

1 **CITY OF SANTA FE, NEW MEXICO**

2 **RESOLUTION NO. 2014-71**

3 **INTRODUCED BY:**

4
5 Councilor Patti Bushee

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7
8
9 **A RESOLUTION**

10
11 **ADOPTING THE “*IMPACT FEE CAPITAL IMPROVEMENTS PLAN 2020 FOR ROADS,***
12 ***PARKS, FIRE/EMS AND POLICE*” TO MEET THE STATE REQUIRED IMPACT FEE**
13 **PROGRAM 5-YEAR UPDATE AS CALLED FOR IN THE STATE DEVELOPMENT FEES**
14 **ACT (5-8-30 NMSA 1978).**

15
16 **WHEREAS**, the State of New Mexico established the “Development Fees Act” (§§ 5-8-1 to
17 5-8-43, NMSA 1978) (the “Act”) to enable local governments to adopt local development impact
18 fees; and

19 **WHEREAS**, the Act requires periodic updates of the impact fee land use assumptions and
20 capital improvement plan at least every five years (§ 5-8-30); and

21 **WHEREAS**, the “*Impact Fee Capital Improvements Plan, 2020*” provides the background
22 and basis for approving new projects and adopting a new fee schedule; and

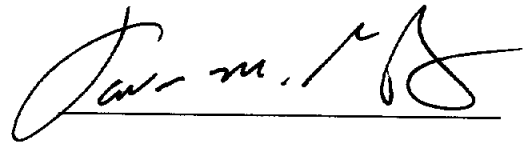
23 **WHEREAS**, the City previously adopted the “*Impact Fee Capital Improvements Plan and*
24 *Land Use Assumptions, 2007-2012*” (Resolution 2008-7) and amended the “*Impact Fee Ordinance*”
25 (Ordinance 2008-2; SFCC 14-8.14) on January 9, 2008, all in accordance with the

1 Act.

2 **NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE**
3 **CITY OF SANTA FE** that the Governing Body hereby adopts the *"Impact Fee Capital*
4 *Improvements Plan and Land Use Assumptions 2020 for Roads, Parks, Fire/EMS and Police,"*
5 attached hereto as Exhibit "A."

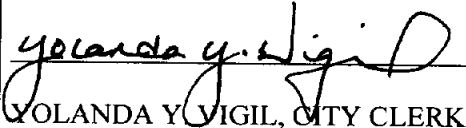
6 PASSED, APPROVED and ADOPTED this 27th day of August, 2014.

7 CITY OF SANTA FE:

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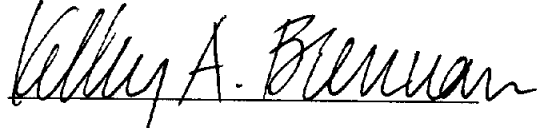
9 JAVIER M. GONZALES, MAYOR

10 ATTEST:

11 

12 YOLANDA Y. VIGIL, CITY CLERK

13 APPROVED AS TO FORM:

14 

15 KELLEY A. BRENNAN, CITY ATTORNEY

EXHIBIT "A"

**Impact Fee
Capital Improvements Plan 2020
for Roads, Parks, Fire/EMS and Police**

City of Santa Fe, New Mexico

June 2014

CIAC APPROVED DRAFT

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EXECUTIVE SUMMARY

Duncan Associates has been retained by the City of Santa Fe to update the City's capital improvements plans, land use assumptions and impact fees for roads, parks/trails, fire/EMS and police facilities. This study calculates maximum impact fees that Santa Fe can charge based on the existing levels of service.

Report Layout

The report begins with five chapters that have general applicability to all four fee types: legal framework, service areas, land use assumptions, methodologies and land use categories. The last four chapters address the four facility types: roads, parks/trails, fire/EMS and police. Appendices provide more detailed data and analysis to support the individual fee calculations. The final appendix contains the list of planned improvements, which may be amended prior to the next comprehensive impact fee update.

Background

The last comprehensive update of the City's impact fees was based on a 2008 study that was adopted by the City Council on January 9, 2008.¹ **The fees were adopted at 60% of the calculated amounts.**

Impact fees for residential uses were suspended for two years, effective January 22, 2012. Beginning February 27, 2014, residential impact fees are being collected at 50% of adopted amounts for the next two years.

The current adopted fees are summarized in Table 1 on the following page. The temporary 50% residential fee reduction is not reflected in the table.

In addition to impact fees, the City assesses Utility Expansion Charges (UECs) for water and wastewater. UECs are similar to impact fees, but are adopted under authority provided in state law to assess charges for water and wastewater facilities, rather than under the authority of the *Development Fees Act* that regulates impact fees. The City's UECs are addressed in a separate analysis.

Land Use Categories

It is recommended that the current 20 nonresidential land use categories in the impact fee schedules be reduced to six: retail/commercial, office, industrial, warehouse, mini-warehouse and public/institutional. This approach recognizes that commercial land uses often change, avoids extremely high fees for a small number of land uses (e.g., restaurants, convenience stores, medical offices), eliminates most impact fee charges for change of use, thereby encouraging reuse of existing buildings, and simplifies impact fee administration. This change, however, would result in impact fee revenues about 6% lower than under the more detailed land use categories (see page 16).

¹ 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.

Table 1. Adopted Impact Fee Schedule

Land Use Type	Unit	Roads	Parks	Fire	Police	Total
Single Family Detached Units (heated living area):						
(0 to 1,500 sq. ft.)	Dwelling	\$1,850	\$1,111	\$125	\$44	\$3,130
(1,501 to 2,000 sq. ft.)	Dwelling	\$2,100	\$1,214	\$136	\$48	\$3,498
(2,001 to 2,500 sq. ft.)	Dwelling	\$2,183	\$1,328	\$150	\$53	\$3,714
(2,501 to 3,000 sq. ft.)	Dwelling	\$2,248	\$1,379	\$155	\$55	\$3,837
(3,001 to 3,500 sq. ft.)	Dwelling	\$2,309	\$1,418	\$159	\$56	\$3,942
(3,501 to 4,000 sq. ft.)	Dwelling	\$2,359	\$1,444	\$163	\$58	\$4,024
(more than 4,000 sq. ft.)	Dwelling	\$2,424	\$1,495	\$169	\$59	\$4,147
Accessory Units (attached or detached)						
(0 to 500 sq. ft.)	Dwelling	\$518	\$324	\$37	\$13	\$892
(501 to 1,000 sq. ft.)	Dwelling	\$1,036	\$647	\$73	\$26	\$1,782
(1,000 to 1,500 sq. ft.)	Dwelling	\$1,554	\$971	\$110	\$39	\$2,674
Other (Apts., Condos, S.F. Attached)	Dwelling	\$1,554	\$971	\$110	\$39	\$2,674
Hotel/Motel	Room	\$1,203	\$0	\$82	\$29	\$1,314
Retail/Commercial (gross floor area)						
Shopping Center/General Retail	1000 sq. ft.	\$4,597	\$0	\$221	\$78	\$4,896
Auto Sales/Service	1000 sq. ft.	\$2,180	\$0	\$221	\$78	\$2,479
Bank	1000 sq. ft.	\$4,948	\$0	\$221	\$78	\$5,247
Convenience Store w/Gas Sales	1000 sq. ft.	\$8,778	\$0	\$221	\$78	\$9,077
Health Club, Recreational	1000 sq. ft.	\$4,394	\$0	\$221	\$78	\$4,693
Movie Theater	1000 sq. ft.	\$10,412	\$0	\$221	\$78	\$10,711
Restaurant, Packaged Food	1000 sq. ft.	\$4,597	\$0	\$221	\$78	\$4,896
Restaurant, Sit-Down	1000 sq. ft.	\$5,083	\$0	\$221	\$78	\$5,382
Restaurant, Fast Food	1000 sq. ft.	\$11,064	\$0	\$221	\$78	\$11,363
Office/Institutional (gross floor area)						
Office, General	1000 sq. ft.	\$2,429	\$0	\$124	\$44	\$2,597
Medical Building	1000 sq. ft.	\$3,903	\$0	\$124	\$44	\$4,071
Nursing Home	1000 sq. ft.	\$1,354	\$0	\$124	\$44	\$1,522
Church	1000 sq. ft.	\$1,521	\$0	\$124	\$44	\$1,689
Day Care Center	1000 sq. ft.	\$3,202	\$0	\$124	\$44	\$3,370
Educational Facility	1000 sq. ft.	\$586	\$0	\$124	\$44	\$754
Educational Facility Dorm Room	1000 sq. ft.	\$1,203	\$0	\$82	\$29	\$1,314
Industrial/Warehousing (gross floor area)						
Industrial, Manufacturing	1000 sq. ft.	\$1,610	\$0	\$74	\$26	\$1,710
Warehouse	1000 sq. ft.	\$1,147	\$0	\$47	\$16	\$1,210
Mini-Warehouse	1000 sq. ft.	\$417	\$0	\$47	\$16	\$480

