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Utah Impact Fees: A Performance Audit of Current Practices and Policy Considerations

Utah Land Use Institute Fall Conference
October 22-23

An **impact fee** is a one-time charge imposed by local governments on new development. The purpose is to ensure new growth pays for its impact on local infrastructure.



WATER SYSTEMS



SEWER
INFRASTRUCTURE



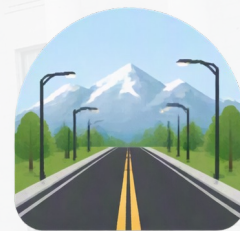
STORMWATER
DRAINAGE



PARKS AND TRAILS



PUBLIC SAFETY
FACILITIES



ROADWAYS



POWER FACILITIES

REASONABLY RELATED

ROUGHLY PROPORTIONAL



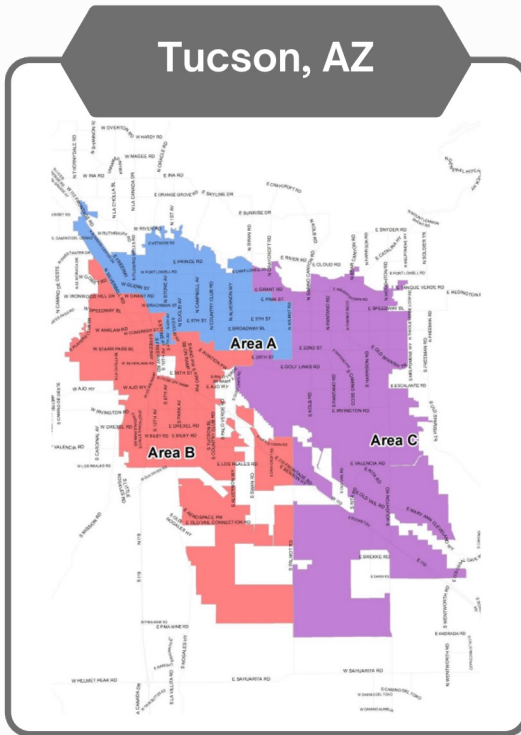
Chapter 1

The Legislature Should Consider Whether Current Practices Meet Fundamental Impact Fee Principles



Service Areas

Tucson, AZ

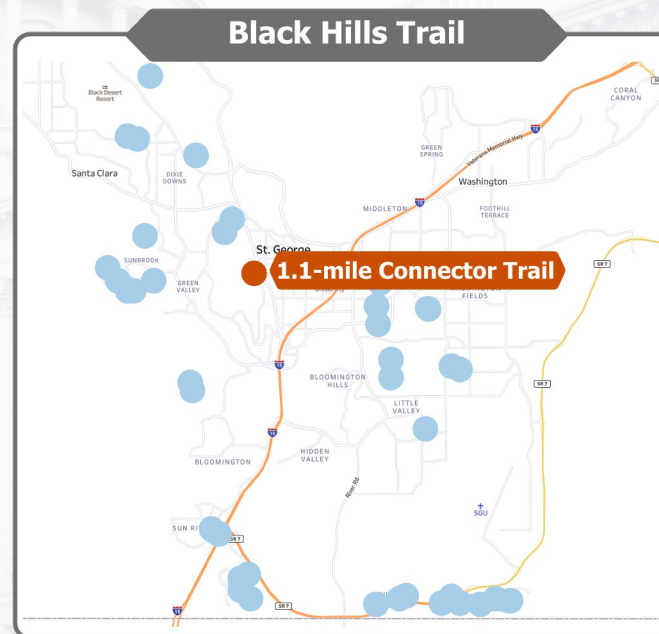


- A service area is a geographic boundary that directly links the collection of impact fees to the facilities and infrastructure that serve that area.



Service Area Decisions Involve Tradeoffs Between Fair and Practical Implementation

● Impact Fee Collections (each dot represents a fee-paying location) ● Park and Recreation Locations





Legislature Should Consider the Following Policy Options:

1

Status Quo

- The Legislature could decide that the question about increasing the number of service areas doesn't currently need to be addressed

2

Service Areas for Specific Infrastructure

- Different facilities serve different geographic areas. The appropriate service area for one type of facility may not be appropriate for another.

3

Geographic Size or Population

- Other states base service areas on population or geographic size. Utah could implement the same for cities of first or second class.

4

Require Service Areas

- Service areas could be broadly applied to all impact fee categories or services. Other states have worked to balance the administrative burden by allowing an administrative charge.

