Impact Fee Study Overview

Workshop with Southern Lowcountry Regional Board

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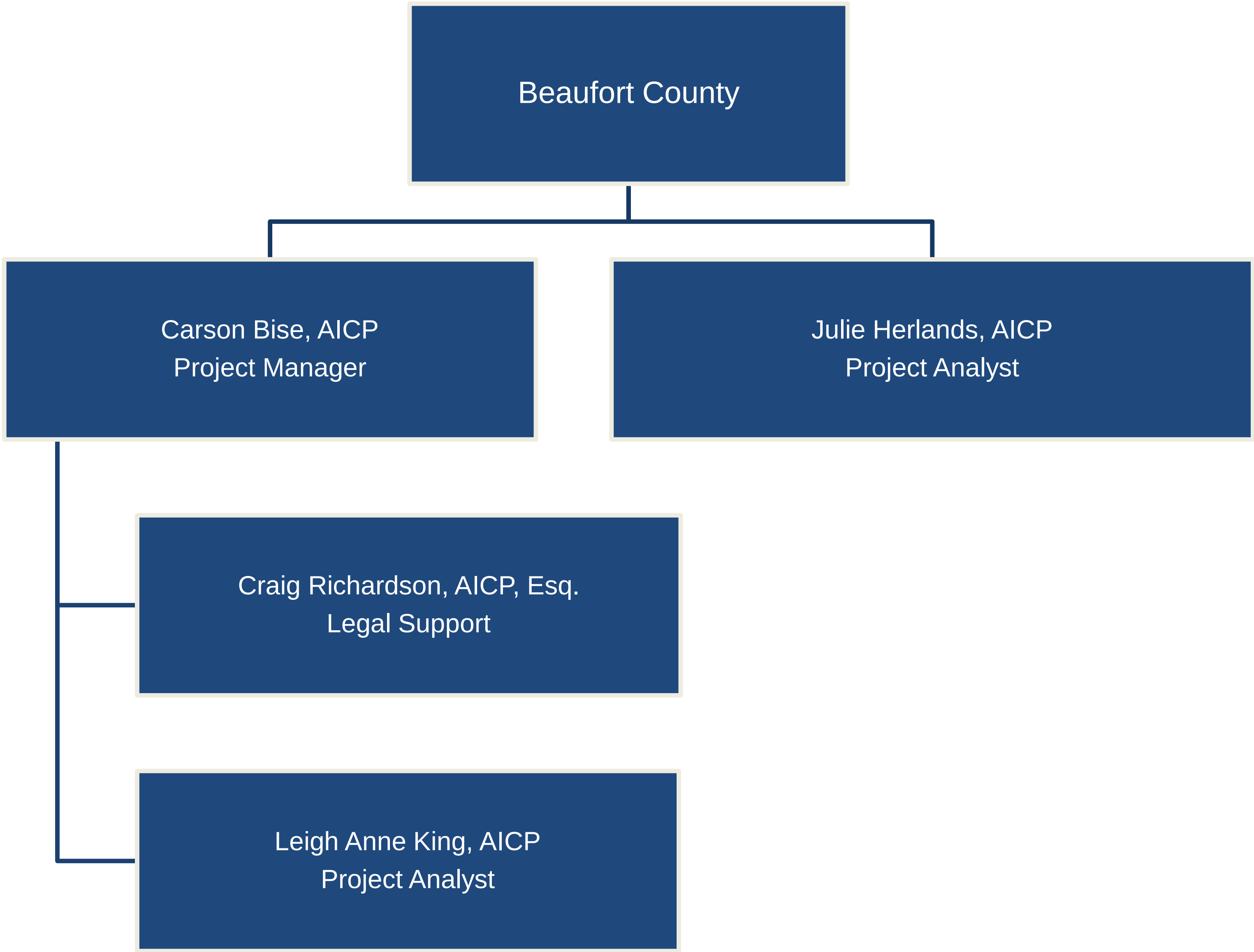
- Impact fees/infrastructure financing strategies
- Fiscal/economic impact analyses
- Capital improvement planning
- Infrastructure finance/revenue enhancement
- Real estate and market feasibility

