Appendix E: Impact Fee Capital Improvement Plans

Purpose of the Impact Fees

Development impact fees are defined 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" (Idaho Code Section 67-8203-9). Title 67, Chapter 82 of the Idaho Code provides the enabling legislation to allow for impact fees to be imposed collected by a local jurisdiction, such a Ada County, and sets the parameters to ensure that the fees are fair and equitable. Idaho State law also allows governmental entities, who are jointly affected by development, to enter into intergovernmental agreements with each other for the purpose of developing joint plans for capital improvements and/or to collect and expend impact fees for system improvements.

As Ada County grows, new residential and commercial development place heavier demands on existing public infrastructure and facilities. When this occurs, additional funds are necessary to meet the increased demand or the existing quality of services provided by these facilities may decline. General Funds, collected through property taxes, cannot meet the growing costs caused by the increased demand. To ensure future growth pays its fair share and the existing community isn't taxed to pay for future development, impact fees can be adopted to pay for the increased demand on public facilities and improvements.

Ada County does utilize "Development Agreements" to negotiate the development of public facilities. However, these agreements typically cover project related improvements while impact fees can provide a reliable source of funding for system improvements. Impact fees will not act as the sole funding source for public facilities, as Ada County will use a combination of sources to meet their future facility goals.

Capital Improvement Plans (CIP)

A capital improvement plan is a long range plan that identifies future capital needs, prioritizes capital projects and specifies funding sources. Idaho Code Section 67-8208 requires that capital improvement plans be adopted prior to imposing impact fees. The required contents are of the capital improvement plans include:

a) A general description of all existing public facilities and existing deficiencies;

b) A commitment by the County (or other governmental entity) to cure existing system deficiencies by using other available sources of funding where available;

c) An analysis of the total capacity and current level of use;

d) A description of land use assumptions used;

e) A definitive table establishing specific levels of use or consumption by service unit;

f) A description of all system improvements and costs attributed to new development;

g) The total number of service units attributed to new development;

h) The projected demand for interim improvements over a specified time period (not to exceed 20 years);

i) Identification of all funding sources for system improvements;

j) Agreements for joint governmental improvements (if applicable);

k) A schedule for the estimated commencement and completion of improvements identified in the CIP.

Under Idaho State Law, governmental entities (such as Ada County), that undertake comprehensive planning pursuant to Idaho Code Section 67-6501, must incorporated the capital improvement plans as an element of the County Comprehensive Plan. Ada County is incorporating the capital improvement plans and impact fee studies as Element E of the Ada County 2025 Comprehensive Plan.

Impact Fee Study and Capital Improvement Plans:

FINAL REPORT – May 2018
AMENDED – June 2019

Eagle Fire District
Impact Fee Study and
Capital Improvement Plan

Prepared By

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Section I. Introduction

This report regarding impact fees for the Eagle Fire District is organized into the following sections:

- An overview of the report's background and objectives;
- A definition of impact fees and a discussion of their appropriate use;
- An overview of land use and demographics;
- A step-by-step calculation of impact fees under the Capital Improvement Plan (CIP) approach;
- A list of implementation recommendations; and
- A brief summary of conclusions.

Background and Objectives

The Eagle Fire District hired Galena Consulting to calculate impact fees.

This document presents impact fees based on the District's demographic data and infrastructure costs before credit adjustment; calculates the District's monetary participation; examines the likely cash flow produced by the recommended fee amount; and outlines specific fee implementation recommendations. Credits can be granted on a case-by-case basis; these credits are assessed when each individual building permit is pulled.

Definition of Impact Fees

Impact fees are one-time assessments established by local governments to assist with the provision of Capital Improvements necessitated by 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). 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."[1]

Purpose of impact fees. The Impact Fee Act includes 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."[2]

Idaho fee restrictions and requirements. The Impact Fee Act places numerous restrictions on the calculation and use of impact fees, all of which help ensure that local governments adopt impact fees that are consistent with federal law.[3] Some of those restrictions include:

- Impact fees shall not be used for any purpose other than to defray system improvement costs incurred to provide additional public facilities to serve new growth;[4]

- Impact fees must be expended within 8 years from the date they are collected. Fees may be held in certain circumstances beyond the 8-year time limit if the governmental entity can provide reasonable cause;[5]

- Impact fees must not exceed the proportionate share of the cost of capital improvements needed to serve new growth and development;[6]

- Impact fees must be maintained in one or more interest-bearing accounts within the capital projects fund.[7]

In addition, the Impact Fee Act requires the following:

