

V • I • S • I • O • N • S

Newsletter of McLean County Regional Planning Commission

Director's Notes

This issue's feature article was prepared in response to inquiries received by staff regarding development impact fees, and in particular, the experiences of Normal and Unit 5 Schools, with the Town's school land dedication requirements which were instituted in 1998.

The article provides some background information on traditional and emerging uses of impact fees, and provides a brief review of the experience of Naperville, Illinois, whose long standing ordinance was closely considered in preparing the Normal requirements. It also describes a slightly different approach used in Palm Beach County, Florida, and assesses the effects of Normal's school land dedication requirements on home ownership, growth and quality of development, and as a means to guide growth.

Feel free to contact us with any questions or comments. Thank you.

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INSIDE THIS ISSUE

Director's Notes	1
Feature Article	
Development Impact Fees	1
East Side Corridor Update	7
Additional Updates	8

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Development Impact Fees

Development impact fees are a funding mechanism distinct from standard property tax exactions, and are intended to distribute the cost of added infrastructure and other civic improvements more directly to the eventual beneficiaries. While impact fees are now accepted in many communities as a common means for governments to fund necessary improvements, the use of impact fees also generates controversies centered on effectiveness, fairness, and basic legal principles.

TRADITIONAL USES

Used around the nation, impact fees help fund road construction and water and sewer system installation, as well as the creation of parks and other open space and land and buildings for

schools. While lessening the demands on the local tax base, impact fees are used to augment or replace other funding sources, such as federal tax revenue, which have become less available for local infrastructure improvement. (Nicholas, J. 1992.) Use of the fees also provides stable school funding, by substituting predictable revenue streams for uncertain funding sources derived from voter actions in school referenda.

The concept of local governments exacting fees to recover public costs related to new development is not new to the Bloomington-Normal area. Local subdivision ordinances currently authorize exactions for water and sewer connections, stormwater detention, adjacent substandard road improvements, park land, and in the case of Normal, school land.



EMERGING USES

Impact fees may also be used as a tool to guide growth in support of sensible growth objectives through use of customized fee structures as outlined below:

- Exclude infill development and redevelopment from impact fee assessment;
- Lower fees for development areas where adequate infrastructure capacity is already available;
- Subsidize impact fees for desirable development (which may include using density-based fees);
- In fee structure, account for distance of development area from the urban core, or for geographic or other environmental features which influence appropriate development;
- Base fees on lot size rather than house size, thus promoting more compact development; and,
- Design fee structure to encourage mixed-use development, and to reflect transportation impact and accessibility to alternative transportation modes. (Mullen, C. and Nicholas, J., 2002)

School impact fees can be an especially effective tool for guiding growth for two important reasons. First, schools often attract development because, among other reasons, many parents like to reside close to where their children attend school.

Second, the local ordinances which require the fees may also require school districts to submit a development plan subject to the enabling local government's approval as a prerequisite to disbursing the fees. The local government then has the opportunity to review the school development plan for consistency with the local com-

prehensive plan, thus providing an effective tool for guiding growth in accordance with the comprehensive plan.

This tool is further enhanced when the agreed upon school sites are identified on the community's official map, which authorizes the jurisdiction to acquire a designated site within one year of the date the land is subdivided.

This level of planning is in contrast to the more common practice of a developer selecting a school site to support a particular development.