Source: Santa Fe City Code, Sec. 14-8.14/E(a), as amended by Ordinance 2013-44 adopted February 27, 2014.

Updated Fees

While the updated fees are generally lower than those calculated in the 2008 study, the 2008 fees were adopted at only 60% of the full proportionate-share amounts. Consequently, the updated fees are higher than the current adopted fees for most land uses, as shown in Table 2. Note that a 67% increase from current levels would be necessary to bring the fees up to the levels calculated in 2008 (while it may not be intuitive, if fees are adopted with a 40% reduction, it takes a 67% increase to get back to 100%). Because the updated fees are generally lower than those calculated in 2008, the maximum percentage increases from current adopted fees are generally significantly below 67%.

Table 2. Updated Fees Compared to 2008 Calculated/Adopted Fees

Land Use Type	Unit	Roads	Parks	Fire	Police	Total
Single-Family Detached (avg.)	Dwelling	\$3,009	\$1,552	\$247	\$104	\$4,912
1,500 sq. ft. or less	Dwelling	\$2,706	\$1,381	\$220	\$92	\$4,399
1,501-2,000 sq. ft.	Dwelling	\$2,949	\$1,443	\$230	\$97	\$4,719
2,001-2,500 sq. ft.	Dwelling	\$3,059	\$1,583	\$252	\$106	\$5,000
2,501-3,000 sq. ft.	Dwelling	\$3,207	\$1,661	\$265	\$111	\$5,244
3,001 sq. ft. or more	Dwelling	\$3,395	\$1,769	\$282	\$119	\$5,565
Multi-Family	Dwelling	\$1,855	\$1,350	\$214	\$90	\$3,509
Retail/Commercial	1,000 sq. ft.	\$5,723	\$0	\$384	\$161	\$6,268
Office	1,000 sq. ft.	\$3,431	\$0	\$180	\$76	\$3,687
Industrial	1,000 sq. ft.	\$2,651	\$0	\$78	\$33	\$2,762
Warehouse	1,000 sq. ft.	\$1,383	\$0	\$34	\$14	\$1,431
Mini-Warehouse	1,000 sq. ft.	\$535	\$0	\$31	\$13	\$579
Public/Institutional	1,000 sq. ft.	\$2,086	\$0	\$162	\$68	\$2,316
Percent Change from 2008 Calculated Fees						
Single-Family Detached						
1,500 sq. ft. or less	Dwelling	-12%	-25%	5%	24%	-16%
1,501-2,000 sq. ft.	Dwelling	-16%	-29%	1%	21%	-19%
2,001-2,500 sq. ft.	Dwelling	-16%	-29%	1%	19%	-19%
2,501-3,000 sq. ft.	Dwelling	-14%	-28%	3%	22%	-18%
3,001 sq. ft. or more	Dwelling	-12%	-25%	6%	27%	-15%
Multi-Family	Dwelling	-28%	-17%	17%	38%	-21%
Retail/Commercial	1,000 sq. ft.	-25%	n/a	4%	24%	-23%
Office	1,000 sq. ft.	-15%	n/a	-13%	4%	-15%
Industrial	1,000 sq. ft.	-1%	n/a	-37%	-25%	-3%
Warehouse	1,000 sq. ft.	-28%	n/a	-56%	-48%	-29%
Mini-Warehouse	1,000 sq. ft.	-23%	n/a	-60%	-52%	-28%
Public/Institutional	1,000 sq. ft.	-8%	n/a	-22%	-7%	-9%
Percent Change from Adopted Fees						
Single-Family Detached						
1,500 sq. ft. or less	Dwelling	46%	24%	76%	109%	41%
1,501-2,000 sq. ft.	Dwelling	40%	19%	69%	102%	35%
2,001-2,500 sq. ft.	Dwelling	40%	19%	68%	100%	35%
2,501-3,000 sq. ft.	Dwelling	43%	20%	71%	102%	37%
3,001 sq. ft. or more	Dwelling	47%	25%	77%	113%	41%
Multi-Family	Dwelling	19%	39%	95%	131%	31%
Retail/Commercial	1,000 sq. ft.	24%	n/a	74%	106%	28%
Office	1,000 sq. ft.	41%	n/a	45%	73%	42%
Industrial	1,000 sq. ft.	65%	n/a	5%	27%	62%
Warehouse	1,000 sq. ft.	21%	n/a	-28%	-13%	18%
Mini-Warehouse	1,000 sq. ft.	28%	n/a	-34%	-19%	21%
Public/Institutional	1,000 sq. ft.	54%	n/a	31%	55%	52%

Source: Updated fees from Table 24 (roads), Table 36 (parks), Table 47 (fire/EMS) and Table 58 (police); percentage comparison to 2008 fees based on fees calculated in 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 and adopted fees from Table 1 (comparison uses shopping center for retail/commercial, general office for office and nursing home for public/institutional).

Adoption of the updated fees at a 70% implementation rate would essentially be revenue-neutral (see Table 4). The updated total impact fees are very similar to current adopted fees for most land uses, as illustrated in Table 3. The Impact Fee Capital Improvements Advisory Committee (CIAC) recommends adoption of the updated fees at this percentage.

