

Capital Improvements Advisory Committee (CIAC)  
Virtual Meeting via Webex  
March 10, 2021  
3:00 p.m.

Participants:

City Staff

Michael Marrero, City Manager  
Cindy Muncy, Asst. City Manager  
Thomas Kerr, Dir. of Public Works/Utilities  
Vanessa Ramirez, Deputy Dir. Public Works  
Yervand Hmayakyan, City Engineer  
Joe Tucker, Asst. City Engineer  
Hal Feldman, Traffic Engineer  
Fara Hernandez, CIP Coordinator  
Gayla Sanders, Utilities Project Coordinator

Kimley-Horn & Associates

John Atkins  
April Rose Escamilla  
Jeff Whitacre

CIAC Members

John Landgraf  
Mike Withrow  
Joe Hurt  
Dr. James Goates  
Richard Pierce  
Rev. Quincy L. Randall

Absent

Filiberto Gonzales

Others Present

Marcos Montes  
Andrea Goodson

Due to COVID-19 precautions, the CIAC meeting was held via Webex.

1. Call to Order

Mr. Landgraf called the meeting to order at 3:04 p.m.

2. Approve minutes from the February 10, 2021 CIAC meeting

CIAC

Mr. Landgraf asked for a motion to approve the minutes from the February 10, 2021 CIAC meeting. Dr. Goates made a motion to approve and seconded by Rev. Randall. Motion passed unanimously.

3. Impact Fee presentation

Kimley-Horn

Mr. Atkins stated that to stay consistent, Mr. Whitacre would be presenting to the CIAC. Mr. Whitacre provided a recap of the impact fee study. He asked if there were any questions at this point before diving into the policy discussions.

Mr. Whitacre provided a recap of the service area. He showed the maximum assessable fee for Odessa and walked through Midland's Impact Fees among their four services areas. Midland chose not to do the calculation for the ad valorem tax credit and by state law were required to cut their maximum impact fee in half. They adopted 50% of their rates and built in a residential reduced rate of 25% for single family townhomes and duplexes. Dr. Goates asked if numbers shown in chart were 50%. Mr. Whitacre stated that it was the numbers adopted but not cost per single house. It is the cost for  $\frac{3}{4}$ -inch meter and per vehicle-mile. It was the rate that the City of Midland adopted. Mr. Withrow asked if the residential is 25% off the \$1,656 or another number. Mr. Whitacre stated that it is 25% off the numbers shown. Mr. Landgraf asked to show Odessa's maximum and how water improvements could be done for \$778 per  $\frac{3}{4}$ -inch meter and Midland was at \$3,200. Mr. Withrow thought our numbers were higher than Midland's numbers. Mr. Atkins stated that the roadway maximum is significant compared to Midland. Kimley-Horn took a conservative approach to the infrastructure that is shown to be built to serve future development in the master plan. The infrastructure proposed would get those areas of town to build out which could be 50 years from now. We are only able to recover 10 years of dollars associated with that. Midland may be able to recover a larger dollar amount with the infrastructure they proposed if it was for a shorter amount of time. Mr. Landgraf stated that 10 years from now the CIAC would redo impact fees until we reach 50 years. Mr. Atkins stated that it would be a moving 5-year window.

Mr. Whitacre stated that the two differences in Midland is their existing debt projects and their base meter is a 1-inch meter which might raise the cost slightly. Mr. Atkins stated that Odessa was proactive in the amount of capacity that is built into the Water Treatment Plant and Waste Water Treatment Plant. Those facilities are large

and did not include those dollars from when those were originally built into the calculations. Only future development projects were included. Dr. Goates stated that Midland is going through a large water/wastewater servicing and building out their facility. They have been behind Odessa in that aspect but ahead on roadway. Mr. Whitacre stated that discussions are by topic. Midland chose to do the same percentage for water, wastewater and roadway and take a 25% reduction on residential. Odessa could change strategy for each. These could be starting points of discussion or Kimley-Horn could pose questions to get the conversation started.