THE NAPERVILLE EXPERIENCE

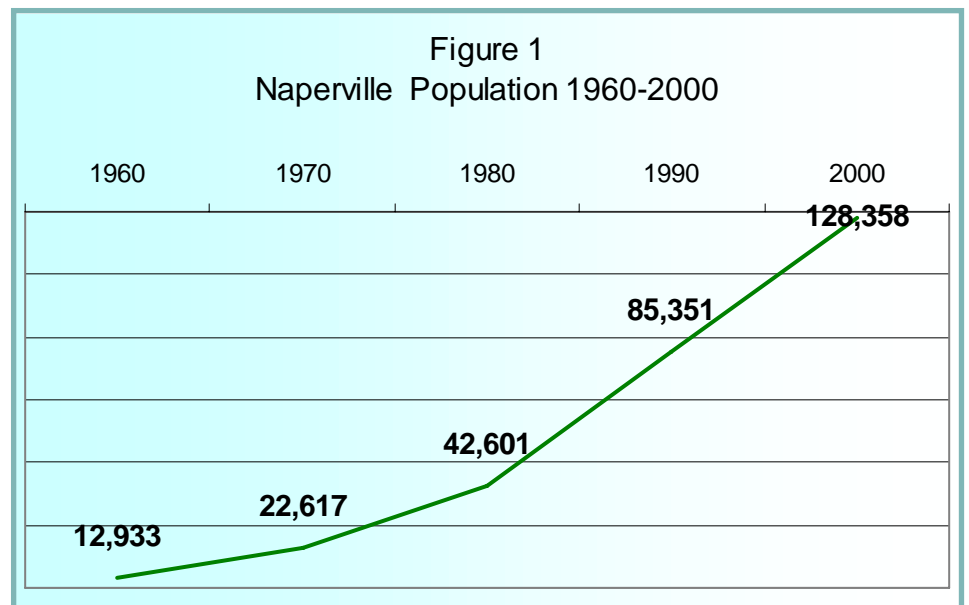
In 1972, Naperville enacted its Land Cash Donation Ordinance to address the effects of increasing residential development, particularly on the availability of open space for parks and schools. (Bernard, M. and Nance, E. 1996.) The dramatic and sustained growth of Naperville belies initial concerns about negative impacts on new home construction resulting from school and other impact fees.

Naperville's overriding concerns regarding growth manage-

ment were well justified. Over a period of forty years, from 1960 through 2000, a village of 13,000 transformed into an edge city with a population in 2000 nearly ten times the 1960 figure (See Figure 1.). Between 1990 and 2000 alone, Naperville grew by slightly more than 50 percent, as compared to Normal's lower but still significant rate of 13.4 percent during the same period.

Confronted with growth of this magnitude, and the associated infrastructure requirements, Naperville's early embrace of impact fees is less a question of innovative financing than of simple municipal survival.

Naperville's impact fee formula serves as a model for adaptation by other communities (including the Town of Normal). Naperville currently uses a fee scale based on assumed relationships between housing unit size and expected introduction of new students into the school system based on the number of bedrooms per unit.



(Source: GCT-PH1: Population, Data Set: Census 2000 Summary File 1 (SF 1) 100-Percent Data, Geographic Area: Illinois -- Place, <<http://factfinder.census.gov/home/en/datanotes/expsf1u.htm>>)

**PALM BEACH COUNTY,
FLORIDA**

Palm Beach County, Florida, deviated somewhat from Naperville’s approach by substituting categories based solely on housing unit square footage for those based on dwelling type and number of bedrooms. In some instances this approach exempts smaller units in multi-family development from any school impact fee.

As a result, assessment of impact fees on development of affordable housing is reduced, as is assessment of school impact fees on residential development aimed at seniors and one-person households, those unlikely to contribute to the school population. The shortfall is made up from impact fees on larger houses, which are statistically more likely to contribute students into the school system.

Palm Beach County employs the same approach when calculating other types of impact fees. In determining park and open space fees, for example, a square footage per unit formula is used; in addition, contributions from residential development are supplemented by impact fees applied to commercial developments such as hotel rooms.

THE NORMAL EXPERIENCE

The Town of Normal school land dedication ordinance is a simplified version of the Naperville ordinance and is based on residential zoning. It was instituted in June 1998 for the purpose of mitigating the impact of development on area schools and taxpayers. At the same time, both Bloomington and McLean County rejected the adop-

tion of impact fees, after considerable lobbying from the development community. Although the County initially approved impact fees in October 1998, the decision was reversed less than a month later. (The Pantagraph, Ford, M.A. 1998, May 8; Holliday, B. 1998, November 18, 1998, October 21.)

Concerns Laid to Rest

After four years of experience with the Normal ordinance, the concerns initially expressed over enacting the ordinance have not been realized.

