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**Revised Final Report**

April 28, 2008

**City of Driggs  
Impact Fee Study and  
Capital Improvement Plans**

**Prepared for**

City of Driggs  
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Driggs, Idaho 83442

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# SECTION I.

## Background and Objectives

The City of Driggs hired the BBC Research and Consulting Impact Fee Study Team, including two Idaho-based subcontractors JoAnn Butler of Spink Butler, LLP and Anne Wescott of Galena Consulting, to calculate impact fees in the categories of fire, streets and parks for the City.

This first section of our report discusses the following background data:

- The purpose and definition of impact fees;
- Requirements, restrictions and considerations of impact fees;
- Capital improvement funding sources;
- Advisory committee considerations;
- The purpose and definition of a CIP; and,
- How fees should be calculated.

### Purpose and Definition of Impact Fees

Impact fees are generally defined as one-time assessments used to recover the capital costs borne by local governments due to new growth and development. Impact fees are governed by principles established in Title 67, Chapter 82, Idaho Code, known as the Idaho Development Impact Fee Act (Impact Fee Act), which specifically gives cities, towns and counties the authority to levy impact fees. The Idaho Code defines an impact fee as “. . . a payment of money imposed as a condition of development approval to pay for a proportionate share of the cost of system improvements needed to serve development.”<sup>1</sup>

The Impact Fee Act repeats the legislative finding that “. . . an equitable program for planning and financing public facilities needed to serve new growth and development is necessary in order to promote and accommodate orderly growth and development and to protect the public health, safety and general welfare of the citizens of the state of Idaho.”<sup>2</sup>

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<sup>1</sup> See Section 67-8203(9), Idaho Code. “System improvements” are capital improvements (i.e., improvements with a useful life of 10 years or more) that, in addition to a long life, increase the service capacity of a public facility. Public facilities include: parks, open space and recreation areas, and related capital improvements; and public safety facilities, including law enforcement, fire, emergency medical and rescue facilities. See Sections 67-8203(3), (24) and (28), Idaho Code.

<sup>2</sup> See Section 67-8202, Idaho Code.

## **When can impact fees be a good option?**

- When growth is expected to be rapid;
- When levels of service are perceived to be declining because of growth;
- When City staff feels pressured in negotiating exactions and development agreements;
- When General Fund subsidies for capital infrastructure are unavailable;
- When neighboring communities have already adopted Impact Fees; and/or,
- When existing residents and businesses believe that “Growth might not be paying its own way.”

Many of these conditions currently exist in Driggs.

## **Requirements, Restrictions and Considerations of Impact Fees**

Because there are different reasons why Driggs invests in capital projects, BBC conducted a “GRUM” Analysis on all individual CIP projects listed in the impact fee study. “GRUM” analysis helps the city differentiate between its many reasons for investment.

- Growth. The “G” in GRUM stands for growth. We interviewed City staff and asked, “Is this project designed to maintain your current level of service as growth occurs?” and “Would you still need this capital project if you weren’t growing at all?”
- Repair & Replacement. The “R” in GRUM stands for repair & replacement. We asked, “Is this project related only to fixing existing infrastructure?” and “Would you still need it if you weren’t growing at all?”
- Upgrade. The “U” in GRUM stands for upgrade. We asked, “Would this project improve your current level of service?” and “Would you still do it even if you weren’t growing at all?”
- Mixed. The “M” in GRUM stands for mixed. It is reserved for capital projects that have some combination of G, R and U.

Projects that are 100 percent growth-related were determined by our study to be necessitated solely by growth. Alternatively, some projects were determined to be “mixed” in that they had elements of growth, repair and replacement and/or upgrade. In these situations, only a portion of the total cost of each project was included in the final fee calculation.<sup>3</sup> The remainder of the cost of each “mixed” project should be paid by the City of Driggs.

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<sup>3</sup> As a proxy for the “M” percent, we used a ratio of total incremental square footage from 2007-2017 to total square footage in 2017. This ratio equaled about 52 percent.

It should also be noted that certain CIP capital improvements are listed in the following exhibits as zero percent growth-related because City staff relayed that the proposed capital improvements were actually either entirely repair and replacement of existing facilities or represented an upgrade in service levels not triggered by new growth. These non-growth-related capital improvements are listed, nonetheless, in the CIP because municipalities often use the CIP for planning purposes, not just to calculate impact fees. Driggs may find this inclusion in the CIP exhibits useful.

Furthermore, levels of service (sometimes referred to in this study as “service level(s)”) must be defined in the capital improvement element of the Comprehensive Plan, as they are the basis for establishing additional service capacity need in any system that serves new development. Level of service is “. . . a measure of the relationship between service capacity and service demand for public facilities.”<sup>4</sup> Service levels need to be stated in quantifiable, specific terms, since they measure the benefit new development receives for payment of impact fees. The capital improvement element must clearly identify existing public facilities and service levels and identify any shortfalls in service levels, if at all. Any such shortfall or “deficiency” that Driggs intends to overcome for both existing and new development cannot be funded with impact fees. Likewise, the cost of raising the service level for existing and future development beyond the current service level is ineligible for impact fee funding. If Driggs desires to use impact fees to achieve a higher service level for new development than existing service levels, Driggs must, outside of impact fees, raise the money to bring the existing community to that higher service level as well. This restriction has a general effect of restraining the setting of unreasonably high standards and fees solely for new development.

Beyond these requirements, proportionality is the foundation of a defensible impact fee. To meet substantive due process requirements, an impact fee must provide a rational relationship (or nexus) between the impact fee assessed against new development and the actual need for additional capital improvements. An impact fee must substantially advance legitimate local government interests. This relationship must be of “rough proportionality.” Adequate consideration of the factors outlined in Section 67-8207(2) ensure that rough proportionality is reached.

The study team has calculated parks and fire impact fees per residential unit, regardless of unit type, and per nonresidential square foot, regardless of type. The study team does not recommend imposing fees at a more detailed level of analysis for these two fee categories (i.e., fee differentials for single family and multifamily units and differentials for retail, office and industrial square footage). In our judgment, there is little evidence to warrant such distinctions. However, we have used specific land use allocations for street fees due to the wide range of daily street usage generated by each land use type. These street uses will be explained later in this section.

After allocating costs to the appropriate land-uses, impact fees for residential and nonresidential development are calculated by dividing the residential service costs by new residential units, and by dividing nonresidential service costs by new nonresidential square footage.

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<sup>4</sup> See Section 67-8203(17), Idaho Code.