Table 3. Updated Fees at 70% Compared to Adopted Fees

Land Use Type	Unit	Roads	Parks	Fire	Police	Total
Single-Family Detached (avg.)	Dwelling	\$2,106	\$1,086	\$173	\$73	\$3,438
1,500 sq. ft. or less	Dwelling	\$1,894	\$967	\$154	\$64	\$3,079
1,501-2,000 sq. ft.	Dwelling	\$2,064	\$1,010	\$161	\$68	\$3,303
2,001-2,500 sq. ft.	Dwelling	\$2,141	\$1,108	\$176	\$74	\$3,499
2,501-3,000 sq. ft.	Dwelling	\$2,245	\$1,163	\$186	\$78	\$3,672
3,001 sq. ft. or more	Dwelling	\$2,377	\$1,238	\$197	\$83	\$3,895
Multi-Family	Dwelling	\$1,299	\$945	\$150	\$63	\$2,457
Retail/Commercial	1,000 sq. ft	\$4,006	\$0	\$269	\$113	\$4,388
Office	1,000 sq. ft	\$2,402	\$0	\$126	\$53	\$2,581
Industrial	1,000 sq. ft	\$1,856	\$0	\$55	\$23	\$1,934
Warehouse	1,000 sq. ft	\$968	\$0	\$24	\$10	\$1,002
Mini-Warehouse	1,000 sq. ft	\$375	\$0	\$22	\$9	\$406
Public/Institutional	1,000 sq. ft	\$1,460	\$0	\$113	\$48	\$1,621
Percent Change from Adopted Fees						
Single-Family Detached						
1,500 sq. ft. or less	Dwelling	2%	-13%	23%	45%	-2%
1,501-2,000 sq. ft.	Dwelling	-2%	-17%	18%	42%	-6%
2,001-2,500 sq. ft.	Dwelling	-2%	-17%	17%	40%	-6%
2,501-3,000 sq. ft.	Dwelling	0%	-16%	20%	42%	-4%
3,001 sq. ft. or more	Dwelling	3%	-13%	24%	48%	-1%
Multi-Family	Dwelling	-16%	-3%	36%	62%	-8%
Retail/Commercial	1,000 sq. ft	-13%	n/a	22%	45%	-10%
Office	1,000 sq. ft	-1%	n/a	2%	20%	-1%
Industrial	1,000 sq. ft	15%	n/a	-26%	-12%	13%
Warehouse	1,000 sq. ft	-16%	n/a	-49%	-38%	-17%
Mini-Warehouse	1,000 sq. ft	-10%	n/a	-53%	-44%	-15%
Public/Institutional	1,000 sq. ft	8%	n/a	-9%	9%	7%

Source: 75% of updated fees from Table 2; percentage comparison to adopted fees from Table 1 (comparison uses shopping center for retail/commercial, general office for office and nursing home for public/institutional).

Potential Revenue

If the updated fees are adopted at 100% of the proportionate fair-share costs identified in this study, total impact fee revenues over the next seven years would be about \$14 million, assuming no residential fee waivers or reductions, other than for affordable housing. The revenue effects of 100%, 70% and 60% adoption rates are summarized in Table 4, based on the growth projections contained in the updated Land Use Assumptions, and compared to revenue from current fees.

Table 4. Potential Impact Fee Revenue, 2014-2020

Fee Type	Adoption Rates (No Waivers)			Current Fees
	100%	70%	60%	
Roads	\$10,352,347	\$7,246,643	\$6,211,408	\$8,140,027
Parks/Trails	\$2,674,647	\$1,872,253	\$1,604,788	\$2,192,480
Fire/EMS	\$774,244	\$541,971	\$464,546	\$455,399
Police	\$325,566	\$227,896	\$195,340	\$162,915
Total	\$14,126,804	\$9,888,763	\$8,476,082	\$10,950,821

Source: Revenue for updated fees at 100% from Table 26 (roads), Table 38 (parks), Table 49 (fire/EMS) and Table 60 (police); revenue from current fees assumes single-family fee for 2,001-2,500 sq. ft. unit; 95% shopping center rate plus 5% fast-food restaurant rate (fast-food restaurant was actually 9% of retail square footage over the last two years) for retail, general office for office, average of industrial/warehouse for industrial/warehouse and nursing home for institutional.

Recommendations

The consultant offers the following recommendations relating to the impact fee update:

- 1. Consolidate/Reduce Number of Nonresidential Land Use Categories.** The City should consolidate the nonresidential land use categories as reflected in the updated fee schedules. Even though this is likely to result in slightly less revenue than would be received if the current detailed categories were retained, such consolidation will recognize that commercial land uses often change, avoid extremely high fees for a small number of land uses, eliminate most impact fee charges for change of use, thereby encouraging reuse of existing buildings, and simplify impact fee administration.
- 2. Consider Single-Family Flat Rate.** The City could also consider adopting flat rate for single-family detached units in place of the current differentiated fees by dwelling unit size. Both options have been calculated in this study, and both options would generate about the same amount of revenue. This would result in somewhat higher fees for smaller units and lower fees for larger units. However, the difference between fees for the smallest and largest single-family size categories has gone down from a theoretical maximum of \$3,089 when the differential fees were first calculated in 2003 to only \$1,166 in this update,² due to switch to more reliable regional data. The City may well decide that this relatively small differential is no longer worth the additional complexity.
- 3. Adopt Fees at the Same Percentage for All Land Uses.** The updated fees may be adopted at a percentage less than the proportionate fair-share amounts documented in this study. Different adoption percentages could be applied to the different types of fees (e.g., roads or parks), but the percentage for each fee type should be applied uniformly to all land use types in order to retain the proportionality of the fees to the impact of various types of development. Adoption of all fees at 70% would produce about the same revenue as current fees.

² Sum of road, park, fire and police fees, if adopted at 100% with no residential fee waivers.

LEGAL FRAMEWORK

Impact fees are a way for local governments to require new developments to pay a proportionate share of the infrastructure costs they impose on the community. In contrast to traditional “negotiated” developer exactions, impact fees are charges that are assessed on new development using a standard formula based on objective characteristics, such as the number and type of dwelling units constructed. The fees are one-time, up-front charges, with the payment usually made at the time of building permit issuance. Impact fees require each new development project to pay its pro-rata share of the cost of new capital facilities required to serve that development.

Impact fees were pioneered by local governments in the absence of explicit state enabling legislation. Consequently, such fees were originally defended as an exercise of local government's broad “police power” to protect the health, safety and welfare of the community. The courts gradually developed guidelines for constitutionally-valid impact fees, based on a “rational nexus” that must exist between the regulatory fee or exaction and the activity that is being regulated. To date, 28 states have adopted impact fee enabling legislation. These acts have tended to embody the constitutional standards that have been developed by the courts. Impact fees in New Mexico are governed by the New Mexico *Development Fees Act* (Sec. 5-8-1, et. seq., New Mexico Revised Statutes).

Service Area

The New Mexico *Development Fees Act* requires that Land Use Assumptions and Capital Improvements Plans must be prepared for each “service area.” A service area is a geographic area within which a set of capital facilities provides roughly equivalent benefit to all development located within the area. In general, impact fees collected within a service area will be spent within the same service area, although there may be instances where the facility that serves development in the service area is actually physically located outside the service area.