- Establishment of and consultation with a development impact fee advisory committee (Advisory Committee);[8]

- Identification of all existing public facilities;

- Determination of a standardized measure (or service unit) of consumption of public facilities;

- Identification of the current level of service that existing public facilities provide;

- Identification of the deficiencies in the existing public facilities;

- Forecast of residential and nonresidential growth;[9]

- Identification of the growth-related portion of the District's Capital Improvement Plan;[10]

- Analysis of cash flow stemming from impact fees and other capital improvement funding sources;[11]

- Implementation of recommendations such as impact fee credits, how impact fee revenues should be accounted for, and how the impact fees should be updated over time;[12]

- Preparation and adoption of a Capital Improvement Plan pursuant to state law and public hearings regarding the same;[13] and

- Preparation and adoption of a resolution authorizing impact fees pursuant to state law and public hearings regarding the same.[14]

How should fees be calculated? State law requires the District to implement the Capital Improvement Plan methodology to calculate impact fees. The District can implement fees of any amount not to exceed the fees as calculated by the CIP approach. This methodology requires the District to describe its service areas, forecast the land uses, densities and population that are expected to occur in those service areas over the 10-year CIP time horizon, and identify the capital improvements that will be needed to serve the forecasted growth at the planned levels of service, assuming the planned levels of service do not exceed the current levels of service.[15] Only those items identified as growth-related on the CIP are eligible to be funded by impact fees.

The governmental entity intending to adopt an impact fee must first prepare a capital improvements plan.[17] 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 principal 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."[19] Practically, this concept requires the District 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 development being charged the impact fee; do not exceed the cost of such improvements; and are "earmarked" to fund growth-related capital improvements 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 should 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 the District to growth-related system improvements; and
- All other available sources of funding such system improvements.[20]

Through data analysis and interviews with the District and Galena Consulting identified the share of each capital improvement 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 the appropriate growth projections from 2017 to 2027. This is consistent with the Impact Fee Act.[21] 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.

Other fee calculation considerations. The basic CIP methodology used in the fee calculations is presented above. However, implementing this methodology requires a number of decisions. The considerations accounted for in the fee calculations include the following:

- Allocation of costs is made using a service unit which is "a standard measure of consumption, use, generation or discharge attributable to an individual unit[22] of development calculated in accordance with generally accepted engineering or planning standards for a particular category of capital improvement."[23] The service units chosen by the study team for every fee calculation in this study are linked directly to residential dwelling units and nonresidential development square feet.[24]

- A second consideration involves refinement of cost allocations to different land uses. According to Idaho Code, the CIP must include a "conversion table establishing the ratio of a service unit to various types of land uses, including residential, commercial, agricultural and industrial."[25] In this analysis, the study team has chosen to use the highest level of detail supportable by available data and, as a result, in this study, the fee is allocated between aggregated residential (i.e., all forms of residential housing) and nonresidential development (all nonresidential uses including retail, office, agricultural and industrial).

Current Assets and Capital Improvement Plans

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."[26] The impact fee study team recommends a 10-year time period based on the District's best available capital planning data.

The types of costs eligible for inclusion in this calculation include any land purchases, construction of new facilities and expansion of existing facilities to serve growth over the next 10 years at planned and/or adopted service levels.[27] Equipment and vehicles with a useful life of 10 years or more are also impact fee eligible under the Impact Fee Act.[28] The total cost of improvements over the 10 years is referred to as the "CIP Value" throughout this report. The cost of this impact fee study is also impact fee eligible for all impact fee categories.

The forward-looking 10-year CIP for the District includes some facilities that are only partially necessitated by growth (e.g., facility expansion). The study team met with the District to determine a defensible metric for including a portion of these facilities in the impact fee calculations. A general methodology used to determine this metric is discussed below. In some cases, a more specific metric was used to identify the growth-related portion of such improvements. In these cases, notations were made in the applicable section.

Fee Calculation

In accordance with the CIP approach described above, we calculated fees for each department by answering the following seven questions:

1. **Who is currently served by the District?** This includes the number of residents as well as residential and nonresidential land uses.

2. **What is the current level of service provided by the District?** Since an important purpose of impact fees is to help the District achieve its planned level of service[29], it is necessary to know the levels of service it is currently providing to the community.

3. **What current assets allow the District to provide this level of service?** This provides a current inventory of assets used by the District, such as facilities, land and equipment. In addition, each asset's replacement value was calculated and summed to determine the total value of the District's current assets.