## **Capital Improvement Funding Sources**

Impact fees are just one of several funding sources for capital improvements. No one source is likely to fund all of the identified public facility needs. The City must be committed to addressing and alleviating deficiencies in service levels and addressing the expansion of service levels through exploration in connection with the following, without limitation, possible funding sources:

- **General Fund:** The City's General Fund takes in revenues and makes expenditures for the ongoing operation of City functions.
- **General Obligation Bonds:** With these bonds, the City borrows money for public facility development to be repaid with funds generated by an increase in property taxes. These voter-approved (two-thirds of all voters required) bonds establish an increase in property taxes for a period of time (typically 20 – 30 years) necessary to repay the bonds. The money raised can only be used for capital improvements and cannot be used for maintenance.
- **Revenue Bonds:** Revenue bonds may be issued based on leasehold values of land, facilities and operating entities that create a specific cash flow used to repay the bonds. Voter approval is required.
- **Certificates of Participation:** With this option, the City would sell COPs to a lending institution in return for a loan used to make improvements in connection with a public facility. The lender would securitize the loan by taking title to the facility prior to the repayment of the COPs. The loan is repaid from revenue generated by the facility or from the City's general operating budget. This option is subject to judicial approval.
- **Grants:** Grants are available from a variety of sources, including private foundations and government resources.
- **Joint Public/Private Partnership:** This approach to funding would entail the City entering into a working agreement with a quasi-public or private entity to help fund, build, and/or operate a public facility.

## **Advisory Committee Considerations**

As required by the Impact Fee Act, prior to fee adoption, an Advisory Committee must be formed to consider the following factors:

- The means by which existing system improvements have been financed (for example, if grant money has been consistently used to finance system improvements, it may be reasonable to assume that this will continue in the future);
- The extent to which new development will contribute to financing system improvements through future taxes, assessments and contributions;
- The extent to which new development has provided system improvements, without charge, for other properties in the service area;

- Extraordinary costs incurred by the City in serving new development; and
- The availability of other sources of funding for system improvements (e.g., local improvement district assessments, general tax levies).<sup>5</sup>

Upon consideration of all these factors, the Advisory Committee may recommend that the City Council adopt or adjust the maximum allowable impact fee.<sup>6</sup>

### **Definition of a CIP**

The CIP approach estimates future capital improvement investments required to serve growth over a fixed period of time. The Impact Fee Act calls for the CIP to “. . . project demand for system improvements required by new service units . . . over a reasonable period of time not to exceed 20 years.”<sup>7</sup> The impact fee study team recommends a 10-year time period based on the City’s best available capital planning data.

### **How should fees be calculated?**

State law requires the City to implement the Capital Improvement Plan methodology to calculate impact fees. The City could implement fees of any amount not exceeding the maximum fees calculated by the CIP approach. This methodology requires the City to describe its service area, forecast the land uses, densities and population that will occur in that service area over the next 20 years, and identify the capital improvements that will be needed to serve the forecasted growth at the same level of service found in the existing community.<sup>8</sup> This list and cost of capital improvements, along with a time schedule for commencing and completing the construction of all capital improvements, constitutes the capital improvement element to be adopted as part of Driggs’s Comprehensive Plan.<sup>9</sup> Only those items listed on the CIP are eligible to be funded by impact fees.

Each governmental entity intending to adopt an impact fee must first adopt a capital improvements plan.<sup>10</sup> To ensure that impact fees are adopted and spent for capital improvements in support of the community’s needs and planning goals, the Impact Fee Act establishes a link between the authority to charge impact fees and certain planning requirements of Idaho’s Local Land Use Planning Act (LLUPA). The local government must have adopted a comprehensive plan per LLUPA procedures, and that comprehensive plan must be updated to include a current capital improvement element.<sup>11</sup>

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<sup>5</sup> See Sections 67-8707 and 67-8209, Idaho Code.

<sup>6</sup> These factors are to be considered while the City is in the process of developing a proportionate impact fee. After the adoption of an impact fee, credits may be calculated on a project-by-project basis in connection with an individual assessment. See Section 67-8209, Idaho Code.

<sup>7</sup> See Section 67-8208(1)(h).

<sup>8</sup> As a comparison and benchmark for the impact fees calculated under the Capital Improvement Plan approach, BBC also calculated the City’s current level of service by quantifying the City’s current investment in capital improvements for each impact fee category, allocating a portion of these assets to residential and nonresidential development, and dividing the resulting amount by current housing units (residential fees) or current square footage (nonresidential fees). By using current assets to denote the current service standard, this methodology guards against using fees to correct existing deficiencies.

<sup>9</sup> See Sections 67-8203(4) and 67-8208, Idaho Code.

<sup>10</sup> Section 67-8208, Idaho Code. See Appendix A for a description of the requirements of the Impact Fee Act for the capital improvements plan.

<sup>11</sup> See Sections 67-8203(4) and 67-8208, Idaho Code.

This study considers the planned capital improvements for the period between 2007 and 2017 that will need to be adopted as an element of the Comprehensive Plan.

Once the essential capital planning has taken place, impact fees can be calculated. The Impact Fee Act places many restrictions on the way impact fees are calculated and spent, particularly via the principle that local governments cannot charge new development more than a “proportionate share” of the cost of public facilities to serve that new growth. “Proportionate share” is defined as “. . . that portion of the cost of system improvements . . . which reasonably relates to the service demands and needs of the project.”<sup>12</sup> Practically, this concept requires Driggs to carefully project future growth and estimate capital improvement costs so that it prepares reasonable and defensible impact fee schedules.

The proportionate share concept is designed to ensure that impact fees are calculated by measuring the needs created for capital improvements by the development being charged the impact fee; do not exceed the cost of such improvements; are “earmarked” so as to benefit those that pay the impact fees.

There are various approaches to calculating impact fees and to crediting new development for past and future contributions made toward system improvements. The Impact Fee Act does not specify a single type of fee calculation, but it does specify that the formula be “reasonable and fair.” Impact fees must take into account the following:

- Any appropriate credit, offset or contribution of money, dedication of land, or construction of system improvements;
- Payments reasonably anticipated to be made by or as a result of a new development in the form of user fees and debt service payments;
- That portion of general tax and other revenues allocated by Driggs to system improvements; and
- All other available sources of funding such system improvements.<sup>13</sup>

Through data analysis and interviews with City staff, BBC and Galena Consulting identified the share of each capital asset needed to serve growth. The total projected capital improvements needed to serve growth are then allocated to residential and nonresidential development with the resulting amounts divided by growth projections from 2007 to 2017. This is consistent with the Impact Fee Act.<sup>14</sup> However, only residential development is charged parks and recreation impact fees since households are the primary consumers of park services. Among the advantages of the CIP approach is its establishment of a spending plan to give developers and new residents more certainty about the use of the particular impact fee revenues.

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<sup>12</sup> See Section 67-8203(23), Idaho Code.

<sup>13</sup> See Section 67-8207, Idaho Code.

<sup>14</sup> The impact fee that can be charged to each service unit (in this study, residential dwelling units and nonresidential square feet) cannot exceed the amount determined by dividing the cost of capital improvements for system improvements attributable to new development to provide an adopted service level by the total number of service units attributable to new development. See Sections 67-8204(16), 67-8208(1(f) and 67-8208(1)(g), Idaho Code.