Within two years, the Normal school impact fee generated more than \$63,000 from fees on new housing units ranging from less than \$200 to slightly more than \$650 per unit. (The Pantagraph, Fox, P. F. 2000, June 25.) Over the next two years, increased development activity generated nearly eight times this amount according to Unit 5 officials.

Specific concerns were initially expressed regarding the effect of the ordinance on housing costs and home ownership

opportunities, continued growth and quality of development.

Home Ownership Opportunities

There is no evidence to suggest the Town’s school land dedication fees have impeded opportunities for home ownership. At least one local developer acknowledged that the school impact fee of approximately \$188, applied to units in one development, was a “small amount,” and not significant when compared to the overall cost of a new house purchase. (The Pantagraph, Fox, P. F. 2000, June 25.) Predictions that

Normal's School Land Dedication Ordinance

Normal's School Land Dedication formula, part of the Public Land Dedication And Reservation Requirements (Section 16.6-1-8, Municipal Code of the Town of Normal) describes the basis for both land dedication or fee payment in lieu of land. Each is a function of the expected impact of new development on the school system and reflects the assumed fair market land values (\$35,000 per acre), and the amount of land required for schools of various sizes and levels, as shown in Chart A.

**Chart A
School Characteristics**

School Classification	Maximum Number of Students	Minimum Acres Per Site
Elementary	600	11
Junior High	900	29
Senior High	1,200	50

Where dedication of appropriate land for a school site is not possible, a compensatory cash contribution is substituted. Chart B translates the formula into the school impact fee required per housing unit within each of Normal's residential zoning districts.

**Chart B
Required Fee by
Land Area and Dwelling Unit**

Normal Zoning District	Total Fee Per Acre	Fee Per Dwelling Unit
R-1AA	\$1,303.40	\$651.70
R-1A	\$2,606.80	\$651.70
R-1B	\$3,910.20	\$651.70
R-2	\$9,123.80	\$651.70
R-3A	\$3,391.50	\$188.42
R-3B	\$13,566.00	\$188.42

Proceeds of cash contributions are placed in escrow by the Town, for eventual use by the school district in acquiring land and building new school facilities.

There is no evidence to suggest the Town’s school land dedication fees have impeded opportunities for home ownership.

Table 1
Change in Population and Housing Units 1990-2000
Bloomington-Normal

	2000 Population	2000 Housing units	% increase housing units 1990 to 2000	avg. persons per unit 2000
Bloomington	64,808	28,431	25.6%	2.28
Normal	45,386	15,683	27.5%	2.89

(Source: GCT-PH1: Population, Data Set: Census 2000 Summary File 1 (SF 1) 100-Percent Data, Geographic Area: Illinois -- Place, <<http://factfinder.census.gov/home/en/datanotes/expsf1u.htm>>)

the imposition of impact fees would pose a serious barrier to new home ownership have not been substantiated by experience with the school impact fee in Normal.

Seen in a national context, Normal's school impact fees fall well below the national average of \$2,700 calculated by Professor James Nicholas of the University of Florida. Based on recent surveys, Professor Nicholas has found school impact fees for single family residential construction range from a minimum of \$124 to a maximum of \$9,324. (Mullen, C. and Nicholas, J. 2002.)

City Manager Mark Peterson notes that the development community quickly realized that the imposition of infrastructure impact fees, including school exactions, did not create a barrier to profitable new development. Last year Normal set a record for building permit issuances, is currently on track to exceed record levels in the current year, and it "does not appear that there's any slowdown on the horizon" for new development in Normal, says Peterson.