Land Use Assumptions

An impact fee update must include land use assumptions (growth projections) for each service area. The *Development Fees Act* defines land use assumptions as “projections of changes in land uses, densities, intensities and population in the service area over at least a five-year period.” Because the Capital Improvements Plan that must be prepared for each service area must identify improvement needs for a period not to exceed ten years, a 5-to-10-year time-frame is appropriate for an impact fee study. A seven-year time frame is used for the land use assumptions and capital improvements plans in this study. The land use assumptions are provided in Appendix F.

Capital Improvements Plan

According to the *Development Fees Act*, impact fees can only be spent on improvements identified in the Capital Improvements Plan. The Capital Improvements Plan required by the *Development Fees Act* is somewhat different from the traditional capital improvements program. Like a traditional capital improvements program, the Capital Improvements Plan required by the *Development Fees Act* must include a list of capital projects, their costs and anticipated sources of funding. However, the similarity stops there. Elements required in the Capital Improvements Plan but not found in a typical capital improvements program include an inventory of existing facilities, including an analysis of current usage and capacity of such facilities; a determination of the portion of the cost of planned improvements, as well as existing improvements with remaining excess capacity, that is attributable to growth; an equivalency table that estimates the service demand generated by different

land use types; and the projected growth in service demand based on the recommended Land Use Assumptions over a period not to exceed ten years. In essence, the impact fee Capital Improvements Plan is the impact fee study.

Capital Facilities Plans

While the Capital Improvements Plan includes much more than a list of planned projects, the project list has special relevance. Impact fees can only be spent on projects that are listed in the adopted Capital Improvements Plan. In addition, credits against the impact fees in return for dedications of land or improvements made by developers are only allowed if the dedication or improvement is listed in the Capital Improvements Plan. In order to distinguish between the full Capital Improvements Plan and the list of projects, the list of projects will be referred to as the Capital Facilities Plan. The Capital Facility Plans for each of the four fee types are provided in Appendix G.

Level of Service

The Act requires “an analysis of the total capacity [and] the level of current usage” of existing facilities, a relationship that is often referred to as “level of service” (although this term does not appear in the Act). The impact fee principle that is being referred to here is that new development should not be charged for a higher level of service than is being provided to existing development. If facilities are currently deficient with respect to the capacity standard that is being used to calculate the impact fees, a credit should be provided to new development to acknowledge tax or rate payments that will be made by new development and used to remedy the deficiency. In general, the necessity of providing a deficiency credit is avoided by basing the impact fees on the current level of service.

Service Unit

Both demand and capacity need to be expressed in terms of the same “service units” – defined by the Act as “a standardized measure of consumption, use, generation or discharge.” The service unit for parks, for example, might be acres of park land. In order to translate land use projections into additional demands for service, the Capital Improvements Plan must include “an equivalency or conversion table establishing the ratio of a service unit to various types of land uses, including residential, commercial, and industrial.” Such a table, which relates various land use categories and the service demands associated with them, is the basis for the fee schedule. The equivalency table for road impact fees, for example, would specify the typical travel demand generated by a single-family unit, 1,000 square feet of office space, etc.

Fee Schedule

The fee schedule brings together all of the fee calculation components. These include the land use categories, service demands associated with a unit of development, cost per service unit and revenue credits. Although the Act does not specifically mention credits for other revenue contributions (e.g., gross receipts taxes used to pay debt service on the same facility), established case law clearly indicates that double-charging must be avoided and that such contributions must be credited in the impact fee formulation.

Updates

The *Development Fees Act* requires that the land use assumptions and capital improvements plan be updated within five years from the date that the last capital improvements plan was adopted.

SERVICE AREAS

The New Mexico *Development Fees Act* defines “service area” as

the area within the corporate boundaries or extraterritorial jurisdiction of a municipality or the boundaries of a county to be served by the capital improvements or facility expansions specified in the capital improvements plan designated on the basis of sound planning and engineering standards.

The service area for the City’s current impact fees is the Santa Fe Urban Area (see Figure 1). The Urban Area is the geographic area that includes the City’s incorporated area as well as some additional unincorporated area that is likely to be annexed into the city at some time in the future. In the future, comparisons between the “city” and “urban area” may be unnecessary as the city annexes most of the urban area. However, the Agua Fria Traditional Historic Community, containing 2,800 residents and 1,134 housing units according to the 2010 Census, is located within the urban area and is expected to remain unincorporated. City impact fees are charged only within the corporate limits and unincorporated areas within the Urban Area where the City has building permit authority.

The City currently has a single service area for all of the fees. In general, multiple service areas should be avoided where possible. Each service area requires the preparation of separate land use assumptions, facility inventories, impact fee calculations and capital improvements plans. In addition, multiple service areas limit the City’s ability to accumulate sufficient funds to make improvements.

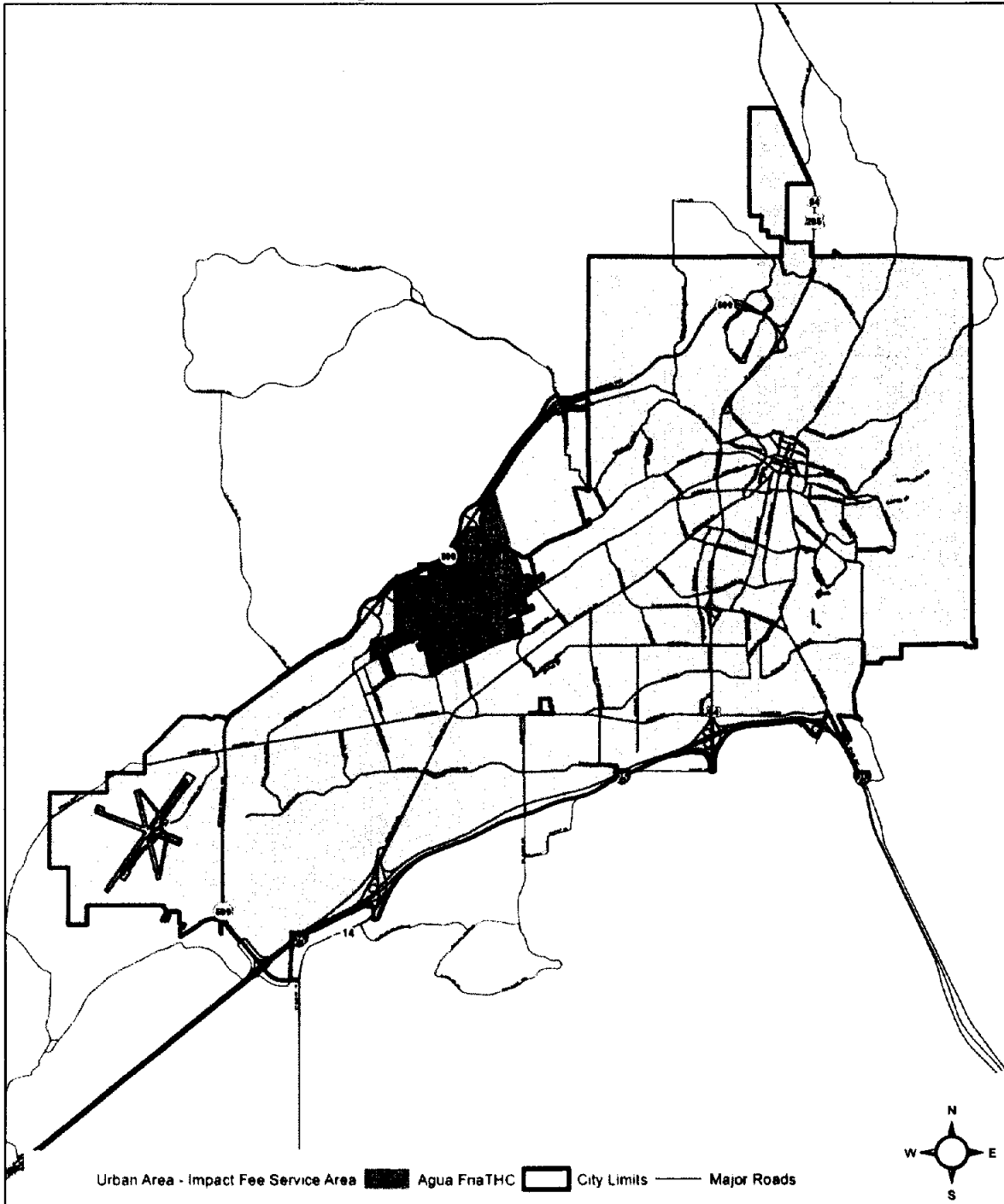
Multiple service areas are sometimes used to create fee differentials as an incentive to steer development to desired locations. Impact fee differentials by area, however, are unlikely to be large enough to have any significant effect on the location of development.