## SECTION II.

# Land Use and Demographics

When calculating the impact fees, it was necessary to allocate capital improvement costs to both residential and nonresidential development. The study team performed this allocation based on the incremental number of new households and nonresidential square footage added from 2007 through 2017.

### Residential data

The primary data source for residential unit counts and square footage numbers was the 2006 Driggs Comprehensive Plan.<sup>15</sup>

**Current and future households.** To estimate the current and future number of households in the City, the study team used population and household counts from the 2006 Comprehensive Plan and extrapolated year-by-year growth projections. Exhibit 1 below displays the current and projected population and household counts for Driggs.

#### Exhibit 1. Twenty-Year Population and Household Projections

Year	Population	Households <sup>(1)</sup>
2007	1,400	495
2017	2,926	1,034

Note:

(1) Based on assumed 2.83 residents per household.

Source:

City of Driggs 2006 Comprehensive Plan and Impact Fee Study Team.

From 2007 to 2017, household numbers are expected to increase by approximately 108 percent. By 2017, the population is expected to increase from 1,400 to 2,926, an increase of 1,526 persons. Households are expected to increase by 539, from 495 to 1,034.

**Single family/multifamily distribution.** The distinction between single family and multifamily housing is necessary for calculating total residential square footage, a precursor to fee calculations, as discussed below. However, it should be noted that unlike streets fees, the parks and fire fees in this report are equivalent for single family and multifamily units.

According to household estimates found in the 2000 U.S. Census, 79 percent of Driggs' residential units are single family and the remaining 21 percent are multifamily.

**Current and future square footage.** In order to distribute the costs for capital improvements to new residential and nonresidential development, a precursor to the calculation of impact fees, it was necessary to estimate the current and future total square footage of residential units in the City.

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<sup>15</sup> The City of Driggs 2006 Comprehensive Plan can be found at <http://driggs.govoffice.com/>

Exhibit 2 below presents the number of current (2007) and projected (2017) single family and multifamily units, and respective square footage estimates.

**Exhibit 2.  
Current and Projected Residential Development**

	Total in 2007	Total in 2017	Change from 2007 to 2017
<b>Housing Units <sup>(1)</sup></b>			
Single Family Units	391	817	426
Multi-Family Units	<u>104</u>	<u>217</u>	<u>113</u>
<i>Total</i>	495	1,034	539
<b>Residential Square Feet <sup>(2)</sup></b>			
Single Family Units	824,615	1,723,445	898,830
Multi-Family Units	<u>219,201</u>	<u>458,131</u>	<u>238,930</u>
<i>Total</i>	<b>1,043,816</b>	<b>2,181,576</b>	<b>1,137,760</b>

Notes: (1) Allocation between single family and multi-family from U.S. Census Bureau 2004.  
 (2) National Association of Homebuilders 5-year trailing average for square footage.  
 Source: National Association of Homebuilders, Characteristics of New Single Family Homes (1987-2004), Driggs Comprehensive Plan 2006, U.S. Census Bureau 2004 and Impact Fee Study Team.

Currently, there are an estimated 495 housing units in the City of Driggs, 391 of which are single-family units and 104 of which are multifamily units. By 2017, the residential housing stock is projected to increase by 108 percent (539 households) for a total of over 1,000 units. This is equivalent to an increase of approximately 1.1 million square feet of residential land use in Driggs. In addition, square feet data are used to calculate the growth-related percentage of certain capital improvements that are only partially necessitated by growth.

**Nonresidential data**

Based on an Idaho-wide average of 300 square feet of nonresidential land use per resident<sup>16</sup>, we were able to determine the total current square footage of nonresidential land use in Driggs. This calculation is shown in Exhibit 3 below.

**Exhibit 3.  
Calculation of Nonresidential Square Footage, City of Driggs, 2007**

Note:  
 (1) See Exhibit 1.  
 (2) Idaho statewide average based on prior BBC impact fee studies 2003-2007.

Source:  
 City of Driggs and Impact Fee Study Team.

	Total
2007 Driggs Population Estimate <sup>(1)</sup> <i>times</i>	1,400
Average Nonresidential Sq. Ft. per Resident <sup>(2)</sup> <i>equals</i>	300
2007 Nonresidential Square Footage	<b>420,000</b>

It is necessary when calculating streets impact fees to distinguish between retail, office, and industrial nonresidential land uses. Since distribution data was not available, we assumed that 50 percent of the 420,000 square feet was retail land use and 25 percent was office and industrial respectively.

<sup>16</sup> Obtained from other BBC impact fee studies in Idaho 2003 through 2007.

Applying the same calculations to the projected future population in Driggs allowed us to determine the current and future nonresidential land uses for the City. These results are shown in Exhibit 4 below.

**Exhibit 4.  
Current and Future  
Nonresidential  
Development**

Source:  
City of Driggs 2006 Comprehensive Plan  
Update and Impact Fee Study Team.

	Total in 2007	Total in 2017	Change from 2007 to 2017
<b>Nonresidential Square Feet</b>			
Retail	210,000	438,900	228,900
Office	105,000	219,450	114,450
Warehouse/Industrial	105,000	219,450	114,450
<b>Total</b>	<b>420,000</b>	<b>877,800</b>	<b>457,800</b>

As shown above, Driggs currently contains 420,000 square feet of nonresidential land use. This total is expected to grow to 877,800 square feet by 2017, an increase of 457,800 square feet.

**Future land use assumptions.** The final step of the demographic calculation is to allocate the City's incremental increase (from 2007 through the end of 2017) in development between residential and nonresidential land uses, on a percentage basis. This is accomplished by converting residential data to square feet for an "apple to apples" comparison of residential and nonresidential land uses. The distribution is used to appropriately allocate capital improvement costs (and thereafter impact fees) to the various land uses.

**Exhibit 5.  
Incremental Change in Land Uses, 2007 through 2017**

	Total in 2007	Total in 2017	Change from 2007 to 2017	Percentage Allocation
<b>Housing Units<sup>(1)</sup></b>				
Single Family Units	391	817	426	
Multi-Family Units	104	217	113	
<b>Total</b>	<b>495</b>	<b>1,034</b>	<b>539</b>	
<b>Residential Square Feet<sup>(2)</sup></b>				
Single Family Units	824,615	1,723,445	898,830	56%
Multi-Family Units	219,201	458,131	238,930	15%
<b>Total</b>	<b>1,043,816</b>	<b>2,181,576</b>	<b>1,137,760</b>	<b>71%</b>
<b>Nonresidential Square Feet<sup>(3)</sup></b>				
Retail	210,000	438,900	228,900	14%
Office	105,000	219,450	114,450	7%
Warehouse/Industrial	105,000	219,450	114,450	7%
<b>Total</b>	<b>420,000</b>	<b>877,800</b>	<b>457,800</b>	<b>29%</b>
<b>Grand Total Square Feet</b>	<b>1,463,816</b>	<b>3,059,376</b>	<b>1,595,560</b>	<b>100%</b>

Note:

- (1) See Exhibits 1 and 2.
- (2) See Exhibit 2.
- (3) See Exhibits 3 and 4.