4. **What is the current investment per residential and nonresidential land use?** In other words, how much of the District's current assets' total value is needed to serve current residential households and nonresidential square feet?

5. **What future growth is expected in the District?** How many new residential households and nonresidential square footage will the District serve over the CIP period?

6. **What new infrastructure is required to serve future growth?** For example, how many stations will be needed by the Eagle Fire District within the next ten years to achieve the planned level of service of the District?[30]

7. **What impact fee is required to pay for the new infrastructure?** We calculated an apportionment of new infrastructure costs to future residential and nonresidential land- uses for the District. Then, using this distribution, the impact fees were determined.

Addressing these seven questions, in order, provides the most effective and logical way to calculate impact fees for the District**.** In addition, these seven steps satisfy and follow the regulations set forth earlier in this section.

"GRUM" Analysis

In the District, not all capital costs are associated with growth. Some capital costs are for repair and replacement of facilities e.g., standard periodic investment in existing facilities such as roofing. These costs *are not* impact fee eligible. Some capital costs are for betterment of facilities, or implementation of new services (e.g., development of an expanded training facility). These costs *are generally not entirely* impact fee eligible. Some costs are for expansion of facilities to accommodate new development at the current level of service (e.g., purchase of new fire station to accommodate expanding population). These costs *are* impact fee eligible.

Because there are different reasons why the District invests in capital projects, the study team conducted a "GRUM" analysis on all projects listed in each CIP:

- **Growth.** The "G" in GRUM stands for growth. To determine if a project is solely related to growth, we ask "Is this project designed to maintain the current level of service as growth occurs?" and "Would the District still need this capital project if it weren't growing at all?" "G" projects are only necessary to maintain the District's current level of service as growth occurs. It is thus appropriate to include 100 percent of their cost in the impact fee calculations.

- **Repair & Replacement.** The "R" in GRUM stands for repair and replacement. We ask, "Is this project related only to fixing existing infrastructure?" and "Would the District still need it if it weren't growing at all?" "R" projects have nothing to do with growth. It is thus not appropriate to include any of their cost in the impact fee calculations.

- **Upgrade.** The "U" in GRUM stands for upgrade. We ask, "Would this project improve the District's current level of service?" and "Would the District still do it even if it weren't growing at all?" "U" projects have nothing to do with growth. It is thus not appropriate to include any of their cost in the impact fee calculations.

- **Mixed.** The "M" in GRUM stands for mixed. It is reserved for capital projects that have some combination of G, R and U. "M" projects by their very definition are partially necessitated by growth, but also include an element of repair, replacement and/or upgrade. In this instance, a cost amount between 0 and 100 percent should be included in the fee calculations. Although the need for these projects is triggered by new development, they will also benefit existing residents.

Projects that are 100 percent growth-related were determined by our study to be necessitated solely by growth. Alternatively, some projects can be determined to be "mixed," with some aspects of growth and others aspects of repair and replacement. In these situations, only a portion of the total cost of each project is included in the final impact fee calculation.

It should be understood that growth is expected to pay only the portion of the cost of capital improvements that are growth-related. The District will need to plan to fund the pro rata 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. These values will be calculated and discussed in Section VI of this report.

Exhibits found in Section III of this report detail all capital improvements planned for purchase over the next ten years by the District.

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[1] *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 fire, emergency medical and rescue facilities. *See* Sections 67-8203(3), (24) and (28), Idaho Code.

[2] *See* Section 67-8202, Idaho Code.

[3] As explained further in this study, 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. *See Banbury*

[4] *Development Corp. v. South Jordan*, 631 P.2d 899 (1981); *Dollan v. District of Tigard*, 512 U.S. 374 (1994).

See Sections 67-8202(4) and 67-8203(29), Idaho Code.

[5] *See* Section 67-8210(4), Idaho Code.

[6] *See* Sections 67-8204(1) and 67-8207, Idaho Code.

[7] *See* Section 67-8210(1), Idaho Code

[8] *See* Section 67-8205, Idaho Code.

[9] *See* Section 67-8206(2), Idaho Code.

[10] *See* Section 67-8208, Idaho Code.

[11] *See* Section 67-8207, Idaho Code.

[12] *See* Sections 67-8209 and 67-8210, Idaho Code.

[13] *See* Section 67-8208, Idaho Code.

[14] *See* Sections 67-8204 and 67-8206, Idaho Code.

[15] As a comparison and benchmark for the impact fees calculated under the Capital Improvement Plan approach, Galena Consulting also calculated the District's current level of service by quantifying the District's current investment in capital improvements, 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.

