



AGENDA
TOWN FINANCE COMMITTEE
Tuesday – August 15, 2023

Hybrid

5:00 P.M.

LINK TO PARTICIPATE REMOTELY:

https://scarboroughmaine.zoom.us/webinar/register/WN_aporpX-1ShaX39U-4nAybA

TO VIEW MEETING ONLY:

<https://www.youtube.com/channel/UCD5Y8CFy5HpXMftV3xX73aw>

Item 1. Call to Order.

Item 2. Those Present.

Item 3. Approval of Minutes: July 12, 2023

Item 4. Discussion:

- Review of School Impact Fees.

Item 5. Public Comment.

Item 6. Adjourn.

Since FY2004 a transfer has been made from the School Development Impact Fee account to the General Fund to offset School debt costs. The transfer has been equal to the impact fees collected two years prior. There have been two exceptions, as noted below, where the Town Council chose to also include interest earnings in the transfer. **Because of the significant increase in fees collected in FY2018 the decision was made to transfer \$509K instead of \$709K and to grant the request of the School Board to use \$260K in addition to the standard transfer to pay for portable classrooms at Eight Corners Elementary School.**

School Development Impact Fees

<u>Fiscal Year</u>	<u>Impact Fee Rev</u>	<u>Interest Earnings</u>	<u>Transfer to GF</u>	<u>Balance</u>
2002	163,200.00	-	-	163,200.00
2003	446,000.00	1,275.58	-	610,475.58
2004	275,200.00	2,779.82	163,200.00	725,255.40
2005	190,650.00	10,200.50	446,000.00	480,105.90
2006	300,180.00	9,604.93	295,200.00	494,690.83
2007	231,110.00	17,778.75	170,650.00	572,929.58
2008	225,680.00	23,213.07	341,180.00	480,642.65
2009	119,170.00	7,328.55	231,110.00	376,031.20
2010	178,930.00	222.18	225,680.00	329,503.38
2011	154,790.00	476.97	119,170.00	365,600.35
2012	173,690.00	349.38	178,930.00	360,709.73
2013	287,826.40	280.90	154,790.00	494,027.03
2014	306,873.60	1,946.31	173,690.00	629,156.94
2015	325,097.00	7,225.91	287,827.00	673,652.85
2016	414,600.00	8,049.15	306,874.00	789,428.00
2017	334,850.00	9,313.89	325,097.00	808,494.89
2018	709,590.00	9,197.15	414,600.00	1,112,682.04
2019	579,100.00	22,827.16	397,850.00	1,316,759.20
2020	370,770.00	18,712.22	937,515.42	768,726.00
2021	657,800.00	7,775.98	579,100.00	855,201.98
2022	443,890.00	2,505.26	370,770.00	930,827.24
2023	328,820.00	22,559.08	657,800.00	624,406.32
	<u>7,217,817.00</u>	Total as of 6-30-2023		<u><u>480,642.65</u></u>

Project 85051
09798009-039104

1200-010320-85051	1,739,275.91	Munis Balance as of 6-30-2023		
	(370,770.00)	FY2020 Transfer from Reserve not made		
	(657,800.00)	FY2021 Transfer from Reserve not made		
	(260,000.00)	FY2020 School use authorized by TC		
	(3,000.00)	Diff between ending estimate and MUNIS balance FY2010		
	32,074.58	FY2020 Interest transfer made in excess		
	1,500.00	June 30, 2019 JT (R#748159) ???		
	(639.58)	FY2008 Interest transfer not made		
	0.60	FY2015 Interest transfer made in excess		
	0.40	FY2016 Interest transfer made in excess		
	0.74	Unlocated difference between estimate and MUNIS		
	<u>480,642.65</u>			

To allow for more accurate budgeting, the decision was made to budget the Impact fee revenues back to the general fund, two years after receiving them.	We are building fewer houses, therefore, we are receiving fewer impact revenues.
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TO: Town Council
FROM: Karen Martin, SEDCO Executive Director
DATE: Aug 3, 2023
SUBJECT: School Impact Fees

Overview

As a starting point for updating School Impact Fees, the following analysis examines four scenarios of possible impact fees based on the projected enrollments and costs outlined in "K-8 Strategic Solution: Unified K-3 School Business Case" (May 12, 2023).

