



Date: March 26, 2021
To: Mayor Sylvester Turner
City Council Members
From: Houston Public Works Director Carol Ellinger Haddock, P.E.
Subject: **2020 Cost of Service Study – Water & Wastewater Impact Fees Update**

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Carol Haddock
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This memorandum transmits the recommendations for Water and Wastewater Impact Fees (Impact Fees) that, once adopted, will become effective on July 1, 2021. Houston Public Works transmitted the *2020 Cost of Service Study, Water & Wastewater Impact Fees Update* (Study) to you on March 22, 2021. City Council adopted the timeline for City Council consideration and adoption of Impact Fees by Ordinance on March 24, 2021. This schedule continues with the following steps:

- Newspaper publication of the Impact Fees Update on Friday, March 26, 2021
- Consideration by the Planning Commission on April 1, 2021
- Planning Commission submission of written comments on the Impact Fees to the City Council no later than April 20, 2021
- Presentation to the Council Budget and Fiscal Affairs Committee on April 27, 2021
- City Council Public Hearing on April 28, 2021.

This schedule will allow final City Council action approving and implementing Impact Fees prior to July 1, 2021. This deadline was extended one year from July 1, 2020, by Governor Abbott in consideration of the COVID-19 pandemic.

Impact Fees may be adopted, assessed, and collected only as specified in Texas Local Government Code, Chapter 395. As stated in our March 22, 2021 memo, Impact Fees allow the City to recoup the costs of constructing capital improvements and facility expansions necessary to serve new development. Cities must update both the Land Use Assumption Plan (LUA) and the Impact Fee Capital Improvements Plan (IF-CIP) in support of calculating the maximum allowable Impact Fees at least every ten (10) years. To satisfy this required update, the City must perform an engineering study and approve the findings of the report from the study to support new Impact Fees to be adopted before the current LUA and IF-CIP expire on July 1, 2021.

These Impact Fees will be presented to the City's Planning Commission on April 1, 2021. The Planning Commission serves as the legally required Impact Fee Advisory Commission. The Planning Commission will submit written comments to City Council at least five (5) business days before the scheduled April 28th public hearing at City Council.

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To provide for the consideration of updated Impact Fees before the original expiration date, the Impact Fees Update began in 2019 and was completed in 2020. The Study includes the Land Use Assumptions, the Impact Fee Capital Improvement Plan, and the calculated maximum allowable Impact Fees. The calculated maximum allowable impact fee is:

- \$3,236.21 per service unit for water
- \$2,316.62 per service unit for wastewater.

A service unit is defined as an equivalent dwelling unit (EDU) and is based on the amount of water consumed and wastewater generated by a typical single-family residence. After reviewing the Study and the calculated maximum water and wastewater Impact Fees, Houston Public Works recommends Impact Fees starting on July 1, 2021, be set at:

- \$1,618.11 per service unit for water (50% of maximum allowable)
- \$1,621.63 per service unit for wastewater (70% of maximum allowable)

The currently charged Impact Fees based on the similar 2009 study currently charge 41% and 70% of the maximum allowable set in 2010 respectively.

In accordance with the City of Houston Code of Ordinance sections 47-316(b) and 47-384(b), the Impact Fees will be indexed by the Producer Price Index (PPI) on July 1 of each year, the estimated Impact Fees over the next five Fiscal Years is shown in the following table. The Water Impact Fees are additionally recommended to increase by 10% of the maximum allowable in FY2024 and FY2026.

Utility Service	Recommended Impact Fees (per Service Unit or EDU)				
	FY2022	FY2023 ¹	FY2024 ¹	FY2025 ¹	FY2026 ¹
Water	\$1,618.11	\$1,656.94	\$2,038.81 ²	\$2,090.59	\$2,498.35 ²
Wastewater	\$1,621.63	\$1,663.33	\$1,705.03	\$1,746.73	\$1,788.43

Notes:

¹ Impact Fees shown beyond FY2022 are estimated based on an average PPI adjustment of 2.5%.

² Water Impact Fees are recommended to additionally increase by 10% of the maximum allowable in FY2024 and FY2026.

Houston Public Works will continue to work with City Council to address questions and provide information throughout the process.