[17] *See* Section 67-8208, Idaho Code.

[19] *See* Section 67-8203(23), Idaho Code.

[20] *See* Section 67-8207, Idaho Code.

[21] 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 attributable to new development (in order 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.

[22] *See* Section 67-8203(27), Idaho Code.

[23] *See* Section 67-8203(27), Idaho Code.

[24] The construction of detached garages alongside residential units does not typically trigger the payment of additional impact fees unless that structure will be the site of a home-based business with significant outside employment.

[25] *See* Section 67-8208(1)(e), Idaho Code.

[26] *See* Section 67-8208(1)(h).

[27] This assumes the planned levels of service do not exceed the current levels of service.

[28] 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.

[29] This assumes that the planned level of service does not exceed the current level of service.

[30] This assumes the planned level of service does not exceed the current level of service.

Section II.
Land Uses

As noted in Section I, it is necessary to allocate capital improvement plan (CIP) costs to both residential and nonresidential development when calculating impact fees. The study team performed this allocation based on the number of projected new households and nonresidential square footage projected to be added from 2019 through 2029 for the District. These projections were based on the most recent growth estimates from COMPASS, data provided by the City of Eagle, regional real estate market reports, interviews with developers and recommendations from District Staff and the Impact Fee Advisory Committee.

Demographic and land-use projections are some of the most variable and potentially debatable components of an impact fee study, and in all likelihood the projections used in our study will not prove to be 100 percent correct. The purpose of the Advisory Committee's annual review is to account for these inconsistencies. As each CIP is tied to the District's land use growth, the CIP and resulting fees can be revised based on actual growth as it occurs.

The District serves the population of the City of Eagle, as well as portions of unincorporated Ada County. The following Exhibit II-1 presents the current and estimated future population for the District.

Exhibit II-1.
Current and Future Population within the boundaries of the Eagle Fire District

	2019	2029	Net Increase	Percent Increase
Population	37,400	60,455	23,055	62%

The District currently has approximately 37,400 persons residing within its service boundary. Current and future population estimates were derived by isolating the population within each Transportation Analysis Zone (TAZ) within the District's boundaries according to current COMPASS data. This data was compared to current population estimates from the City of Eagle, which is within the Fire District boundaries, as well as recent permit activity and the number of permits recently approved for future residential and non-residential construction. More multi-family projects are being approved within the District than before, increasing the capacity for population growth in the future.

Over the next ten years, COMPASS models indicate the District to grow by approximately 23,055 people, or at an annual growth rate of 6.2 percent. Based on this population, the following Exhibit II-2 presents the current and future number of residential units and nonresidential square feet for the District.

Exhibit II-2.
Current and Future Land Uses, Eagle Fire District

	2019	2029	Net Growth	Net Increase in Square Feet	Percent of Total Growth
Population	37,400	60,455	23,055		
Residential (in units)	13,357	21,591	8,234	20,584,821	89%
Nonresidential (in square feet)	2,404,286	4,857,991	2,453,705	2,453,705	11%
Total				23,038,527	100%

As shown above, the Eagle Fire District is expected to grow by approximately 8,234 residential units and 2,453.705 nonresidential square feet over the next ten years. Eighty-nine percent of this growth is attributable to residential land uses, while the remaining eleven percent is attributable to nonresidential growth. These growth projections will be used in the following sections to calculate the appropriate impact fees for the District.

Section III.
Impact Fee Calculation

In this section, we calculate impact fees for the Eagle Fire District according to the seven -question method outlined in Section I of this report.

1. **Who is currently served by the Eagle Fire District?**

As shown in Exhibit II-2, the District currently serves 13,357 residential units and approximately 2.4 million square feet of nonresidential land use.

2. **What is the current level of service provided by the Eagle Fire District?**

The Eagle Fire District provides a level of service of an 85 percent fractile response time of 4 minutes. As the population of the District grows, additional infrastructure and equipment will be needed to sustain this level of service. Based on conversations with District staff, it is our understanding that the planned level of service is equal to the current level of service.

3. **What current assets allow the Eagle Fire District to provide this level of service?**

The following Exhibit III-1 displays the current assets of the Eagle Fire District.

