



Agenda

Capital Improvements Advisory Committee

Thursday, October 8, 2015

3:00 p.m.

City Hall, 200 Lincoln Avenue, 1st Floor
City Councilors Conference Room

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES – **Meeting of August 13, 2015**
5. MATTERS FROM THE CHAIR
6. DISCUSSION / ACTION ITEMS
 - A. **Action – CIAC Meeting Schedule for 2016**
 - B. **Discussion – Residential Impact Fee Reduction Analysis Report (Duncan Associates)**
(Review required by ordinance 2014-8 that adopted the 2-year fee reduction)
 - C. **Action – Recommendation Regarding City’s 50% Reduction for Residential Impact Fees**
(Scheduled to “sunset” February 26, 2016, unless continued by separate ordinance)
7. INFORMATION ITEMS
 - A. **Quarterly Financial Summary and Permit Report (July – September, 2015)**
8. MATTERS FROM THE COMMITTEE / STAFF
9. MATTERS FROM THE FLOOR
10. NEXT QUARTERLY MEETING DATE (**Thursday, January 14, 2016, 3:00 p.m.**)
11. ADJOURN

Persons with disabilities in need of accommodations, contact the City Clerk’s office at (505) 955-6520, five (5) working days prior to meeting date.

For questions regarding this agenda, please contact the Long Range Planning Division at 955-6610.

MINUTES OF THE
CITY OF SANTA FE
CAPITAL IMPROVEMENTS ADVISORY COMMITTEE

August 13, 2015

1. CALL TO ORDER

A regular meeting of the City of Santa Fe Capital Improvements Advisory Committee was called to order by Jack Hiatt at 3:15 p.m. on this date in the City Councilors' Conference Room, 1st Floor, City Hall, Santa Fe, New Mexico.

2. ROLL CALL

Roll call indicated a quorum was present as follows:

MEMBERS PRESENT:

Jack Hiatt
Edmundo Lucero
Rick Martinez
Kim Shanahan
Neva Van Peski
Marg Veneklasen

MEMBERS ABSENT:

Karen Walker, Chair, excused
Michael Chapman, Vice Chair, excused
1 vacancy

STAFF PRESENT:

Reed Liming, Long Range Planning Division Director

OTHERS PRESENT:

Jo Ann G. Valdez, Stenographer

3. APPROVAL OF AGENDA

Ms. Van Peski moved to approve the Agenda as published. Mr. Lucero seconded the motion. The motion passed unanimously by voice vote.

4. APPROVAL OF MINUTES:

- **Meeting of May 14, 2015**

Ms. Van Peski moved to approve the Minutes of the May 14, 2015 meeting. Ms. Veneklasen seconded the motion. The motion passed unanimously by voice vote.

5. MATTERS FROM THE CHAIR

Chair Walker was absent, therefore there were no matters from the Chair.

6. DISCUSSION AND ACTION ITEMS

- A. Review /Evaluation of City's 50% reduction for Residential Impact Fees – Request to use \$7,500 from impact fee fund to hire Duncan Associates, City's impact fee consultant, to provide a review/report evaluating the effects of the City's reduction of impact fees (review required by ordinance 2014-08 adopting the 2-year reduction)**

(Copies of the letter from Duncan Associates (Clancy Mullen) regarding the Evaluation on effect of Residential Impact Fee Reductions {*Exhibit 6A*} were distributed in the Members' packets.)

Santa Fe's impact fees for residential uses were suspended for two years effective January 22, 2012. Beginning February 27, 2014, residential impact fees are currently being collected at 50% of adopted amounts. The City Council will decide in its scheduled 2-year review whether the 50% rate should be continued beyond the initial two years.

Duncan Associates (Clancy Mullen) can prepare an evaluation of the effects of these residential fee reductions on local residential construction activity, in order to provide some context for the Council's two-year review. They could prepare such an analysis for a fixed fee of \$7,500. This would include preparation of a draft report for staff review, followed by a final report after consideration of staff comments. To facilitate the analysis, City staff would need to provide historical building permit information.

In response to Mr. Liming's question about whether impact fees could be used to fund this work, Mr. Mullen believes they can. According to the Development Impact Fees Act, impact fees can be spent for "fees actually paid or contracted to be paid to an independent qualified professional, who is not an employee of the municipality or county, for the preparation or updating of a capital improvements plan." Mr. Mullen thinks this assignment would qualify as follow-on services related to the recent update, and would therefore be eligible for funding with impact fees.

Mr. Lucero asked if the City needed a consultant to do this.

Mr. Liming said he would like to have a third party do the analysis because Clancy Mullen has the experience and the knowledge to do this.

Ms. Van Peski agreed, and added that they have done a good job in the past.

Mr. Liming said the intent is that this will go before the Finance Committee and then to City Council for approval and that they are aware that impact fees will be spent.

Mr. Martinez asked if the funds to pay the consultant will come from a specific department.

Mr. Liming said you could proportionate the funds to come out of all four funds/departments. He suggested that the funds come from the Roads Fund, which is the largest fund.

Mr. Hiatt asked if Mr. Liming is asking for consensus from the Committee to approve the \$7,500 expenditure.

