

Impact Fee Presentation

Piedmont Regional Association of
Realtors & Home Builders
Association of York County

Rock Hill City Council
Impact Fee Public Hearing
January 27, 2003

Reference Materials

- 2001 Rock Hill City Audit
- 2002 Rock Hill City Budget
- Raftelis Impact Fee Report
- Fire Capital Improvement Plan & Impact Fee Ordinance

Discussion Highlights

- Bad Public Policy
- Is Rock Hill competitive?
- What are the alternatives?
- Where do we go from here?

Impact Fees: Bad Public Policy

- Hinder economic development efforts
- Negatively impact affordable housing
- Grossly unfair to existing residents who build new homes in the service area
- Unreliable funding source
- Difficult & expensive to administer

The Herald: “Survey: Rock Hill good place to live despite lack of jobs”

- 57 % said access to affordable housing was fair to poor
- 73% considered job opportunities in Rock Hill to be fair or poor
- 73% said rate of job growth was too slow

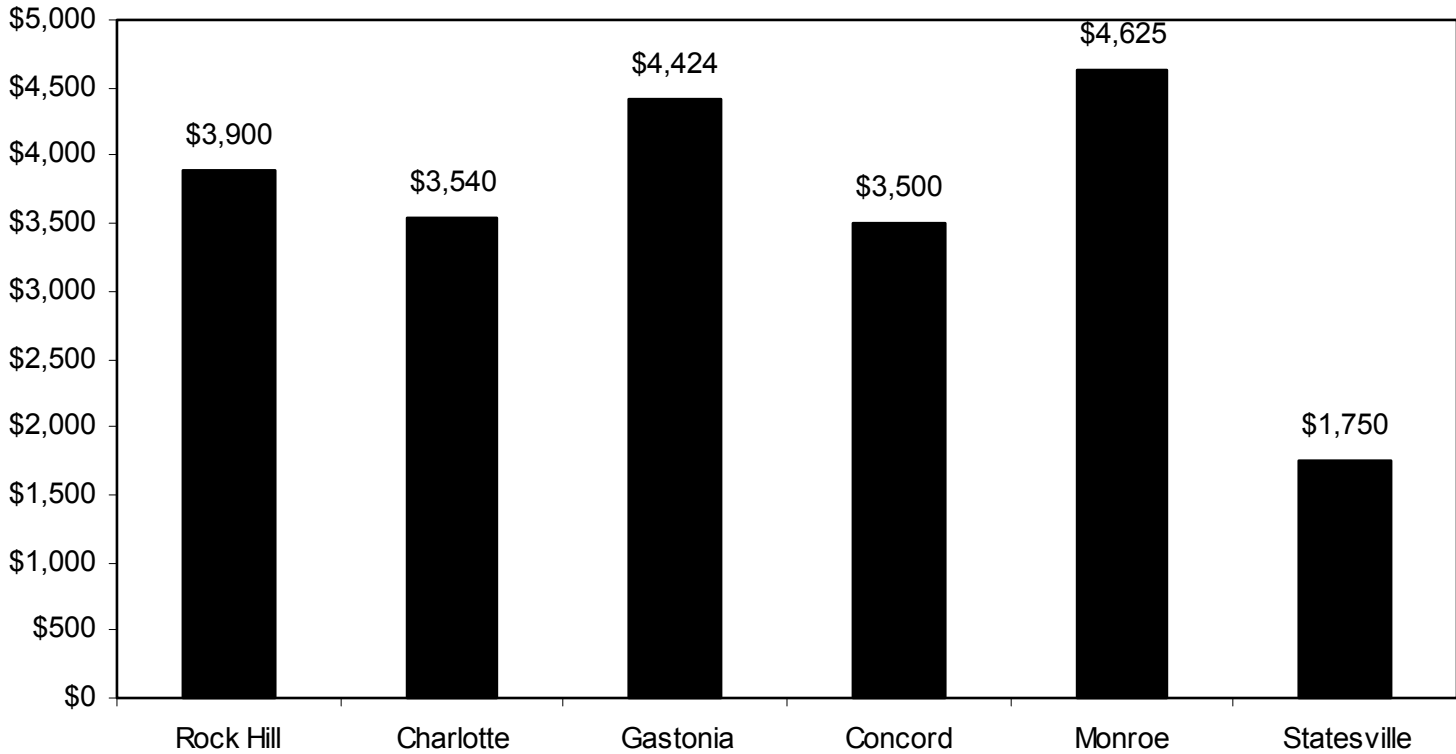
Are we competitive with the ring cities?