Source: City of Driggs and Impact Fee Study Team.

By the end of 2017, the City's overall land use under roof is expected to increase by nearly 1.6 million square feet. Therefore, the future allocation of land uses is projected to be 71 percent residential and 29 percent nonresidential.

## SECTION III.

# Current Assets and Capital Improvement Plans

The fees calculated under the CIP approach were based on the following:

- City investments in streets, fire, and parks and recreation capital improvements necessitated in full or in part by growth from 2008 through 2017;
- An allocation of investment to residential and nonresidential development, based on the anticipated growth in residential dwelling units and nonresidential square footage over the next 10 years; and,
- A fee calculation that involves dividing the proportional share of capital improvements by projected residential units and nonresidential square feet.

### Current Assets and Capital Improvement Plans

The CIP approach estimates future capital improvement investments required to serve growth over a fixed period. The types of costs eligible for inclusion in the CIP include any land purchases, construction of new facilities and expansion of existing facilities to serve growth over the next 10 years at existing service levels. Vehicles and equipment with a useful life of 10 years or more are also impact fee eligible under the Impact Fee Act.<sup>17</sup> The total cost of improvements over the 10 years is referred to as the “CIP Value” in Exhibits 7, 9 and 11. The cost of this impact fee study is also impact fee eligible for all impact fee categories. Because impact fees are calculated for three impact fee categories in this study (i.e., streets, fire, and parks and recreation), 33 percent of the study’s cost is included in each category’s fee calculations.

The forward-looking 10-year CIPs for the fire, streets, and parks and recreation departments each include some facilities that are only partially necessitated by growth (e.g., the new downtown fire station). The study team met with each department to determine a defensible metric for including a portion of these facilities in the impact fee calculations.

Such capital improvements are calculated to be 52 percent growth-related. The 52 percent ratio is calculated by dividing the incremental increase in square footage between 2007 and 2017 (residential and nonresidential) by the total square footage in 2017.<sup>18</sup> This percentage of such capital projects attributed is to growth under the philosophy that growth caused the need for such facilities and vehicles, and this growth *also necessitates building a proportionately larger facility to accommodate additional personnel (which would otherwise not be necessary with the existing population)*. The downtown fire station should be sized according to population and peak period demand. The City needs to size these facilities and vehicles to be able to accommodate the demand created by the current residents *and* the demand of future residents.

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<sup>17</sup> The Impact Fee Act allows a broad range of improvements to be considered as “capital” improvements, so long as the improvements have useful life of at least 10 years and also increase the service capacity of public facilities. *See* Sections 67-8203(28) and 50-1703, Idaho Code.

<sup>18</sup> The current and projected residential and nonresidential square footages are detailed in Exhibit 6.

It should be understood that growth will be paying only a portion of the cost of these facilities. The City will need to plan to fund the non growth-related share of these partially growth-related capital improvements with revenue sources other than impact fees within the time frame that impact fees must be spent. As discussed later in this report, the value of this City participation investment is approximately \$5.2 million over the next ten years, or approximately \$520,000 per year. These funds could come from the City's General Fund, other revenues, donations, grants or other partnerships.

**Levels of service.** All of the capital improvement costs in the CIPs on the following pages represent improvements that are needed to maintain the current level of service. The City may be operating at a less than desirable level (i.e., operating with deficiencies). In the future, the City may plan to increase the level of service. Capital improvements designed to increase the current level of service would not be impact fee eligible.

The Driggs Streets Department currently provides 11.8 linear feet of lane miles per Driggs resident. Five additional lane miles will be needed to maintain this level of service for growth occurring over the next ten years.

The Fire District currently provides an ISO rating of "5" within the City of Driggs, including an average response time of less than 4 minutes.

The Parks and Recreation Department current owns 19.5 developed acres of public park space, which equates to 13.9 acres per 1,000 population. At 13.9 acres per 1,000 population, and a projected 2017 population of 2,926, the parks department needs to add 21.2 acres over 10 years to keep the current service standard.

**Current Streets assets.** Exhibit 6 below lists the current Streets assets that allow the Department to maintain its level of service of 11.8 linear feet of collector lane miles per Driggs resident. This street system is currently operating without deficiencies.

**Exhibit 6.**  
**Current Assets, Driggs Streets Department, 2007**

Type of Capital Improvement	Replacement Value	times	Equity Percentage	times	Shared Facility (% in fee)	equals	Amount to Include in Fees
<b>Traffic Signals (\$450,000 each)</b>							
One Existing Traffic Signal <sup>(1)</sup>	\$ 450,000		0%		0%		\$ -
<b>Lane Miles (assumed \$1.0 million per mile in construction costs)</b>							
5 Existing Collector Lane Miles <sup>(2)</sup>	\$ 2,500,000		100%		100%		\$ 2,500,000
<b>Parking Spaces (assumed \$7,167 per space)</b>							
215 off-street spaces <sup>(3)</sup>	\$ 1,540,905		100%		100%		\$ 1,540,905
<b>Equipment (with a useful life of more than ten years)</b>							
1 Backhoe	\$ 5,000		100%		40%		\$ 2,000
1 Roadgrader	\$ 190,000		100%		100%		\$ 190,000
2 Dumptrucks	\$ 280,000		100%		100%		\$ 280,000
1 Street sweeper	\$ 136,400		100%		100%		\$ 136,400
<b>Maintenance Facilities (\$150/foot)</b>							
Publics Works Building <sup>(4)</sup>	\$ 1,125,000		100%		50%		\$ 562,500
<b>Total Infrastructure</b>							<b>\$ 5,211,805</b>
<b>Fee-Related Research</b>							
Impact Fee Study	\$ 35,000		100%		33%		\$ 11,550
<b>Grand Total</b>							<b>\$ 5,223,355</b>

Note: (1) The shared facility percentages are zero because ITD owns the traffic signal.  
(2) Where known replacement value is not available, as in the case of lane miles, existing infrastructure is multiplied by the cost of development.  
(3) Assumes \$1 million per acre containing 150 spaces, plus \$500 per space for asphalt and curbing.  
(4) Shared facility portion equates to Streets space; Parks and Recreation account for the rest.  
Replacement costs of vehicles per Public Works Director, October 3, 2007.

Source: Driggs Pavement Management System Report, September 2006, City of Driggs and Impact Fee Study Team.

These total value of these assets equates to an current investment of \$3,020 per single-family unit, \$1,984 per multifamily unit, \$14.45 per retail square foot, \$4.44 per office square foot and \$3.20 per industrial square foot within Driggs. These current investment amounts will be compared to the impact fees calculated in Section IV.