Mr. Landgraf asked what the numbers would be if Odessa's meter was 1-inch and comparison was the same to Midland. He believes the comparison should be to Midland since they are the competition. Dr. Goates agreed and asked if ¾-inch meters are used. Mr. Kerr stated that ¾-inch is base meter and common. There are more 1-inch meters going out than before, but ¾-inch is the smallest. Mr. Atkins referenced the chart and the amounts for a 1-inch meter for water and wastewater. A 1-inch meter for water/wastewater in Odessa would be about \$4,000 and Midland would be about \$4,800 before the 50% discount which is about a \$400 difference.

Mr. Marrero asked when going through the process with Midland, what was the emphasis to start at 50% and the additional 25% of residential. Mr. Whitacre stated that state law requires a city to include the ad valorem tax credit. If the ad valorem tax credit is not calculated, then legally Midland cannot charge over 50%. The big discussion was about residential and affordability. Midland's CIAC wanted to incentivize single-family. The ordinance states that the 25% discount ends around 3 or 5 years to allow a phase in approach in residential. Mr. Kerr asked if the total recoverable cost of IFCIP plus financing, \$6,685,345, would have to be cut in half based on Midland's lack of ad valorem tax credit. Mr. Whitacre stated that it would bring Midland to \$3.3 million maximum.

Mr. Withrow asked if Midland had any discussions with developers or home builders before going through this process. Mr. Whitacre stated that formally the committee was made of 4 representatives from the development community and others were invited to the CIAC meetings and Council work session. Largely the CIAC spread the message and there was no formal presentation or discussion that he attended. Mr. Marrero stated that the CIAC needed to discuss at item 5. Mr. Whitacre stated that there was a lot of questions coming from developers but not in a formal setting.

Mr. Whitacre was asked to go through their questions to begin discussion. They initially want to know what is the most and least important to the CIAC and the general feel about water/wastewater/roadway impact fees. Then dive into the non-residential/residential and whether they should be treated the same or differently. He asked for thoughts on the water, wastewater, roadway impact fees at this point.

Mr. Landgraf asked when and who pays the impact fee and at what point is that due and payable to the city. Mr. Whitacre stated that it is due and payable at the time of the building permit. Mr. Landgraf stated that the company building the house or shopping center and not the individual who builds the lot would pay the permit. Mr. Kerr stated that for water/wastewater it is paid when the meter is taken.

Mr. Landgraf asked if the city would still have developer and city participation for over width pavement and oversized utility lines and how would that program be affected by impact fees. Mr. Kerr stated that it would stay in place and the credit would be the over width amounts and would be a reduction to the impact fee due. Mr. Whitacre stated that it was generally correct. Mr. Marrero asked if that was how it was treated in Midland. Mr. Whitacre would have to research but if they are adding extra capacity, paying for it and it is in the capital improvement plan they would have to receive credit by state law. Mr. Landgraf stated that in Midland, D.R. Horton was required to build Midkiff and they were credited towards their impact fee for what it cost to build the road. Mr. Landgraf stated that we have a lot of capital improvement needs in Odessa. Impact fees are another tool for Odessa to receive funds. The water and sewer fund, certificates of obligation and capital bonds have been used in the past. He was not sure that our numbers are out of line with Midland. We need to be careful to keep a competitive edge and impact fees allows continued growth and spreads the financing out where the growth is going to occur. Dr. Goates agrees to an extent but the impact on roadway is far different from Midland, almost twice as high. He agrees that it has been done in a lot of different ways but there is no way that we can have impact fees that are higher in Midland since they are our competition and developers will choose to build over there if there is a dollar difference.

Mr. Withrow stated that we need something, and we need to come up with that particular something. He is in the title insurance business and he sees people going to Midland. We need to retain that growth and those people, or we are defeating the whole purpose. Impact fees need to be explored and discussed but Midland's 50% consideration has an advantage over Odessa right now. Mr. Pierce stated that we need to be competitive or below Midland. Roadway is much higher here, but Midland had a bond for their roads. Mr. Kerr stated that our roadway impact fee does not have the 50% reduction. Mr. Whitacre stated that there are major projects in the northeast part of town that are driving the cost up. Mr. Marrero stated that our roadway needs versus Midland's is higher. Mr. Whitacre stated that Midland has less developed areas and are running out of land. Odessa has more arterial needs.