Exhibit III-1.
Current Assets – Eagle Fire District

Type of Capital Asset	Square Footage	Replacement Value
Facilities		
Station #1	21400	$ 8,560,000
Station #2	5256	$ 2,102,400
Station #3	8000	$ 3,200,000
Apparatus/Vehicles		
3 Engines		$ 1,950,000
1 Truck/Ladder		$ 1,300,000
4 Brush Trucks		$ 400,000
1 Tender		$ 350,000
1 Heavy Rescue		$ 500,000
8 Command Vehicles		$ 520,000
1 Water Rescue vehicle		$ 200,000
1 Safety Trailer		$ 100,000
2 Command Trailer		$ 100,000
Equipment		
40 SCBAs		$ 240,000
1 generator		$ 13,000
42 Radios		$ 294,000
Air Compressor		$ 80,000
Total Assets		$ 19,909,400
Plus Cost of Fee-Related Research		
Impact Fee Study		$ 6,000
Plus Avimor Fund Balance		$ 100,000
Grand Total		**$ 19,915,400**

As shown above, the District currently owns approximately $19.9 million of eligible current assets. These assets are used to provide the District's current level of service.

4. **What is the current investment per residential unit and nonresidential square foot?**

The Eagle Fire District has already invested $1,391 per existing residential unit and $0.56 per existing nonresidential square foot in the capital necessary to provide the current level of service. This figure is derived by allocating the value of the District's current assets between the current number of residential units and nonresidential square feet.

We will compare our final impact fee calculations with these figures to determine if the two results will be similar; this represents a "check" to see if future District residents will be paying for infrastructure at a level commensurate with what existing District residents have invested in infrastructure.

5. **What future growth is expected in the Eagle Fire District?**

As shown in Exhibit II-2, the Eagle Fire District is expected to grow by approximately 8,234 residential units and 2.4 million square feet of nonresidential land use over the next ten years.

6. **What new infrastructure is required to serve future growth?**

The following Exhibit III-2 displays the capital improvements planned for purchase by the Eagle Fire District over the next ten years.

Exhibit III-2.
Eagle Fire District CIP 2019 to 2028

Type of Capital Infrastructure	CIP Value	*times*	Growth Portion	*equals*	Amount to Include in Fees	Amount from Other Sources
Facilities						
Station #4 - Northwest	$ 6,900,000		100%		$ 6,900,000	$ -
Vehicles						
Engine for Station #4	$ 650,000		100%		$ 650,000	$ -
1 Heavy Brush Truck	$ 600,000		100%		$ 600,000	$ -
2 TRV for BLM trails and paths	$ 60,000		100%		$ 60,000	$ -
Replacement of Existing Vehicles	$ 4,552,125		0%		$ -	$ 4,552,125
Equipment						
11 additional SCBAs	$ 88,000		100%		$ 88,000	$ -
9 handheld radios	$ 63,000		100%		$ 63,000	$ -
Air trailer	$ 100,000		100%		$ 100,000	$ -
Replacement of Existing Equipment	$ 553,000		0%		$ -	$ 553,000
Total Infrastructure	$ 13,566,125				$ 8,461,000	**$ 5,105,125**
Plus Cost of Fee-Related Research						
Impact Fee Study	$ 8,000		100%		$ 8,000	$ -
Minus Avimor/Dry Creek Mitigation Fund Balance	$ 200,000		100%		$ 200,000	$ -
Grand Total	**$ 13,374,125**				**$ 8,269,000**	**$ 5,105,125**

As shown above, the District plans to purchase approximately $13.4 million in capital improvements over the next ten years, $8.3 million of which is impact fee eligible. These new assets will allow the District to achieve its planned level of service in the future. Assuming current housing and development trends continue at projected rates and desired land for Station #4 is available for acquisition, the estimated date for the commencement of the construction of Station #4 and purchase of additional apparatus and equipment identified above is 2026. The additional heavy brush truck and two TRV are anticipated to be purchased in 2025.

The remaining approximately $5.1 million is the price for the District to replace existing apparatus, vehicles and other equipment. Replacement of existing capital is not eligible for inclusion in the impact fee calculations. The District will therefore have to use other sources of revenue including all of those listed in Idaho Code 67- 8207(iv)(2)(h). The District has identified property tax revenue as the source for funding non growth-related capital improvements, and will replace its apparatus and equipment as they reach their industry life span throughout the 10-year period.

7. **What impact fee is required to pay for the new capital improvements?**

The following Exhibit III-3 takes the projected future growth from Exhibits II-2 and the growth-related CIP from Exhibit III-2 to calculate impact fees for the Eagle Fire District.

