

**City of Albuquerque
Impact Fee Committee**

**COMMENTS TO THE CITY COUNCIL REGARDING DRAINAGE FACILITY
IMPACT FEES**

Recommendation: *The Committee has the concerns which are listed herein. We urge that these be addressed and resolved before adoption.*

Introduction

The Impact Fee Committee heard presentations from consultants Kees Corssmit, PhD, and Neil Geitner, PE, of Integrated Utilities Group regarding Drainage Facilities Impact Fees on July 27, 2004, and August 31, 2004, and received IUG's final report on September 10, 2004.

Dr. Corssmit is President of Integrated Utilities Group and has 25 years' experience in utility economics.

Mr. Geitner is an economist and engineer with 25 years' experience in storm water utilities and environmental engineering.

Methodology

Description: The consultants propose five Service Areas for Drainage Facilities Impact Fees. (See attached map – Exhibit A.)

- Fully Served Area
- Far Northeast Area
- Tijeras Arroyo Area
- Southwest Area
- Northwest Area

The cost to serve new development in each of the service areas is calculated by

- Evaluating existing drainage plans
- Removing projects that were not strictly related to the support of new development, including rehabilitation projects, projects that are no longer needed, deficiency correction projects, and projects that were already constructed.

- Removing the cost components from the growth only projects that are expected to be contributed by other governmental agencies (Bernalillo County).
- Updating cost estimates (some dating back to 1981) to current (2004) values
- Establishing drainage service areas that meet the nexus principle with City staff.
- Calculating the full-marginal cost of growth by reviewing the reimbursement component based on past, growth-related projects that contained City equity.
- The result of the reimbursement portion of the fee calculation is zero at this time.
- Excluding on-site/within development projects from the fee calculation.
- Acquiring and using PGS Land Use assumptions through 2025.
- Assigning Projects to Areas based on City Grid Coding
- Assigning mapped Project Costs based on drainage service area boundaries
- Calculating service units (SU's [SUs are impervious acres.]) based on the Projected Growth within each Drainage Service Area based on the DPM.
- Calculating Costs per Service Unit by Service Area
- Presenting Drainage Impact Fees by Service Area and per average residential lot (5 lots per acre assumed density).

Impact Fee Committee Comments on Methodology

Comments of Support:

- *Dr. Corssmit and Mr. Geitner are clearly “qualified professionals”, as defined by the NM Development Fees Act.*
- *The methodology on which the Drainage Facility 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. 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 based on the Land Use Assumptions adopted by Ordinance 04-9.*
- *The methodology is tied strongly to local input. Dr. Corssmit and Mr. Geitner have worked with City of Albuquerque Engineer Dan Hogan, Analyst Bryan*

Wolfe and AMAFCA Executive Engineer John Kelly (City and AMAFCA Staff). These staff members have contributed information and experience that has helped shape the methodology. For example, the project list on which the Level of Service for drainage facilities is based was created via a joint review of existing Drainage Master Plan Studies by Dan Hogan and John Kelly.

- *The consultants and staff have been open to suggestions from the Impact Fee Committee and revisions resulting from these suggestions have been incorporated.*
 - *The consultants met with the Committee in July, 2004, and returned to Albuquerque again in August with a revised version of their report to present to the Impact Fee Committee. Further revisions in September were made as well. Among the changes made in this process was the addition of two recent Master Drainage Plan Studies that had been omitted, and the modification of wording on the IFCIP as well as the addition of another IFCIP project in the Southwest Area*

Comments of Concern:

- *The consultants appear to have used average cost methodology, not marginal cost methodology. Twenty one years of project costs were averaged and applied to the first seven years of new growth.*
- *None of the consultants met with any Albuquerque private sector firms in the process of preparing their report and these people are the knowledgeable practitioners.*
- *The North Albuquerque Acres and Tijeras projects used in defining the level of service for Drainage Facilities were likely primarily deficiency related and should not have been included.*
- *No deficiencies were enumerated in the report, which results in a loss of confidence that the projects used to define the level of service were truly growth related.*
- *No existing level of service has been defined in the consultants' report.*
- *The full marginal cost for drainage facilities over the next seven years is \$115,600,000. Impact fees will collect only \$41,376,685, or 35% of the total costs. Impact fees should be calculated on the full marginal costs. (See Attachment 2, Growth Related Drainage Capital Projects, in the consultants' report.)*
- *The service areas here do not match the service areas identified in R-111.*

- *Drainage is a very complicated topic and the time left to the Committee to review it was too short.*

Costs

The consultants have determined that the capital costs to provide drainage facilities to new development differ by service area. The costs to accommodate these needs for an impervious acre are indicated in the table below.