Benefit District Option. While multiple service areas are to be avoided, the City could consider the division of the service area (for one or more impact fee types) into two or more “benefit districts.” Benefit districts are not described in the State’s impact fee enabling act, but they are used in many impact fee systems around the country. A benefit district is simply a requirement that impact fees collected in a defined area be spent in the same area. Benefit districts use a requirement of geographic proximity to help ensure that the fees are spent on improvements that benefit the developments generating the fees.

Multiple benefit districts put the same restrictions on the expenditure of funds as multiple service areas would, but the preparation of separate land use assumptions, capital improvements plans and impact fee calculations for each benefit district is not required. Multiple benefit districts generally make the most sense for road and park impact fees. Fire and police facilities tend to be either more centralized (police) or more integrated (fire), and are generally not appropriate for multiple benefit districts.

The City has been experiencing significant growth in its recently-annexed southwest portion of the Urban Area, and some interest has been expressed in implementing two benefit districts (southwest/non-southwest) for road and park/trail impact fees.

Figure 1. Santa Fe Urban Area



Roads

The City's road impact fees fund improvements to the major roadway system, defined as arterial and collector roadways, excluding I-25 and NM 599. Because the major roadway system facilitates travel throughout the community, a single service area continues to be appropriate for road impact fees.

Parks/Trails

The City's park/trail impact fees fund improvements to the system of recreational facilities, including regional parks, neighborhood parks and trails. Regional parks and trails tend to serve relatively large areas, while neighborhood parks have more localized benefit. As long as the City makes a good faith effort to use park/trail impact fees to fund neighborhood park improvements in areas that are experiencing residential development, a single service area will continue to be appropriate for park/trail impact fees.

Fire and Police

A single service area continues to be appropriate for fire and police facilities. Police facilities tend to be centralized, and police protection is provided throughout the city from roving patrol cars. While fire facilities are by necessity more decentralized, responding units are not always located at the nearest station, and units respond to major incidents from all over the city. The City's fire and police facilities and equipment thus form integrated systems, and single service areas are appropriate.

LAND USE ASSUMPTIONS

Land Use Assumptions for the impact fees are provided in Appendix F. The land use assumption report provides growth projections for the Santa Fe Urban Area, a unified service area within which the city may expend impact fee monies for eligible capital improvement projects. The New Mexico Development Fees Act (§§ 5-8-1 through 5-8-43, NMSA 1978), specifies that land use assumptions must be adopted for a period of at least five years. The land use assumptions cover a period of seven calendar years from the beginning of 2014 through the end of 2020. Over this period, the land use assumptions anticipate that the service area will gain 2,100 new dwelling units with approximately 3,500 new residents and approximately 1.23 million square feet of new nonresidential development. The growth projections for housing, population and nonresidential floor area from 2014 through 2020 are summarized in Table 5.

Table 5. Land Use Assumptions Summary, 2014-2020

	2014	2020	Increase
Population	86,500	90,000	3,500
Single-Family Detached*	25,075	26,563	1,488
Multi-Family**	14,125	14,737	612
Moble Home	5,200	5,200	0
Total Housing Units	44,400	46,500	2,100
Retail (1,000 sf)	10,198	10,898	700
Office (1,000 sf)	8,972	9,322	350
Industrial (1,000 sf)	4,360	4,465	105
Institutional (1,000 sf)	2,960	3,030	70
Total Nonresidential (1,000 sf)	26,490	27,715	1,225

* 85% of combined single-family detached and attached provided in the *Land Use Assumptions* (percentage from U.S. Census, American Community Survey, 2008-2012 for City of Santa Fe)

** adjusted from *Land Use Assumptions* to include single-family attached, per note above

Source: City of Santa Fe Long Range Planning Division, *Santa Fe Urban Area, Impact Fee Land Use Assumptions 2014-2020*, August 2013 (see Appendix F).

METHODOLOGIES

This section reviews the existing methodologies for all four facility types, identifies potential alternatives and makes recommendations for changes.

There are a variety of methodologies that can be employed to calculate impact fees. Any methodology, however, must comply with the fundamental principle of impact fees, which is that new development should not be charged for a higher level of service than existing development. Impact fees can be based on a higher level of service than currently exists, but if they are based on a higher level of service a funding plan must be put in place to remedy the existing deficiencies and a credit must be provided for the portion of the funding used to remedy the deficiencies that will be generated by new development.

Alternative Methodologies

There are two basic types of impact fee methodologies: “standards-based” and “plan-based.” Standards-based methodologies use a generalized, system-wide level of service measure, such as the number of park acres per 1,000 residents. With such a standard, appropriate impact fees can be calculated based on the cost of maintaining the existing level of service without a master plan specifying specific improvements to be constructed. This approach gives the City flexibility to modify its Capital Improvements Plan to respond to changing conditions without triggering the need for an impact fee update.

A plan-based methodology relies on a list of planned capital improvements, and is basically calculated by dividing the cost of needed improvements over a period of time by the anticipated new service units over the same time period. The essential requirement for a plan-based fee is that it must demonstrate the nexus between the cost of the planned improvements and the amount of anticipated development. Some plan-based fees use a master plan to establish this nexus. The master plan approach is generally based on an improvement-specific or geographically-based level of service standard, such as “all major roadways shall operate at LOS D or better,” and often results in the identification of existing deficiencies. Other plan-based fees are based on a build-out plan or list of capital improvements that are not based on a master plan. These non-master plan approaches must generally be combined with a standards-based analysis that demonstrates that the plan-based fee does not exceed the existing level of service, in order to establish the nexus between the planned improvements and the amount of development to be served by those improvements.

Current Methodologies

The City’s current impact fees are all based on a standards-based methodology, as described below. No changes from the basic methodologies are proposed.