- Rock Hill
- Charlotte
- Gastonia
- Concord
- Monroe
- Statesville

Comparison of Impact and Tap Fees

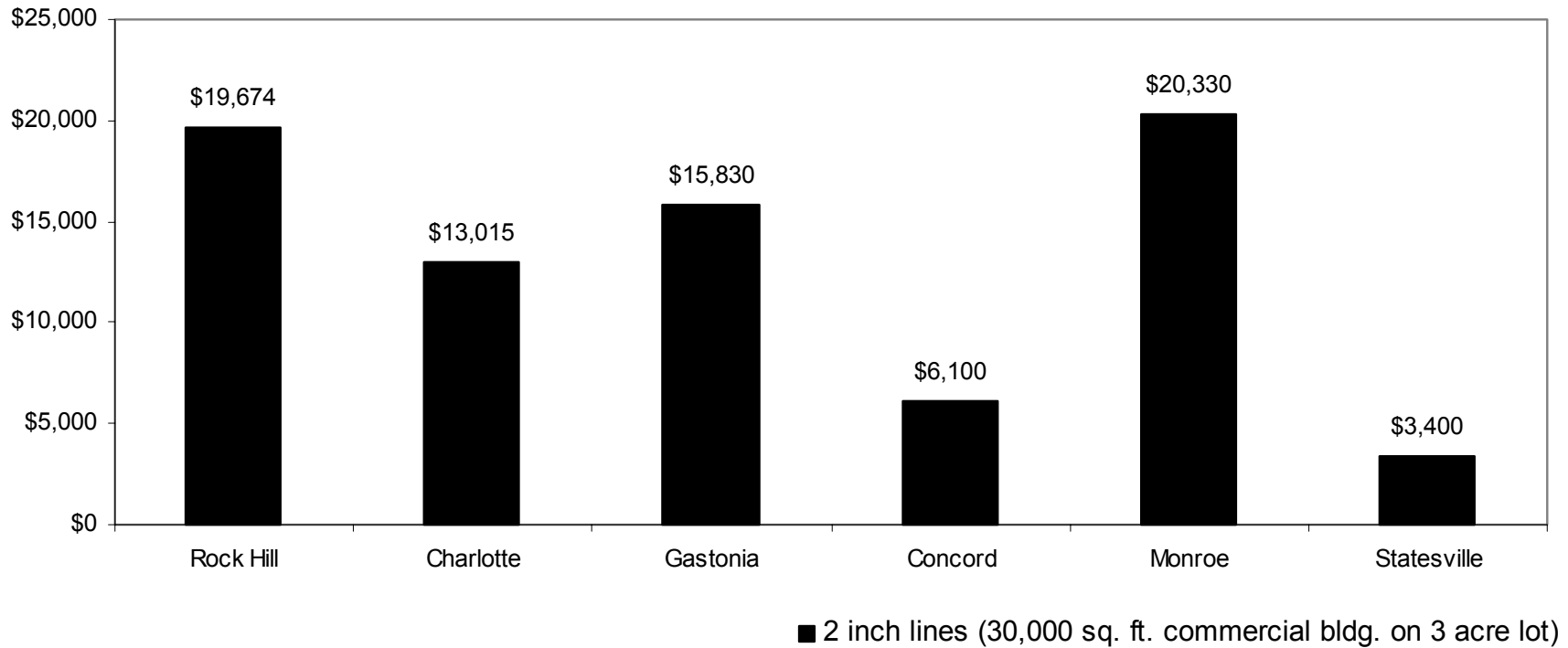
- Single Family Residential (3/4 in. line)
- 30,000 sq. ft. Commercial Bldg. (2 in. line)
- 100,000 sq. ft. Industrial Bldg. (8 in. line)
- Anticipated storm water fee not included