Mr. Liming said yes - to use \$7,500 from impact fee fund to hire Duncan Associates, City's impact fee consultant, to provide a review/report evaluating the effects of the City's reduction of impact fees (review required by ordinance 2014-08 adopting the 2-year reduction)

Mr. Shanahan referred to Mr. Mullen's letter, paragraph 2, last sentence. It states: *"If local fee reductions have provided a stimulus for local residential construction, one would expect that the recent increase in City building permits would exceed increases elsewhere that are due to broader trends in the economy and housing market."* Mr. Shanahan said we know for a fact that New Mexico and Santa Fe, in particular, is "358 out

of 358 metropolitan ~~statistical~~ areas”, (in terms of the growth of commercial construction jobs). Santa Fe is dead ~~last~~ in terms of growth of construction jobs.

Mr. Shanahan said the presumptions are that we should see some increases in building permits, as a result of the reduction in impact fees, but we have not seen that. Therefore, we clearly are not above national trends in the economy and housing market.

Mr. Shanahan said what is not included is what impact, if any, did impact fees have on any of these. He thinks impact fees had nothing to do with this.

Ms. Veneklasen agreed.

Mr. Liming said it is really up to this Committee to make a recommendation or conclusion to City Council based on the analysis that is done.

Ms. Veneklasen moved to approve the request to use \$7,500.00 from the “Roads” impact fee fund to hire Duncan Associates, City’s impact fee consultant, to provide a review/report evaluating the effects of the City’s reduction of impact fees (review required by ordinance 2014-08 adopting the 2-year reduction). Mr. Shanahan seconded the motion. The motion carried unanimously by voice vote.

The Committee will make its own conclusion of the Report - that will evaluate the effects of the City’s reduction of impact fees - when they receive it and make a recommendation to City Council.

7. INFORMATION ITEMS

A. Quarterly Financial Summary and Permit Report (April-June 2015)

[Copies of the Quarterly Financial Summary & Permit Report {*Exhibit 7A*} were distributed in the Members’ packets.]

Mr. Liming briefly reviewed Exhibit 7A noting that the City brought in \$259,301.64 in impact fees during April through June 2015. There were 21 single family units and four guest houses that paid impact fees during this last quarter. There were \$29,731.50 in total impact fees that were waived.

Mr. Liming explained that there is a sizeable difference between the amount of impact fee revenue the City’s E-1 Financial Accounting System shows flowing into the

impact fee accounts (particularly the “Roads” account) and the amount that the HTE Permit Report shows have flowed into the impact fee accounts during the quarter that just ended.

The E-1 Financial Accounting system shows **\$259,301.64** was received by the City during the quarter that just ended (April 1-June 30), while the HTE Permit Report shows that permits issued resulted in **\$156,928.14** of impact fees. Most of the difference (\$93,235.86) is in the “Roads” account.

Mr. Liming said after speaking with a number of City staff, it appears that the discrepancy may be the result of impact fees assessed and received from new development for road improvements on the City Railyard. These impact fees are not tied to specific permits issued through the Land Use Department, and therefore, would not show up in the HTE Permit Report.

It is anticipated that a large impact fee payment may be coming in for Violet Crown this new quarter (July-September); therefore the City may have a similar situation at the next quarterly meeting where the E-1 Financial Accounting System shows more revenue flowing into the accounts than the HTE Permit Report would indicate.

Mr. Hiatt asked Mr. Liming if he notifies the departments that there are impact fee funds available for projects.

Mr. Liming said yes, every quarter he sends the key department directors information on the impact fees that are available for projects.

8. MATTERS FROM THE COMMITTEE / STAFF

Mr. Liming requested that the Committee Members let him know if they are interested in serving another term on the Committee. Jack Hiatt, Edmundo Lucero, Rick Martinez, Kim Shanahan, Margaret Veneklasen and Neva Van Peski said they are interested in serving another term. Mr. Liming will work on the paperwork to reappoint the above members. He will also check with Karen Walker and Michael Chapman to see if they are interested in serving another term. There is one vacancy on the Committee.

9. MATTERS FROM THE FLOOR

There were no matters from the Floor.

10. NEXT QUARTERLY MEETING DATE:

The next quarterly meeting is scheduled for October 8, 2015 at 3:00 p.m.

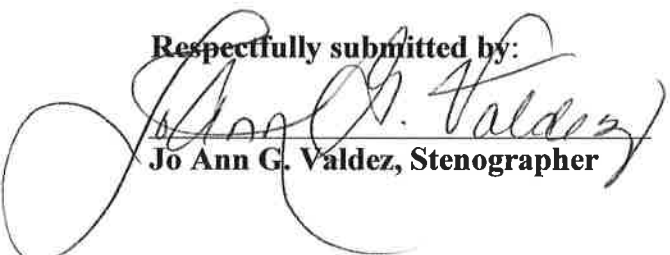
11. ADJOURNMENT

Having no further business to discuss, Ms. Van Peski moved to adjourn the meeting, and seconded by Mr. Lucero, the meeting adjourned at 4:00 p.m.