Roads

The standards-based methodology for road impact fees is generally referred to as a “consumption-based” approach. In the standard consumption-based approach, the total cost of a representative set of improvements is divided by the capacity added by those improvements in order to determine an average cost per vehicle-mile of capacity (VMC). This cost per VMC is then multiplied by the

vehicle-miles of travel (VMT) generated by a unit of development of a particular land use type to determine the gross impact fee (i.e., before credits). A variant is the modified consumption-based approach, which uses a system-wide VMC/VMT ratio higher than the 1:1 ratio implicit in the standard approach.

The City's current road impact fees are based on the standard consumption-based methodology. This is a relatively conservative approach, because most roadway systems require a VMC/VMT ratio greater than one to operate effectively, due to the fact that vehicular travel does not always go where excess road capacity is located. Nevertheless, it is a widely-used, reliable approach to the calculation of road impact fees.

Parks

The standards-based methodology is sometimes referred to as "incremental expansion," because it uses the existing level of service to determine the cost required to serve future development. It is based on the reasonable assumption that facilities will need to be expanded proportional to the amount of growth that occurs. This approach is appropriate for facilities that do not have a significant amount of excess capacity to serve future development.

Park impact fees are typically only assessed on residential development, because the need for parks is related to the number of people residing in the community. Some park impact fees use the ratio of park acres to population as the level-of-service measure. However, rather than using population as the service unit for parks, the current fees use Equivalent Dwelling Units (EDUs). A typical single-family home is 1.00 EDU, while the EDUs for other housing types are based on the average household size relative to a typical single-family unit. Using EDUs rather than population has the advantage of taking volatile occupancy rates out of the equation.

While a ratio of acres to population may be a useful level-of-service measure for park planning purposes, it is less appropriate as the basis for impact fee calculation. An acre developed with ball fields represents a much lower capital investment than an acre developed with a community center or a swimming pool. The current park methodology uses the inventory of actual improvements and current replacement costs to quantify the capital investment in existing facilities. The existing LOS is defined in terms of capital investment per EDU.

Fire and Police

The current fire and police impact fees are also based on the incremental expansion approach, based on the existing city-wide level of service. The level of service is quantified in terms of the capital investment per service unit. The service unit for fire and police fees is "functional population." A functional person is similar to the concept of a full-time equivalent worker, and represents the equivalent of a person being present at the land use for 24 hours a day. The functional population approach is appropriate for fire and police services, since the demand for such services is strongly related to the number of people present at a land use.

LAND USE CATEGORIES

This section contains the consultant's recommendations relating to the land use categories to be included in the updated impact fee schedule.

Single-Family Fees by Unit Size

The analysis provided in Appendix B indicates that average household size does not increase for single-family detached units over about 3,000 square feet. Consequently, this update recommends collapsing the 3,001-3,500 square feet, 3,501-4,000 square feet, and over 4,000 square foot categories. Alternatively, the City Council could choose to charge single-family fees based on the average fee per dwelling unit.

Nonresidential Land Use Categories

The consultant recommends reducing the number of nonresidential land use categories in the impact fee schedule. In hindsight, the categories we initially prepared for the City in 2003, and updated in 2008, are probably too detailed. In recent years, we have been encouraging clients to simplify their impact fee systems, including reducing the land uses in their fee schedules to fewer, more general, categories. Fewer, broader land use categories are just as defensible from a legal standpoint and offer several advantages, including avoiding extremely high fees for a small number of land uses (e.g., restaurants, convenience stores, medical offices), eliminating most impact fee charges for change of use, thereby encouraging reuse of existing buildings, and simplifying impact fee administration. We most recently applied this approach in our 2012 update of Albuquerque's impact fees.³

The major suggested change is to simplify and reduce the number of nonresidential land use categories included in the impact fee schedule. Including many land use categories seems on the face of it to be more accurate and to make it easier to classify proposed uses. After all, if a use is specifically listed, that should make it easier to assess fees when that particular use is proposed. The problem is that it is impossible to list all potential uses, and including many land use categories does not necessarily improve accuracy. For example, while the Institute of Transportation Engineers (ITE) *Trip Generation* manual provides trip rates for many categories, the land uses are often not well defined, many of the rates are based on very small samples, and data on pass-by rates and average trip lengths for most of those uses are not readily available. In addition, short-term accuracy can end up overcharging for long-term impacts, because commercial uses change frequently and impact fees are not refunded when a use is changed to one that generates less impact.

The alternative approach of listing fewer, broader categories in the fee schedule is becoming increasingly popular as a way to encourage the reuse of existing buildings and simplify impact fee administration. Such fee schedules list a few very general nonresidential categories, such as retail/commercial, office, public/institutional, industrial, warehouse and mini-warehouse. This approach may not generate as much revenue as the more detailed approach, but it is legally

³ Duncan Associates, *Impact Fee Land Use Assumptions and Capital Improvements Plan, 2012-2022, prepared for the City of Albuquerque, New Mexico*, September 2012 (<https://www.cabq.gov/council/documents/OC127.pdf>).

defensible, reasonable and simpler to administer. It recognizes that the use of buildings often changes over time, and it focuses on average long-term impacts. Short-term impacts in the immediate vicinity of a use are a legitimate focus for traffic impact analyses designed to determine impacts on nearby intersections, but are not necessarily the most appropriate for road impact fees. Most commercial uses tend to be located in shopping centers, and the ITE trip generation rates for shopping centers are based on a broad mix of land uses. Shopping centers often include high-traffic uses such as movie theaters, banks, medical offices and restaurants, and the ITE manual notes that some of the studies of shopping centers include trips generated from outparcels, which tend to be occupied by the highest-traffic uses, such as convenience stores, gas stations and fast food restaurants. This approach recognizes that commercial land uses often change, avoids extremely high fees for a small number of land uses (e.g., restaurants, convenience stores), eliminates most impact fee charges for change of use, thereby encouraging reuse of existing buildings, and simplifies impact fee administration.

The proposed land use categories are compared to the current categories in Figure 2. In addition, this update calculates an average impact fee for single-family detached units, which would allow the City to update the current single-family fees by size category or use a single, average fee.

Figure 2. Current and Proposed Land Use Categories

Proposed Land Use Categories	Current Land Use Categories	
Single Family Detached	Single Family Detached	
Up to 1,500 sq. ft.	Up to 1,500 sq. ft.	
1,501 - 2,000 sq. ft.	1,501 - 2,000 sq. ft.	
2,001 - 2,500 sq. ft.	2,001 - 2,500 sq. ft.	
2,501 - 3,000 sq. ft.	2,501 - 3,000 sq. ft.	
More than 3,000 sq. ft.	3,001 - 3,500 sq. ft.	3,501 - 4,000 sq. ft.
Guest Unit, 750 sf or less	Guest Unit, 500 sf or less	Guest Unit, 501-750 sf
Multi-Family/Guest Unit > 750 sf	Multi-Family/Other	Guest Unit, > 750 sf
Retail/Commercial	Shopping Center/Gen. Retail	Hotel/Motel
	Auto Sales/Service	Movie Theater
	Bank	Restaurant, Packaged Food
	Conv. Store w/Gas Sales	Restaurant, Sit-Down
	Health Club	Restaurant, Fast Food
Office	Office, General	Medical Building
Public/Institutional	Nursing Home	Day Care Center
	Church	Educational Facility/Dorm
Industrial	Industrial	
Warehouse	Warehouse	
Mini-Warehouse	Mini-Warehouse	

To estimate the potential revenue loss from moving to the more generalized nonresidential categories, permit data were reviewed for the last two years. Table 6 below shows the difference between the impact fees that would have been collected under the current adopted fee schedule (with no reduction or waiver of residential fees) versus under the proposed more general land use categories. Industrial and warehouse categories are not shown, because the City did not permit any developments of these types over the last two years. This comparison suggests that the more general land use categories would result in total impact fee revenue about 6% lower than under the more detailed categories.