Comparison of Residential Impact & Tap Fees

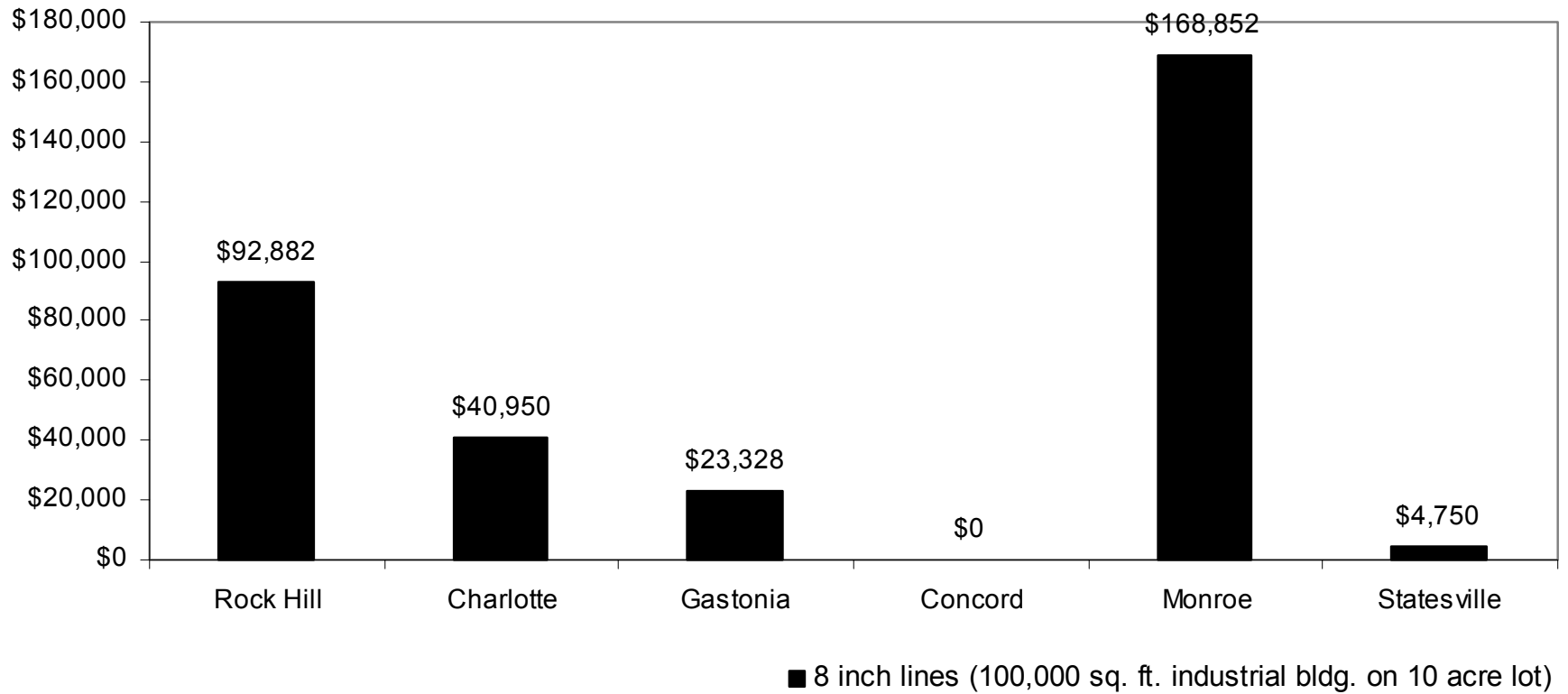


■ 3/4 inch lines (single family residential on 1/2 acre)

Comparison of Commercial Impact & Tap Fees



Comparison of Industrial Impact Fees



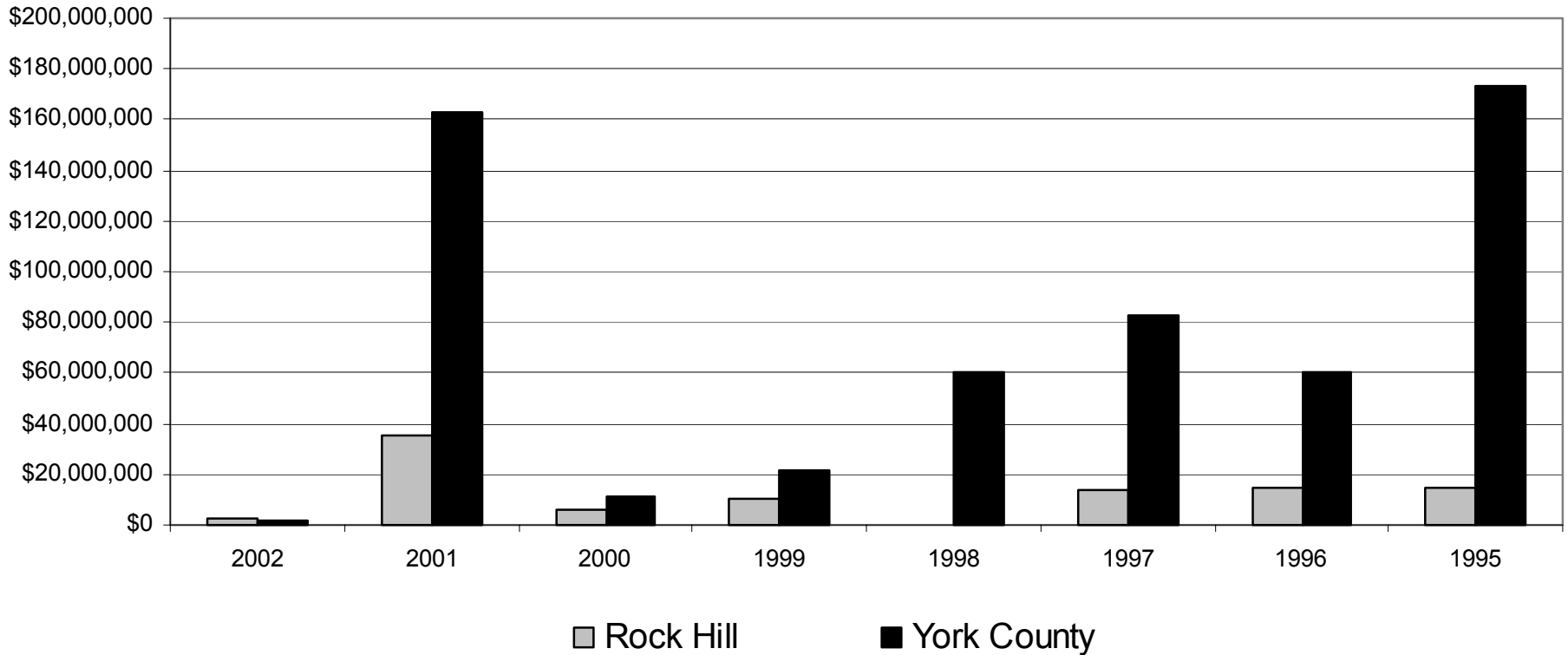
Are we competitive within York County?