The conclusion that the Town's growth has not been slowed

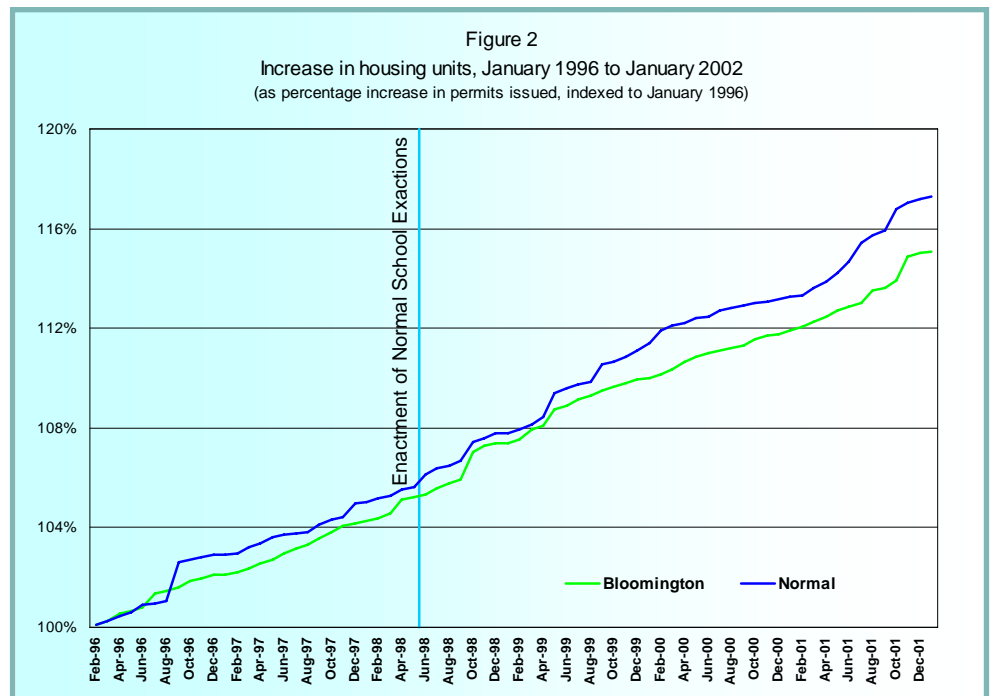
by the school land dedication fee is reinforced by analysis of building permit issuances, indexed to base housing unit levels in January 1996, as shown in Figure 2. The chart indicates no decline in the upward trend in the Town's issuance of building permits for housing following the enactment of the fees in June, 1998. Normal demonstrated a slightly higher percentage rate of increase in housing units than Bloomington, although the actual number of units for which permits were issued was predictably lower than Bloomington's totals.

Comparison of building activity levels between Normal and Bloomington, before and after Normal's adoption of a school impact fee, shows no impact on relative rates of new housing construction. In Figure 3, the number of residential building permits issued each month from early 1996 through early 2002 is indexed to the average number of permits issued monthly over the six-year period. The resulting graph shows

Continued Growth

Census data on population and housing illustrate substantial growth in both Bloomington and Normal, with no indication of any slowdown in the Town's growth as a result of instituting the fee. Due to the population growth experienced during the 1990's, both Bloomington and Normal showed significant increases in the number of available housing units. As shown in Table 1, residential units grew by more than 25 percent in both cities during the decade, outstripping the rate of population growth for the period.

In the Town's view, enactment of the school land dedication ordinance has not caused any negative consequences for the pace of residential development in Normal.



(Source: GCT-PH1: Population, Data Set: Census 2000 Summary File 1 (SF 1) 100-Percent Data, Geographic Area: Illinois -- Place, <<http://factfinder.census.gov/home/en/datanotes/expsf1u.htm>>)

comparable rates of growth in new housing construction in Bloomington and Normal, with the Town continuing to experience substantial growth after instituting the fees.

