



CITY OF CONCORD

New Hampshire's Main Street™

REPORT TO THE MAYOR AND CITY COUNCIL

FROM: Carlos P. Baía, Deputy City Manager-Development

DATE: August 29, 2017

SUBJECT: Impact Fee Changes

Recommendation

Accept the Fiscal Policy Advisory Committee's recommendation to waive the assessment of impact fees on nonresidential development.

Background

In 2001 the City of Concord adopted Chapter 29.2, the "Public Capital Facilities Impact Fees Ordinance" more commonly known as the Impact Fee Ordinance. This ordinance was adopted at a time when the development economy was much stronger and the community chose to seek financial concessions from developments to off-set impacts on local roads, bridges, parks, and schools. At the time, Council opted to charge impact fees to both residential and nonresidential development. The former was subject to transportation (traffic); school and recreation fees; the latter only transportation.

In addition to charging impact fees for transportation, the Planning Board has also historically required developments that directly trigger the need for off-site traffic improvements to make those at the developer's cost.

The Council over the years has amended the Impact Fee Ordinance to incentivize development or relieve unanticipated burdens due to the application of the fee. In 2013, the Council approved an amendment that eliminated the triggering of an impact fee due to a change of use for ground floor commercial in the Central Business Performance District (CBP). That same year, Council also provided a waiver mechanism from transportation and school impact fees for market rate residential development in existing structures also in the CBP.

Addressing one of the most consistent complaints concerning impact fees, the Council in 2014 voted to change the variable unit for residential impact fees from square footage to a "dwelling unit" essentially exempting home improvements such as finished basements and additions from the assessment of these fees. Council, that same year, eliminated the Merrimack Valley School District impact fee as a result of the school's bond being paid off.

Discussion

Today, although the economy is strengthening it is nowhere near the levels it was in the early 2000's. Building permit revenue is still much less than it was and real tax base growth remains anemic. City Council has responded to these economic headwinds by renewing the City's focus on generating economic development, creating the Economic Development Director position, and encouraging City staff to pursue initiatives that will foster tax base growth.

One element of this economic development focus has been to determine the City's competitiveness in terms of impact fees to other New Hampshire communities with whom we would likely be contending for business prospects. In doing this analysis, staff discovered the following. The City of Portsmouth, although it has a provision for impact fees in their ordinance, has chosen not to assess such fees. The City of Nashua and Manchester only assess fees on residential development, essentially incentivizing commercial development which typically generates higher tax base values. The City of Dover, although it does charge fees for both residential and non-residential, has a far lower fee schedule when compared to Concord's. The Town of Salem recently reached out to Concord for information on our impact fees as it appears that the Town may be seeking to reduce or possibly eliminate some of theirs. The charts below illustrate which fees are assessed by select communities.

Residential Impact Fees (by sample community)						
	Traffic	School	Recreation	Fire	Police	Library
Manchester		✓		✓		
Nashua		✓				
Portsmouth						
Laconia	✓	✓	✓	✓	✓	✓
Dover		✓	✓	✓	✓	
Salem	✓	✓	✓	✓	✓	
Concord	✓	✓	✓			

Non-Residential Impact Fees (by sample community)						
	Traffic	School	Recreation	Fire	Police	Library
Manchester						
Nashua						
Portsmouth						
Laconia	✓			✓	✓	
Dover				✓	✓	
Salem	✓			✓	✓	
Concord	✓					

The following hypothetical examples compare how much it would cost a developer in impact fees for select projects by community:

Impact Fee Comparison of NH Communities Using 14,000 SF Retail Use						
Concord	Dover	Laconia	Salem	Manchester	Nashua	Portsmouth
\$63,140	\$10,360	\$41,720	\$45,080	No Non-Res Impact Fees	No Non-Res Impact Fees	No Impact Fees
Impact Fee Comparison of NH Communities Using 10,000 SF Office						
Concord	Dover	Laconia	Salem	Manchester	Nashua	Portsmouth
\$17,000	\$2,600	\$22,000	\$22,100	No Non-Res Impact Fees	No Non-Res Impact Fees	No Impact Fees
Impact Fee Comparison of NH Communities Using 20,000 SF Light Industrial Use						
Concord	Dover	Laconia	Salem	Manchester	Nashua	Portsmouth
\$21,800	\$2,600	\$19,200	\$26,800	No Non-Res Impact Fees	No Non-Res Impact Fees	No Impact Fees

When analyzed in the context of total City of Concord development fees, the impact fees alone for the above projects were found to represent between 32% and 62% of that total.

Financial Implications for City

Since FY 2007, the City has collected nearly \$3.6 million in total impact fees (inclusive of Merrimack Valley and Concord School impact fees). Of that amount, \$1,078,252 represented nonresidential impact fees. At the date of this report, there remained approximately \$337,572 in collected impact fees currently available to be invested in City infrastructure projects.

FPAC’s Recommendation

At its August 21, 2017 meeting, the Fiscal Policy Advisory Committee reviewed this information and concluded that the City’s current impact fee structure was placing the City at a competitive disadvantage. While FPAC recognized the utility of collecting impact fees for use on CIP projects, it felt that—in today’s economic environment—more long-term gain could be achieved through incentivizing sustained tax base growth. To that end, FPAC unanimously recommended that the City Council institute a waiver provision from the assessment of impact fees on nonresidential development. This amendment is included for Council review and action.

Council will also find some additional proposed edits in this same amendment that are housekeeping in nature to clean up the language of the waiver provision approved by Council for market rate housing in the Central Business Performance district in 2013.

At its August meeting, FPAC also observed that the Concord School Impact Fees were slated to be discontinued soon which would relieve some of the financial burden on residential development. Subsequent to the FPAC meeting, City staff received confirmation from the Concord School District that the District’s last payment on its High School bond (for which the fee was being collected) was made in FY 17. Therefore, a separate report

and ordinance discontinuing the assessment and collection of that fee is also on your agenda.