Comparison of announced new
investments (industrial &
distribution): 1995-2002

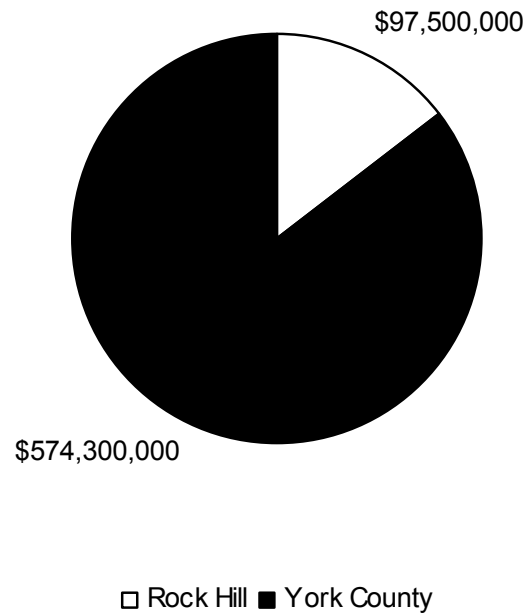
Rock Hill vs. York County 1995-2002

- Only 15% of the announced new jobs and investments were in Rock Hill
- Rock Hill citizens comprise about 30% of York County's population
- Our figures do not include the Calpine project (drops Rock Hill investment to 9% of total)

Rock Hill and York County: Announced New Investments(Industrial & Distribution) Yearly Comparison: 1995-2002

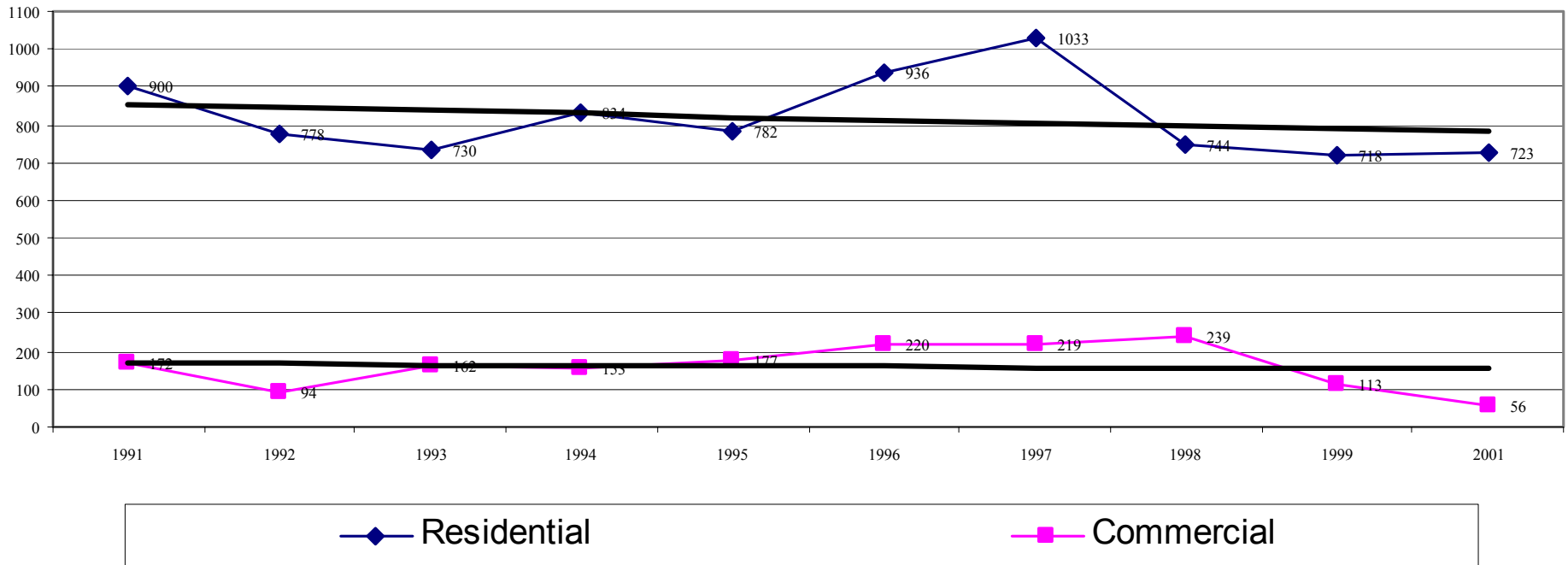


Rock Hill and York County: Announced New Investments (Industrial & Distribution) 1995-2002



What is Rock Hill's actual growth trend?

**Rock Hill Building Permit Activity & Trends
1991-2001**



Competitive Disadvantages

- City taxes
- Business license fees
- Electric rates
- High non-owner occupied property tax rate
- Impact fees (?)

Why should the City Council
consider other alternatives and
what are they?

Revenue bonds supported by impact fees are one of the most expensive financing options available to local governments.

