



# Agenda

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## **Capital Improvements Advisory Committee**

**Thursday, December 8, 2011**

**3:00 p.m.**

**City Hall, 200 Lincoln Avenue, 1<sup>st</sup> Floor  
City Councilors' Conference Room**

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES
  - Meeting of October 13, 2011
5. ACTION ITEMS
  - A. AN ORDINANCE AMENDING SECTION 14-8.14(E)(1) SFCC 1987 SO THAT FOR A PERIOD OF TWO YEARS, THE IMPACT FEES FOR RESIDENTIAL DEVELOPMENTS SHALL BE REDUCED BY 100%; AND MAKING SUCH OTHER NECESSARY CHANGES.  
(Councilors Wurzbarger, Ortiz and Dominguez)
6. INFORMATION ITEMS
7. MATTERS FROM THE CHAIR / COMMITTEE
8. MATTERS FROM THE FLOOR
9. NEXT QUARTERLY MEETING DATE (Thursday, January 12, 2012, 3:00 p.m.)
10. ADJOURN

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

## **INDEX OF MINUTES**

### **CAPITAL IMPROVEMENTS ADVISORY COMMITTEE**

**December 8, 2011**

<b>ITEM</b>	<b>ACTION TAKEN</b>	<b>PAGE(S)</b>
<b>1. CALL TO ORDER</b>		<b>1</b>
<b>2. ROLL CALL</b>	<b>Quorum</b>	<b>1</b>
<b>3. APPROVAL OF AGENDA</b>	<b>Approved</b>	<b>2</b>
<b>4. APPROVAL OF MINUTES: October 13, 2011</b>	<b>Approved [as submitted</b>	<b>2</b>
<b>5. ACTION ITEMS</b>		
<b>A. ORDINANCE AMENDING SECTION 14-8.14 (E)(1) SFCC 1987 SO THAT FOR A PERIOD OF TWO YEARS, THE IMPACT FEES FOR RESIDENTIAL DEVELOPMENTS SHALL BE REDUCED BY 100%; AND MAKING SUCH OTHER NECESSARY CHANGES</b>	<b>Approved [with provision]</b>	<b>2-7</b>
<b>6. INFORMATION ITEMS</b>	<b>None</b>	<b>8</b>
<b>7. MATTERS FROM THE CHAIR/COMMITTEE</b>		<b>8</b>
<b>8. MATTERS FROM THE FLOOR</b>	<b>None</b>	<b>8</b>
<b>9. NEXT QUARTERLY MEETING DATE: Thursday, January 12, 2012 at 3:00 p.m.</b>		<b>8</b>
<b>10. ADJOURNMENT</b>		<b>8</b>

**MINUTES OF THE**  
**CITY OF SANTA FE**  
**CAPITAL IMPROVEMENTS ADVISORY COMMITTEE**

**December 8, 2011**

**1. CALL TO ORDER**

A regular meeting of the City of Santa Fe Capital Improvements Advisory Committee was called to order by Karen Walker, Chair at 3:10 p.m. on this date in the City Councilors' Conference Room, 1<sup>st</sup> Floor, City Hall, Santa Fe, New Mexico.

**2. ROLL CALL**

Roll call indicated a quorum was present for conducting official business as follows:

**MEMBERS PRESENT:**

Karen Walker, Chair  
Michael Chapman, Vice Chair  
Edmundo Lucero  
Rick Martinez  
Maria Higuera Pope  
Gilbert Romero  
Kim Shanahan  
Neva Van Peski

**MEMBERS ABSENT:**

Marg Veneklassen, excused

**STAFF PRESENT:**

Reed Liming, Long Range Planning Division  
Matthew O'Reilly, Land Use Department Director

**OTHERS PRESENT:**

Jo Ann G. Valdez, Stenographer

**3. APPROVAL OF AGENDA**

**Ms. Van Peski moved to approve the agenda as published. Mr. Chapman seconded the motion. The motion passed unanimously by voice vote.**

**4. APPROVAL OF MINUTES: October 13, 2011**

**Ms. Van Peski moved to approve the Minutes of the October 13, 2011 meeting as submitted. Mr. Romero seconded the motion. The motion passed unanimously by voice vote.**

**5. ACTION ITEMS**

**A. ORDINANCE AMENDING SECTION 14-8.14 (E)(1) SFCC 1987 SO THAT FOR A PERIOD OF TWO YEARS, THE IMPACT FEES FOR RESIDENTIAL DEVELOPMENTS SHALL BE REDUCED BY 100%; AND MAKING SUCH OTHER NECESSARY CHANGES**

[Copies of the Memo {Exhibit 5A} from Matthew O'Reilly, Land Use Department Director, to the Planning Commission (for November 3, 2011 Meeting) dated October 25, 2011 regarding the Proposed Ordinance – Temporary Reduction in Residential Impact Fees - was distributed in the members' packets.]