The four scenarios all use the projected capital investment of \$160,000,000 for the base. Two of the scenarios use the K-3 enrollment numbers to calculate the impact fee. Two of the scenarios look at enrollment in K-8. In each of the scenarios, a breakdown of new and existing students was calculated based on the Unified School Business Case report. That relationship was applied to the total capital investment to determine how much of the investment can be assigned to new housing units.

Since impact fees must be tied to the impacts (costs) of new development, the entire \$160 million should not be used to calculate the impact fee. When looking at the K-3 enrollment numbers presented in the report, the projected enrollment is 1,130. Current enrollment for K-3 is 878 students. Based on this calculation 22.3% of the capacity of the school will be for additional students. If we apply that same ratio to the costs, the total impact fees to be collected would be 22.3% of \$160 Million or \$35.68 Million.

Another variable in the scenarios is a calculation of how many of the net new students are from newly constructed units. Using projected building permits and students per household based on the American Community Survey data for 2021, 93% of the additional students would be assigned to new development. The balance of additional students would come from existing housing. Calculations are shown for both 100% and 93% of additional units assigned to new housing units.

Lastly, the scenarios show the fee based on 10, 15, 20, 25 and 30 years of payback. We did not increase the costs for the longer payback periods. Depending on the number of years of payback via impact fees, the carrying costs could increase the base expenditure assigned to the impact fee. Note that all sizes of housing units are treated the same in this initial analysis.

One last question for the Council to evaluate is that the affordable housing units were included in the calculation of the fees. If the Council wanted to exempt these units from the impact fee, that would raise the fee charged to the remaining housing units.

Scenarios 1 & 2

Scenarios 1 and 2 are both based on an analysis of the existing and future enrollments in the Unified School – **K-3**. The study ("K-8 Strategic Solution: Unified K-3 School Business Case") looked at recent Scarborough enrollment projections completed this year and increased the enrollment numbers by 5%. This analysis produced a projected enrollment of 1,130 students, with a baseline of 878 existing students.

The additional capacity, over current needs, provides for an additional 252 student. Additional students represent 22.3% of the projected design (252 additional students/1,130 projected).

When applied to the total costs outlined in the study (\$160,000,000 Million) the capital investment to accommodate new students is 22.3% or \$35.68 Million.

Table1

PROJECTED INCREASE IN STUDENTS USING BEST FIT + COVID ADJUSTMENT MODEL			
	ACTUAL ENROLLMENT 2022-23	PROJECTED ENROLLMENT (YEAR 30-31 + 5% TABLE 8)	INCREASE
K-3	878	1,130	252

Source: Scarborough k-8 Strategic Solution: Unified k-3 School Business Case, p.11

Scenario 1 in the attached table assigns 100% of the cost for additional students to new housing units. Scenario 2 assigns a slightly lower percentage of the total costs, assuming some portion of the additional students come from the turnover of existing housing units – where no impact fee can be assigned.

For Scenario 1, \$35.68 Million was divided by the number of housing units per year that could occur under the current Rate of Growth ordinance. For the purpose of this analysis, 261 units per year were assumed. If the Town wished to pay itself back over 10 years, the impact fee based on 2,610 and units would be \$13,671 per unit.

If the Town spread that payment over 20 years, the impact would be \$6,836 per unit. The table shows the decrease in impact fee per unit for 10, 15, 20, 25 and 30 years. At this time, no additional carrying costs were assumed for spreading out the payments. In addition, no accommodation for the size of the unit was calculated at this time. Both questions should be evaluated.