Approved by:

Jack Hiatt, Committee Member

Respectfully submitted by:



Jo Ann G. Valdez, Stenographer

City of Santa Fe

memo

DATE: September 29, 2015

TO: Yolanda Vigil, City Clerk's Office
Celeste Valentine, City Manager's Office

FROM: Reed Liming, Planning Division Director *RL*

SUBJECT: CIAC MEETING SCHEDULE FOR 2016

ACTION REQUESTED

I am requesting that the Capital Improvements Advisory Committee (CIAC) meetings be set for 2016 on the dates below and that the City Councilors Conference Room be reserved for CIAC meetings on those dates from 3:00-5:00 p.m.

Thursday, January 14 (Quarterly mtg.)

Thursday, February 11

Thursday, March 10

Thursday, April 14 (Quarterly mtg.)

Thursday, May 12

Thursday, June 9

Thursday, July 14 (Quarterly mtg.)

Thursday, August 11

Thursday, September 8

Thursday, October 13 (Quarterly mtg.)

Thursday, November 10

Thursday, December 8

Thank you.

Residential Impact Fee Reduction Analysis for the City of Santa Fe, New Mexico

Background

This analysis focuses on the City of Santa Fe's impact fees for roads, parks, fire and police facilities,¹ and evaluates the effect, if any, the reduction of these fees has had on the amount of residential development.

The recent history of the City's impact fees is briefly summarized as follows.

- **2003** – The City's impact fees for roads, parks, fire and police facilities were established in 2003. The fees were adopted at 85.6% of the maximum allowable amounts calculated in the 2003 study.² The total adopted fee for a typical single-family unit was \$2,860.
- **2008** – The fees were updated in 2008 based on a consultant study.³ Updated fees were adopted by the City Council at 60% of the maximum allowable amounts on January 9, 2008. The total adopted impact fee in 2008 for a typical-size single-family unit was \$3,714.
- **2012** – The City Council subsequently suspended impact fees for residential uses for two years, effective January 23, 2012 through January 22, 2014. No fees were collected from residential construction during this period.
- **2014** – The fees reverted back to 2008 level for about a month, but since February 27, 2014, residential impact fees have been collected at 50% of the 2008 adopted amounts. When the 50% assessment rate went into effect, the typical single-family fee was \$1,857.
- **August 2014** – The City Council adopted a new impact fee ordinance and revised fee schedule, based on a new study,⁴ on August 27, 2014. The updated fees were adopted at 70% of the calculated maximum allowable amounts, resulting in decreases in fees for residential units. At the 50% assessment rate, the total fee for a typical single-family unit is currently \$1,750.

Total impact fee amounts charged by the City of Santa Fe over the last 12 years for a typical 2,000-2,500 square foot single-family unit are illustrated in Figure 1 on the following page. The Council will decide in its scheduled review prior to February 26, 2016 whether or not the 50% rate should be continued beyond the initial two years.

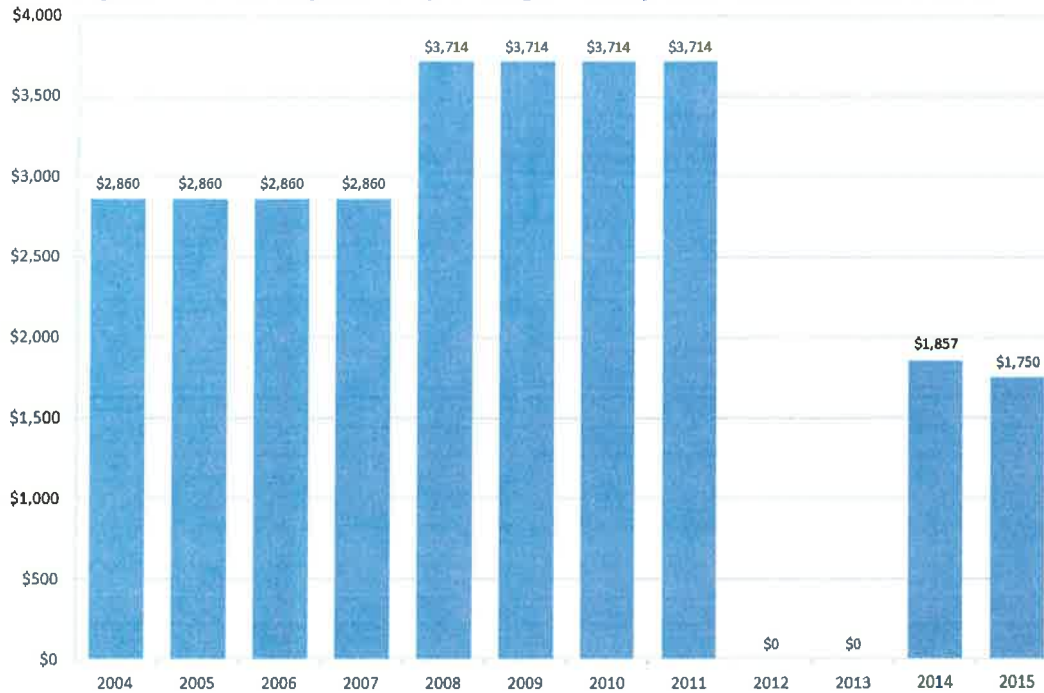
¹ The City also charges new development water and wastewater utility expansion charges, but while these are a cost to development, so are the alternatives of private wells and septic tanks.

² Duncan Associates, *Impact Fees Capital Improvements Plan for Water, Wastewater, Roads, Parks, Fire and Police*, approved by the Santa Fe City Council on August 13, 2003.