The attached ordinance will temporarily reduce residential impact fees by 100% for a period of 24 months. The impact fees collected for roads, parks, police and fire would be affected by this ordinance. The proposed ordinance is the latest in a series of measures recently approved by the Governing Body to facilitate economic development and to create construction jobs in the face of the current economic downturn.

The intent of the proposed ordinance is to jump start previously-planned residential projects that may have been stalled due to the difficulty of obtaining full construction financing. It is not thought that the ordinance will significantly stimulate development of unplanned projects, although that is possible and would be an additional benefit.

Temporarily reducing impact fees will make residential projects less expensive to build and therefore easier to finance. These projects will create construction jobs and construction material purchases. Residential projects commenced during the period of temporary impact fee reductions will also generate gross receipts taxes that will accrue to the city.

Mr. Martinez asked if this was scheduled to come before the Committee since the beginning.

Chair Walker said this would usually come before the Committee; however, it was an oversight this time.

Mr. O'Reilly said on behalf of Councilor Wurzbarger, he would like to apologize that this did not come before the Committee originally.

Mr. Liming noted that the proposed ordinance has gone before the Planning Commission, the Public Works Committee and the Finance Committee.

Chair Walker said the Planning Commission and the Public Works Committee did not approve the proposed ordinance. The Finance Committee approved the proposed ordinance with a 3 to 2 vote. The sponsoring City Councilors (Wurzbarger, Dominguez and Ortiz) voted in favor of the proposed ordinance. The City Council is scheduled to hear and make a decision on the proposed ordinance in January 2012.

Chair Walker asked the members if they had any questions about Mr. O'Reilly's memo.

Mr. Shanahan asked Mr. O'Reilly if he created the tables.

Mr. O'Reilly said the tables were created by staff.

Mr. Shanahan asked what the percentage - listed in the last column of Tables 1 and 2 for residential and commercial fees- refers to.

Mr. O'Reilly said they are comparing the percentage of commercial fees as compared to residential fees. He said for the purpose of comparison, the table included wastewater fees but wastewater fees are not actually impact fees-they are utility expansion charges. He explained that the total of impact fees that is anticipated to be adjusted are less than the numbers in bold. He said the total impact fees for roads, parks; fire and police average about 92% of the total, including wastewater fees.

Chair Walker asked Mr. O'Reilly if they have read/included the study that was done in Florida comparing the counties who waived their impact fees, to the counties who didn't, and what the results were.

Mr. O'Reilly said staff has been aware of that study for some time and the study was discussed with the sponsor but it has not been in any of the packets; however, it will now be included in City Council's packet.

Chair Walker thinks this will be helpful.

Mr. Lucero mentioned that there will be three new councilors, if not four in the upcoming year. He felt that this was a "far-reaching" document. He said if the monies are not going to come from impact fees, where are they going to come from.

Mr. O'Reilly said from GO bonds. He explained that the ordinance calls for a temporary suspension of residential impact fees for two years; and residential impact fees collected are roughly one-third of the impact fees that the city collects. He said the city will still be collecting commercial impact fees. He noted that the current impact fee budget has a total of \$1.8 million and staff is projecting a loss to the city of residential impact fees over the two years of about \$700,000, assuming that construction stays at the

pace that it has been in the past two years. If construction picks up, obviously the city would lose more.

Mr. O'Reilly explained that the City Council, regardless of its makeup, can undo or change this ordinance anytime they want.

Chair Walker asked if the sponsors are convinced that this would create jobs.

Mr. O'Reilly said he is not sure that anyone is convinced about that, including staff. He said he talked to different cities about this, including the city of Albuquerque because they voted to extend their ordinance for the decrease of impact fees in March of this year, which has been in effect since 2009. He said in talking with their staff, there was nothing conclusive that they could tell him on whether or not this had an impact.

