create more capacity than is needed for estimated future demand.*

Comments of concern:

- *The Roadway Facilities cost calculations do not portray the full cost of growth. The consultants have acknowledged several times that if impact fees are assessed at the full cost they have calculated, revenues from these fees will deliver only about one-third of the money needed to build the roadway capacity required. The other two-thirds will come from existing taxpayers.*

- *The assertion that 2/3 of the money for roadway construction, attributed to new growth is paid by taxpayers (i.e., public funds) is not correct presently nor will it be correct if the roadway impact fee is passed. As early as 1999, both the City and the development community agreed that the cost sharing for new roadway construction from a percentage basis can be broken down as follows: Arterials – 60% Public/40% Private; Collectors 20% Public/80% Private; Locals: 0% Public/100% Private. These figures were part of a collaborative effort between city staff (headed by Lou Colombo) and NAIOP representatives (headed by Lawrence Wells) during the formulation of specific strategies and assessments for the Planned Growth Strategy. Because of the relative number of the different street types, the percentages point to the fact that for new construction, the private sector pays closers to 2.3 of the total costs. It should also be noted that study of the investments for the period 1990-2003 point to the fact that the cost burden has shifted significantly to the private sector during this period. Based on recent experience, it is anticipated that the private sector cost share will continue to expand. If the impact fee CIP is accepted, very few roads will be paid for through impact fees. In fact most of the roads that need to be built on the West Side will be built by the private sector with no credits against impact fees. Others will be paid, as had been true for roads on the East Side through GO bonds, state and federal dollars.*

- *The methodology results in some Service Areas having impact fees = 0. We know that the Downtown Service Area, for example, will grow and those new people will use roadway capacity all over the city, but they are not being charged an impact fee.*

- *The Right of Way (ROW) assumption in all of the Roadway Facilities cost calculations is that the ROW for one lane mile will cost $660,000, no matter in what part of the city the road is being built. The ROW costs should vary by service area.*

- *The consultants did not employ a marginal cost methodology. The consultants based the Roadway Facilities costs on an average costs approach, calculating the costs based on the average trips generated by each type of new development. The differences in transportation costs by Service Area has been adjusted by the tax contribution of the existing residents and businesses within that Service Area.*

- *The impact fee amounts were calculated, and then the roads to be included in the IFCIP were chosen. This is contrary to New Mexico state law.*

Costs

Description: The consultants have determined that the costs to provide roadway capacity to accommodate new growth differ by service area. The cost to accommodate these needs for a 2,000 square foot residence, a 20,000 square foot retail development, a 20,000 square foot office development and a 20,000 square foot industrial development are indicated in the table below.

Cost to Accommodate Various Types of Development by Service Area
Roadway Facilities

Type of Development	*Cost in Service Area*						
	Far NE	**Northeast Heights**	**Downtown**	**Near North Valley**	**I-25**	**SW Mesa**	**NW Mesa**
2,000 square foot **Residence**	$1,585	$0	$0	$0	$3,160	$4,046	$3,933
20,000 square foot **Retail**	$4,000	$0	$0	$0	$55,200	$84,020	$80,320
20,000 square foot **Office**	$41,520	$0	$0	$0	$88,240	$114,540	$111,180
20,000 square foot **Industrial**	$43,740	$0	$0	$7,900	$61,300	$71,180	$69,920

Impact Fee Committee Comments on Costs

Comments of support:

- *The costs to provide new lane miles of capacity to new growth vary by service area. These differences reflect the application of a marginal cost methodology, as required by Ordinance O-02-39 which adopted the Planned Growth Strategy.*

- *The elements in the cost calculations were supplied by city and MRCOG staff who are highly conversant with the cost characteristics of providing the Levels of Service specified in the methodology.*

Comments of concern:

- *The Roadway Facility costs that have resulted from the consultant's calculations are simply unreasonable and will shut down appropriate development in areas where it is greatly needed if the impact fees are charged at the full cost of growth. How can the jobs/housing balance be addressed, for example, if the impact fees on a 20,000 square foot office building in the Southwest Mesa Service Area are $114,000 and in the Downtown Service Area they are 0?*

Impact Fee Capital Improvement Plan (IFCIP)

The IFCIP for Roadway Facilities for the years 2004 – 2012 is attached as Exhibit B. It was prepared by City Staff based on the consultants' projections of revenue from impact fees set at the capital costs to the City of accommodating new development.