South Carolina Experience

- Abbeville County
- Aiken County
- Anderson County
- Beaufort County
- Clover Schools
- Fort Mill Schools
- Georgetown County
- Greenville County
- Horry County
- Rock Hill
- Summerville
- York County

Project Organization



Impact Fee Fundamentals

- One-time payment for growth-related infrastructure, usually collected at the time buildings permits are issued
- Can’t be used for operations, maintenance, or replacement
- Not a tax but more like a contractual arrangement to build infrastructure, with three requirements
  - Need (system improvements, not project-level improvements)
  - Benefit
    - Short range expenditures
    - Geographic service areas and/or benefit districts
  - Proportionate

Common Impact Fee Methods

- Cost Recovery (past)
  - Oversized and unique facilities
  - Funds typically used for debt service
- Incremental Expansion (present)
  - Formula-based approach documents level of service with both quantitative and qualitative measures
- Plan-Based (future)
  - Common for utilities but can also be used for other public facilities with non-impact fee funding

Eligible Costs

- Facilities/improvements required to serve new development - Yes
- Maintenance and repairs – No
- Operating costs - No
- Excess capacity in existing facilities – Yes
- Improvements required to correct existing deficiencies – No
  - Unless there is a funding plan

Impact Fees in South Carolina

- Impact fee revenue must be maintained in an interest bearing account
- Monies must be spent within 3 years of scheduled date for construction in the CIP
- Must publish an Annual Monitoring Report
- Comprehensive review and update every 5 years
- All maximum allowable fee changes require an updated study
- Requires an analysis that estimates the effect of imposing updated impact fees on affordable housing in the County

Why Impact Fees?

- Infrastructure capacity is essential to accommodate new development
- New growth pays its equitable share
- Encourages disciplined capital improvement planning
  - Earmarks money for capital improvements
- Promotes comprehensive planning and growth management
  - Helps ensure adequate public facilities
- Compared to negotiated agreements, streamlines approval process with known costs (predictability)
- Anti-growth pressure can be eased

Process

- Determine existing development base and project future growth/redevelopment
- Determine existing levels of service and capital needs due to new growth
- Determine appropriate indicators of demand
- Evaluate methodological alternatives
- Evaluate need for credits
- Calculate fees
- Evaluate impact on affordable housing
- Meetings with Planning Commission
- Adoption process

Beaufort County Impact Fee Study

- Fee categories under consideration
  - Roads
  - Parks and Recreation
  - Libraries
  - Schools

Evaluate Need for Credits

- Site specific
  - Developer constructs a capital facility included in fee calculations
- Debt service
  - Avoid double payment due to existing or future bonds
- Dedicated revenues
  - (e.g., property tax, local option sales tax, gas tax)

Myths and Misconceptions

- Impact fees cover the entire cost of new facilities, negating the need for higher taxes
  - A “properly” designed fee may come close
  - Credits
  - How about the O&M costs?
- Impact fees should be based on planning standards, without concern for deficiencies
- Nonresidential fees can be “adjusted” for economic reasons
- All developers/builders hate impact fees

Myths and Misconceptions

- Impact fees negatively affect low/moderate income housing
  - Credits for affordable housing can mitigate impact
  - Fee not always passed-on in the price of the home; studies have shown that fees are often absorbed by others in the "food chain" depending on market conditions:
    - Land owner
    - Developer
    - Homebuilder
    - Home owner

Next Steps

- Project kickoff with County and School District staff
- Prepare Land Use Assumptions
- Meetings with County/School District service providers to determine existing levels of service and growth-related capital needs
- Agree on likely fee calculation methodology
- First stakeholder meeting

Questions and Answers