Table 6. Impact Fee Revenue, Detailed vs. General Nonresidential Categories

Land Use Categories	Unit	No. of Units		Impact Fee Revenue				
		Permitted		Roads	Parks	Fire	Police	Total
Residential (all)	Dwelling	455		\$563,023	\$604,240	\$68,250	\$24,115	\$1,259,628
Shopping Center/Gen. Retail	1,000 sq. ft.	89.319		\$410,599	\$0	\$19,739	\$6,967	\$437,305
Auto Sales	1,000 sq. ft.	8.852		\$19,297	\$0	\$1,956	\$690	\$21,943
Bank	1,000 sq. ft.	6.267		\$31,009	\$0	\$1,385	\$489	\$32,883
Restaurant, Sit-Down	1,000 sq. ft.	22.321		\$113,458	\$0	\$4,933	\$1,741	\$120,132
Restaurant, Fast Food	1,000 sq. ft.	13.096		\$144,894	\$0	\$2,894	\$1,021	\$148,809
Health Club	1,000 sq. ft.	2.740		\$12,040	\$0	\$606	\$214	\$12,860
Office, General	1,000 sq. ft.	31.501		\$76,516	\$0	\$3,906	\$1,386	\$81,808
Office, Medical	1,000 sq. ft.	3.328		\$12,989	\$0	\$413	\$146	\$13,548
Nursing Home	1,000 sq. ft.	17.068		\$23,110	\$0	\$2,116	\$751	\$25,977
Church	1,000 sq. ft.	32.897		\$50,036	\$0	\$4,079	\$1,447	\$55,562
Mini-Warehouse	1,000 sq. ft.	3.106		\$1,295	\$0	\$146	\$50	\$1,491
Total, Detailed Categories				\$1,458,266	\$604,240	\$110,423	\$39,017	\$2,211,946
Residential (all)	Dwelling	455		\$563,023	\$604,240	\$68,250	\$24,115	\$1,259,628
Retail/Commercial	1,000 sq. ft.	142.595		\$655,509	\$0	\$31,513	\$11,122	\$698,144
Office	1,000 sq. ft.	34.829		\$84,600	\$0	\$4,319	\$1,532	\$90,451
Public/Institutional	1,000 sq. ft.	49.965		\$29,279	\$0	\$6,196	\$2,198	\$37,673
Mini-Warehouse	1,000 sq. ft.	3.106		\$1,295	\$0	\$146	\$50	\$1,491
Total, General Categories				\$1,333,706	\$604,240	\$110,424	\$39,017	\$2,087,387

Percentage Revenue Change	-8.5%	0.0%	0.0%	0.0%	-5.6%
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Note: Approximate two-year revenue, based on 22 months of residential permits (1/23/12-11/23/13) and nonresidential permits for 2012-2013 calendar years

Source: Residential permits and revenue from Table 7; nonresidential permits for calendar years 2012 and 2013 from City of Santa Fe Long Range Planning Division, February 21, 2014; impact fee revenue based on current fees for detailed land use categories from Table 1 and general categories based on shopping center for retail, general office for office, and education for public/institutional.

Most of the reduced revenue is attributable to fast food restaurants, which would pay significantly less under the more generalized retail/commercial category. However, this may be a function of the fact that the City experienced a lot of fast food restaurant development over the last two years, but not any development in some other high-fee categories, such as convenience store/gas sales and movie theaters. While the distribution of land use types developed may change, the percentage shown in the above table is a reasonable estimate of the relative amounts of revenue likely to be received under the detailed versus general nonresidential land use categories.

While only modest changes are proposed to the residential categories, the City also has the option of charging a flat rate for single-family detached, rather than the tiered rates by dwelling size. The 2008 study did not calculate an average single-family fee, but the current fee for the 1,501-2,000 square feet category is a reasonable approximation (the City has been issuing an equal number of permits for smaller and larger units). Accessory units are treated as multi-family in the general categories, because fees for accessory units were not calculated in the 2008 study and are not calculated in this update, due to the lack of data on impacts of accessory units. The analysis suggests that collapsing the residential categories would have very little revenue impact, as shown in Table 7 below.

Table 7. Impact Fee Revenue, Detailed vs. General Residential Categories

Land Use Categories	Unit	No. of Units Permitted	Impact Fee Revenue				Total
			Roads	Parks	Fire	Police	
Single Family Detached							
(0 to 1,500 sq. ft.)	Dwelling	75	\$138,750	\$83,325	\$9,375	\$3,300	\$234,750
(1,501 to 2,000 sq. ft.)	Dwelling	115	\$241,500	\$139,610	\$15,640	\$5,520	\$402,270
(2,001 to 2,500 sq. ft.)	Dwelling	47	\$102,601	\$62,416	\$7,050	\$2,491	\$174,558
(2,501 to 3,000 sq. ft.)	Dwelling	20	\$44,960	\$27,580	\$3,100	\$1,100	\$76,740
(3,001 to 3,500 sq. ft.)	Dwelling	4	\$9,236	\$5,672	\$636	\$224	\$15,768
(3,501 to 4,000 sq. ft.)	Dwelling	2	\$4,718	\$2,888	\$326	\$116	\$8,048
(more than 4,000 sq. ft.)	Dwelling	3	\$7,272	\$4,485	\$507	\$177	\$12,441
Accessory Units (attached or det.)							
(0 to 500 sq. ft.)	Dwelling	3	\$1,554	\$972	\$111	\$39	\$2,676
(501 to 1,000 sq. ft.)	Dwelling	6	\$6,216	\$3,882	\$438	\$156	\$10,692
(1,000 to 1,500 sq. ft.)	Dwelling	4	\$6,216	\$3,884	\$440	\$156	\$10,696
Multi-Family	Dwelling	176	\$273,504	\$170,896	\$19,360	\$6,864	\$470,624
Nonresidential (all)	1,000 sq. ft.	230.495	\$895,243	\$0	\$42,173	\$14,902	\$952,318
Total, Detailed Categories			\$1,731,770	\$505,610	\$99,156	\$35,045	\$2,371,581
General Residential Categories							
Single-Family Detached	Dwelling	266	\$558,600	\$322,924	\$36,176	\$12,768	\$930,468
Multi-Family/Accessory	Dwelling	189	\$293,706	\$183,519	\$20,790	\$7,371	\$505,386
Nonresidential (all)	1,000 sq. ft.	230.495	\$895,243	\$0	\$42,173	\$14,902	\$952,318
Total, General Categories			\$1,747,549	\$506,443	\$99,139	\$35,041	\$2,388,172

Percentage Revenue Change 0.9% 0.2% 0.0% 0.0% 0.7%

Note: Approximate two-year revenue, based on 22 months of residential permits (1/23/12-11/23/13) and nonresidential permits for 2012-2013 calendar years

Source: Nonresidential permits and revenue from Table 6; residential permits for the 22-month period from 1/23/12-11/23/13 from City of Santa Fe Land Use Department, November 27, 2013 memorandum; impact fee revenue based on current fees for detailed residential land use categories from Table 1 and general categories based on single-family detached (1,501-2,000 sq. ft.) and multi-family.