Impact Fee Committee Comments on the IFCIP

Comments of Support:

- *The Roadway Facilities IFCIP was prepared by City Staff based on the consultants' projections of revenue from impact fees set at the capital costs to the City of accommodating new development in each Service Area. The consultants have expertise in calculating the costs of accommodating new development. The Impact Fee Committee also recognizes the expertise of City Staff in identifying capital projects which will satisfy the service needs of new development within the next ten years.*

Comments of Concern:

- *City staff has said developers may continue to be charged exactions as well as be required to pay impact fees. Accordingly, the IFCIP projects needs to be specified clearly so that developers will not be overcharged. The "intersection improvements" category seems vague, for example; the intersections to be improved ought to be listed.*

- *The Roadway Facilities IFCIP is restricted to major arterials. It should also include minor arterials and collectors. The impact fee was based on the cost to supply collector and minor arterial roadways as well as major arterials.*

- *Roadways are not the only way transportation capacity can be increased. The MTP 2025, the Highway Department and the Federal Department of Transportation ought to include expenditures for other than roads to build capacity.*

- *Impact fees can not be spent on deficiencies in the Roadway Facilities IFCIP. Impact fees should not be the only source of revenue spent on arterials/transportation systems. Other sources of revenue should be brought to bear.*

- *The IFCIP should be updated to reflect current conditions including the 2004 bond election.*