³ Duncan Associates, *Impact Fee Capital Improvements Plan and Land Use Assumptions for Roads, Parks, Fire and Police*, approved by the Santa Fe City Council on January 9, 2008.

⁴ Duncan Associates, *Impact Fee Capital Improvements Plan for Roads, Parks, Fire/EMS and Police, City of Santa Fe, New Mexico*, April 2014.

Figure 1. Total Impact Fee per Single-Family Unit, Santa Fe, 2004-2015



Impact Fees in Context

It is difficult to gauge the effect of impact fees, or the lack thereof, on a particular local housing market. The performance of the local homebuilding market depends on many factors besides impact fees. Like any market, the homebuilding market is subject to the laws of supply and demand. However, single-family housing is a very complex commodity. Unlike most other goods and services, it is extremely location-specific, because it cannot be moved. Its location determines the taxing jurisdiction, the public school district, the nearby public and commercial amenities, the commuting range of possible job opportunities, etc.

Impact fees have an effect on this market by imposing an additional cost on development. The extent to which that cost is passed on to the homebuyer in the form of higher prices is the subject of extensive economic literature, with the general conclusion that, at least for lower-priced housing, most of it is, although some of it may be absorbed by landowners accepting less for their land. Higher home prices, in turn, are likely to reduce demand for new homes, as some potential buyers seek lower-cost alternatives in the resale market or in rental housing.

On the other hand, impact fees fund public facilities that can either increase demand for housing (e.g., funding the construction of a new park in a developing area) or lower costs (e.g., funding a new fire station that results in reducing insurance costs). Impact fees can also reduce land costs by providing the infrastructure needed to increase the supply of buildable lots.⁵

⁵ Arthur C. Nelson and Mitch Moody, *Paying for Prosperity: Impact Fees and Job Growth*, Brookings Institution, Center on Urban and Metropolitan Policy, 2003

Just focusing on development costs, other significant factors besides impact fee amounts include land costs, subdivision improvement standards, landscaping standards, developer exactions for right-of-way and frontage improvements, construction sales tax rates, and development review fees, among others. All of these can vary substantially from one jurisdiction to the next, but are not as easily quantified as impact fees.

While developers and builders might prefer lowest-cost locations, they must follow market demand and build where people want to live and where companies want to locate. People's location decisions do include housing costs (of which impact fees are a small component), but they also include climate, availability of jobs, shopping opportunities, quality of schools and parks, proximity to medical facilities, adequacy of transportation infrastructure, and a host of other factors.

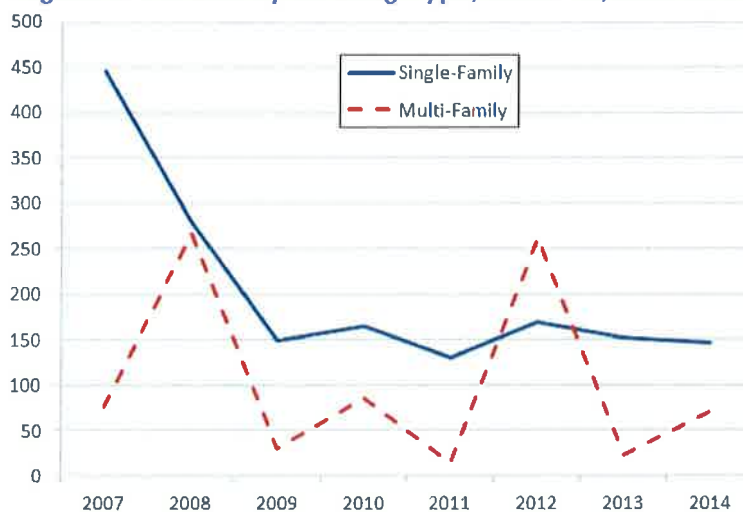
Approach

It is not possible to know with certainty what amount of local residential construction would have occurred in the absence of the fee reductions. Anecdotal accounts regarding whether specific projects would have been built or not built based solely on the impact fee amounts are impossible to verify and of limited utility. However, it is possible to compare local building permit issuance with broader trends at the state and national levels.

Analyses that look at a single jurisdiction that reduced impact fees and try to measure the effect on local construction have inherent limitations. Studies that incorporate a number of jurisdictions provide a stronger basis for evaluating the effects of fee reductions. Two recent multi-jurisdictional studies will be summarized.

The two major residential housing types are single-family detached and multi-family. As can be seen in Figure 2 below, multi-family permits are much more volatile than single-family permits, due to the large number of units permitted at one time when a new apartment building is constructed. Given the episodic nature of multi-family construction, this analysis will focus on single-family permit issuance.