Mr. Martinez asked if this ordinance has to do with the banks and the fact that they could borrow money easier. He asked if the financing issue had something to do with this ordinance.

Mr. O'Reilly said he can only tell the Committee what he has heard people testify to - at the Planning Commission and Finance Committee meetings. They indicated that this would help them in lots of different ways, including their financing.

Mr. Martinez asked if they considered doing this for commercial too.

Mr. O'Reilly said this was discussed with the sponsor of the ordinance but most of the commercial that is presently going on is being done mostly by large out of state corporations. He said the idea was to spur residential construction, which is the sector that is slow now, especially new home building. He noted that the new Super Wal-Mart-when they came in for their building permit - paid \$732,000 in impact fees.

Mr. Chapman said he did not think it was a financing issue. He said it was next to impossible to obtain residential construction financing because of all of the new financial regulations. He said typically, individuals are financing their own construction.

Mr. Chapman said the reduction in impact fees would not help this and won't change the financing process.

Ms. Pope said she wonders if there have been other industries, other than construction, that are seeking hardships that could benefit from this also. For example, she did not see anything about the lodging industry.

Mr. Liming said he e-mailed Clancy Mullen, Duncan Associates to let him know what is being proposed. Duncan Associates is the City's Impact Fee Consultant. Mr. Mullen raised a concern about the rational nexus about treating one group different than the other (residential vs. commercial).

Mr. O'Reilly said that the City Attorney does not share the same opinion.

Mr. Shanahan said he heard that Councilor Bushee made a statement that we don't need to necessarily include commercial impact fees in this ordinance because commercial fees can already be waived. He said he is not aware of any situation where commercial fees have been waived.

Mr. O'Reilly said Councilor Bushee was incorrect. The city's ordinance does not allow the waiver of any impact fees, except for those associated with affordable housing. He said there are a couple of ways that the impact fees could be adjusted: 1) If a developer builds a significant infrastructure that was on the City's CIP plan. They can get a credit for building the significant piece of infrastructure. 2) It is also possible that the City's Governing Body can choose to pay some of the impact fees for a specific project. In order to do that, they would have to find the monies somewhere else; and the impact fees are still being paid and put into the fund.

Mr. Chapman said going back to Ms. Pope's point; he cannot think of anything local where they targeted a certain industry to try to stimulate interest. He said the affordable housing is certainly a good example of that, but in terms one industry over another, he can't think of any.

Mr. Martinez asked if this ordinance should be written to where the out of state corporations cannot walk away from paying impact fees.

Mr. Shanahan said possibly they could create some kind of "local quota" for the out of state corporations – whereby a waiver of impact fees could be done if they hire locally. He noted that the Santa Fe Area Home Builders Association (SFAHBA) believes that if impact fees are only waived for residential construction, then some formula for a local hiring preference should be factored into the waiver. Waiving impact fees for builders who do not hire local trades, suppliers, and vendors will do little to stimulate our local economy or provide jobs for those who sorely need them.

Mr. O'Reilly said this is a legal question - whether or not the city could do this. He said he did not know if the city could tie impact fees to that kind of a matrix.

Ms. Pope said she liked this line of thought because there really is no clear cut answer and this represents something of a compromise.

Chair Walker mentioned that this subject came up during the bond process and the City Attorney clarified that the city cannot specify that the local people get the jobs. She said there are other ways to create jobs without changing the impact fees. She agreed with Mr. Chapman that this will not make any difference. She also feels that it will not create local jobs.

Mr. Chapman said he liked the concept of hiring locally but it is very difficult to require this.

Mr. Chapman said this is extremely hard to measure but they know that the tax credits that were given the year before last had an impact. He said this will not create a boom in the construction industry in Santa Fe, but it could encourage people to move forward or provide a window of opportunity to construct things that may have not been constructed otherwise.

Mr. Shanahan said there are over \$23 million worth of potential projects for police and fire. He noted that there is money in those funds; and they do not need to collect impact fees because they have money coming forward from GO Bonds. He said if there is any time to waive impact fees, it would be now. The funds already collected by impact fees and administered by the City are substantial enough to sustain the accounts for a two-year waiver on collections.

