

Capital Improvements Advisory Committee (CIAC)  
Virtual Meeting via Webex  
April 14, 2021  
3:00 p.m.

Participants:

City Staff

Michael Marrero, City Manager  
Cindy Muncy, Asst. City Manager  
Phillip Urrutia, Asst. City Manager  
Thomas Kerr, Dir. of Public Works/Utilities  
Vanessa Ramirez, Deputy Dir. Public Works  
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  
Filiberto Gonzales

Absent

Rev. Quincy L. Randall

Others Present

Chris Berry, Betenbough Homes

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

1. Call to Order

Mr. Landgraf called the meeting to order at 3:03 p.m.

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

CIAC

Mr. Landgraf asked for a motion to approve the minutes from the March 10, 2021 CIAC meeting. Mr. Hurt made a motion to approve and seconded by Mr. Withrow. Motion passed unanimously.

3. Review and discuss Impact Fee Study comparisons

Kimley-Horn/CIAC

Mr. Whitacre stated the City Council approved the LUA and IFCIP at the City Council meeting on April 13. He reviewed the schedule and stated that this is the 6<sup>th</sup> meeting held with the CIAC. He asked if there were any questions before beginning the fee discussion.

He began his presentation and provided the maximum impact fees for Odessa, the maximum impact fees in Midland and the adopted impact fees in Midland. Mr. Landgraf asked him to explain the residential 25% reduction and what it covers. Mr. Whitacre stated that it covers single-family townhomes and duplexes, not necessarily residential. Dr. Goates stated that it is 75% of the number shown on the chart. Mr. Whitacre confirmed and stated it was a phased in approach and not throughout the entire program. Mr. Landgraf asked if the Council and CIAC had that discretion and stated that Council did not have to accept the CIAC recommendation. Mr. Whitacre stated that at minimum, the CIAC had to provide comments. Most cities try and fill in the table shown in the presentation. He stated that it is common to have a base rate adopted and some reductions based on goals and objectives. Mr. Marrero asked if the City of Midland made any distinctions for affordable housing or workforce housing. Mr. Whitacre stated they only had the 25% reduction for single-family townhomes and duplexes.

Mr. Whitacre asked if there were any more questions on what Midland adopted. Mr. Landgraf asked Chris Berry, Betenbough Homes, to introduce himself. Mr. Berry stated that he has been involved with impact fees with Midland and Lubbock and wants to be involved with Odessa's discussions. Mr. Whitacre began with the comparisons between Midland and Odessa. He showed the maximum fee comparison, the 50% comparison, single-family detached with 1-inch meter at 50% and with 25% housing credit. The latter showed the numbers if Odessa adopted Midland's ordinance.

Mr. Marrero asked for the average of adopting 50% with a 25% reduction in both cities. Mr. Whitacre stated that in Odessa it would be \$3,797 and in Midland it would be \$3,835. Dr. Goates stated that if building a single-family house in District 2 of Odessa the impact fee would be \$2,906 with the 50% and 25% reduction. Mr. Whitacre confirmed. Dr. Goates asked if District 1 would be the \$4,561? Mr. Whitacre confirmed. Dr. Goates stated that

there is no way Odessa can be higher in impact fees than Midland and still compete. Mr. Withrow and Mr. Landgraf agreed and allowed Mr. Berry to speak since he builds in both cities. Mr. Berry stated that they are currently building more in Odessa. They close around 9-10 homes in Odessa a week. He thinks the 25% housing credit is a good start. Mr. Landgraf asked if the impact fee has anything to do with them building more homes in Odessa. Mr. Berry stated that the cost of building homes is lower in Odessa and customers are going towards that. If they add \$4,500-\$5,000 to the permit it would hamper the market in Odessa quite a bit. The clientele in Odessa are different than Midland. There are opportunities to build infrastructure through credits. They have been paying a sewer charge of \$380 in Midland and are a couple of years out before having to pay anything else because of projects that they are able to apply credits. Mr. Whitacre asked if they pull a 1-inch or ¾-inch meter in Midland. Mr. Berry could not recall. Mr. Whitacre stated that it would cost less if pulling a ¾-inch meter and he stated that there would be a credit if the thoroughfare was also built. Mr. Landgraf asked how over width pavement was affected if there was a roadway impact fee. Mr. Kerr stated that it is his understanding that it would be a credit to the fees.