Exhibit A

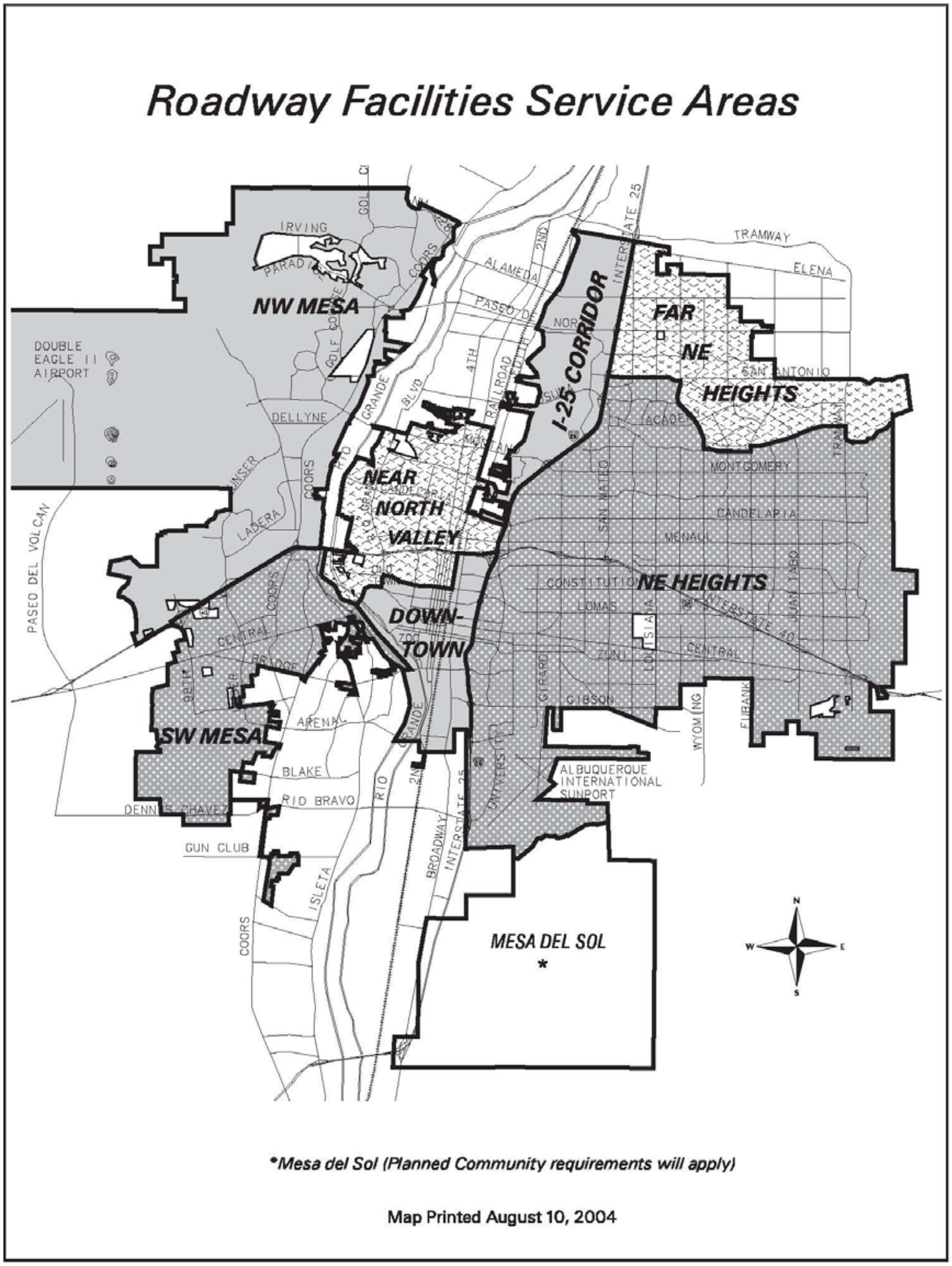
Roadway Facilities Service Areas
NW MESA
FAR NE HEIGHTS
I-25 CORRIDOR
NEAR NORTH VALLEY
NE HEIGHTS
DOWN-TOWN
SW MESA
MESA DEL SOL *
DOUBLE EAGLE II AIRPORT
ALBUQUERQUE INTERNATIONAL SUNPORT
IRVING
TRAMWAY
ELENA
ALAMEDA
DELLYNE
MONTGOMERY
CANDELARIA
MENAUL
CENTRAL
GIBSON
ARENAL
BLAKE
RIO BRAVO
GUN CLUB
COORS
ISLETA
BROADWAY
INTERSTATE 25
PASEO DEL VOLCAN
SAN MATEO
LOUISIANA
WYOMING
EUBANK
JUAN TABO
GIRARD
LOMAS
*Mesa del Sol (Planned Community requirements will apply)
Map Printed August 10, 2004

Exhibit B

Roadway Facilities Impact Fee Capital Implementation Program, 2004-2012

Service Area	Segment	From	To	Lanes	Distance	Cost
Southwest Mesa	98th Street	Sage	Gibson West	4	0.8 mile	$6,238,112
	Unser	Gibson West	Dennis Chavez	2	1.0 mile	$3,898,820
	98th Street	Gibson West	Dennis Chavez	4	0.9 miles	$7,017,876
	Unser	Central	I-40	2	1.0 mile*	$2,578,820
	Unser	Sage	Gibson West	2	1.0 mile	$3,898,820
	Intersection Improvement					$2,926,198
Total						**$26,558,646**
I-25 Corridor	Intersection Improvement					**$171,237**
Far Northeast	Wyoming	Burlison	Paseo del Norte	2	**miles	$2,000,000
	Intersection Improvement					$800,822
Total						**$2,800,822**
Northwest Mesa	Unser	Atrisco	Paradise	4	2.3 miles	$17,934,572
	Paseo del Norte	Universe	Unser	4	1.25 miles	$9,707,450
	Unser	I-40	98th	2	1.1 miles*	$2,836,702
	Paseo del Norte	Unser	Kimmick	4	0.7 miles	$5,458,348
	Unser	Paradise	County Line	4	1.3 miles*	$6,704,932
	Intersection Improvement					$1,848,235
Total						**$44,490,239**

Notes: * ROW removed. ** The cost of the needed widening improvements exceeds the available funding for this 1.75 mile segment of Wyoming. Improvements to be phased commensurate with the available funding.