For Scenario 2, The 261 units per year were assigned students per household by bedroom type. The students per household were derived by running a special crosstab within the public use microdata files of the American Community Survey for 2021. Please note that the special crosstab can only be run for a larger geographic area than Scarborough alone. The geography contains Scarborough, as well as some additional suburban communities around Portland. When applied to the 261 new units per year generates 93% of the enrollment forecasted. Note this is a very rough estimate of the percentage of school enrollment generated by new units versus existing units.

For Scenario 2, the amount of potential fees to be collected is reduced by approximately \$2.52 million. This difference reflects the additional students generated by turnover of existing units.

The resulting impact fees in Scenario 2 are slightly less than Scenario 1 due to the reduction in the amount of total costs that can be assigned to the new development.

Scenarios 3 & 4

Scenarios 3 and 4 look at the **K-8** enrollment figures. Because a greater percentage of increased enrollment occurs in the K-3 grade cohort, the percentage of additional students drops from 22.3% for the K-3 grades to 18.7% for Grades K-8. This reduction in the percentage new students reduces the amount of the costs that can be assigned to impact fees.

Scenario 3 Uses 18.7% to calculate the total school costs that can be assigned to new development – \$29.9 Million. 18.7% represents the percentage of additional new students in the K-8 Grades. Scenario 3 applies 100% of the costs to new development (which matches Scenario 1).

Scenario 4 assigns approximately 7% of the additional students to existing housing, which reduces the amount of costs subject to impact fees on new housing units to \$27.8 Million. This scenario is similar to scenario 2. In Scenario 4, 17.3% of the costs are assigned to the new housing.

Scenarios 3 and 4 have the same concerns as the previous scenarios. They do not take into account any carrying costs for pay back over longer time periods. The resulting fees do not take into account the size of the unit. Affordable Housing as described in the Rate of Growth Ordinance is included in the calculations.

The differences in the four scenarios are shown in Table 2 on the following page. This memo contains a pdf of the table. We are also including an excel spread sheet, should you want to experiment with changing the costs, the housing units or the distribution of housing units.

Table 2

School Impact Fee Scenarios

K-8 Solution
Capital Investment in K-8 School Solution \$ 160,000,000

Scenario 1: K-3 enrollment calculations
(All New Students Assigned to Growth)

Actual Enrollment K-3	878
Increase in Students	252
Projected Enrollment	1,130
% of Increase Assigned to New Housing	100%
Actual Increase Assigned to New Housing	252
% of student Increase	22.3%

% of Capital Investment Associated with New Students	22.30%
Capital Investment Subject to Impact Fee	\$ 35,681,416

Generators: Households

New Units per year	261
<i># of Years for Payback</i>	<i>Units</i>
10	2,610
15	3,915
20	5,220
25	6,525
30	7,830

Potential Impact Fee

<i># of Years for Payback</i>	<i>Impact Fee</i>
10	\$13,671.04
15	\$9,114.03
20	\$6,835.52
25	\$5,488.42
30	\$4,657.01

K-8 Solution
Capital Investment in K-8 School Sol. \$ 160,000,000

Scenario 2: K-3 enrollment calculations
(% of New Students Assigned to Growth)

Actual Enrollment K-3	878
Increase in Students	252
Projected Enrollment	1,130
% of Increase Assigned to New Hous	93%
Actual Increase Assigned to New Hou	234
% of student Increase	20.7%

% of Capital Investment Associated with New Students	20.7%
Capital Investment Subject to Impact Fee	\$ 33,157,838

Generators: Households

New Units per year	261
<i># of Years for Payback</i>	<i>Units</i>
10	2,610
15	3,915
20	5,220
25	6,525
30	7,830

Potential Impact Fee

<i># of Years for Payback</i>	<i>Impact Fee</i>
10	\$12,704.15
15	\$8,469.43
20	\$6,352.08
25	\$5,081.66
30	\$4,234.72