Exhibit III-3.
Impact Fee Calculation, Eagle Fire District

Amount to Include in Impact Fee Calculation		$8,269,000
Percentage of Future Growth		
Residential		89%
Non Residential		11%
Amount Attributable to Future Growth		
Residential	$	7,388,315
Non Residential	$	880,685
Future Growth 2017-2026		
Residential (per unit)		8,234
Non Residential (per square foot)		2,453,705
Impact Fee		
Residential (per unit)	$	897
Non Residential (per square foot)	$	0.36

As shown above, we have calculated impact fees for the Eagle Fire District at $897 per residential unit and $0.36 per nonresidential square foot. In comparison, as indicated in question #4 above, property taxpayers within the District have already invested $1,391 per residential unit and $0.56 per nonresidential square foot in the capital inventory necessary to provide today's level of service. The difference between the current investment and the impact fee per unit indicates current taxpayers have already built in some capacity for future development.

The District cannot assess fees greater than the amounts shown above. The District may assess fees lower than these amounts, but would then experience a decline in service levels unless the District used other revenues to make up the difference.

Section IV.
Fee Analysis and Administrative Recommendations

A comparison of the calculated Fire impact fee to similar fees to that being assessed by the Kuna Rural Fire District, Star Rural Fire District, City of Meridian, City of Nampa, City of Caldwell and City of Boise, as well as being considered by the North Ada County Fire and Rescue District and the Middleton Fire District is provided in Exhibit IV-1:

Exhibit IV-1.
DRAFT Impact Fee Comparison - Fire

Eagle Fire District	Star Fire District	Kuna Fire District	North Ada Co. Fire and Rescue Rescue	City of Boise	City of Meridian	City of Caldwell/ Caldwell Rural Fire draft	City of Nampa/ Nampa Rural Fire	Middleton Rural Fire District	Wilder Fire District	Marsing Fire District
$ 897	$ 829	$ 701	$ 647	$ 526	$ 693	$ 665	$ 560	$ 849	$ 825	$ 1,285
$ 0.36	$ 0.39	$ 0.35	$ 0.32	$ 0.15	$ 0.53	$ 0.33	$ 0.28	$ 0.42	$ 0.41	$ 0.64

The calculated impact fee for the Eagle Fire District is very close in range to the Star Rural Fire, Kuna Rural Fire, Middleton Rural Fire and Wilder Rural Fire District's fees. The calculated impact fee is higher than those fees currently being assessed by some municipal fire departments in the valley for several reasons. First, these fire departments have been in service decades longer than the Eagle Fire District and have created capacity in their capital facilities and other assets with which to provide service to new growth. Second, growth in these areas has begun to become more dense and urban, which does not necessitate new stations being built to serve new growth as there are stations already appropriately located to serve this growth.

Some communities express concern that impact fees will stifle growth. Empirical data indicates impact fees are not a primary reason for a decision to build or not build in a particular area. Factors including the price of land and construction, market demand, the availability of skilled workers, access to major transportation modes, amenities for quality of life, etc. all weigh more heavily in decisions to construct new homes or businesses, as well for business relocation. Ultimately the impact fee, which is paid at the time of building permit, is passed along to the buyer in the purchase price or wrapped into a lease rate. Therefore, in a market with a high demand for development, an impact fee higher than other jurisdictions is unlikely to slow growth.

An impact fee program will enable the District to plan for growth without decreasing its service levels (response time), which can decrease buyer satisfaction and cause property insurance premiums to increase. It will also allow the District to collect a proportionate share of the cost of capital improvements from growth instead of funding all future capital through property taxes assessed to existing residents and businesses.

As the District Commission evaluates whether or not to adopt the Capital Improvement Plan and impact fee presented in this report, we also offer the following information regarding District participation in funding, and implementation recommendations for your consideration.

Implementation Recommendations

The following implementation recommendations should be considered:

Intergovernmental Agreements. The Eagle Fire District is enabled under Idaho Code as a governmental entity to adopt impact fees. However, because impact fees are paid upon building permit, and the District does not participate in this process, it needs another governmental entity to collect these fees on its behalf. Idaho Code 67-8204(a) authorizes the District to enter into an intergovernmental agreement with a city or county which can collect fire fees on their behalf. In the case of this District, which includes one municipality and one county, two intergovernmental agreements for the collection of Fire District impact fees would have to be developed and adopted by the corresponding bodies.

Capital Improvements Plan. Should the Advisory Committee recommend this study to the District Commission and should the Commission adopt the study, the District should also formally adopt this Capital Improvement Plan. While not subject to the procedures of the Local Land Use Planning Act (LLUPA), the adoption of the Capital Improvement Plan would comply with the Act's requirements of other governmental entities to adopt capital improvement plans into a Comprehensive Plan as part of the adoption of impact fees.