**Streets Capital Improvement Plan.** Exhibit 7 below lists the future capital improvements that are necessary to maintain the current level of service for future residential units and nonresidential development. Capital improvements not included in the fee calculation include any investments that assist in the augmentation of the service level. The exhibit presents approximately \$5.0 million of future capital improvements that are eligible for inclusion in the streets impact fee calculation. The “Amount to Include in Fees” is derived from multiplying the “CIP Value” times the “Growth-Related Portion” times the “Shared Facility” percentage.

**Exhibit 7.**  
**Streets Capital Improvement Plan, 2008 through 2017**

Type of Capital Infrastructure	CIP Value	times	Growth Portion	times	Shared Facility (% in fee)	equals	Amount to Include in Fees
5.45 New Lane Miles of Collector Road <sup>(1)(2)</sup>	\$ 2,725,000		100%		100%		\$ 2,725,000
234 New Parking Spaces <sup>(3)</sup>	\$ 1,677,078		100%		100%		\$ 1,677,078
1 Compactor Vehicle	\$ 45,000		100%		100%		\$ 45,000
1 Grader	\$ 190,000		100%		100%		\$ 190,000
2 Dump Trucks	\$ 280,000		100%		100%		\$ 280,000
Salt and Sand Shed	\$ 75,000		100%		100%		\$ 75,000
<b>Subtotal</b>	<b>\$ 4,992,078</b>						<b>\$ 4,992,078</b>
<b>Plus Cost of Fee-Related Research</b>							
Impact Fee Study	\$ 35,000		100%		33%		\$ 11,550
<b>Grand Total</b>	<b>\$ 5,027,078</b>						<b>\$ 5,003,628</b>

Note: (1) Lane miles needed to maintain current level of service (11.8 linear feet/person) with an assumed price of \$1.0 million per lane mile.  
(2) The cost for a lane mile of road includes sidewalks, streetlights and medians.  
(3) Based on current parking level of service of 0.15 spaces per resident times projected population growth, and replacement costs of vehicles per Public Works Director, October 3, 2007.

Source: City of Driggs and Impact Fee Study Team.

Please note that Driggs' Streets CIP does not encompass local roads, only collectors. The City's policy will remain to exact local roads from new development as part of the subdivision process.

Moreover, the City could consider exempting or reducing infill developments in the downtown commercial and mixed-use zones from any requirements to install new parking spaces or pay that portion of the streets impact fee related to new parking spaces. This policy could encourage denser downtown land uses while still raising revenue from outlying residential development to ensure adequate parking.

**Current fire assets.** The fire department responds to 90 percent of all calls for service within 4 minutes. This is the department’s current and future level of service. Exhibit 8 presents the current fire assets.

**Exhibit 8.  
Current Fire Assets**

Type of Capital Infrastructure	Replacement Value <sup>(1)</sup>	Equity Percentage	Shared Percentage <sup>(2)</sup>	Amount to Include in Fees
<b>Facilities</b>				
Airport Fire Station	\$ 1,700,000	100%	18%	\$ 297,500
<b>Apparatus/Vehicles (with at least a ten-year useful life)</b>				
Fire Engine #1 <sup>(3)</sup>	\$ 375,000	100%	18%	\$ 65,625
Fire Engine #2 <sup>(3)</sup>	\$ 375,000	100%	18%	\$ 65,625
Ladder Truck	\$ 1,000,000	100%	18%	\$ 175,000
<b>Total Infrastructure</b>	<b>\$ 3,450,000</b>			<b>\$ 603,750</b>
<b>Plus Cost of Fee-Related Research</b>				
Impact Fee Study	\$ 35,000	100%	33%	\$ 11,550
<b>Grand Total</b>	<b>\$ 3,485,000</b>			<b>\$ 615,300</b>

Note: (1) These replacement values are an average of the known replacement values for fire stations in Nampa, Meridian, Caldwell, Twin Falls, Shoshone County and Kootenai County.

(2) All current fire assets benefit the entirety of Teton County, so this shared percentage is derived from the proportion of Driggs' population to the population of the entire county.

(3) The price of a fully-loaded fire truck takes into account the price of a hose, extraction gear communications equipment and SCBAs.

Source: City of Driggs and Impact Fee Study Team.

The Fire Department’s current assets equate to a current investment of \$887 per residential unit and \$0.42 per nonresidential square foot.

**Fire Capital Improvement Plan.** The fire department is not currently operating with deficiencies. The fire department plans on continuing this level of service, responding to 90 percent of all calls for service within 4 minutes. Therefore, all growth-related capital improvements in the CIP represent the continuation of the current level of service and are impact fee eligible.

Exhibit 9 below reflects the future fire capital improvements needed to maintain the current level of fire service.

**Exhibit 9.  
Fire Capital Improvement Plan, 2008 through 2017**

Type of Capital Infrastructure	CIP Value	times	Growth Portion	times	Shared Facility (% in fee) <sup>(2)</sup>	equals	Amount to Include in Fees
<b>Facilities</b>							
New Downtown Fire Station <sup>(1)</sup>	\$ 1,700,000		52%		18%		\$ 155,156
<b>Vehicles (with a useful life of at least ten years)</b>							
Additional Ladder Truck <sup>(3)</sup>	\$ 1,000,000		100%		100%		\$ 1,000,000
Heavy Rescue Truck	\$ 225,000		52%		18%		\$ 20,535
<b>Total Infrastructure</b>	<b>\$ 2,925,000</b>						<b>\$ 1,175,691</b>
<b>Plus Cost of Fee-Related Research</b>							
Impact Fee Study	\$ 35,000		100%		33%		\$ 11,550
<b>Grand Total</b>	<b>\$ 2,960,000</b>						<b>\$ 1,187,241</b>

Note: (1) Downtown Fire Station is equivalent to value of Airport Fire Station.

(2) Fire Station will benefit all of Teton County, so this shared percentage is derived from the proportion of Driggs' population to the population of the entire County.

(3) 100 percent attributed to growth because additional ladder truck will be dedicated to serving higher density in Driggs.

Source: City of Driggs and Impact Fee Study Team.

The City is expected to purchase \$2.9 million dollars in fire capital improvements, \$1.2 million of which is impact fee eligible from growth within the City limits from 2008 to 2017. This amount includes only 52 percent of the growth-related costs of the new downtown fire station and heavy rescue truck as these assets would represent a partial upgrade in level of service.

**Current parks and recreation assets.** The total number of currently developed park acres is 19.5, which equates to a service standard of 13.9 acres per 1,000 population.

Exhibit 10 lists the City's current parks and recreation assets that are responsible for the 13.9 acres per 1,000 population service standard.