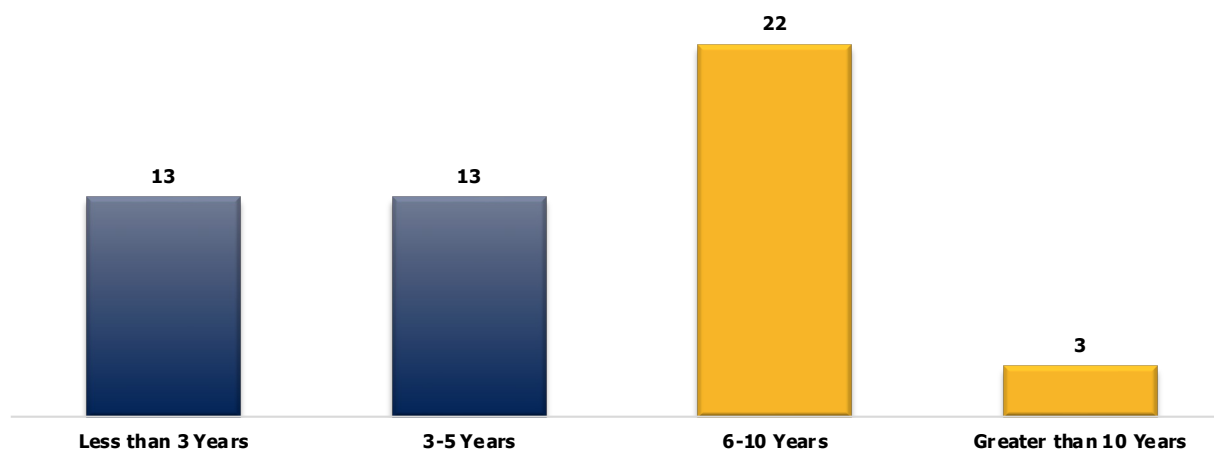
5

Hybrid Mix

- The Legislature could choose to use any combination of options one through four.



Roughly Half of All Impact Fee Studies We Reviewed Had Not Been Updated Within the Past Five years



Key Takeaway: Most impact fee facilities plans are between 6 and 10 years old, with 6% greater than 10 years old.



Chapter 2

Some Local Government Impact Fee Errors Show that More Training and Support Are Needed



Some Local Government Impact Fee Practices are Noncompliant with Statute and Should Be Improved

OSA, OPRO, and OLAG Found Where Local Government Isn't Following Statutory Requirements:

OLAG		Spending on Unauthorized Infrastructure		Charging from Service Areas, Spent Elsewhere		Keeping Funds Longer than Statutorily Allowed		Not Posting Studies in Libraries or Online		Lack of Study Access and Transparency
		Studies Failed to Identify Need or Level of Service		Inconsistent Application, Charging a Multiplier		Charging for Facilities not Established on Plan		Charging Fees with No Documented Burden		Studies Include Fixing Existing Deficiencies
		Reporting Noncompliance		Charging Fees under Another Classification		Charging Fees from Outdated Plans				
OPRO										
OSA										