Impact Fee Ordinance. Following adoption of the Capital Improvement Plan, the Commission should review the proposed Impact Fee Ordinance for adoption via resolution as reviewed and recommended by the Advisory Committee and legal counsel.

Advisory Committee. The Advisory Committee is in a unique position to work with and advise Commission and District staff 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 zones under the assumption that some areas utilize more or less current and future capital improvements. The study team, however, does not recommend the District assess different fees by dividing the areas into zones. The capital improvements identified in this report inherently serve a system-wide function.

Specialized assessments. If permit applicants are concerned they would be paying more than their fair share of future infrastructure purchases, the applicant can request an individualized assessment to ensure they will only be paying their proportional share. The applicant would be required to prepare and pay for all costs related to such an assessment.

Donations. If the District receives donations for capital improvements listed on the CIP, they 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 District'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. This means that the District will either credit the donor or reimburse the donor for that portion of the impact fee.

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.[37] This prevents "double dipping" by the District.

The presumption would be that builders/developers owe the entirety of the impact fee amount until they make the District aware of the construction or contribution. If credit or reimbursement is due, the governmental entity must enter into an agreement with the fee payer that specifies the amount of the credit or the amount, time and form of reimbursement.[38]

Impact fee accounting. The District should maintain Impact Fee Funds 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 of the same category. General Funds should be reserved solely for the receipt of tax revenues, grants, user fees and associated interest earnings, and ongoing operational expenses including the repair and replacement of existing capital improvements not related to growth.

Spending policy. The District should establish and adhere to a policy governing their expenditure of monies from the Impact Fee Fund. The Fund should be prohibited from paying for any 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 or other sources of revenue listed in Idaho Code 67-8207(I)(iv), (2)(h) and Impact Fee Fund should be allowed on a pro rata basis.

Update procedures. The District is expected to grow rapidly over the 10-year span of the CIPs. Therefore, the fees calculated in this study should be updated annually as the District invests in additional infrastructure beyond what is listed in this report, and/or as the District'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. As described in Idaho Code 67-8205(3)(c)(d)(e), the Advisory Committee will play an important role in these updates and reviews.

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[37] *See* Section 67-8209(3), Idaho Code.

[38] *See* Section 67-8209(4), Idaho Code

FINAL REPORT

May 15, 2018

North Ada County Fire & Rescue District Impact Fee Study and Capital Improvement Plan

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Section I.
Introduction

This report regarding impact fees for the North Ada County Fire & Rescue District (NACFR) is organized into the following sections:

- An overview of the report's background and objectives;
- A definition of impact fees and a discussion of their appropriate use;
- An overview of land use and demographics;
- A step-by-step calculation of impact fees under the Capital Improvement Plan (CIP) approach;
- A list of implementation recommendations; and
- A brief summary of conclusions.

Background and Objectives

This document presents impact fees based on the District's demographic data and infrastructure costs before credit adjustment; calculates the District's monetary participation; examines the likely cash flow produced by the recommended fee amount; and outlines specific fee implementation recommendations. Credits can be granted on a case-by-case basis; these credits are assessed when each individual building permit is pulled.

Definition of Impact Fees

Impact fees are one-time assessments established by local governments to assist with the provision of Capital Improvements necessitated by 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). 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."[1]

Purpose of impact fees. The Impact Fee Act includes 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."[2]

Idaho fee restrictions and requirements. The Impact Fee Act places numerous restrictions on the calculation and use of impact fees, all of which help ensure that local governments adopt impact fees that are consistent with federal law.[3] Some of those restrictions include:

- Impact fees shall not be used for any purpose other than to defray system improvement costs incurred to provide additional public facilities to serve new growth;[4]

- Impact fees must be expended within 8 years from the date they are collected. Fees may be held in certain circumstances beyond the 8-year time limit if the governmental entity can provide reasonable cause;[5]

- Impact fees must not exceed the proportionate share of the cost of capital improvements needed to serve new growth and development;[6]

- Impact fees must be maintained in one or more interest-bearing accounts within the capital projects fund.[7]

In addition, the Impact Fee Act requires the following:

- Establishment of and consultation with a development impact fee advisory committee (Advisory Committee);[8]

- Identification of all existing public facilities;

- Determination of a standardized measure (or service unit) of consumption of public facilities;

- Identification of the current level of service that existing public facilities provide;

- Identification of the deficiencies in the existing public facilities;

- Forecast of residential and nonresidential growth;[9]