Figure 2. Permits by Housing Type, Santa Fe, 2007-2014



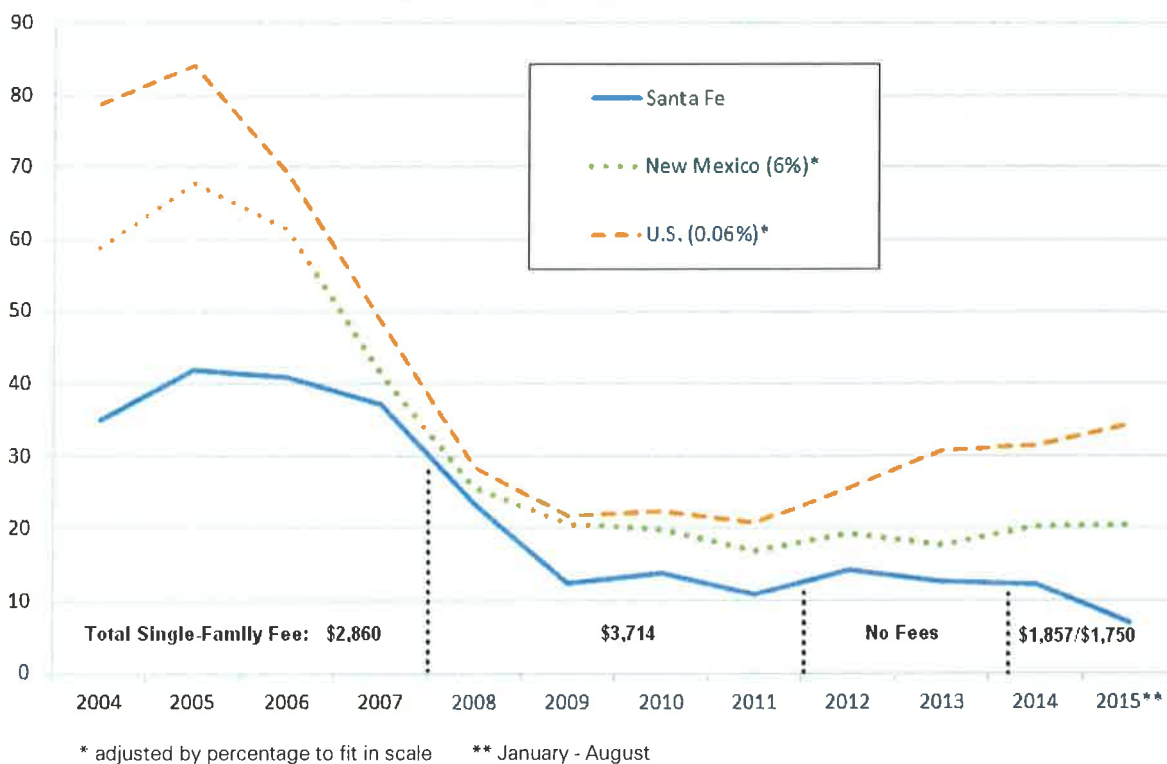
Source: City of Santa Fe, Long Range Planning Division.

Housing Market Context, 2004-2015

In attempting to gauge the effect of the City’s recent fee reductions on the local homebuilding market, it is important to recognize that some change in building permit activity is to be expected immediately before and after a change in fees, as builders delay applying for permits if they know fees are likely to go down soon, or apply earlier than they might otherwise have if they anticipate fees will be going up. Consequently, assuming nothing else changes, one would expect that impact fee reductions would produce a temporary uptick in building permit issuance, and that impact fee increases would result in a drop in permit issuance, simply by causing some applicants to “game the system.”

Santa Fe’s single-family construction generally tracked with state and national trends from the beginning of the housing market crash in 2006 to the depths of the recession in 2009-2011, as shown in Figure 3 (state-wide and national permits are adjusted by a percentage to fit on the chart). However, while the national housing market has been recovering since 2011, New Mexico’s improvement has been only modest, and Santa Fe’s single-family permits have been stuck at recession levels. The City’s suspension of residential impact fees at the beginning of 2012 accompanied an increase in permits for that year (although this may have been partly due to applicants “gaming the system” as described above), and also tracked state and national trends of an improving housing market from 2011-2012. From 2012-2013, with residential fees still suspended, the number of City single-family permits declined, contrary to the national recovery, but consistent with the state-wide trend. City permit issuance was relatively stable from 2013 to 2014, when residential fees were reinstated at 50%, but dropped in the first eight months of 2015, at a time when state and national permitting rates have been stable or increasing.

Figure 3. Average Monthly Single-Family Permits, 2004-2015



City of Santa Fe, 2007-2015

For the purposes of this first analysis, it may be useful to break the last 8-plus years (January 2007 – August 2015) into four periods: the end of the housing crash (2 years), the recession (3 years), the City’s suspension of residential fees (2 years), and the period of 50% fees (18 months). During the first two periods, the end of the housing crash and recession, the City charged relatively high fees (although those fees were only 60% of the calculated amounts for most of the period). The third period was two years of complete suspension of residential fees as the national housing market began to recover. The fourth period is the last year and a half, during which the national housing recovery continued and fees were reinstated at 50% of the adopted amounts. These four periods are described as follows.