**Exhibit 10.  
Parks Current Assets**

Type of Capital Infrastructure	Shared Park (acres) <sup>(1)</sup>	Square Footage	Replacement Value	times	Equity Percentage	times	Shared Facility (% in fee)	equals	Amount to Include in Fees
<b>Community Parks (\$225,000/acre in land and development costs)<sup>(2)</sup></b>									
Lions Park	4.5		\$ 1,012,500		100%		100%		\$ 1,012,500
Skate Park	7		\$ 1,575,000		100%		100%		\$ 1,575,000
Creekside Park	1		\$ 225,000		100%		100%		\$ 225,000
City Park <sup>(3)</sup>	5		\$ 1,125,000		0%		100%		\$ -
Valley Center Park <sup>(4)</sup>	5		\$ 1,125,000		0%		100%		\$ -
Shoshoni Plains	7		\$ 1,575,000		100%		100%		\$ 1,575,000
<i>City-owned subtotal</i>	<i>19.5</i>		<i>\$ 6,637,500</i>						<i>\$ 4,387,500</i>
<b>Park Facilities (\$150/ sq. ft. construction cost)</b>									
Public Works Building <sup>(4)</sup>		7,500	\$ 1,125,000		100%		25%		\$ 281,250
<i>subtotal</i>			<i>\$ 1,125,000</i>						<i>\$ 281,250</i>
<b>Equipment (with at least a ten year useful life)</b>									
Backhoe			\$ 5,000		100%		20%		\$ 1,000
Lexmark Mower (including trailer)			\$ 65,000		100%		100%		\$ 65,000
<i>subtotal</i>			<i>\$ 70,000</i>						<i>\$ 66,000</i>
<b>Total Infrastructure</b>			<b>\$ 7,832,500</b>						<b>\$ 4,734,750</b>
<b>Plus Cost of Fee-Related Research</b>									
Impact Fee Study			\$ 35,000		100%		33%		\$ 11,667
<b>Grand Total</b>			<b>\$ 7,867,500</b>						<b>\$ 4,746,417</b>

- Note: (1) This acreage equates to a level of service of 13.9 city-owned acres/ 1000 population.  
(2) Cost per square foot derived from known land replacement and development cost.  
(3) This park is leased by the city from the Church of Jesus Christ of Latter-day Saints, and is therefore not included in the current level of service calculations.  
(4) This park is still owned by the developer, and is therefore not included in the current level of service calculations.  
(5) Shared facility portion equates to Parks and Recreation space, streets and utilities account for the rest.

Source: City of Driggs and Impact Fee Study Team.

The level of service for parks and recreation equates to a current investment of \$9,115 per residential unit and 57 cents per non-residential square foot. We attribute parks current investment largely to residential land uses since households are the primary users of parks infrastructure.

**Parks and Recreation Capital Improvement Plan.** Currently, Driggs' 10-year population growth would justify slightly more than 22 acres of new parks and recreation capital improvements at the current 13.9 developed acres per thousand population level of service.

Exhibit 11 below lists the future capital improvements necessary to maintain the current level of parks and recreation service in the future.

**Exhibit 11.**  
**Parks and Recreation Capital Improvement Plan, 2008 through 2017**

Type of Capital Infrastructure	CIP Value	times	Growth Portion <sup>(7)</sup>	times	Shared Facility (% in fee) equals	Amount to Include in Fees
<b>Community Parks (\$225,000/acre in land and development costs)</b>						
New Community Park Acreage (1.0 acres) <sup>(1)</sup>	\$ 225,000		100%		100%	\$ 225,000
New 4 Diamond Baseball Complex (14.7 acres) <sup>(2)</sup>	\$ 3,307,500		52%		100%	\$ 1,724,964
2 Field Soccer Complex (5.5 acres) <sup>(3)</sup>	\$ 1,237,500		52%		100%	\$ 645,395
Gravel Yard/Disc Golf Course (8 acres) <sup>(4)</sup>	\$ 1,200,000		0%		100%	\$ -
<b>Additions to Existing Parks</b>						
2 Tennis Courts <sup>(5)</sup>	\$ 50,000		52%		100%	\$ 26,077
1 BMX Terrain Park <sup>(6)</sup>	\$ 150,000		52%		100%	\$ 78,230
<b>Equipment (with at least a ten year useful life)</b>						
Additional Mower	\$ 65,000		100%		100%	\$ 65,000
<b>Total Infrastructure</b>	<b>\$ 6,235,000</b>					<b>\$ 2,764,665</b>
<b>Plus Cost of Fee-Related Research</b>						
Impact Fee Study	\$ 35,000		100%		33%	\$ 11,550
<b>Grand Total</b>	<b>\$ 6,270,000</b>					<b>\$ 2,776,215</b>

- Notes: (1) Needed to maintain current level of service (13.9 acres/1000 population), 21.2 total acres needed to maintain current level of service, but only 1.0 net needed because of the acreage of the specifically planned improvements.  
(2) Acreage derived from size of complex according to Baseball Almanac and cost estimates verified with City Staff.  
(3) Acreage estimated from the size of complexes in other municipalities.  
(4) Acreage derived from Parks and Recreation magazine; August 1996  
(5) Cost derived from City of Driggs history  
(6) Cost estimated from cost of terrain parks in other municipalities.  
(7) Derived from proportion of projected population to projected growth

Source: City of Driggs and Impact Fee Study Team.

Future parks and recreation capital improvements are expected to total nearly \$6.3 million, of which almost \$2.8 million is impact fee eligible.

## SECTION IV.

# Mechanics of Fee Calculations

The study team has calculated fire and parks impact fees per residential unit, regardless of unit type, and per nonresidential square foot, regardless of type. The study team does not recommend imposing fees for these two categories at a more detailed level of analysis (i.e., fee differentials for single family and multifamily units and differentials for retail, office and industrial square footage). In our judgment, such distinctions are unwarranted by empirical evidence. However, we have used detailed land use allocations for street fees due to the wide range of daily street usage generated by each land use type. These street uses will be explained later in this section.

After allocating costs to the appropriate land-uses, impact fees for residential and nonresidential development are calculated by dividing the residential service costs by new residential units, and by dividing nonresidential service costs by new nonresidential square footage.

### Mechanics of Fire Fee Calculations

Fire impact fees are calculated using the costs summarized in Exhibit 9 and the demographic information from Exhibit 5.

After allocating costs to the appropriate land uses using the 71/29 land use distribution as calculated in Exhibit 5, fire impact fees are calculated by dividing the residential service costs by new residential units, and by dividing nonresidential service costs by new nonresidential square footage. To reiterate, the study team has calculated fire impact fees per residential unit, regardless of unit type, and per nonresidential square foot, regardless of type. The study team does not recommend imposing fees at a more detailed level of analysis for fire fees due to the absence of statistical data supporting different levels of infrastructure demand in Driggs stemming from more specific land use categories.

**Fire impact fees.** Exhibit 12 calculates the impact fees for fire capital improvements based on the future growth projections and anticipated future capital improvement costs described in earlier exhibits.

#### Exhibit 12. Fire Impact Fee Calculation

**Notes:**

(1) See Exhibit 9. Fire Capital Improvement Plan, 2008-2017 for a list of CIP investments required to maintain the current level of service.