Mr. Whitacre asked if it would be helpful for the CIAC to see options that include Midland and various percentages. He showed a chart of the adopted impact fees from Midland compared to Odessa's maximum fees. Mr. Landgraf asked if the 25% residential discount was included in the chart. Mr. Whitacre stated that it was not included.

Mr. Landgraf stated that service areas 1, 2 and 3 included roadway which makes our numbers high. Dr. Goates stated that he would like to see water and wastewater separately from roadway when illustrating the comparisons. Mr. Withrow stated that if all three service areas were totaled and divided by half it would be about \$1,300. Mr. Marrero asked for the average of all three of Odessa's service areas. Mr. Landgraf stated that it would be \$6,500. Mr. Landgraf asked for the average of the service areas at 50%. Mr. Kerr calculated about \$5,500. We are still higher than Midland but only slightly. Mr. Atkins stated that there are many ways to work the numbers. Mr. Withrow stated that he would like to see roadway separate from water and wastewater. Mr. Landgraf asked if we could charge the same in all three areas or bound to have a unique number for each area. Mr. Atkins stated that it can vary if the maximum is not exceeded. Mr. Landgraf stated that the only disadvantage would be that any money from each area would have to be spent in the same area. Mr. Whitacre stated that one of the questions they ask for roadway is if the city wants to charge a flat percentage across the areas, similar to Midland adopting the 50% across the areas, or a flat rate to get them to all come out the same whether that be by percentage or dollar amount. Fort Worth used a rate per house and Lubbock and Midland took a percentage approach. He stated that College Station worked backwards after determining the impact fee of \$5,000. Dr. Goates stated that Odessa should work backwards to come in below Midland and have a fee that can be sold to developers. Mr. Marrero stated that we can look at options and recognizes that we want to position ourselves to be competitive. Mr. Atkins stated that they can provide a chart showing all four of Midland's service areas next to Odessa's three service areas. Mr. Landgraf prefers that approach.

Mr. Withrow asked if 50% could be shown again for all three. The average is about \$4,250. Mr. Atkins stated that the water and wastewater base meter calculation is a 3/4-inch. Mr. Pierce stated that in the plumbing business more people are going for 1-inch. Mr. Atkins stated that Frisco converted 3/4 to 1-inch. Mr. Landgraf stated that we would update Odessa to a 1-inch to compare to Midland and drop off the other cities. They would look at Odessa's three services areas and Midland's four areas. He also requested a chart of Odessa at 1-inch and 50%. Mr. Withrow requested a chart showing Odessa and Midland at 100%, one where both are 50% and another one to adjust accordingly. Dr. Goates added that they would need a chart at 25% residential.

Mr. Kerr stated that the 1-inch comparison was a good idea, but a 3/4-inch calculation would still be available. As different aspects are discussed for residential the committee should consider infield and low-income housing. Mr. Landgraf thanked Mr. Kerr for bringing up that issue. He asked Mr. Atkins if impact fees would be charged in vacant properties in old areas that have streets and waterlines in place. Mr. Atkins stated that legally they would be charged and provided two scenarios. The CIAC can choose not to charge them in those areas. Mr. Whitacre stated that the question can be defined in the ordinance. He can share the language in other cities' ordinances. Mr. Landgraf stated that there has been an appetite for infield with Council's in the past.

Dr. Goates stated that they were avoiding the topic of drill sites and how they are addressed. How would they consider drill sites if they are released? Mr. Marrero stated that effort has been focused on redevelopment and developing older areas of town. Use impact fees as a redevelopment tool. Incentive to reduce in certain areas of the community where it becomes an attraction to developers. Dr. Goates thanked Mr. Marrero.

