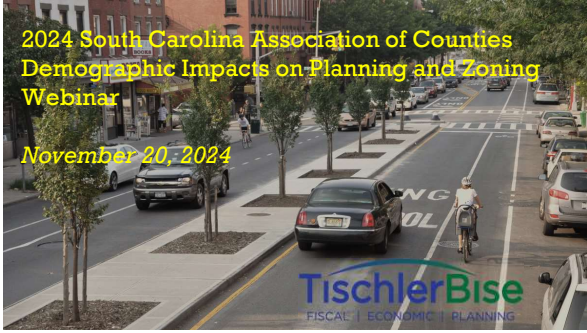


Impact Fee Basics and Dealing with the Cost of Growth

2024 South Carolina Association of Counties Demographic Impacts on Planning and Zoning Webinar

November 20, 2024



1



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

Abbeville County	Georgetown County	Aiken County	Greenville County
Dorchester District 2	Anderson County	Horry County	Beaufort County
Orangeburg County	Rowlett Co. School Dist.	Rock Hill	Clearwater District
Summerville	Fort Mill Schools	York County	Lancaster County
Lancaster County School District	Upper County	Jasper County School District	Lexington County
Essex	Moncks Corner	Florence	Tega Cay
Clerman	Chester County Schools	York School District 1	Winnabow
Pageland	Greer	Clinton	Richland County

TischlerBise | www.tischlerbise.com

2

2

Basic Options for Funding Infrastructure

- Funding from broad-based revenues (property, income, sales taxes)
- Gas tax
- Special Assessment Districts
- Federal/State sources
- P3's
- Tolls
- Pioneering agreements
- Exactions
 - Obtained through development approval process (e.g., half street improvements)
- **Accept lower levels of service!**

TischlerBise | www.tischlerbise.com

3

3

Why Impact Fees?

- Infrastructure capacity is essential to accommodate new development
 - Quality of place is essential to attract/ retain millennials, boomers, and innovators
- Minimizes externalities like traffic congestion that is associated with “no-growth” sentiment
- Compared to negotiated agreements, streamlines approval process with known costs (predictability)
- Integrates comprehensive planning, economic development, and revenue strategies
 - Balance funding needs against economic competitiveness
 - Embrace multi-modal options and “willingness-to-pay” concept

4

Conceptual Impact Fee Calculation

Demand Units per Development Unit	×	Infrastructure Units per Demand Unit	×	Dollars per Infrastructure Unit
-----------------------------------	---	--------------------------------------	---	---------------------------------

$2.5 \text{ persons per SFD unit} \times 5 \text{ acres per } 1,000 \text{ persons} \times \$100,000 \text{ per acre} = 0.0125 \text{ acres per SFD Unit @ } \$1,250 \text{ per SFD Unit}$

5

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

6

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
 - Property tax, local option sales tax, gas tax

7

Credits

- Credit for future local option sales tax

LOCAL OPTION SALES TAX			
Year	Sales Tax	Student Projections	Revenue Per Studentper
21/22	\$666,667	10,634	\$62.69
22/23	\$666,667	10,834	\$61.53
23/24	\$666,667	11,034	\$60.42
24/25	\$666,667	11,234	\$59.34
25/26	\$666,667	11,434	\$58.31
26/27	\$666,667	11,634	\$57.30
27/28	\$666,667	11,834	\$56.33
28/29	\$666,667	12,034	\$55.40
29/30	\$666,667	12,234	\$54.49
	\$6,000,000		\$525.82
		Discount Rate	2.50%
		Sales Tax Credit per Student:	\$467

8

Impact Fees in South Carolina

- Code of Laws of South Carolina, Section 6-1-910 et seq.
- 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 District

9

Fee Methodologies (continued)

- Plan-Based Approach (future)
 - Usually reflects an adopted CIP or master plan
 - May offer more “bang for the buck”
 - Growth-related costs are more refined
 - Will be scrutinized more closely by development community

13

Fee Methodology Considerations

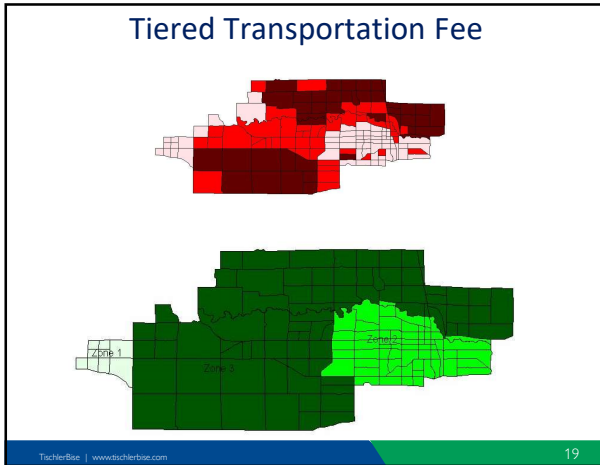
- Available data to support the methodology
 - No adopted facility plans or “iffy” CIP
 - Incremental expansion
 - Long-term capital improvement plan or adopted facility master plans
 - Plan-based approach
- LOS of service reflected in capital plan?
 - Current LOS versus existing LOS
 - Is it financially feasible?
 - How will existing deficiencies be funded?