Costs to Accommodate Development by Service Area

Drainage

DRAINAGE FACILITIES IMPACT FEES COST SCHEDULE						
Land Use	Unit	Service Area				
		Fully Served	Far NE	Tijeras	SW Mesa	NW Mesa
All Land Uses	One impervious acre, as defined in the City of Albuquerque's Development Process Manual	\$0	\$10,207	\$13,290	\$12,836	\$15,896

Impact Fee Committee Comments on Costs

Comments of support:

- *The costs to provide drainage facilities to new growth differ 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, including the concept that fees will logically be more in areas where there is less infrastructure already in place.*
- *The information on which the cost calculations were based was supplied by city staff who are conversant with the cost characteristics of providing the Levels of Service specified in the methodology.*

Comments of concern:

- *The consultants appear to have used average cost methodology.*
- *Drainage projects are funded by many sources – AMAFCA, the County, the City, Federal Government, and the private sector. Many projects on the IFCIP may include deficiencies. Assigning all of those costs to growth is inappropriate. North Albuquerque Acres and Tijeras are examples.*
- *The full marginal cost for drainage facilities over the next seven years is \$115,600,000. Impact fees will collect only \$41,376,685, or 35% of the total costs. Impact fees should be calculated on the full marginal costs. (See Attachment 2, Growth Related Drainage Capital Projects, in the consultants' report.)*

Impact Fee Capital Improvement Plan (IFCIP)

The Impact Fee CIP for Drainage Facilities for the years 2005 – 2011 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 Impact Fee CIP

Comments of support:

- *The Drainage 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 Impact Fee Committee recognizes the experience of the consultants in calculating the costs of accommodating new development. The Impact Fee Committee further recognizes the experience of city and AMAFCA staff in identifying capital projects which will satisfy the service needs of new development within the next ten years.*

Comments of concern:

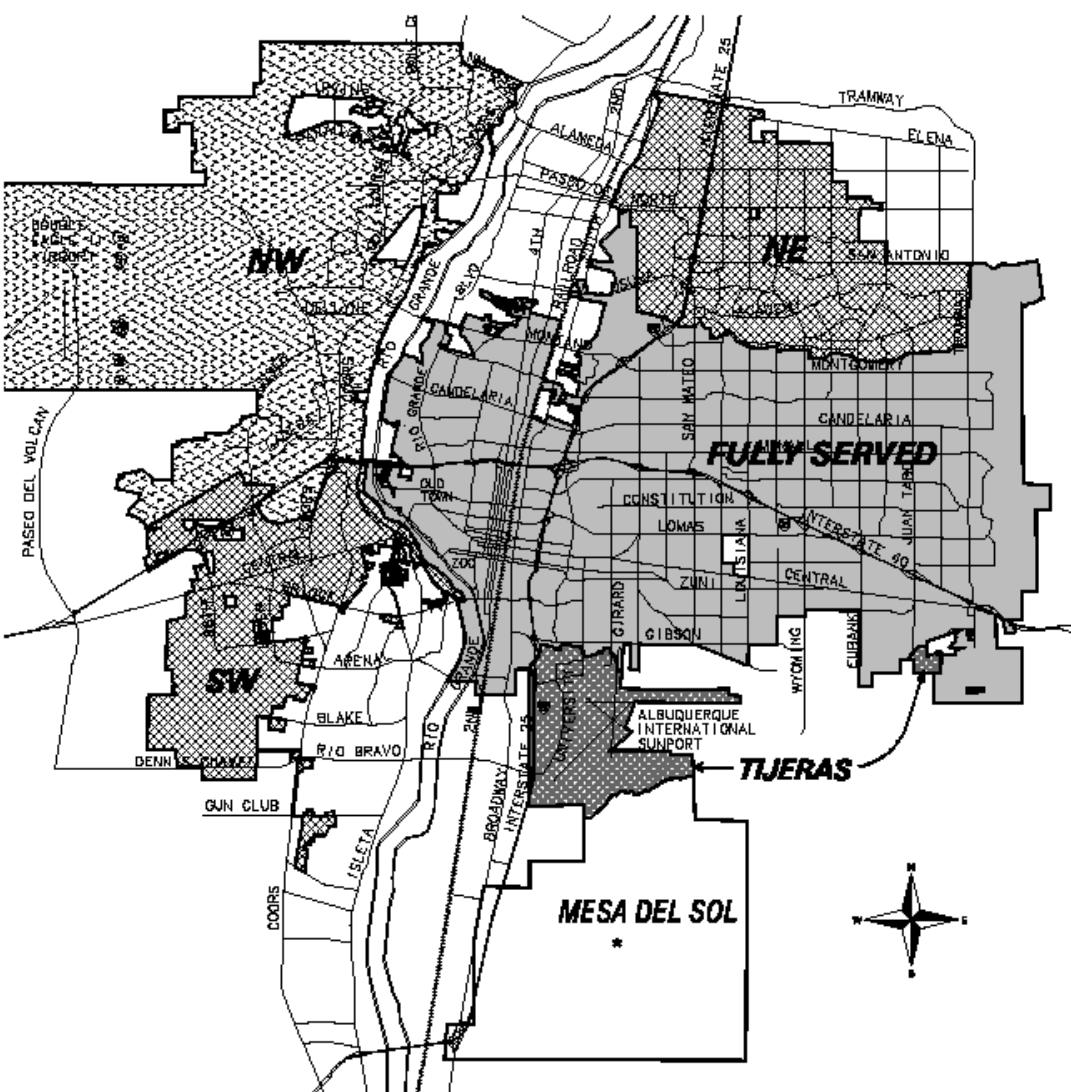
- *The North Albuquerque Acres and Tijeras projects included in the IFCIP appear to be largely deficiency and rehab projects.*
- *According to the consultants, the IFCIP prepared by city staff, was based on the consultants' projections of revenue instead of need.*
- *The Double Eagle II pond is a site specific project and should not be included in the IFCIP.*
- *System improvements constructed by the development community yield credit only if they are on the IFCIP. Said another way, the only time a distinction between*

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system improvements (that benefit the entire community) and project improvements (which benefit the development project) will be honored with credits is if the system improvements are included on the IFCIP. This results in new development constructing system improvements and paying impact fees. This is unfair.

Exhibit A

Drainage Facilities Service Areas



**Mesa del Sol (Planned Community requirements will apply)*

Map Printed August 23, 2004

Exhibit B

DRAINAGE FACILITIES IMPACT FEE CAPITAL IMPLEMENTATION PROGRAM 2005-2012		
(Note: All projects will be phased)		
Service Area	Project	Cost
Southwest	>Construct phased improvements to the South Powerline channel and detention basins within the municipal limits	\$1,100,000
	> Construct phased improvements to the Snow Vista trunk between the Amole Basin and the existing improvements	\$5,131,009
	> Construct phased improvements to the storm drainage trunk upstream of Sage/Tower Road Pond	\$1,744,543
	> Construct phased improvements to West Bluff trunk (I-40 diversion) west of Unser and associated detention ponds within the municipal limits	\$3,386,466
	> Advance ROW acquisition	\$1,262,446
Total		\$12,624,463
Tijeras	> Construct phased improvements to the Tijeras arroyo between KAFB and Four Hills Road, within the municipal limits	\$844,925
	> Advance ROW acquisition	\$93,881
Total		\$938,806
Far Northeast	> Construct phased improvements to the North and South La Cueva and El Camino trunk between the North Diversion Channel and the municipal limits to the east	\$3,879,203
	> Advance ROW acquisition	\$431,023
Total		\$4,310,226
Northwest	> Construct phased improvements to the Piedras Marcadas trunk and diversion of the Piedras Marcadas to the Calabacillas Arroyo	\$6,768,918
	> Construct phased improvements to Boca Negra/Mariposa trunk and associated detention ponds	\$10,576,436
	> Construct phased improvements to the storm drainage trunk(s) northwest of Mirehaven diversion and associated detention ponds	\$3,807,517
	> Advance ROW acquisition	\$2,350,319
Total		\$23,503,190
Grand Total		\$41,376,685