Quality of Development

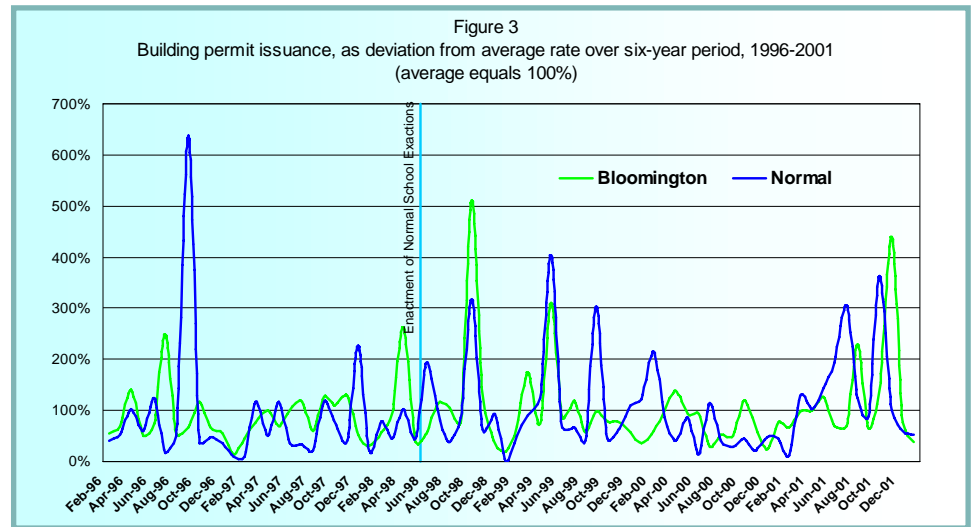
Concerns that the quality of residential projects might suffer are also unfounded: Peterson believes that Normal's efforts in refining its subdivision regulations have actually raised the quality of new residential construction in the town.

The Ordinance as a Guide for Development

The use of the school land dedication ordinance, however, is not a significant part of Normal's current strategy to encourage quality residential development. According to Peterson, the Normal Town Council viewed the ordinance as a means to provide needed support to the Unit 5 school district, and did not intend it to serve as a tool to guide the quality and location of development.

The administration of the school land dedication requirement is part of a larger cooperative effort between Normal and Unit 5. Rather than pursuing a set review process for all applications of the school land dedication ordinance, Normal treats Unit 5's needs with respect to each new development on a case-by-case basis. Town and school district officials engage in ongoing discussions regarding new residential growth, and the demands each project will make on the school system.

The Town-District cooperation extends to discussions of preferred future school sites, but Normal does not require Unit 5 to submit or disclose its own master plan for new school construction.



(Source: GCT-PH1: Population, Data Set: Census 2000 Summary File 1 (SF 1) 100-Percent Data, Geographic Area: Illinois -- Place, <<http://factfinder.census.gov/home/en/datanotes/expsf1u.htm>>)

City Manager Peterson can foresee circumstances that would incline the town towards opposing a particular site; however, Normal does not generally apply a test based on land use designation or other planning considerations to Unit 5's selected school sites.

A Positive for Unit 5 Schools

Unit 5 Interim Superintendent G. Lawrence Daghe feels that Normal's school land dedication ordinance "has been beneficial," and sees the program as a positive for both the school district and the developers noting that "people like to build where the schools are." Daghe is also positive regarding the cooperative relationship between the school district and the Town, noting that site selection for the new Normal East high school was a factor in Normal's

Education president Gail Ann Briggs agree that all potential sources of funding are a benefit to the school system, and support Normal's school impact fee. Although the availability of other funding sources have so far not required the accumulated funds derived from the impact fee to be used, the uncertainty of future funding derived from voter approval of referenda reinforces the importance of a funding stream dedicated to supporting Unit 5 schools.

CONCLUSIONS

This article has provided an overview of the topic of development impact fees, with emphasis on the effects of the school land dedication requirements enacted by the Town of Normal in 1998.

Impact fees are gaining wider acceptance, both around the nation and locally, as a means to help fund infrastructure improvements. This is due primarily to the fact that such fees lessen the demands on the local tax base and augment or replace dwindling federal revenues which once funded infrastructure improvements. The fees also provide more stable school

In the Town's view, enactment of the school land dedication ordinance has not caused any negative consequences for the pace of residential development in Normal.

plans to extend water and sewer service to that area.

Daghe and Unit 5 Board of

funding than through referenda.

The enactment of impact fees, however, has not been without controversy. Arguments for and against are often centered on effectiveness, fairness, legality and potential effects on home ownership and growth rates.

Although effectiveness and fairness can be subjective, and legality issues can vary from case to case, there has been no evidence, either locally or regionally, to support any decline in growth or home ownership opportunities due to the enactment of impact fees, and due to school land dedication requirements in particular. In fact, Normal is in the midst of a record-setting expansion in residential development which Town officials expect will continue for the foreseeable future.

