

EXECUTIVE SUMMARY

The City of Foley, Alabama retained TischlerBise to prepare this report to analyze the impacts of development on the City's capital facilities and to calculate impact fees based on that analysis. Through interviews and discussions with City staff, TischlerBise developed the proposed impact fees discussed in this report. Methodologies and calculations are presented in this report as supporting documentation for Foley's proposed impact fee program. The beginning of each chapter includes a flow chart showing the formula used to calculate each impact fee.

An impact fee represents new development's proportionate share of capital facility needs. Impact fees are collected from new construction during the issuance of a building permit or a certificate of occupancy, and impact fees are used to construct system improvements needed to accommodate new development. Impact fees do have limitations and should not be regarded as the total solution for infrastructure funding. Rather, they are one component of a comprehensive funding strategy to ensure provision of adequate public facilities. Impact fees may only be used for capital improvements or debt service for growth-related infrastructure. In contrast to general taxes, impact fees may not be used for operations, maintenance, replacement of infrastructure, or correcting existing deficiencies. This Impact Fee Study includes the following types of infrastructure:

- Fire
- Parks and Recreation
- Police
- Street

Discussed further in Appendix C, if Foley approves the proposed impact fees outlined in this study, the next steps include implementation and administration of the proposed fees. Alabama's enabling legislation for Baldwin County does not allow impact fees to exceed one percent of the estimated fair and reasonable market value of the new development after completion. The City of Foley will calculate this one-percent value for each new housing unit or development as applicable. As a result, the City may be able to collect only a portion of the maximum supportable fee amounts presented in Figure 2. Impact fees should be periodically evaluated and updated to reflect recent data—generally every five years. One approach is to adjust for inflation using the Engineering News Record (ENR) Construction Cost Index published by McGraw-Hill Companies. This index could be applied to the adopted impact fee schedule. If cost estimates or demand indicators change significantly, the City should update the fee calculations, which is recommended every five years.

Fees should be spent within ten years of collection with the expenditures limited to growth-related system improvements or debt service on growth-related infrastructure, as specified in the study. General practice is aggregate first in, first out accounting (rather than project-specific tracking) with impact fees and accrued interest maintained in a separate fund that is not comingled with other revenues. TischlerBise recommends preparation of an annual report indicating impact fee collections, expenditures, and fund balances by type of infrastructure.