ROADS

The New Mexico Development Fees Act authorizes local governments to impose impact fees for “roadway facilities,” including traffic signals. In the 2008 update, the arterial impact fee was expanded to include collector roads and was combined with the traffic signal impact fee into comprehensive road impact fee.

Service Area

Road impact fees will be calculated in this section for the City’s Urban Area, which includes the incorporated area of the City of Santa Fe and unincorporated areas around the city that will likely be provided with City service and may ultimately be annexed by the City. The road impact fees will be collected by the City only within the city limits and unincorporated areas within the Urban Area where the City has building permit authority, and will be limited to being spent within the Urban Area.

Service Unit

In impact fee analysis, capital costs, revenue credits and net costs are calculated on the basis of a “service unit,” which is a common unit of measurement of facility demand and capacity. An appropriate service unit for roadway capital cost analysis is vehicle-miles of travel (VMT). Vehicle-miles is a combination of the number of vehicles traveling during a given time period and the distance (in miles) that these vehicles travel. The two time periods most often used in traffic analysis are the 24-hour day (average daily trips or ADT) and the single hour of the day with the highest traffic volume (peak hour trips or PHT). Since available traffic counts are in the form of daily volumes, the impact fees will continue to be based on ADT.

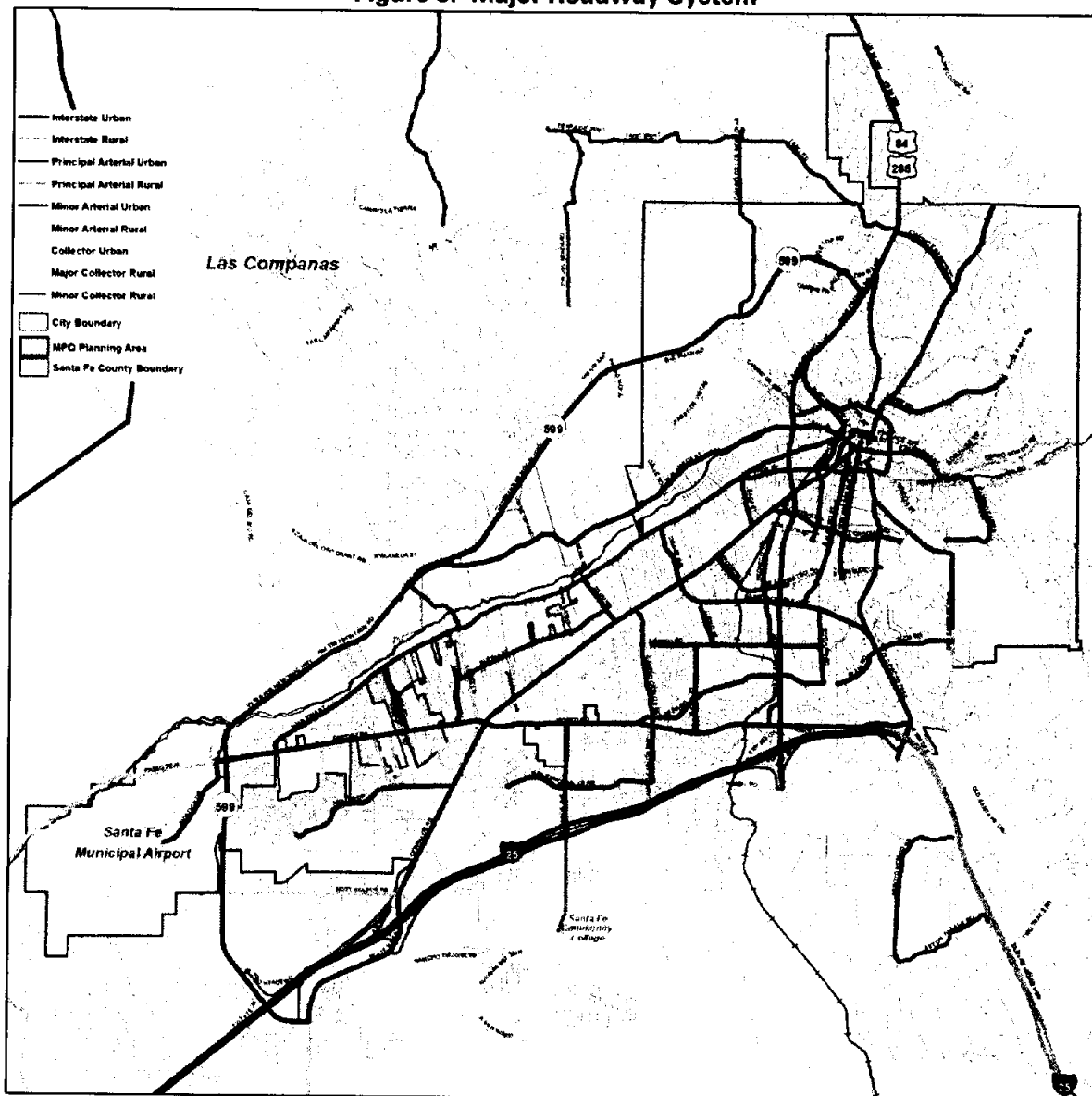
Major Road System

The New Mexico Development Fees Act limits the use of transportation impact fees to “roadway facilities,” which are defined as:

...arterial or collector streets or roads that have been designated on an officially adopted roadway plan of the municipality or county, including bridges, bike and pedestrian trails, bus bays, rights of way, traffic signals, landscaping and any local components of state or federal highways.

The City’s road impact fee ordinance defines the major road system as all collector and arterial roads. The major road system excludes I-25, because this facility serves long-distance travel and it is unlikely that the City will make any contributions toward expanding its capacity. In this update, NM 599 is also excluded, because it is a State-maintained expressway that is on the border of its incorporated boundary. The City’s major roadway system is illustrated in Figure 3. Traffic signals and intersection improvements that are associated with the major road system can be funded with the road impact fee.

Figure 3. Major Roadway System



An inventory of the major roadway system was prepared as part of this update and presented in Table 61 in Appendix A. The major purpose of the inventory is to determine the total amount of travel on the major road system, expressed in vehicle-miles of travel (VMT), and system-wide capacity, expressed as vehicle-miles of capacity (VMC). The system-wide VMT is used to calibrate national travel demand factors to local conditions.

Road impact fees will only be allowed to be spent to make improvements to the major road system. By the same token, no credit should be given unless the developer is required to improve the major road system being funded by the fee.