- ◆ **End of the Housing Crash** (January 2007 – December 2008): 24 months at the tail end of the housing crash (the typical single-family fee increased from \$2,860 to \$3,714 in January 2008)
- ◆ **Recession Period** (January 2009 – January 2012): 37 months of recession-related permit levels (typical single-family fee of \$3,714)
- ◆ **100% Suspension Period** (February 2012 – January 2014): 24 months at the beginning of the national housing market recovery with 100% residential impact fee suspension
- ◆ **50% Reduction Period** (March 2014 – August 2015): latest 18 months with 50% residential impact fee reduction (typical single-family fee lowered from \$1,857 to \$1,750 in August 2014)

Table 1 below compares the change in average monthly single-family building permits in Santa Fe during the last 8-plus years with changes in permit issuance at the state and national levels. The City’s single-family permitting rates have generally decreased during this period, with a very slight uptick during the two-year fee suspension. Monthly permits issued state-wide and nationally also declined during the housing crash, with state permits being pretty flat and national permits increasing in the suspension/reduction periods. Overall, the City’s decline in monthly single-family permits from the 5-year pre-suspension period during which it charged relatively high fees to the last 3-plus years during which no or reduced fees were charged has been greater in percentage terms than the state-wide decline.

Table 1. Change in Average Monthly Single-Family Permits, 2007-2015

	Santa Fe	New Mexico	United States
End of Housing Crash Period (24 months)	30.3	548	64,099
Recession Period (37 months)	12.3	316	35,736
Suspension Period (24 months)	13.3	314	47,522
50% Reduction Period (18 months)*	10.1	331	56,079
Pre-Suspension Period (61 months)	19.3	408	46,895
Suspension/Reduction Period (42 months)*	11.9	321	51,189
Percent Change	-38%	-21%	9%

* all data exclude February 2014 (Santa Fe’s fees were at 100% for that month)
 Source: Based on monthly building permit data from Table 4 in the Appendix.

Santa Fe, Rio Rancho and Las Cruces, 2009-2015

In this section, the analysis focuses on the last 6-plus years (January 2009 through August 2015), and looks at Santa Fe, Rio Rancho and Las Cruces. The other two cities are of comparable size, and also charge impact fees that were changed during this time period. Rio Rancho is still somewhat of a bedroom community for Albuquerque, although it has been aggressive in recruiting industry and corporate headquarters. Las Cruces is more of a university town. A profile of the three cities is provided in Table 2 below, showing population, impact fees per single-family unit, and average monthly single-family permits issued from 2009-2015.

Table 2. Profile of Selected Cities

	Santa Fe	Rio Rancho	Las Cruces	New Mexico	United States
2010 Population	81,000	87,521	97,618		
Typical Single-Family Fee in:					
2009	\$3,714	\$4,320	\$800	n/a	n/a
2010	\$3,714	\$4,320	\$800	n/a	n/a
2011	\$3,714	\$4,320	\$800	n/a	n/a
2012	\$0	\$4,320	\$1,439	n/a	n/a
2013	\$0	\$2,160	\$3,239	n/a	n/a
2014	\$1,857	\$2,160	\$3,239	n/a	n/a
2015	\$1,750	\$4,320	\$3,239	n/a	n/a
Avg. Monthly Single-Family Permits in:					
2009	12	57	52	346	36,258
2010	14	38	47	332	37,221
2011	11	25	36	283	34,465
2012	14	35	33	320	42,850
2013	13	40	29	296	51,458
2014	12	37	24	338	52,525
2015*	8	38	30	347	58,362
Percent change, 2009-2015	-37%	-34%	-43%	1%	61%

* January through August

Source: 2010 population from U.S. Census (Santa Fe's adjusted for 2013 annexation); typical single-family impact fees, excluding water and wastewater, from the respective cities (Santa Fe's are for a mid-sized 2,000-2,500 sq. ft. unit); monthly single-family permits for cities of Rio Rancho and Las Cruces from the respective cities, monthly permits for Santa Fe, New Mexico and U.S. from Table 4 in the Appendix.

The three years from 2009-2011 were the bottom of the homebuilding industry recession nationally, and nation-wide permits are up 61% from 2009 levels. State-wide permits, however, have not yet experienced a recovery.

The impact fee policies of the three cities varied considerably over this period. The City of Santa Fe charges road, park, fire and police impact fees, which totaled \$3,714 from 2009-2012. All four fees were suspended for residential uses in 2012 and 2013, and were reinstated at 50% in 2014. Santa Fe currently charges \$1,750 per typical single-family unit, less than half of what it was in 2009. Rio Rancho also charges road, park and public safety fees, which totaled \$4,320 in 2009. After a two-year 50% reduction, the fees are back to 2009 levels. Las Cruces started the period with only an \$800 park fee, but added public safety fees in 2012 and increased the park fee in 2013. Las Cruces now charges \$3,239 per single-family unit.

Despite varying impact fee policies, all three cities now have monthly single-family permitting levels that are well below what they were in 2009. Rio Rancho, which charged higher fees than the other two during most of this period, has seen its permit levels decrease least over the last 6-plus years.

Multi-Jurisdictional Studies

As noted earlier, looking at individual cities that changed their impact fee rates and attempting to evaluate how those changes affected local construction activity has inherent limitations. One cannot infer a causal relationship between changes in fees and changes in construction, because each jurisdiction's housing market is unique and responds to many other changing factors. Changes in permitting rates immediately before or after a change in fees are more likely to reflect applicants anticipating the fee change than to any lasting effect of a fee reduction or increase. Longer-term changes may reflect broader economic factors rather than the change in fees. The best that can be done is to compare local changes in construction to changes in broader markets, in order to see the extent to which changes in permitting at the local level may be a reflection of larger economic trends.