Mr. Marrero questioned Mr. Berry on the number of houses built in Odessa compared to Midland. Mr. Berry stated that they have six starts in Midland per week and nine starts in Odessa per week with two full building teams. Mr. Marrero asked if it is the same sort of development in Midland than in Odessa. His opinion was that there are some differences and asked if that affects the cost as well. Mr. Berry stated that it was difficult to compare apples-to-apples in development when streets, infrastructure, water/sewer are all different which leads to costs being slightly different. Mr. Withrow stated that most development from Betenbough is in Area 1. He asked what area(s) they are building in Midland. Mr. Berry stated that they build in Area B and are finished building in Area C. Mr. Landgraf stated that they are adding \$3,610 to their building permits compared to \$4,500 in Odessa. Mr. Atkins stated that Midland's base meter is a 1-inch and assumes that single-family permits are 1-inch unless requested. Mr. Landgraf asked Mr. Withrow to give his perspective about what these numbers would do for closings in Odessa when rolled into a 30-year mortgage. Mr. Withrow stated that builders are going to have to pass this additional cost which would be about an average of \$3 a foot. He asked Mr. Berry what he thought the cost would be on 1,500 square foot. Mr. Berry deferred back to Mr. Withrow. Mr. Withrow stated that there would be an increase in the sales price and a borrower that is borrowing about 80-85% of the \$4,500 cost. He stated that it could determine whether someone qualifies or not. Mr. Gonzales asked why the roadway equivalent of Midland and Odessa were different. Dr. Goates stated that Midland had a bond issued for roadway improvements. Mr. Pierce stated that the homeowners will be paying in tax over the next years. The sewer plant in Midland is being paid by their Pioneer funds.

Mr. Whitacre stated that there are several variables that go into the calculations. Mr. Gonzales asked if there was a way to find out how much more taxes are being paid to pay the bond back. Mr. Marrero stated that Midland's numbers are lower since they have preexisting roadways. He could get a list of the roads that were done in Midland. The bond money was mostly used on rehabilitation and expansion and not new roads. Dr. Goates stated that 60% was rehabilitation and 40% was new or expansion. He stated that it cannot be apples-to-apples, but we cannot be higher than Midland. Mr. Pierce and Mr. Hurt agreed with Dr. Goates that Odessa's impact fees cannot be higher than Midland's impact fees. Mr. Gonzales asked if we could match area 1 in Odessa to Midland's A and so on. Mr. Withrow stated that the demographic area must be looked at and what the tolerance levels are in the various areas. He stated that he is apt to lower it across the board and find a happy medium. Dr. Goates agreed. Mr. Landgraf stated that the numbers shown are Odessa's numbers if Midland's ordinance was adopted and they can recommend different numbers and proportion out.

Mr. Whitacre gave an example of College Station and Bryan, Texas. Dr. Goates stated that area 2 is where the focus to build affordable homes will be and does not want a higher impact fee in that area. Mr. Whitacre stated that appraisals could make it less affordable and harder to get the home appraised. He is in favor of looking for a compromise in all three areas. Mr. Landgraf asked if the impact fee raises the value of the homes in Odessa by the amount of the impact fee. Mr. Withrow does not believe it is instantaneous, but it grows into the market. He stated that in some areas that are getting 9-10 houses built per week the cost can be absorbed quickly whereas in other areas there are only 10 houses built a year and that cost is not absorbed as quickly. Mr. Pierce quoted the Midland Reporter Telegram on the bond that was passed, on a \$250,000 house the taxes were raised \$100 per year.

Mr. Whitacre stated that this is a perfect discussion to have among the group and they are on the right track. Mr. Landgraf reminded the CIAC that impact fees are just another way to help fund the growth in the city. There are other mechanisms and looking for more flexible ways to help fund capital improvements. If the community is going to continue to grow, there are needs worth millions for the next ten years to satisfy the master plan.

Mr. Withrow stated that on a \$250,000 home the \$4,500 increase in area 1 with 3.25% interest is an additional \$19.58 per month charge to the homeowner. That equates to roughly \$240 per year or \$7,000 over the term of the loan. That may not be relative but as Mr. Landgraf stated there are other options to explore.

