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FISCAL IMPACT REPORT

SPONSOR Feldman DATE TYPED 2/23/05 HB _____

SHORT TITLE Development Fees for Municipalities SB 1017

ANALYST Kehoe

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
NFI					

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Mortgage Finance Authority (MFA)
Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

Senate Bill 1017 amends sections of the Development Fees Act.

Significant Issues

Senate Bill 1017 expands the definition of “capital improvement” to include water rights, transportation facilities, libraries, community centers and schools. The bill requires that a municipality or county impose development fees consistent with comprehensive plans and allows them to waive or reduce the impact fee requirements to encourage efficient development patterns and affordable housing projects. Impact fees, as defined in the Development Fees Act, is a charge or assessment imposed by a municipality or county on new development in order to generate revenue for funding or recouping the costs of capital improvements or facility expansions necessitated by and attributable to the new development.

Senate Bill 1017 allows municipalities and counties to impose impact fees on libraries, community centers, schools, projects for economic development and employment growth, affordable housing or apparatus and equipment of any kind except for those facilities that have a life expect-

tancy of ten or more years and are owned and operated by or on behalf of a municipality or county. Finally, the bill limits the number of members that represent the real estate, development or building industries to a composition of no more than forty percent that may serve on the advisory committee.

OTHER SUBSTANTIVE ISSUES

According to the Local Government Division of the Department of Finance and Administration, many governmental entities consider the current Act too burdensome. Therefore, only a few local governments in New Mexico including Santa Fe City and County, Bernalillo County, Los Lunas, Rio Rancho, and Las Cruces have taken steps to impose impact fees. On December 2004, the City Albuquerque imposed an Impact Fee Ordinance on new construction. The new ordinance establishes standards against which to evaluate a building project's impact on existing public infrastructure and the fees.

While imposing impact fees could generate more revenues for municipalities and counties as a means to pay for capital improvements, opponents indicate such change would increase the amount of impact fees assessed resulting in a negative impact on support for school bond issues if homeowners feel they are already supporting the development in the increased cost of their home and that the impact fees could increase the cost of construction of public schools.

For example, the Real Estate Department of the Albuquerque Public Schools recently commissioned a civil engineering consultant to estimate the fees for a new Albuquerque west side high school by applying the rules defined by the new city ordinance on a proposed site on the Albuquerque northwest mesa. The estimated cost of impact fees imposed on the school district by the City of Albuquerque would increase the cost of construction of the school by approximately \$1.1 million. The estimate includes the City of Albuquerque's 60 percent reduction for the road impact, which public projects can claim, and the estimate was only for off-site infrastructure for roads, drainage and public safety. The estimate did not include other on-site construction work the school is required to build such as road paving, curbs, gutters, or extension of water and sewer lines to the property. The Albuquerque Public School District supports exempting public school districts from paying development impact fees, indicating that public schools are just another element of public infrastructure that the public expects to be constructed and demands.

On the other hand, this bill allows for the limiting or waiving of impact fees for efficient development and affordable housing which could provide municipalities and counties with greater flexibility in encouraging smart development and protecting affordable housing. Issues warranting consideration would be the equity of the waiver process or the reduction of the impact fee on both the moderate income homebuyer and public school districts.

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