Studies that compare changes in fees and permitting for a large number of jurisdictions offer more promise of establishing a connection between fees and permitting levels. There have been two recent studies that looked at multiple jurisdictions that reduced impact fees, and compared their building permit changes with those of a number of comparable jurisdictions that did not reduce their fees. Both studies found no significant difference in single-family building permit issuance between fee-reducing jurisdictions and comparable non-fee-reducing jurisdictions.

An analysis of 20 counties in Florida was conducted in 2010. The consultant, in collaboration with Dr. James C. Nicholas of the University of Florida, identified a 19-month period (January 2008 – July 2009) during which a number of Florida counties reduced their impact fees in an attempt to stimulate growth. Nine fee-reduction counties were compared to 11 comparable non-fee-reduction counties.⁶ The analysis compared the change in building permit issuance for single-family detached units from the year before the 19-month period to the year after. No statistically significant difference was found between counties that had reduced fees and the counties that had not.

A regional transportation impact fee system in California allowed participating jurisdictions to reduce fees for up to three years (2010-2012), creating a unique opportunity to measure changes in building activity between jurisdictions that opted for the reduction and jurisdictions that did not. The Western Riverside Council of Governments (WRCOG) represents the western third of Riverside County, California. Riverside County is the 11th most populous county in the country, and extends from about 40 miles east of Los Angeles to the Arizona state line. WRCOG administers a regional transportation impact fee program that applies to 16 cities and the unincorporated area in the western third of the county. The fee is about \$9,000 per single-family unit. WRCOG provided an option for participating jurisdictions to reduce the fee by 50%. Riverside County and nine of the 16 cities opted to reduce the fees, while the other seven cities continued to collect the fees at 100%.

⁶ Clancy Mullen and Dr. James C. Nicholas, Professor Emeritus of the University of Florida, "Impact Fee Reductions and Development Activity: A Quantitative Analysis of Florida Counties," paper presented at the conference of the Growth and Infrastructure Consortium, Tampa, Florida, November 4, 2010 (http://growthandinfrastructure.org/proceedings/2010_proceedings/reductions_paper.pdf)

WRCOG performed an analysis of single-family building permit issuance for the fee-reduction jurisdictions compared to the non-reduction jurisdictions during the three years that the reduction was in effect. The analysis found that the non-reduction jurisdictions experienced a greater increase in single-family permits than did the fee-reduction jurisdictions.⁷

Fiscal Effects of Reductions

Measuring the fiscal effects of the residential reduction of impact fees raises some issues. Some amount of the residential development that occurred during this period might not have occurred without the reduction. However, additional property and sales tax revenue generated by new development does not fully cover the capital costs of the additional roads, parks, and public safety facilities required to accommodate that development, which is what the impact fees are designed to recover. Even if the reduction did generate some additional development, that development imposed obligations for capital costs that were not recovered through the full payment of impact fees during this period. Consequently, the uncollected impact fees during this period represent an additional fiscal cost, because the residential development imposed future capital costs for which impact fee revenue was not collected to pay.

The amount of impact fees collected and not collected during the 24 months of the suspension and the first 18 months of the reduction are summarized in Table 3. The City has not collected about \$2.1 million in impact fees during the first 42 months of the suspension/reduction of fees. It should be noted that the suspension or reduction of residential impact fees most severely affected the parks fund, because park fees, unlike road and public safety fees, are collected only from residential development.

Table 3. Impact Fees Collected during Reduction Period

Time Period	Collected	Not Collected	Total w/o Reduction
Suspension Period (1/23/12 - 1/22/14)	\$798,156	\$1,656,707	\$2,454,863
50% Reduction Period (2/27/14 - 8/31/15)	\$1,518,550	\$452,620	\$1,971,170
Total, Suspension/Reduction Period	\$2,316,706	\$2,109,327	\$4,426,033

Source: City of Santa Fe, Long Range Planning Division.

Conclusion

To briefly summarize, there is no way to know with absolute certainty what effect Santa Fe's suspension and subsequent 50% reduction of residential impact fees has had on the local housing market. Santa Fe's single-family building permit issuance before and after the suspension/reduction does not clearly indicate any long-term positive effect of the fee changes, relative to state-wide and national trends. Similar analysis of two New Mexico cities of comparable size that also charge impact fees – Rio Rancho and Las Cruces – also failed to reveal any clear correlation between fee changes and permitting levels. Finally, two recent multi-jurisdictional studies, one for Florida counties and the other for California cities in the same county, failed to find any evidence of a significant statistical difference between jurisdictions that reduced fees and comparable jurisdictions that did not.