- Interest will be charged 3 times: construction loan, home mortgage, and repayment of revenue bonds
- Actual payback will be closer to \$9,000
- Broad-based funding options eliminate 2 of the 3 interest payments

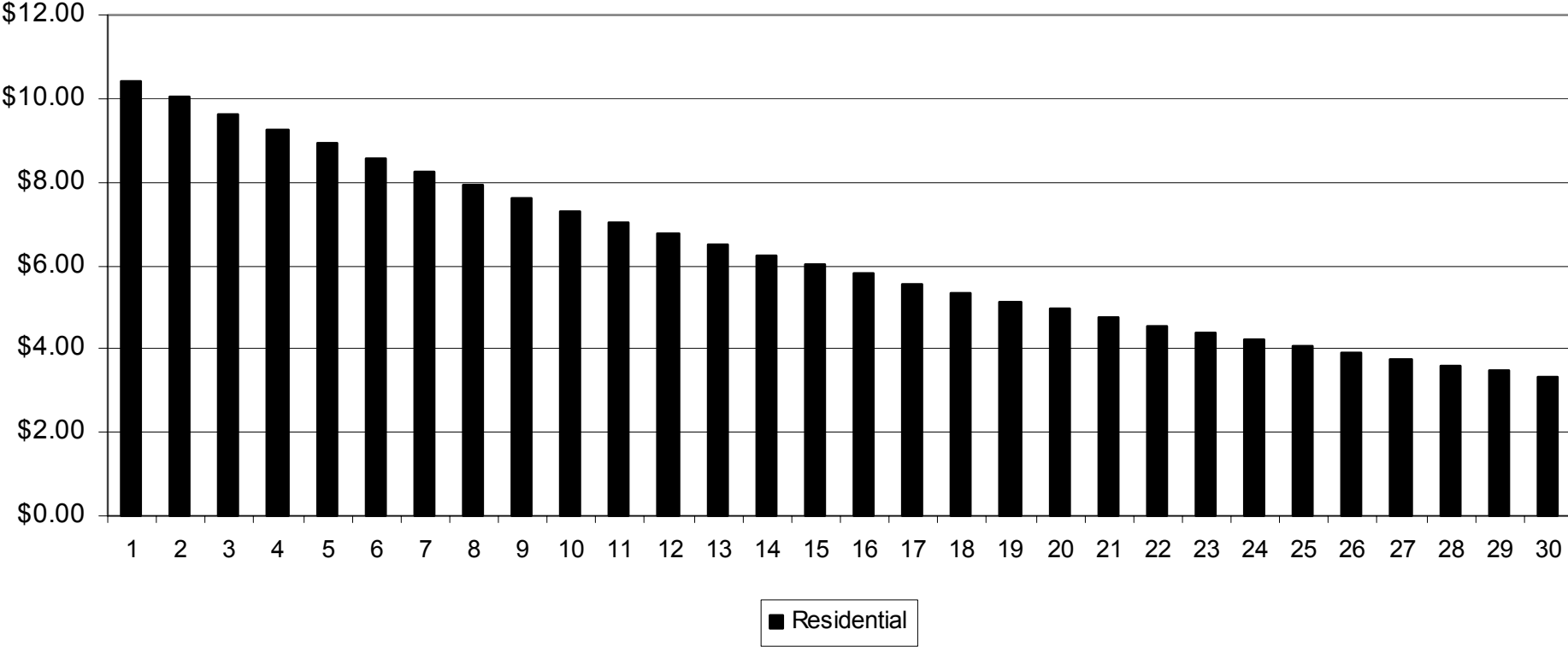
Water & Sewer Expansions

- The cost of previous plant expansions have been recovered through rates & grants
- The 1996 plant expansion was completed largely to meet the needs of new wholesale customers (How many are actually located in Rock Hill?)
- Existing customers who move to new homes within the service area will be charged impact fees