14

New and Innovative Approaches

- Progressive residential fee schedules
- Impact fees that increase with distance from urban areas
- Link fees to plans and a funding strategy for infrastructure
- City/County cooperation to implement fees
- Mobility/Multimodal Fees

15



19

Next Generation Transportation Impact Fees

- Higher density, mixed use development is becoming increasingly popular
- Significant national demographic changes
- Shifting market preferences for walkable urbanism
- Next generation transportation impact fees/proffers are an important implementation mechanism in the smart governance tool-box

TischlerBise | www.tischlerbise.com 20

20

Progression of Thought

- General paradigm shift from a revenue source (based on suburban, vehicular travel) to a form of land use regulation helping to shape development patterns

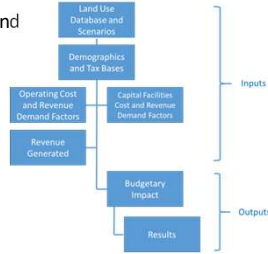
Old School Fees	Next Generation Fees
"pay to play" revenue source	contractual arrangement to build improvements
driven by generic formulas	driven by plans and policy
long range to buildout	five to ten year planning horizon
one and done	ongoing planning and budgeting process
suburban focus	apply transect concept
uniform across jurisdiction	vary geographically
moving vehicles	moving people
vehicle trips	inbound vehicle miles of travel
one size fits all	residential by dwelling size
loose cost analysis and generous credits	specific improvements with a funding strategy

TischlerBise | www.tischlerbise.com 21

21

What is a Fiscal Impact Analysis?

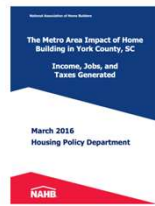
- Cash flow to the public sector
 - Are the revenues generated by new growth enough to cover service and facility demands?
- Reflects operating expenses and capital costs
- All Revenues
- Revenues minus Costs =
 - Net Surplus or Deficit



25

How is FIA Different that EIA?

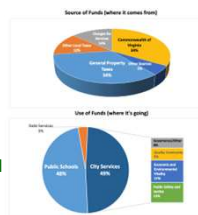
- Reflects overall economy of the community
- Residential impacts
 - Primary factors are construction and consumer spending
- Nonresidential impacts
 - Primary factors are job creation and disposable income
- Doesn't follow jurisdictional lines; data limitations
 - Large portion of economic output flows out of jurisdiction, region, and possibly State
- Resident spending for mortgages, car payments, insurance are not typical sources of sales tax for local governments



26

Fiscal Impact vs. Budget Forecasting

- Municipal budgeting is primarily "revenue driven"
 - Revenue forecast is used to established spending target
- Fiscal impact analysis is not revenue constrained
 - Forecast expenses needed to maintain current LOS
 - Revenues and expenditures are projected separately



27

What Questions Can Be Answered?

- Land use policies and development patterns
 - What is the relationship between development densities and infrastructure costs?
 - What is the optimum mix of land uses?
 - What is the relationship between the geographic location of new development and the cost?
- Leveraging public dollars for economic growth (incentives)
 - How to invest limited funds to maximize return
 - Redevelopment
 - Tax increment financing
- Timing on impacts
 - Are we living off tomorrow's growth?
- Annexation




TahterBase | www.tahterbase.com
28

28

What Questions Can Be Answered?

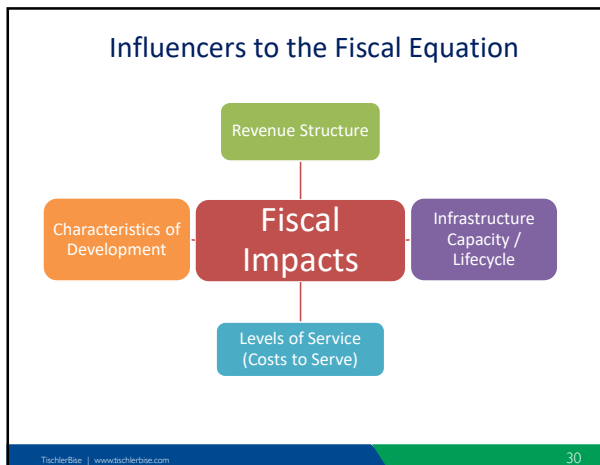
- Demographic and economic change
 - Boomers aging in place
 - Gen X is largest group of homebuyers
 - Millennials are deferring home buying
- Impact of behavioral trends
 - New patterns in consumption
 - Traditional retail is dying
 - Shifting away from cars?
 - Walkable urbanism
- Impact of COVID 19
 - Changes to retail market and spending
 - What will future office needs be?
 - Working from home?
 - Movement to suburbs





TahterBase | www.tahterbase.com
29

29



30

Comments/Questions

TischlerBue | www.tischlerbue.com 37