⁷ Western Riverside Council of Governments and Parsons Brinckerhoff, "The Effects of Reducing Impact Fees," presentation at the annual conference of the Growth and Infrastructure Consortium, Bradenton, Florida, November 14, 2014 (http://growthandinfrastructure.org/proceedings/2014_proceedings/henderson-reductions.pdf)

Appendix: Monthly Permit Data

Table 4. Monthly Single-Family Permits, 2007-2015

Year	Month	City of Santa Fe	New Mexico	United States
2007	January	37	616	79,552
2007	February	11	707	78,382
2007	March	29	880	103,185
2007	April	32	841	97,691
2007	May	42	903	105,295
2007	June	54	1,041	96,083
2007	July	40	767	88,995
2007	August	55	788	86,451
2007	September	79	454	66,219
2007	October	23	547	69,444
2007	November	24	383	54,267
2007	December	20	322	43,932
2008	January	38	402	47,533
2008	February	17	453	47,530
2008	March	15	499	53,567
2008	April	59	503	62,732
2008	May	8	540	61,147
2008	June	26	542	58,704
2008	July	27	413	55,025
2008	August	21	437	47,409
2008	September	16	342	45,298
2008	October	13	337	39,833
2008	November	9	199	25,866
2008	December	31	238	24,245
2009	January	19	279	21,824
2009	February	14	216	25,942
2009	March	5	274	32,254
2009	April	25	433	37,269
2009	May	11	332	38,841
2009	June	13	381	46,231
2009	July	10	456	46,112
2009	August	6	402	42,201
2009	September	23	346	40,042
2009	October	8	335	37,899
2009	November	12	280	31,376
2009	December	3	312	34,152
2010	January	3	264	30,806
2010	February	8	331	34,970
2010	March	11	427	49,871
2010	April	22	414	46,276
2010	May	7	370	40,099
2010	June	9	424	43,008
2010	July	16	352	37,509
2010	August	27	319	37,212
2010	September	21	310	34,473
2010	October	15	273	31,778
2010	November	12	255	29,391
2010	December	14	259	30,212

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Table 4. Monthly Single-Family Permits, 2007-2015 (cont'd)

Year	Month	City of Santa Fe	New Mexico	United States
2011	January	8	223	26,267
2011	February	13	201	26,469
2011	March	14	292	37,592
2011	April	12	337	36,910
2011	May	14	356	39,215
2011	June	10	371	40,870
2011	July	4	295	35,250
2011	August	17	360	40,778
2011	September	14	269	35,579
2011	October	7	252	33,623
2011	November	4	216	30,912
2011	December	13	227	29,136
2012	January	10	266	29,885
2012	February	17	275	35,086
2012	March	14	325	42,217
2012	April	16	315	43,897
2012	May	13	390	49,621
2012	June	19	333	47,553
2012	July	14	389	46,842
2012	August	13	368	49,357
2012	September	4	343	42,971
2012	October	19	332	49,198
2012	November	20	296	40,110
2012	December	11	256	36,101
2013	January	9	317	40,468
2013	February	10	314	42,032
2013	March	18	326	51,395
2013	April	18	314	59,745
2013	May	14	337	62,413
2013	June	13	317	57,026
2013	July	20	333	58,322
2013	August	8	297	57,588
2013	September	16	324	50,160
2013	October	5	288	54,003
2013	November	18	245	43,469
2013	December	3	250	39,881
2014	January	6	241	41,079
2014	February	21	272	41,237
2014	March	6	322	51,351
2014	April	9	333	57,580
2014	May	20	345	59,144
2014	June	18	329	61,084
2014	July	15	293	60,168
2014	August	12	391	55,038
2014	September	7	292	54,305
2014	October	11	369	56,857
2014	November	14	234	41,072
2014	December	7	269	45,932

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Table 4. Monthly Single-Family Permits, 2007-2015 (cont'd)

Year	Month	City of Santa Fe	New Mexico	United States
2015	January	6	264	43,481
2015	February	10	242	43,505
2015	March	4	350	57,474
2015	April	4	369	64,154
2015	May	8	406	62,282
2015	June	10	427	69,967
2015	July	11	375	64,931
2015	August	10	346	61,099

Source: Building permit data for Santa Fe from City of Santa Fe, Long Range Planning Division (single-family includes single-family, affordable single-family, and manufactured home); building permit data for New Mexico and the United States are U.S. Census Bureau building permit estimates (<http://censtats.census.gov/bldg/bldgprmt.shtml> and <http://www.census.gov/construction/bps/statemonthly.html>).

City of Santa Fe
Quarterly Report for Impact Fees FY 15/16

	Roads 2720	Parks 2721	Police 2722	Fire 2723	Total Impact Fees
Funds Revenue	21720	21721	21722	21723	
Expense	22784	22786	22787	22788	
1st Quarter					
Beginning Available Balance 07/01/15	\$ 1,624,804.69	\$ 231,634.97	\$ 106,616.86	\$ 24,714.98	\$ 1,987,771.50
Impact Fee Revenue (w/ interest)	\$ 355,294.30	\$ 16,909.50	\$ 9,732.74	\$ 23,750.74	\$ 405,687.28
Obligated Projects					\$ -
Available Balance as of 10/1/14	\$ 1,980,098.99	\$ 248,544.47	\$ 116,349.60	\$ 48,465.72	\$ 2,393,458.78
2nd Quarter					
Impact Fee Revenue (w/o Interest)					\$ -
Interest (Previous Qtr)					\$ -
Obligated Projects					\$ -
Available Balance as of 1/1/15					
3rd Quarter					
Impact Fee Revenue (w/o Interest)					\$ -
Interest (Previous Qtr)					\$ -
Obligated Projects					\$ -
Available Balance as of 4/1/15	\$ -	\$ -	\$ -	\$ -	\$ -
4th Quarter					
Impact Fee Revenue (w/o Interest)					\$ -
Interest (Previous Qtr)					\$ -
Obligated Projects					\$ -
Available Balance as of 7/1/15	-	-	-	-	-