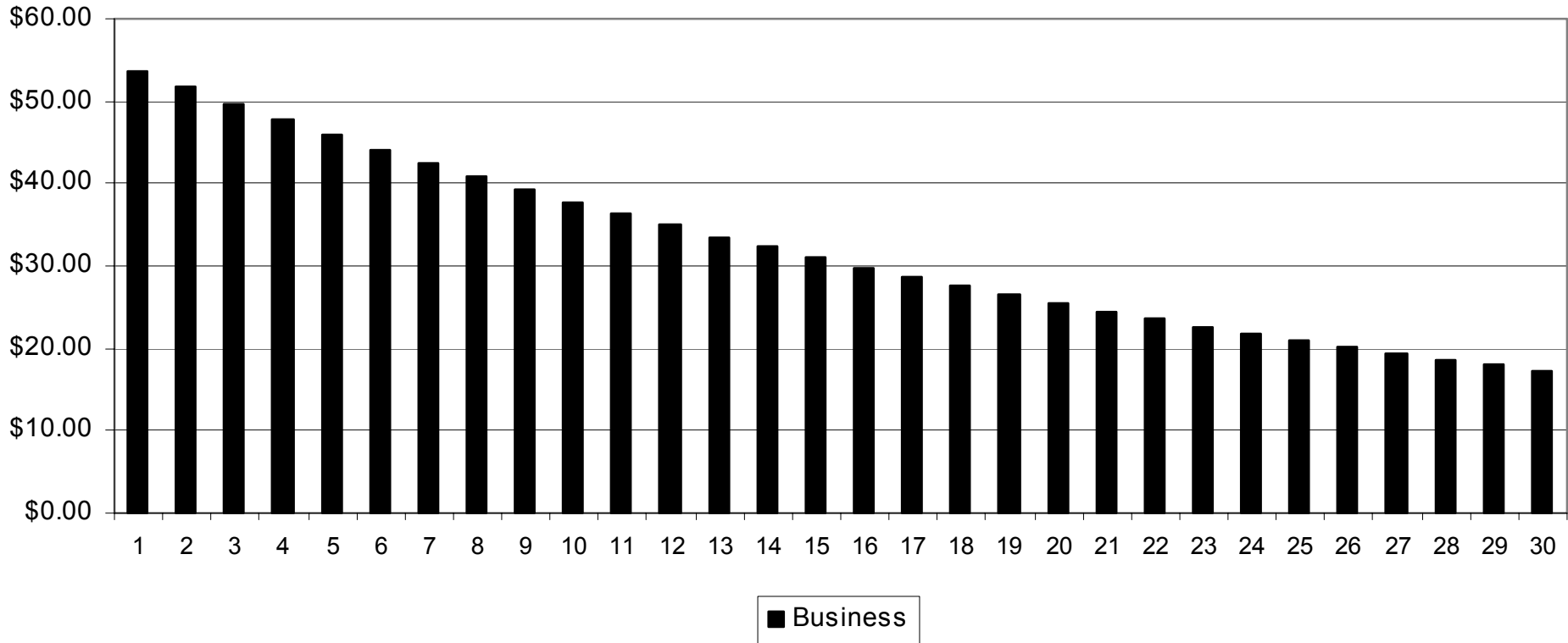
Anticipated Rate Increases

- Assumptions: level debt service, 4% growth, average usage
- Our estimates show a combined monthly increase of \$10.42 for residential customers and \$53.76 for business customers
- These new rates would actually decrease over the 30 year life of the revenue bonds due to anticipated growth
- Initial rates could be lowered if a larger portion of the bond principal was paid toward the end of the life of the bonds

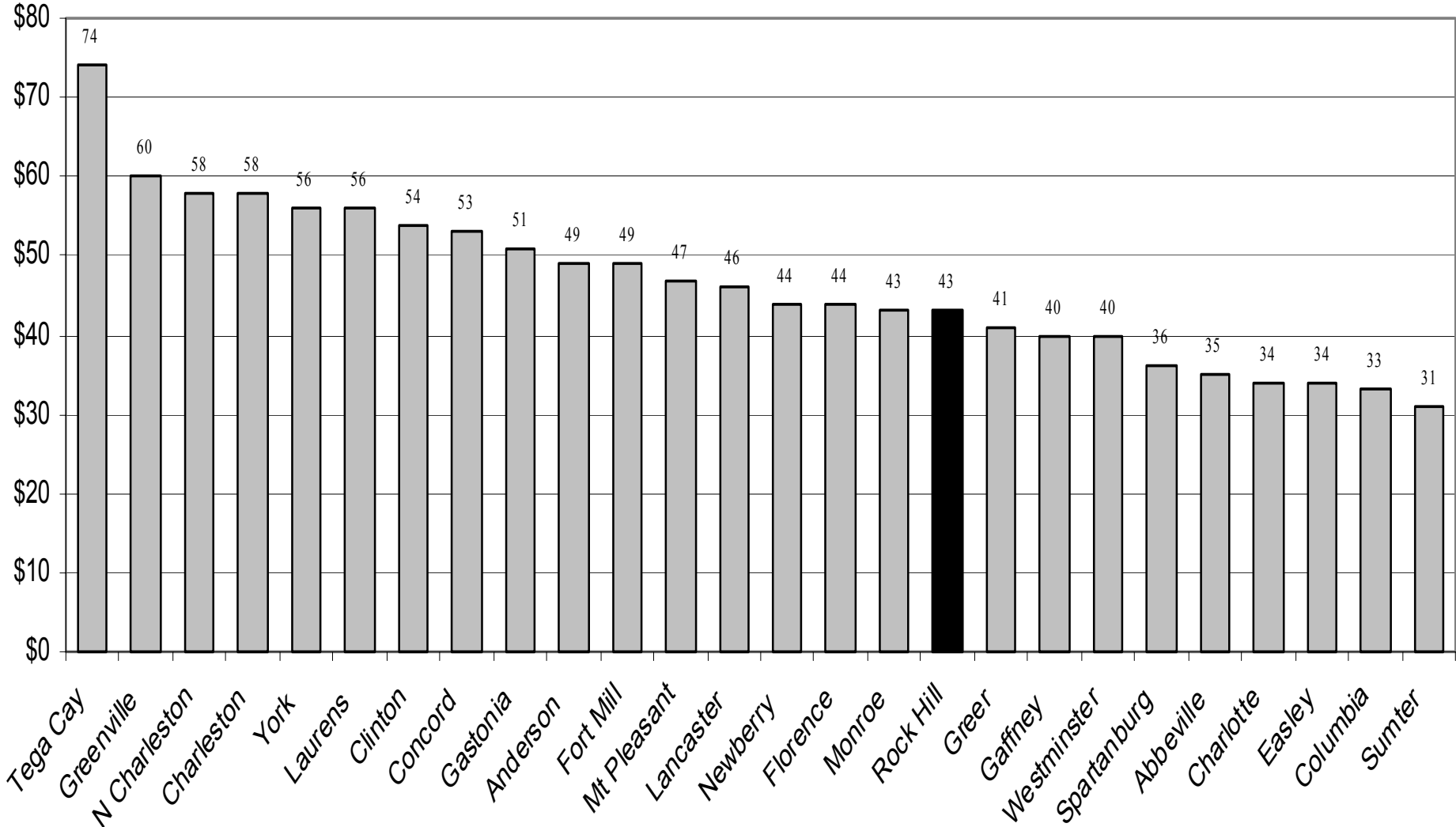
Average Monthly Cost for Water & Sewer Debt Service Over 30 Years (per residential customer)