While traditional funding applications for impact fees are gaining wider usage, a number of other applications intended to guide and manage growth are also beginning to emerge. These

include the use of customized fee structures to encourage infill, compact and mixed use development, and to mitigate impacts on affordable housing. This has generally not been the intended use of

... "people like to build where the schools are."

impact fees by local governments in the Bloomington-Normal area.

Normal's school land dedication requirements have not been applied in this manner, although that potential is inherent in their design.

References

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Nicholas, J. 1992. On the Progression of Impact Fees. Journal of the American Planning Association, 58, 4.

WHY IMPACT FEES?

Clancy Mullen, of Duncan Associates in Austin, Texas, distinguishes between traditional and emerging objectives for impact fee programs.

Traditional

- Replacement of diminishing funding sources,
- Slowing increases in tax rates,
- Equitable distribution of financial responsibility,
- Maintenance of existing service levels,
- Creating more certainty in the development process, and
- Balancing pro- and anti-growth interests.

Emerging

- Promoting growth management (encouraging infill use, compact site plans),
- Encouraging higher density and mixed use development, and
- Mitigation of impact on affordable housing.

Mullen, C. and Nicholas, J. 2002, April 14. "Impact Fees and Growth Management," American Planning Association National Conference.

EAST SIDE CORRIDOR UPDATE

After two successful public meetings and considerable public comment, the East Side Corridor Transportation Facility Feasibility Study is in its final phase. Consultants Bernardin, Lochmueller & Associates, Inc. anticipate completion of the final project report later this spring. In addition to the corridor recommendation, the report will include the underlying data analyzed, descriptions of project methods, and an appendix devoted to the public comments received.

Bernardin has narrowed a choice of five potential alignments to two, which they recommend be implemented as Phases I and II of a \$250 million project, expected to require ten to fifteen years or more to implement.

Phase I consists of interchanges connecting Towanda-Barnes

Road to I-55 between the existing Towanda and Veteran's Parkway interchanges, and to I-74 slightly west of the current Downs interchange. Phase II would provide a controlled-access freeway connection to the new interchanges east of Towanda-Barnes Road between Ireland Grove Road and Fort

Jesse Road. The freeway would include grade-separated interchanges at two points on Towanda-Barnes Road, and at Fort Jesse Road, Illinois Route 9, Ireland Grove Road and U. S. Highway 150.

Following a light turnout for

the first open house held last November, attendance at the remaining two open house meetings totaled nearly 250 persons, many of whom identified themselves as residents of the study area. Media coverage has

been considerable, including ongoing newspaper, radio and television stories on

A consensus on the appropriate alignment by all five sponsoring governments will be needed to proceed further with the project.

the status of the project.