Dr. Goates asked how many other builders will receive credits. He asked if there was a similar circumstance in Odessa where Mr. Berry would be receiving credits like in Midland. Mr. Berry stated that it would depend on the infrastructure. He mentioned how they helped with the Fairgrounds expansion. It is mainly circumstantial. Mr. Landgraf stated that DR Horton has done major roadway, sewer line and water line extensions that show up on the plan. There are several scenarios where developers would get credit. Mr. Withrow stated that in Desert Ridge, Larry Lee is the developer and there are several builders in that area. He asked if the builders would get the credit for what Larry Lee has done or would they pay the impact fee based on the area they are located. Mr. Landgraf stated that the savings was passed to the impact fee when the permit is pulled. Mr. Whitacre stated that it was addressed in the ordinance but typically the impact fee is paid by the individual who pulls the building permit. In some cities, the impact fee is collected and reimbursed. The ordinance can include a credit agreement between the developer and the city for how the credit is outlined. In most cases it goes back to the builder, therefore the land price is not necessarily affected. Mr. Withrow stated that in some cases like with Betenbough and DR Horton, they are the developer and the builder. Mr. Landgraf stated that there are some developers that do not build houses and who only sell lots. Mr. Landgraf stated that the developer agreements would have to be in place when impact fees are accessed. Mr. Whitacre stated that the agreement must be in place when the building permit is pulled not necessarily when accessed. He stated that typically the agreement is done when the roadway/wastewater infrastructure is accepted.

Dr. Goates asked if the city still requires developers to ensure city parks inside of their developments. Mr. Marrero stated they do not, and some discussions were had regarding parkland dedication, but City Council has been reluctant to implement that requirement. Mr. Kerr stated that parks are not eligible for impact fees under state law. Mr. Withrow stated that lot prices are higher when a park is required in developments.

Mr. Whitacre stated that most credit agreements are related to single-family development where water/wastewater and thoroughfare roadways are being built. He continued with the presentation. He showed impact fee comparisons for 250-unit multi-family, general office at 5,000 square feet, light industrial and a retail shopping center. He concluded with a review of Odessa impact fee revenue versus capital cost.

Mr. Whitacre stated that the next steps are to understand developer feedback and provide a formalized recommendation by the CIAC. Mr. Landgraf stated that there were multiple comments about having a meeting with stakeholders/developers. He asked the opinion of the CIAC. Mr. Marrero stated that staff is also interested and is a directive of the City Council. He asked when, where and what to present as discussion.

Mr. Landgraf asked if the meeting could be held in-person. Mr. Marrero stated that a location can be determined, and an in-person meeting would be beneficial. The group had a discussion on what to present and a date. Mr. Berry requested the slides and pertinent information to review before the group meeting. Ms. Ramirez confirmed that the City could send out with the meeting invite.

Mr. Landgraf asked if the AG ruling effected the discussion the CIAC was working on. Mr. Marrero stated that a discussion was had on potential ways to move forward. Ms. Ramirez reminded the CIAC that the plan can be brought back to CIAC to reassess any impact fees if it was necessary for some projects to be removed.

Mr. Hurt made a motion and seconded by Mr. Pierce to host stakeholders/developers meeting on May 5 at 5:30pm at the PAL gym. Motion passed unanimously. Mr. Marrero stated that a short overview and the information from today could be presented at the May 5 meeting.

- 4. Remove from the table and discuss and formulate written recommendations to Council on Impact Fees CIAC
- No Action.
- 5. Discuss questions/comments from the CIAC John Landgraf, Chair

Mr. Gonzales asked if the City Council has the ultimate authority to change the recommendation from the CIAC. Mr. Landgraf confirmed and stated that the CIAC is not obligated to give a hard recommendation to Council but is typically what is done.

Ms. Ramirez stated that the last meeting was tentatively scheduled for May 12 and asked if the CIAC will still meet to formulate the written recommendations based on the stakeholder/developer meeting on May 5. Mr. Landgraf stated that they would continue to meet. Dr. Goates suggested moving to May 19. Ms. Ramirez stated that it was possible if it suits the CIAC. Mr. Atkins has another CIAC meeting scheduled and Mr. Whitacre is available. Mr. Atkins can attend virtually. Mr. Landgraf stated that the meeting could be virtual and the CIAC would discuss on May 5 if the follow up meeting needs to be in-person.

6. Adjourn

There being no further business, Mr. Landgraf adjourned the meeting 4:25 p.m.

ATTEST:

APPROVED:

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Filiberto Gonzales, Secretary

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John Landgraf, Chair