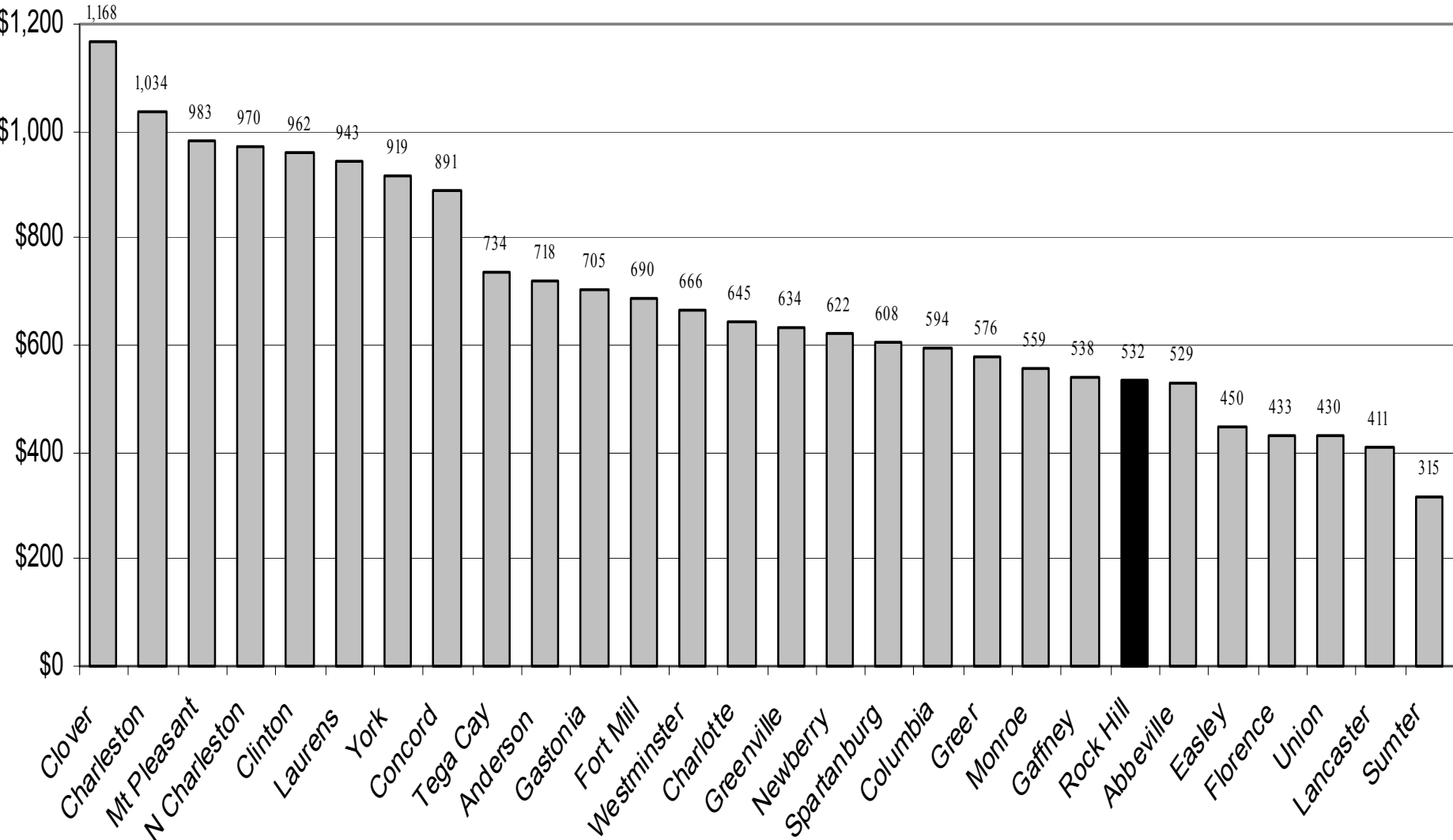
Average Monthly Cost for Water & Sewer Debt Service Over 30 Years(per business customer)