(2) See Exhibit 5. Distribution of Land Uses, 2007 through 2017.

**Source:**

City of Driggs and Impact Fee Study Team.

Calculation of Impact Fees	
<b>Allocated Value for Fire Infrastructure</b> <sup>(1)</sup>	<b>\$1,187,241</b>
<b>Future Land Use Percentage</b> <sup>(2)</sup>	
Residential	71%
Nonresidential	29%
<b>Costs by Land Use Category</b>	
Residential	\$846,596
Nonresidential	\$340,645
<b>Growth to 2017</b>	
Residential (in dwelling units)	539
Nonresidential (in square feet)	457,800
<b>Impact Fee by Land Use (rounded)</b>	
Residential (per dwelling unit)	\$1,570
Nonresidential (per square foot)	\$0.74

The full cost recovery impact fees for fire capital improvements total \$1,570 per new residential unit and \$0.74 per new nonresidential square foot. These figures are higher than the current investment per unit based on Exhibit 8. This means that the nature of new growth in Driggs will require relatively more expensive infrastructure to continue serving at the current level of service (i.e., the addition of a new ladder truck).

### Mechanics of Parks and Recreation Fee Calculations

Parks and recreation impact fees are shown in Exhibit 13, which is based on the parks CIP in Exhibit 11 and demographic projections in Exhibit 5. Parks and recreation investment is allocated largely to residential development since households are the primary consumers of park services.

#### Exhibit 13. Parks and Recreation Impact Fee Calculation

Notes:

(1) See Exhibit 11. Parks and Recreation Capital Improvement Plan, 2008 -2017 for a list of CIP investments required to maintain the current level of service.

(2) See Exhibit 5. Distribution of Land Uses, 2007 through 2017.

Source:

City of Driggs and Impact Fee Study Team.

Calculation of Impact Fees	
Future Value of Capital Improvements <sup>(1)</sup>	\$2,776,215
Future Land Use Percentage <sup>(2)</sup>	
Residential	95%
Nonresidential	5%
Allocated Value by Land Use Category	
Residential	\$2,637,404
Nonresidential	\$138,811
Growth to 2017	
Residential (total dwelling units)	539
Nonresidential (in square feet)	457,800
Impact Fee by Unit of Development (rounded)	
Residential (per dwelling unit)	\$4,891
Nonresidential (per square foot)	\$0.30

The full cost recovery impact fee for parks capital improvements is \$4,891 for any new residential unit and 30 cents per non-residential square foot. The study team is pleased to report that the parks fee calculated above are lower than the current investment per unit based on Exhibit 10. This means that future growth is not being over-charged for future infrastructure purchases.

Some cities in the Western United States choose to impose a portion of the residential impact fee on lodging units. Additionally, the City could ask developers to pay the portion of the impact fee related to new Community Parks with the remainder payable by the homebuilder at the time of building permits. If the City of Driggs is interested in either of these options, they could be addressed in the impact fee-enabling ordinance.

### Mechanics of Street Fee Calculations

In this report, the allocation of assets to residential and nonresidential development is accomplished using two methods. Unlike fire and parks fee calculations in which fees are calculated *generally* for residential units and nonresidential square feet, street fees are calculated for *specific* residential and nonresidential land uses based on street and facility usages generated by *specific* land use type. To calculate this distribution, trip generation figures from the Institute of Transportation Engineers' *Trip Generation Manual Sixth Edition* are considered. The trip generation figures estimate the number of p.m. peak hour trips generated by particular land uses. Peak hour trips are appropriate for

this calculation because street infrastructure is sized according to the expected peak. Since peak hour trips will be used to distribute infrastructure costs, peak hour estimates should be employed.

Exhibit 14 below presents trip generation figures for the land uses in Driggs.

**Exhibit 14.  
Trip Generation Rates by Land Use Category**

Note:  
 (1) Reflects weekday traffic generation patterns, weekday p.m. peak hour trip rate formula.  
 (2) Reflects shopping center weekday p.m. peak hour trip rate formula.  
 (3) Reflects office park, weekday p.m. peak hour trip rate formula.  
 (4) Reflects general light industrial, weekday p.m. peak hour trip rate formula.

Land Use Category	Trip Generation Relative Weighting
<b>Residential</b>	
Single family unit <sup>(1)</sup>	1.02
Multifamily units <sup>(1)</sup>	0.67
<b>Nonresidential</b>	
1,000 Square feet general retail <sup>(2)</sup>	4.88
1,000 Square feet office <sup>(3)</sup>	1.50
1,000 Square feet industrial <sup>(4)</sup>	1.08

Source:  
 International Transportation Engineering *Trip Generation Manual Sixth Edition* and City of Driggs current development.

Using the trip generation figures from Exhibit 14 and projected development in Driggs, total trips are then attributed to each land use. For nonresidential development, the *Trip Generation Manual* reports trips per 1,000 square feet of nonresidential space. Therefore, after applying the weights to each nonresidential category, all square footages are divided by 1,000. After calculating trip totals for residential and nonresidential development, trips are distributed on a *percentage* basis among different land uses. Exhibit 15 below presents this calculation.

**Exhibit 15.  
Driggs Weighted Average Trip Generation**

Land Use	Future Development <sup>(1)</sup>	Weighted Trip Generation Factor <sup>(2)</sup>	Percent Distribution
<b>Residential</b>			
Single family units (*1.02)	426	435	23%
Multi-family units (*0.67)	113	76	4%
<b>Nonresidential</b>			
Retail (*4.88)	228,900	1,117	58%
Office (*1.5)	114,450	172	9%
Industrial (*1.08)	114,450	124	6%
		<b>1,923</b>	<b>100%</b>

Note: (1) From Exhibit 5.  
 (2) From Exhibit 14.

Source: International Transportation Engineering *Trip Generation Manual Sixth Edition* and City of Driggs current development.

Finally, the adjusted percentage distribution of trips among land uses is used to allocate capital improvement costs to these same land uses. Impact fees are then calculated by dividing infrastructure costs by the projected number of specific residential units or nonresidential square feet. The following Exhibit 16 presents this final calculation and the resultant street impact fees.

**Exhibit 16.  
Streets Impact Fee Calculation**

Note:

- (1) See Exhibit 7.
- (2) See Exhibit 15.
- (3) See Exhibit 5.

Source:  
City of Driggs and Impact Fee  
Study Team.