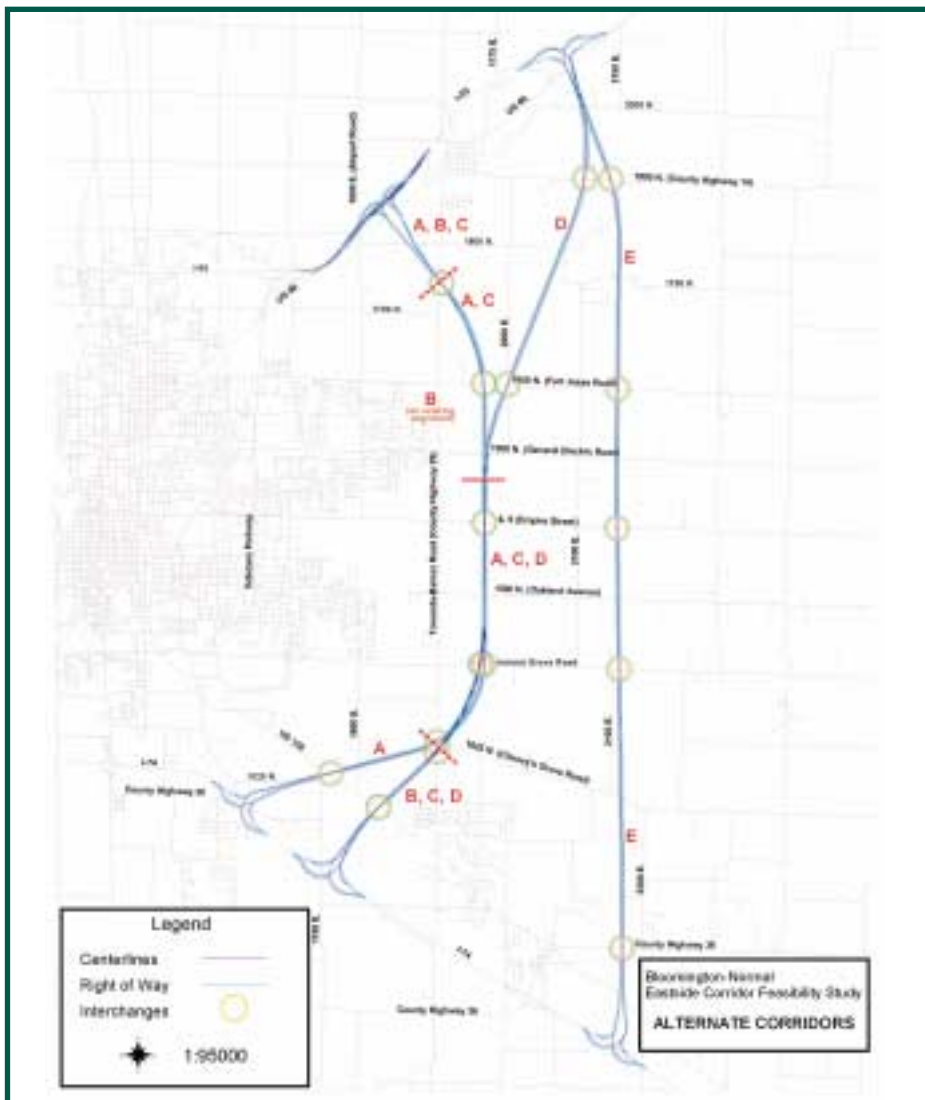
Bernardin, Lochmueller and local and regional staff described the project to attendees, answered questions, and distributed over 300 copies of an informational handout.

Following the January open house, RPC staff sent an additional 150 copies of the information packet to interested citizens, local officials and the media.

In addition to large public meetings, RPC staff has given presentations on the project to both the Normal and Bloomington Planning Commissions, and to the McLean County Farm Bureau. Additional presentations to various civic organizations are planned over the next few weeks.

The community now waits for the final project report, and further action on the part of local governments. The completed report will be submitted to a Steering Committee representing the participating agencies. The committee will review the report and confirm that the consulting contract has been fulfilled.

The Steering Committee will forward the report to the five sponsoring local governments, Bloomington, Downs, McLean County, Normal and Towanda, for consideration. Each of the local governments is expected to consider the report's recommendations and complete actions necessary to preserve the right of way. A consensus on the appropriate alignment by all five sponsoring governments will be needed to proceed further with the project.



This publication presents information on planning and development issues that impact the quality of life in the Community of McLean County. We can be reached by mail at 211 West Jefferson Street, Bloomington, IL 61701, by phone at (309) 828-4331, by fax at (309) 827-4773, or by e-mail at visions@mcplan.org.

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UPDATES

STAFF NOTES

Former GIS Specialist, Troy Olson, recently accepted a GIS position with the Bloomington Engineering Department. We appreciate Troy's dedication and hard work while with the Commission, and we wish him well in his new position. Although gone, he is far from forgotten, as Troy remains an active participant on the McGIS Technical Committee.

We are pleased to welcome Matt Hughes, who was recently appointed to the vacated position and will have the primary responsibility of database maintenance, including parcel mapping. Matt brings four years of experience, most of which he gained with a private consulting firm. He and his wife, Danielle, are natives of the Quad Cities area, but are not strangers to the Twin Cities, as both attended ISU where Matt received his bachelors degree in geography.

VISIONS

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