See Figure 2.1



State-Level Guidance and Oversight Could Be Strengthened

Training & Education



Office of
Property
Rights
Ombudsman



Office of the
State
Auditor



Utah League
of Cities and
Towns

Should Curate Resources to
Improve Government Practices

Legal Guidance & Support



Office of Property Rights
Ombudsman

Provides Legal Guidance, But
Should Improve Timeliness

Reporting Oversight & Compliance



Office of the State Auditor

Should Continue to Develop
Reporting Consistency and
Monitor for Compliance

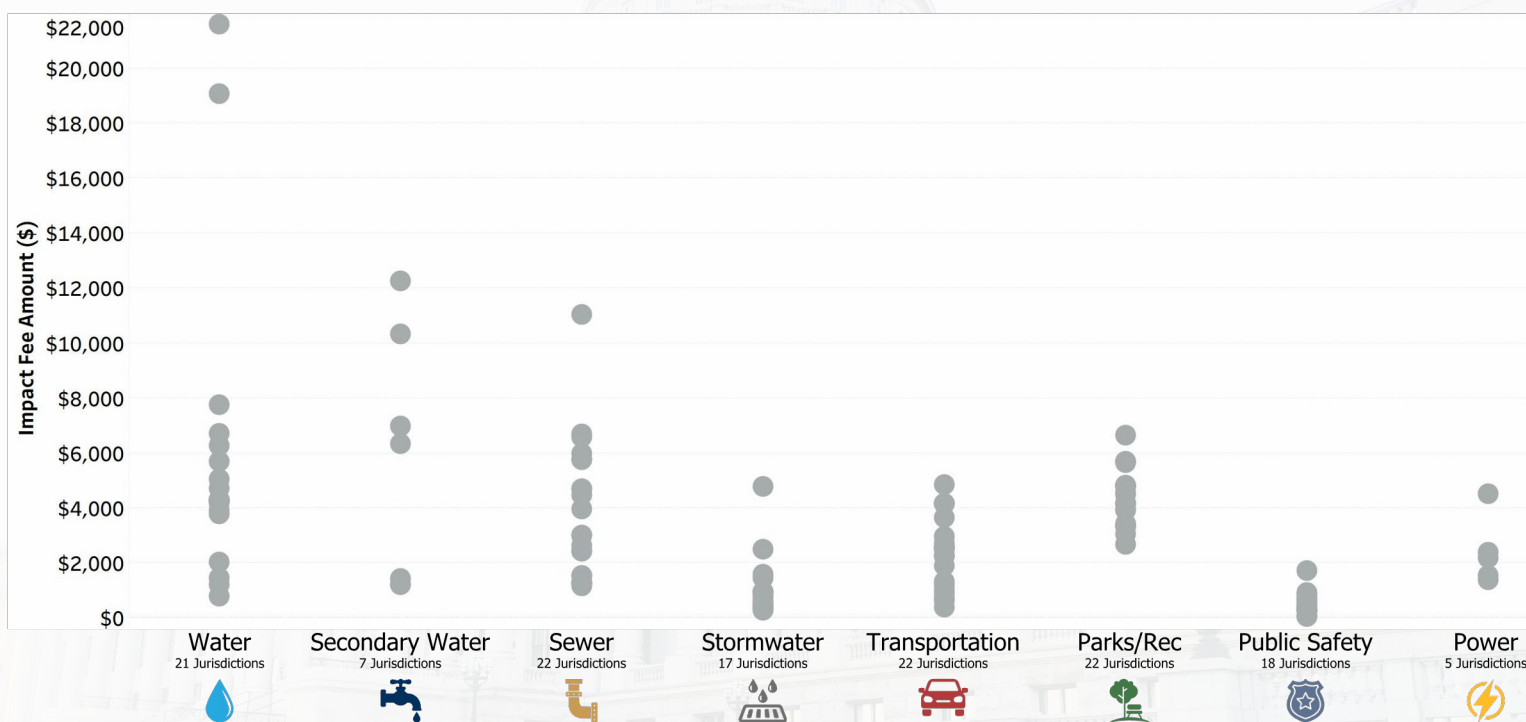


Chapter 3

Impact Fees Costs Vary Significantly From City to City



Fees Vary Greatly from City to City



See Figure 3.2





Different Cities' Impact Fees Create a Different Cost Burden to Developers

 KAYSVILLE Impact Fee Bill		
Description	Amount	
 Culinary Water	\$769	
 Secondary Water	\$0	
 Wastewater	\$2,400*	
 Stormwater	\$0	
 Transportation	\$1,330	
 Parks/Recreation	\$4,480	
 Public Safety	\$652	
 Municipal Power	\$1,908	
TOTAL	\$11,539	

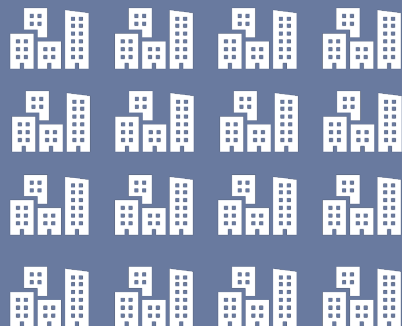
 GRANTSVILLE Impact Fee Bill		
Description	Amount	
 Culinary Water	\$8,819	
 Secondary Water	\$12,361	
 Wastewater	\$5,949	
 Stormwater	\$0	
 Transportation	\$3,150	
 Parks/Recreation	\$4,132	
 Public Safety	\$1,037	
 Municipal Power	\$0	
TOTAL	\$35,448	

See Figure 3.1

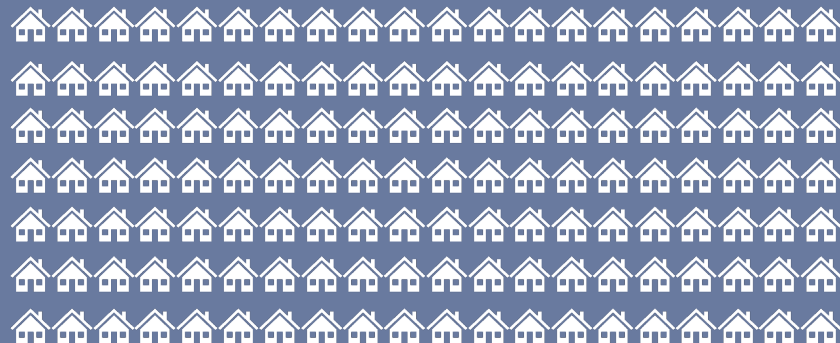


To What Degree do Impact Fees Influence Housing Affordability?

16 Cities



~10,000 Units



Key Takeaway: Data Showed No Statistical Relationship
Between Impact Fees and the Final Home Price



Recommendations

Legislative Action



- Consider service areas
- Consider establishing a regular update cycle for impact fee facility plans (IFFP) and impact fee analyses (IFA)
- Consider to require posting IFFP and IFAs on public websites
- Consider expanding and clarifying the reporting oversight responsibilities of OSA
- Consider additional policy options listed in Chapter 2



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