Ms. Van Peski said she did not think that this is relevant - the fact that there is a certain amount of money in various funds that can be used for these types of things. She said it doesn't destroy the fact that you are giving up a certain amount of money that comes in from impact fees.

Mr. Shanahan said he did not say that.

Mr. O'Reilly explained that the City could bring in gross receipt taxes that they would not otherwise get, and this would outweigh what would come in with the impact fees.

Chair Walker said there is one problem with that: if the crews are from Albuquerque, they are more likely buying material in Albuquerque.

Mr. O'Reilly said this proposal could generate GRT in the same order of magnitude as the impact fees that would have been collected; and also has the added benefit of creating needed construction jobs and construction material purchases that might not have been created but for the impact fee reduction.

Mr. Chapman said a lot of material supplies do come from Santa Fe – contractors do buy materials in Santa Fe because they do not want to haul material from Albuquerque.

Mr. Shanahan said general contractors may not be local but they do hire local workers.

Mr. Romero asked if there were large construction projects coming to Santa Fe in the future.

Mr. O'Reilly said yes, there are a few. Also, Costco may be coming to Santa Fe and they will be required to pay impact fees.

Mr. Chapman said he wants to go back in terms of impact fees, and their rationale, because the Committee is talking about this in some ways as sort of a subsidy to the industry. He said impact fees were designed on the basis that new growth has an impact on the community and therefore has a responsibility to help bear some of the expense that it has on the community. He noted that the question- how much of this responsibility belongs to the new homeowner and how much belongs to the community- came up during the impact fee process.

Ms. Pope said she wonders if the city wants to give builders like Centex the opportunity because there is already more supply than demand.

Mr. Chapman noted that Centex, not only has statewide contractors but they also have national contractors for various things, such as drywall contractors, so they usually don't contract locally. He explained that local companies cannot compete with companies like Centex.

Chair Walker suggested that the Committee Members attend a discussion on affordable housing with Frank Katz, the City Attorney; Home Wise and Kim Shanahan of the Santa Fe Area Home Builders Association at the Community Convention Center at 9:30 a.m. tomorrow.

Mr. Romero asked if this is going to be a permanent proposal.

Mr. Chapman said it would be temporary – for two years.

Mr. Shanahan said he did not agree that this would only benefit out of state companies. He noted that building permit fees would still be collected.

Chair Walker called for a motion.

**Mr. Chapman moved that the Committee recommends that the proposed Ordinance (a temporary reduction in Residential Impact Fees) be approved. Mr. Shanahan seconded the motion. (4 in favor; 4 opposed). Motion failed.**

**Mr. Shanahan moved that the Committee recommends that the City Council consider a waiver of commercial impact fees for two years, in addition to the waiver of the residential impact fees, or that a stipulation be made that in order to have impact fees waived a certain percentage of the construction laborers be local. Mr. Chapman seconded the motion. (4 in favor; 4 opposed). Motion failed.**

**Ms. Pope moved that the Committee recommends approval of the proposed Ordinance (a temporary reduction in Residential Impact Fees) *for one year rather than two years*. Mr. Shanahan seconded the motion. The motion passed.**

**6. INFORMATIONAL ITEMS**

There were no informational items.

**7. MATTERS FROM THE CHAIR/COMMITTEE**

The Committee Members were reappointed and they completed their Ethics Forms for the City Clerk's Office.

**8. MATTERS FROM THE FLOOR**

There were no matters from the Floor.

**9. NEXT MEETING DATE: Thursday, January 12, 2012 at 3:00 p.m.**

The next meeting is scheduled for January 12, 2012 at 3:00 p.m.

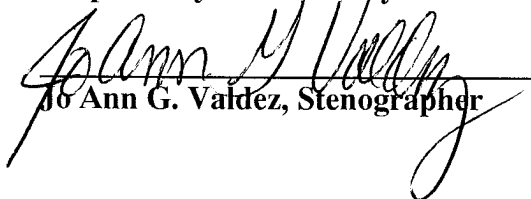
**10. ADJOURNMENT**

Having no further business to discuss, Ms. Pope moved to adjourn the meeting, second by Mr. Romero, the meeting adjourned at 4:30 p.m.

**Approved by:**

\_\_\_\_\_  
**Karen Walker, Chair**

**Respectively submitted by:**

  
\_\_\_\_\_  
**Ann G. Valdez, Stenographer**