Mr. Landgraf asked Kimley-Horn to put the requested charts together and provide before the next meeting to allow them time to review. Mr. Whitacre asked if the CIAC would like the multi-family, single-family, industrial and office examples. Mr. Landgraf confirmed. Mr. Atkins stated that there were two sets, 100% and 50% in comparison to Midland. Mr. Landgraf also asked for the Midland and Odessa maps. Ms. Ramirez summed up that the CIAC requested a 1-inch meter comparison to Midland at 100% and 50%. She asked if the CIAC would like options where the City is a certain percentage lower than Midland. Mr. Landgraf stated that it is too many options right now and discuss later if they need to adjust those percentages. Dr. Goates stated that they will eventually need those options.

- 4. Discuss and formulate written recommendations to Council on Impact Fees CIAC

Mr. Landgraf stated that his opinion was that the CIAC was not ready to formulate a written recommendation based off discussions with staff and comments from the Council. The CIAC agreed. Ms. Ramirez advised Mr. Landgraf to request a motion to table item 4. Dr Goates made a motion to table item 4 and seconded by Mr. Hurt. Motion passed unanimously.

- 5. Discuss questions/comments from the CIAC John Landgraf, Chair

Mr. Landgraf stated that numerous members of the committee and Council members asked if stakeholders, developers, and builders were going to be involved and receive their input. The City Council has set a public

hearing for April 13 for public input on LUA and IFCIP. Impact fees would be discussed at a future public hearing. He would like to offer stakeholders the Impact Fee 101. He has visited with his clients, but it is fair to do for everybody. Mr. Marrero stated it is important to discuss an appropriate time and topics. The CIAC has not come up with a recommendation. He believes that the stakeholders will most likely be fine with the LUA and IFCIP. Their concern will most likely be the fee. When deciding on when to discuss with the stakeholder that should be kept in mind.

Ms. Ramirez stated that there are two public hearing that are statutorily required. This first one is just for LUA and IFCIP. These are based on the Master Plans the Council has adopted. The second public hearing will be held later to discuss the impact fee that has been recommended by the CIAC to Council. We still have time to discuss with stakeholders and developers. Mr. Whitacre asked if Council requested a workshop before the next public hearing. Ms. Ramirez stated that is correct. Mr. Whitacre stated that is an opportunity to learn about that specific topic. Mr. Landgraf asked if that is an appropriate time to invite the development community to the work session with Council's approval on April 6. Kimley-Horn could do a basic presentation for the stakeholders while refreshing the Council's memory and it would allow the CIAC and Council to hear the developers' input before the public hearings. Mr. Marrero stated that would be fine if we confine the input only as it relates to the LUA and IFCIP. Mr. Landgraf stated that it needs to be more of an Impact Fee 101. Mr. Marrero agreed but wanted to be sure the actual fees were not discussed yet. Mr. Landgraf agreed and only wanted the developers to understand the process. Mr. Whitacre stated that if a dialogue was requested then it might be beneficial to have a separate meeting than a work session, but Kimley-Horn is open. Mr. Marrero stated that work sessions are typically utilized to have those interactions. Mr. Landgraf stated that the committee would take a vote and will proceed if Mr. Marrero believes that April 6 is available, and the Council allows the CIAC to impede on the work session. Mr. Marrero stated that the date of April 6 should be good. Mr. Landgraf asked for a motion to bring an Impact Fee 101 presentation to the Council work session on April 6. Mr. Withrow made the motion and seconded by Mr. Hurt. Motion passed unanimously.

Mr. Landgraf asked if there were any other questions and if Mr. Marrero or Mr. Kerr had any comments. Mr. Marrero stated that staff has their work outlined and will get additional data to the CIAC. Mr. Landgraf stated that a lot was accomplished and appreciates everyone's input. Mr. Kerr stated that the public hearing for the LUA and IFCIP will be posted in the newspaper on Friday, March 12, 2021. If anyone calls, the verbiage is statutory. Impact Fees are mentioned, but we are not proceeding on Impact Fees, just the LUA and IFCIP.

6. Adjourn

There being no further business, Mr. Landgraf adjourned the meeting 4:32 p.m.

ATTEST:

APPROVED:

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Mike Withrow, Vice-Chair

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John Landgraf, Chair