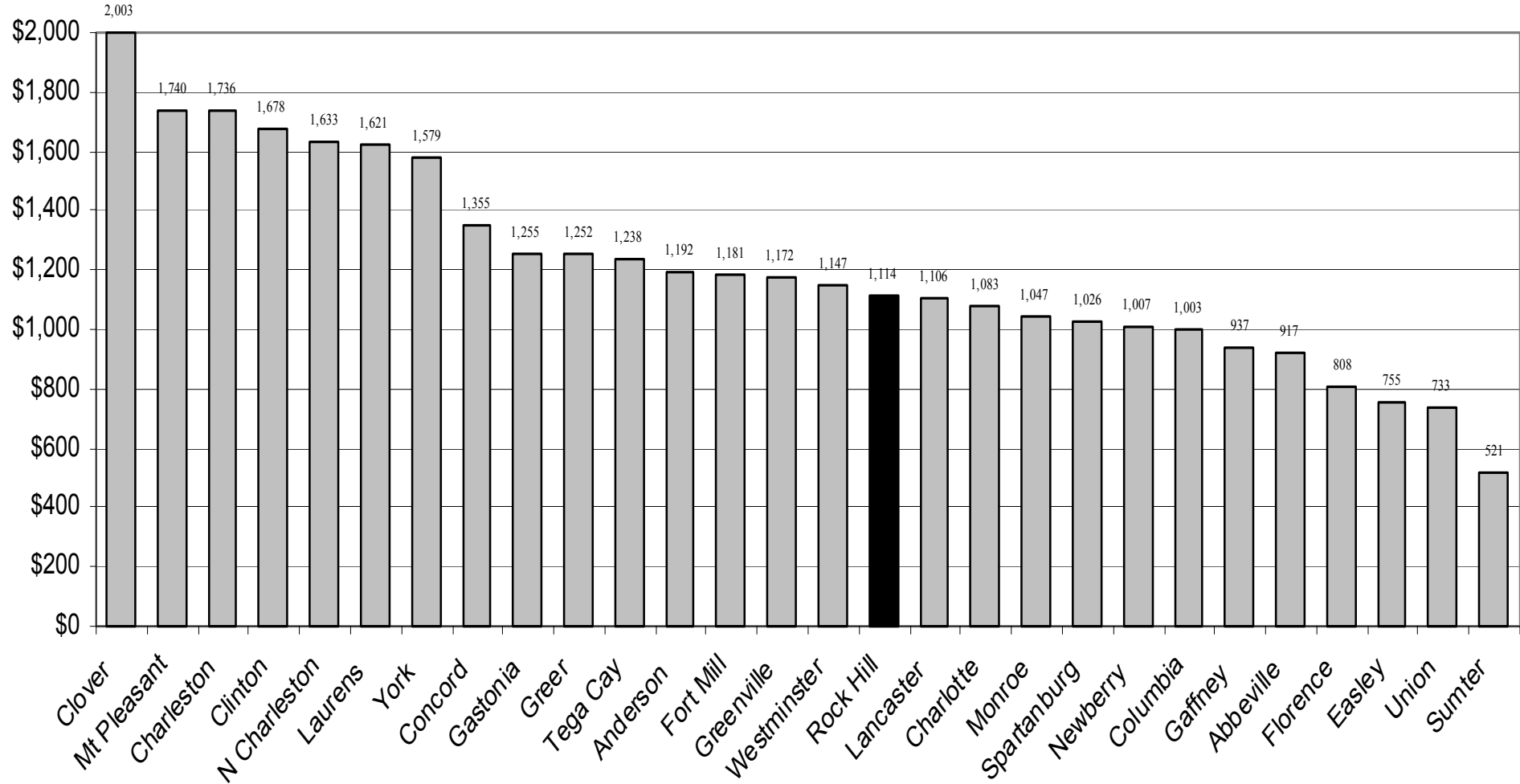
Comparison of Residential Water & Sewer Rates (Monthly)



Comparison of Commercial Water & Sewer Rate (Monthly)



Comparison of Industrial Water & Sewer Rates (Monthly)



Fire Impact Fees: Legal Issues

Nollan v. California Coastal Commission (1987) and *Dolan v. City of Tigard* (1994) prohibit “forcing some people alone to bear public burdens, which in all fairness and justice, should be borne by the public as a whole”

Fire Impact Fee: is it legal?

- Must meet the “rough proportionality” test (*Dolan*)
- Are the fees proportional (existing needs vs. anticipated needs)?
- Will existing users benefit from the improvements paid for solely by new residents?
- How much of the need for the identified projects is actually due to existing conditions rather than anticipated growth?

Fire Impact Fee: legal issues cont.

- Section 3, subparagraph f of the ordinance permits the Planning Department to adjust the amount of impact fees with “respect to specific projects...”
- Appears to vest a vast amount of discretion to the Planning Department
- It could be administered capriciously and arbitrarily

Fire Impact Fee Options

- Support 3 mil increase (approx. \$600,000/year)
- Phase in projects over a multi-year period (pay-as-you-go or short-term debt)
- Use future revenue from increase to fund on-going operating expenses

Conclusions

- Impact fees will not generate enough money to pay for \$67 million in projects because growth is slower than projected
- Rock Hill will be even less competitive for economic development projects
- Will negatively impact affordable housing
- Problem is not from growth within the city limits, but from growth in the service area outside the city limits
- Broad-based taxes are more reliable
- Fire impact fee may be illegal and could be subject to legal challenge

Solution

- Put adoption of impact fees on hold
- Adopt a 3 mil increase for fire protection
- Adopt relatively small water and sewer increases
- Appoint a citizens advisory panel to review future capital and operational needs and recommend long-term funding solutions