Calculation of Impact Fees	
<b>Future Value for Streets <sup>(1)</sup></b>	<b>\$5,003,628</b>
<b>Future Trip Generation Percentages <sup>(2)</sup></b>	
Single Family	23%
Multifamily	4%
Retail	58%
Office	9%
Industrial	6%
<b>Allocated Value by Land Use Category</b>	
Single Family	\$1,130,763
Multifamily	\$197,442
Retail	\$2,906,980
Office	\$446,769
Industrial	\$321,674
<b>Growth to 2017 <sup>(3)</sup></b>	
Single Family (total dwelling units)	426
Multifamily (total dwelling units)	113
Retail (in square feet)	228,900
Office (in square feet)	114,450
Industrial (in square feet)	114,450
<b>Impact Fee by Land Use (rounded)</b>	
Single Family (per dwelling unit)	\$2,654
Multifamily (per dwelling unit)	\$1,744
Retail (per square foot)	\$12.70
Office (per square foot)	\$3.90
Industrial (per square foot)	\$2.81

As shown above, the full cost recovery impact fees for streets capital improvements total \$2,654 per new single family residential unit, \$1,744 per new multifamily residential unit, \$12.70 per new retail square foot, \$3.90 per new office square foot and \$2.81 per new industrial square foot. The streets fees calculated above are less than the current investment per unit based on Exhibit 6. This means that future growth is not being over-charged for future infrastructure purchases.

## Fee Summary

Exhibit 17 below summarizes the full-cost recovery fee for the City of Driggs.

### Exhibit 17. Impact Fee Summary

Note:

(1) See Exhibit 12.

(2) See Exhibit 13.

(3) See Exhibit 16.

Source:

City of Driggs and Impact Fee Study Team.

Impact Fee Category	
<b>Fire Fees <sup>(1)</sup></b>	
Residential (per dwelling unit)	\$1,570
Nonresidential (per square foot)	\$0.74
<b>Parks &amp; Recreation Fees <sup>(2)</sup></b>	
Residential (per dwelling unit)	\$4,891
Nonresidential (per square foot)	\$0.30
<b>Street Fees <sup>(3)</sup></b>	
Single Family (per dwelling unit)	\$2,654
Multifamily (per dwelling unit)	\$1,744
Retail (per square foot)	\$12.70
Office (per square foot)	\$3.90
Industrial (per square foot)	\$2.81
<b>Total Fees</b>	
Single Family (per dwelling unit)	\$9,116
Multifamily (per dwelling unit)	\$8,205
Retail (per square foot)	\$13.75
Office (per square foot)	\$4.95
Industrial (per square foot)	\$3.86

As shown above, we have calculated a full-cost recovery impact fee for of \$9,116 per single family unit, \$8,205 per multifamily unit, \$13.75 per retail square foot, \$4.95 per office square foot and \$3.86 per industrial square foot.

## SECTION V.

# Implementation Recommendations

As the City Council evaluates whether or not to adopt the Capital Improvement Plans and impact fees, we also offer the following information for your consideration. Please note that this information will be included in the City's impact fee enabling ordinance.

**Capital Improvements Plan.** Should the City Council adopt fees, the Finance Department should revise the City's existing Capital Improvement Plans using the information in this study. A revised capital improvement plan would then be presented to the City for adoption as an element of the Comprehensive Plan pursuant to the procedures of the Local Land Use Planning Act.<sup>19</sup>

**Impact Fee Ordinance.** Following adoption of the Capital Improvement Plan, the City should review the proposed Impact Fee Ordinance for adoption as reviewed and recommended by the Advisory Committee.

**Advisory Committee.** The Advisory Committee is in a unique position to work with and advise several departments and the City Council to ensure that the capital improvement plans and impact fees are routinely reviewed and modified as appropriate.

**Impact fee service area.** Some municipalities have fee differentials for various city zones under the assumption that some areas utilize more or less current and future capital improvements. The study team, however, does not recommend the City assess different fees by dividing the City into zones. Streets, fire, and parks and recreation capital improvements inherently serve a system-wide function. If, for example, a serious accident occurs in one part of the City, the fire department may call on engines and equipment from other stations to assist. Therefore, it is more appropriate not to differentiate fees based on City zones. In practice, all areas of the City have an equal demand on the infrastructure because the parks, fire, and streets department function most efficiently on a system-wide basis.

**Donations.** If the City receives donations for capital improvements listed on the CIP, the City must account for the donation in one of two ways. If the donation is for a non- or partially growth-related improvement, the donation can contribute to the City's General Fund participation along with more traditional forms, such as revenue transfers from the General Fund. If, however, the donation is for a growth-related project in the CIP, the donor's impact fees should be reduced dollar for dollar if the donor is also in the process of seeking permits which require impact fees. This means that the City will either credit the donor or reimburse the donor for that portion of the impact fee.

**Grants.** If a grant is expected and regular, the grant amount should be reflected upfront in the fee calculations, meaning that the impact fees will be lower in anticipation of the contribution. If the grant is speculative or uncertain, this should not be reflected up-front in the fee calculations since the City cannot count on those dollars as it undergoes capital planning.

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<sup>19</sup> See Sections 67-8203(4) and 67-8208(1).

The rational nexus is still maintained because the unexpected higher fund balance, due to the receipt of a grant, is deducted from the calculations as a "down payment on the CIP" when the fee study is updated.

**Credit/reimbursement.** If a developer constructs or contributes all or part of a growth-related project that would otherwise be financed with impact fees, that developer must receive a credit against the fees owed for this category or, at the developer's choice, be reimbursed from impact fees collected in the future.<sup>20</sup> This prevents "double dipping" by the City.

The presumption would be that builders/developers owe the entirety of the impact fee amount until they made the City aware of the construction or contribution. If credit or reimbursement is due, the City must enter into an agreement with the fee payer that specifies the amount of the credit or the amount, time and form of reimbursement.<sup>21</sup>

**Impact fee accounting.** The City should continue to maintain an Impact Fee Fund (already established for the existing parks and recreation fees) separate and apart from the General Fund. All current and future impact fee revenue should be immediately deposited into this account and withdrawn only to pay for growth-related capital improvements. The City's General Fund should be reserved solely for the receipt of tax revenues, grants, user fees and associated interest earnings, and the payment of ongoing operational expenses including the repair and replacement of existing capital improvements not related to growth.

**Spending policy.** The City should establish and adhere to a written policy governing its expenditure of monies from the Impact Fee Fund. The Fund should be prohibited from paying for City operational expenses and the repair and replacement or upgrade of existing infrastructure not necessitated by growth. In cases when *growth-related capital improvements are constructed*, impact fees are an allowable revenue source as long as only new growth is served. In cases when new capital improvements are expected *to partially replace existing capacity and to partially serve new growth*, cost sharing between the General Fund and Impact Fee Fund should be allowed on a pro rata basis.

**Update procedures.** The City is expected to grow very rapidly over the 10-year span of the CIPs. Therefore, the fees calculated in this study should be updated annually as the City invests in additional infrastructure beyond what is listed in this report, and/or as the City's projected development changes significantly. Fees can be updated on an annual basis using an inflation factor for building material from a reputable source such as McGraw Hill's Engineering News Record.

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<sup>20</sup> See Section 67-8209(3), Idaho Code.

<sup>21</sup> See Section 67-8209(4), Idaho Code.