

Impact Fees-Frequently Asked Questions

WHAT IS AN IMPACT FEE?

An “impact fee” is a charge assessed by the City on any new development projects, including residential, commercial, and industrial buildings, which is designed to generate funding to pay for the increased services or public facilities necessitated by such specific new development. Impact fees are paid only once -- at the time of the issuance of the building permit for the construction project in question.

ORIGIN OF IMPACT FEES

Within the State of New Mexico, the use of impact fees by municipalities is authorized under State Law 5-8-1 to 5-8-42 NMSA 1978, which is also referred to as “The Development Fees Act”.

This state law enables individual municipalities to enact locally-determined impact fees on developments occurring on lands within the jurisdictional boundaries of the municipality. Any implementation of impact fees or use of the impact fee revenues generated must then fully comply with this state law.

WHY DID RIO RANCHO IMPOSE IMPACT FEES?

The Governing Body of the City of Rio Rancho, by ordinance, determined that impact fees, assessed on all new developments, could, and should serve to at least partially provide for the revenues necessary to support the increased demands for services and facilities which new development places upon the City.

HOW ARE IMPACT FEES USED?

All impact fee revenues, by law, are very specifically limited to only those expenditures which can be classified as “system improvements”. These so-called system improvements are further broken down by category of: construction of roadways; bikeways and trails; parks; public safety buildings and facilities, such as substations; expansions to the water treatment, storage, and distribution system;

similar expansions to the wastewater transmission and treatment system; and storm drainage improvements. System improvements are only those elements of new construction which are designed to provide service to more than one development project area, or to the community at large.

WHAT ARE THE CURRENT IMPACT FEE RATES, AND HOW MUCH REVENUE DO THEY GENERATE FOR THE CITY?

Effective May 1, 2006, the impact fees charged on a one-time basis, at building permit, for a single-family residence within Rio Rancho would include:

- An impact fee for system improvements to Roads of \$2,153.00
- An impact fee for system improvements to Bikeways and Trails of \$32.00
- An impact fee for system improvements to Public Parks of \$1,258.00
- An impact fee for construction of Public Safety facilities and buildings of \$339.00
- An impact fee for Water system improvements of \$1,958.00 (only if residence is connected to City water system)
- Impact fee for Wastewater system improvements of \$2,298.00 (only if residence is connected to the City's sanitary sewage system)
- An impact fee for Storm Drainage system improvements of \$1,785.00 (only if the residence is located within otherwise undeveloped and scattered-lot subdivision area)

* In total, this fee schedule results in impact fees charged to a single-family residence within a fully-developed and master planned subdivision, (where connections to the water and wastewater systems are present) of: \$8,038.00.

* For residential construction within undeveloped, scattered-lots subdivisions, (where there typically exists domestic wells, septic systems, and limited road and drainage

improvements) a total of: \$5,567.00.

Drainage Impact Fees have only been in existence within the City of Rio Rancho since May 1, 2006 and they are only imposed against a small percentage of the development which occurs in the City -- that being homes built within undeveloped and unplanned, scattered-lot subdivision areas such as the Unit 17 area west of NM State 528 and north of Northern Blvd. As of August 31, 2006 total revenues generated from impact fees imposed for drainage improvements within the City were approximately \$195,000. These funds and all future drainage impact fee revenues will be earmarked exclusively for system improvements to drainage systems within otherwise-undeveloped areas.

- * For Fiscal Year 2006, which ended on June 30, 2006, the City received the following amounts for system improvement impact fees:
- \$1,657,755.87 for system improvements to Roads
 - \$38, 291.27 for system improvements to Bikeways/Trails
 - \$881, 458.68 for system improvements to Public Parks
 - \$1,036, 605.86 for construction of facilities and buildings for Public Safety
 - \$951, 038.09 for Water system improvements
 - \$2,038,079.51 for Wastewater system improvements

CAN ROAD IMPACT FEES BE UTILIZED TO PAVE DIRT STREETS OR IMPROVE DRAINAGE?

The Development Fees Act clearly dictates that impact fees collected by a municipality for road improvements must be used for "system improvement" roadways which are Arterial streets, Collector streets, or the local components of state or federal highways -- they cannot ever be used to build, pave, construct, or reconstruct streets that are purely "residential" and do not serve to either collect and disperse traffic, or connect one area of the community to another.

Rio Rancho roads such as Southern Blvd., Northern Blvd., Unser Blvd., and Enchanted Hills Blvd. are all examples of "Arterial" streets.

Examples of "Collector" streets include Rockaway, Sundt Road, and Kim Road.