

**MINUTES OF THE SPECIAL MEETING OF THE
HAILEY CITY COUNCIL
HELD FRIDAY, JULY 8, 2005
IN THE HAILEY TOWN CENTER MEETING ROOM**

The special meeting of the Hailey City Council was called to order at 7:00 a.m. by Mayor Susan McBryant. Present were Council members Rick Davis, Martha Burke, Don Keirn, and Carol Brown. Staff present included City Attorney Ned Williamson, City Planner Kathy Grotto, and Deputy Clerk Shellie Gallagher.

WORKSHOP – DEVELOPMENT IMPACT FEES

Ron Leblanc, City Administrator for the City of Ketchum, gave the Hailey City Council an overview of the process Ketchum had recently undergone to put in place development impact fees. He said that Ketchum and Hailey face similarities in growth pressures and in funding capital budgets. Mayor McBryant noted that Hailey is in the process of reviewing methods by which to increase its revenues, including local option taxes and development impact fees. City Engineer Tom Hellen explained Hailey's capital improvement plan for water and wastewater systems replacement. He said the impact fee component must be assessed by an engineering firm and updated at least every five years.

Le Blanc said that one of the annexations which he handled numbered in size comparative to the population of Ketchum, Hailey, and Sun Valley combined. He said he worked with Tischler & Associates in that matter, and found Tischler to be expensive and staff-intensive. Keirn said that was his experience with Tischler at the City of Boise. Leblanc concurred that Tischler would be an expert witness in the event of a legal challenge, but he didn't think anyone here is at that level.

Ketchum already has water and sewer impact fees in place, and used different engineer firms for those two fees. An RFP was done for the other types of impact fees, and Tischler was one of the responders, but Ketchum chose to work with Management Partners. The statute really frustrates cities, the requirement to have a consultant is one way. All the groups that are stakeholders have a say in this, and then the matter is published. A public hearing has to be heard on the capital improvement plan prior to its adoption, and then the adoption of the Capital Improvement Plan can occur by resolution. A development impact fee committee needs to be appointed, to review the capital improvement plan and recommend its adoption to the council. That committee also reviews the development impact fees and recommends those to the city council. We used our planning and zoning commission as the development impact fee committee, and they recommended a few changes in their report to the council. Two readings of the development impact fee ordinance have to occur under strict time guidelines, and then a 30 day waiting period is required following the three readings. Ketchum will finally start collecting money in August, at the time of issuance of a building permit.

McBryant asked if this is for all development within the city? Leblanc said it is, including development of property annexed into the city. It applies to all types of development, including single family, multi-family, and commercial development. The fees are assessed on top of any other permit fees that are already required. Davis asked how this affects work-force housing. Leblanc said there is a provision by which community housing can be exempted. A multi-family complex, on one meter, would not be exempted in its entirety, but potentially prorated to the ratio of community housing units. There is a discretionary element in this.

McBryant asked how long it took Ketchum to implement development impact fees from start to finish. Leblanc said it took just over a year. Davis asked if the annexation study could be used to implement the development impact fees. Williamson said the annexation study would not be sufficient for development impact fees. Davis felt that Management Partners should be drawn upon to submit a proposal for development impact fees. Williamson said an Request for Proposals is not required for this type of service, although it may be a good tool. Keirn asked Leblanc how many responders Ketchum had to its Request for Proposals. Leblanc said Ketchum had sent out approximately a dozen requests, and had received five from that.

Brown asked specifically what the impact fee study does. Leblanc said if the city has dedicated revenue for parks, and establishes a park impact fee, that fee would have to be offset by what the city already collects as dedicated park revenue. Brown asked if it just happened that two of Ketchum's Planning and Zoning Commission were active in development. Leblanc said Ketchum had one builder and two architects on its commission. Brown noted that Hailey would need to examine the make-up of its commission to determine if it should use its Planning and Zoning Commission as the development impact fee committee. Williamson asked how much time Ketchum's commission spent on the development impact fee project. Leblanc said three meetings, 2 to get through the capital improvement plan and one to understand and get through the fees themselves. Grotto recommended that Hailey not use its P&Z as the development impact fee committee; Hailey's P&Z already has too much on its plate. The committee also has on-going responsibilities. Leblanc said the development impact fees have to be annually reviewed and updated at least every five years.

The council then discussed whether the fiscal year 2005/2006 should contemplate these fees, but determined it was somewhat early for that.

Grotto asked what could be used as land use assumption basis. What is really required to be included. Leblanc did not know.

Brown asked what the restrictions on spending are. Leblanc said the money collected needs to be spent within five years by category. Ketchum collects impact fees in four categories, but will never collect enough money through parks to buy park land. Instead, will have to develop land already owned by the city in order to use it in five years in that category. The Ketchum impact fees are not assessed on commercial buildings, only

residential, per state statute. The theory behind that is that people use parks and other amenities where they live, not where they work.

Brown asked what is in Hailey's capital improvement plans. McBryant said different mayors have emphasized different portions of capital improvements, and she expected it would not be too difficult to pull together a comprehensive plan from what the departments have been maintaining. McBryant clarified that impact fees do not mitigate the impact of operating costs, only expansion costs. Leblanc affirmed that. McBryant asked if the exemptions for affordable housing units is carte blanche? Leblanc said there is discretion in that, but the impact fees have not yet been applied to any community housing units. These would be handled on a case by case basis.

Leblanc said cities must avoid double-taxation, such as the case where an impact fee for a park shelter is collected, and the shelter is built with impact fees and matching funds from property taxes. Assessing both the impact fee and the property tax against the same property is double taxation, and should be avoided under the law. Development impact fees have strict limitations. McBryant asked if rearrangements of the money can be made within the five years. Leblanc said there is some authority to rearrange the result of the funding, as long as it still is in the category collected. For example, a park fee collected for the purpose of a park shelter could be redirected to build park bleachers, but could not be redirected to build a police car garage.

McBryant said a city would need to clearly identify what it hopes to do in each of the subcategory in a fund so that the city is actually able to meaningfully use the money it collects. Leblanc gave the example of Ketchum's skatepark as an example; all the park impact fees will probably be used for development of restrooms.

Brown asked if there is other over-site besides self-review of impact fees. Leblanc said there are no audit requirements, but the developers will perform over-site. He said rarely do you get the money in the same year you spend it. If a project takes multiple years to build, the accounting formula becomes even more complex. With capital improvement budgeting, you have to track the revenue and get a sense of timing to let the contract and handle it timely. McBryant noted that Ketchum also uses the Caselle fund accounting software that Hailey uses. Leblanc gave an example of multiple funds projects to which many revenue sources are applied and tracked.

Williamson asked Leblanc to address levels of service, as discussed by Andy Belknap, in that impact fees can not be used to make up deficiencies in service. Leblanc said if Ketchum's streets have a D level of service, impact fees can not be used to move the street up to B level of service. The impact fees can only be used to handle additional traffic at D level. Once a level of service is brought up by annexations, then impact fees can be required to continue to keep the higher level of service. Williamson asked if continued consultant work is required to keep the capital improvement plans up to these new levels of service. Leblanc said that can be done in house, but will bring in its consultant again in five years to update what he expects are currently conservative numbers.

Leblanc said if all cities within Blaine County had impact fees, cities would be able to work together to improve their infrastructure. McBryant encouraged the council to come prepared to discuss this matter under Workshops at the July 11, 2005 city council meeting. Leblanc said he had asked local legislative representatives to amend the impact fee statute to include housing and transit, and encouraged Hailey to support that.

There being no further business, Mayor McBryant adjourned the meeting at 7:58 a.m.