K-8 Solution
Capital Investment in K-8 School Soluio \$ 160,000,000

Scenario 3: K-8 enrollment calculations
(All New Students Assigned to Growth)

Actual Enrollment K-8	1,983
Increase in Students	455
Projected Enrollment	2,438
% of Increase Assigned to New Housing	100%
Actual Increase Assigned to New Housin	455
% of student Increase	18.7%

% of Capital Investment Associated with New Students	18.7%
Capital Investment Subject to Impact I	\$ 29,865,879

Generators: Households

New Units per year	261
<i># of Years for Payback</i>	<i>Units</i>
10	2,610
15	3,915
20	5,220
25	6,525
30	7,830

Potential Impact Fee

<i># of Years for Payback</i>	<i>Impact Fee</i>
10	\$11,442.87
15	\$7,628.58
20	\$5,721.43
25	\$4,577.15
30	\$3,814.29

K-8 Solution
Capital Investment in K-8 School S: \$ 160,000,000

Scenario 4: K-8 enrollment calculations
(% of New Students Assigned to Growth)

Actual Enrollment K-3	1,983
Increase in Students	455
Projected Enrollment	2,438
% of Increase Assigned to New Ho	93%
Actual Increase Assigned to New H	423
% of student Increase	17.3%

% of Capital Investment Associated with New Students	17.3%
Capital Investment Subject to Imi	\$ 27,753,607

Generators: Households

New Units per year	261
<i># of Years for Payback</i>	<i>Units</i>
10	2,610
15	3,915
20	5,220
25	6,525
30	7,830

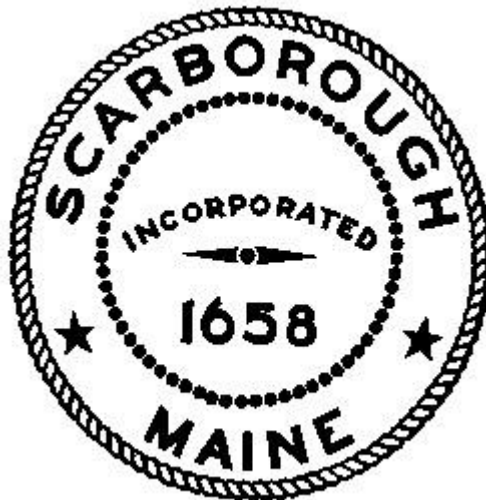
Potential Impact Fee

<i># of Years for Payback</i>	<i>Impact Fee</i>
10	\$10,633.57
15	\$7,089.04
20	\$5,316.78
25	\$4,253.43
30	\$3,544.52

CHAPTER 415

TOWN OF SCARBOROUGH

IMPACT FEE ORDINANCE



ADOPTED JANUARY 02, 2002; EFFECTIVE JANUARY 03, 2002
AMENDED MARCH 3, 2003; UPDATED FEBRUARY 01, 2020

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**CHAPTER 415
TOWN OF SCARBOROUGH
DEVELOPMENT IMPACT FEE ORDINANCE**

CHAPTER I - General Provisions

1. Authority.

This ordinance is enacted pursuant to the authority of 30-A M.R.S.A. § 4354 and 30-A M.R.S.A. § 3001.

2. Purpose.

The Scarborough Town Council, having commissioned and reviewed an Impact Fee Feasibility Analysis dated September 2001, has determined that new development creates demands on municipal government to provide new public facilities and to expand, improve or replace existing public facilities. The Town Council concludes that in order to provide an equitable source of funding for such new, expanded, improved or replacement facilities, it is appropriate to establish a program of development impact fees and to charge a proportionate share of the costs of new, expanded, improved or replacement facilities to the developers and/or occupants of the developments which make the new, expanded, improved or replacement infrastructure necessary.

3. Definitions.

Unless otherwise defined in this ordinance, terms used in this ordinance shall have the same meanings as defined terms in Zoning Ordinance of the Town of Scarborough, Maine (“Zoning Ordinance”). The following terms shall have the following meanings:

Affordable Housing Unit: A dwelling unit developed by a governmental agency or by a non-profit housing corporation (as defined in 30-A M.R.S.A. § 5002) which is permanently restricted by recorded deed restriction or covenant and/or regulatory restriction to occupancy only by lower income households, as that term is defined in 30-A M.R.S.A. § 5002.

4. Use of Impact Fees.

Impact fees collected by the Town pursuant to this ordinance may be used only for financing facility improvements which the Town Council has determined are made necessary by new development. The Town Council has determined that fees imposed by schedules in subsequent chapters of this ordinance are reasonably related to the demands created by new development and are reasonably related to the portion or percentage of existing infrastructure used by new development. Impact fees collected pursuant to this ordinance shall be used exclusively for capital improvements, and shall not be used for operational expenses. The Town of Scarborough shall expend funds collected from impact fees solely for the purposes for which they were collected.

5. Segregation of Impact Fees from General Revenues.

Impact fees collected pursuant to this ordinance shall be maintained by the Town Treasurer in a separate impact fee account and shall be segregated from the Town’s general revenues. The

Town Treasurer shall deposit impact fees in special non-lapsing accounts dedicated for funding of the improvements for which the fee is collected.

6. Collection of Impact Fees.

a. Payment of Impact Fees

The Code Enforcement Officer of the Town of Scarborough shall not issue any building permit required under the Zoning Ordinance until the applicant has paid any impact fees required by this ordinance or has recorded an agreement for deferral of impact fees pursuant to Chapter 1, Section 6, Subsection (b) below. Upon collecting such impact fee, the Code Enforcement Officer shall remit the funds to the Town Treasurer who shall deposit the funds as required in Section 5 above. The Code Enforcement Officer shall make a record of the name and mailing address of the applicant paying the impact fee, the tax map and lot numbers of the property for which the impact fee is collected, the amount collected, and the date the impact fee is received, and shall maintain such record in the files relating to the property for which the impact fee was paid.

b. Deferral of Impact Fees

Where the applicant for a building permit is over 55 years of age, has owned and occupied an existing single-family dwelling in Scarborough at any time during the previous 12 months and seeks the building permit in order to construct a new single-family dwelling which the applicant will own and occupy in place of the existing dwelling, the Town treasurer may enter into an agreement to defer collection of all or part of the impact fees imposed by this ordinance until such time as ownership of the new dwelling is transferred to any person except a person who is a surviving joint tenant or heir of the applicant and is both over 55 years of age and a resident of the dwelling at the time of the transfer. Such agreement shall be in writing, shall be joined by all owners of the property, including mortgagees and lien holders of record at the time of execution of the agreement, shall by its terms create a consensual lien on the property, shall be binding on the applicant's heirs, successors and assigns, and shall be recorded in the Cumberland County Registry of Deeds by the applicant prior to the issuance of the building permit.

7. Refund of Unused Impact Fees.

Impact fees collected pursuant to this ordinance shall be utilized by the Town according to the schedules specified in subsequent chapters of this ordinance for the completion of specific capital improvements, but in no event later than ten years after the date upon which the impact fee was collected. Any impact fees which are not so utilized and any impact fees collected which exceed the Town's actual costs of implementing the infrastructure improvements for which such fees were collected shall be refunded. Refunds shall be paid to the owner of record of the property for which the impact fee was collected, determined as of the date the refund is made.

8. Amendment of Fees.

The impact fees established in this ordinance are based upon the Town Council's best estimates of the costs of the construction of the facilities for which the fees are collected and, where appropriate, upon estimates of state and/or federal funding contributions. The Council may, by amendments to

this ordinance, change the amounts of the impact fees from time to time as warranted by new information or changed circumstances.

8.A. Inflation Adjustment.

The impact fees established by the Town Council in this ordinance shall be adjusted annually by the Town Treasurer to account for inflation. Commencing on February 1, 2003 and on each February 1st thereafter, the Treasurer shall increase each impact fee by the dollar amount (rounded to the nearest ten dollar increment) obtained by multiplying the amount of the fee then-in-effect by the inflation rate. As used in this paragraph, the term “inflation rate” means the percentage increase, if any, during the previous calendar year in the Consumer Price Index – All Urban Consumers, Northeast Urban Area, All Items, base period 1982-84 = 100 (not seasonally adjusted) published by the United States Department of Labor Bureau of Labor Statistics. If there has been no such increase, there shall be no adjustment under this paragraph. Each year on February 1st, the Treasurer shall publish a schedule of impact fees adjusted pursuant to this paragraph (the “adjusted impact fees”) and provide a copy of such schedule to the Code Enforcement Officer. The adjusted impact fees shall apply to all building permits issued on or after March 5 in the calendar year 2003 and on or after February 1st of each calendar year thereafter, whether or not the applications for building permits were filed prior to such dates. [March 3, 2003]

9. Impact Fee Not Required for Replacement Dwelling Units.

An impact fee shall not be required for:

- (a) the placement or construction on a lot of a dwelling unit which replaces a dwelling unit which was located on the same lot at any time between January 3, 2000 and January 3, 2002;
- (b) the placement on a mobile home park site of a mobile home which replaces a mobile home which was located on the same site at any time between January 3, 2000 and January 3, 2002;
- (c) the placement or construction on a lot of a dwelling unit which replaces a dwelling unit which is or was located on the same lot and for which an impact fee has already been paid under this ordinance; or
- (d) the placement on a mobile home park site of a mobile home which replaces an existing mobile home which is or was located on the same site and for which an impact fee has already been paid under this ordinance.

10. Severability.

Should any section or provision of this ordinance be determined in a court to be unconstitutional, invalid or unenforceable, such determination shall not affect the validity of any other portion of the ordinance or of the remainder of the ordinance as a whole.

CHAPTER II - School Impact Fees

1. Use of School Impact Fees.

The fees collected under this chapter of this ordinance shall be used to fund one or more of those projects identified in the major capital improvement applications submitted to the Maine Department of Education, dated July 26, 2001, for the Scarborough Middle School, the Scarborough High School, the Wentworth Intermediate School and the primary schools, the Town Council having determined that a portion of the costs of such school projects is made necessary by the projected increases in enrollment due to anticipated new residential housing construction. Those improvements are scheduled to be completed by January 3, 2012, unless the completion dates are extended by order of the Town Council.

2. Calculation and Collection of School Impact Fees. [Updated 02/26/2020]

Prior to the issuance of a building permit for any new dwelling unit, the Code Enforcement Officer shall collect a school impact fee according to the following schedule:

Type of Dwelling	Amount
Single family dwelling	\$4,630
Two-family dwelling	\$1,770 per unit
Multiplex	\$1,150 per unit
Mobile home in a mobile home park	\$1,150
Affordable housing unit	\$2,330

3. Exemptions.

1. A school impact fee is not required for a dwelling unit within a development consisting of three or more dwelling units all of which are permanently restricted by recorded deed restriction or covenant and/or regulatory restriction to occupancy by elderly households only. For this purpose, "elderly household" means a household which includes at least one person aged 55 or older and no occupant less than 55 years of age other than a full-time caregiver to or a spouse or companion of the elderly person(s).

4. Impact Fees to Terminate Upon Completion of Projects.

When the school projects identified in Chapter II, Section 1 above have been completed and all debt incurred in connection therewith has been repaid, the Town Council shall amend this ordinance either by repeal of this chapter, or by amendment of this chapter if circumstances at the time warrant the continuation of school impact fees.