- Identification of the growth-related portion of the District's Capital Improvement Plan;[10]

- Analysis of cash flow stemming from impact fees and other capital improvement funding sources;[11]

- Implementation of recommendations such as impact fee credits, how impact fee revenues should be accounted for, and how the impact fees should be updated over time;[12]

- Preparation and adoption of a Capital Improvement Plan pursuant to state law and public hearings regarding the same;[13] and

- Preparation and adoption of a resolution authorizing impact fees pursuant to state law and public hearings regarding the same.[14]

How should fees be calculated? State law requires the District to implement the Capital Improvement Plan methodology to calculate impact fees. The District can implement fees of any amount not to exceed the fees as calculated by the CIP approach. This methodology requires the District to describe its service areas, forecast the land uses, densities and population that are expected to occur in those service areas over the 10-year CIP time horizon, and identify the capital improvements that will be needed to serve the forecasted growth at the planned levels of service, assuming the planned levels of service do not exceed the current levels of service.[15] Only those items identified as growth-related on the CIP are eligible to be funded by impact fees.

The governmental entity intending to adopt an impact fee must first prepare a capital improvements plan.[17] 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 principal 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."[19] Practically, this concept requires the District 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 development being charged the impact fee; do not exceed the cost of such improvements; and are "earmarked" to fund growth-related capital improvements 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 should 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 the District to growth-related system improvements; and
- All other available sources of funding such system improvements.[20]

Through data analysis and interviews with the District and Galena Consulting identified the share of each capital improvement 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 the appropriate growth projections from 2017 to 2027. This is consistent with the Impact Fee Act.[21] 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.

Other fee calculation considerations. The basic CIP methodology used in the fee calculations is presented above. However, implementing this methodology requires a number of decisions. The considerations accounted for in the fee calculations include the following:

- Allocation of costs is made using a service unit which is "a standard measure of consumption, use, generation or discharge attributable to an individual unit[22] of development calculated in accordance with generally accepted engineering or planning standards for a particular category of capital improvement."[23] The service units chosen by the study team for every fee calculation in this study are linked directly to residential dwelling units and nonresidential development square feet.[24]

- A second consideration involves refinement of cost allocations to different land uses. According to Idaho Code, the CIP must include a "conversion table establishing the ratio of a service unit to various types of land uses, including residential, commercial, agricultural and industrial."[25] In this analysis, the study team has chosen to use the highest level of detail supportable by available data and, as a result, in this study, the fee is allocated between aggregated residential (i.e., all forms of residential housing) and nonresidential development (all nonresidential uses including retail, office, agricultural and industrial).

Current Assets and Capital Improvement Plans

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."[26] The impact fee study team recommends a 10-year time period based on the District's best available capital planning data.

The types of costs eligible for inclusion in this calculation include any land purchases, construction of new facilities and expansion of existing facilities to serve growth over the next 10 years at planned and/or adopted service levels.[27] Equipment and vehicles with a useful life of 10 years or more are also impact fee eligible under the Impact Fee Act.[28] The total cost of improvements over the 10 years is referred to as the "CIP Value" throughout this report. The cost of this impact fee study is also impact fee eligible for all impact fee categories.

The forward-looking 10-year CIP for the District includes some facilities that are only partially necessitated by growth (e.g., facility expansion). The study team met with the District to determine a defensible metric for including a portion of these facilities in the impact fee calculations. A general methodology used to determine this metric is discussed below. In some cases, a more specific metric was used to identify the growth-related portion of such improvements. In these cases, notations were made in the applicable section.

Fee Calculation

In accordance with the CIP approach described above, we calculated fees for each department by answering the following seven questions:

1. **Who is currently served by the District?** This includes the number of residents as well as residential and nonresidential land uses.

2. **What is the current level of service provided by the District?** Since an important purpose of impact fees is to help the District achieve its planned level of service[29], it is necessary to know the levels of service it is currently providing to the community.

3. **What current assets allow the District to provide this level of service?** This provides a current inventory of assets used by the District, such as facilities, land and equipment. In addition, each asset's replacement value was calculated and summed to determine the total value of the District's current assets.

4. **What is the current investment per residential and nonresidential land use?** In other words, how much of the District's current assets' total value is needed to serve current residential households and nonresidential square feet?

5. **What future growth is expected in the District?** How many new residential households and nonresidential square footage will the District serve over the CIP period?

6. **What new infrastructure is required to serve future growth?** For example, how many stations will be needed by NACFR within the next ten years to achieve the planned level of service of the District?[30]

7. **What impact fee is required to pay for the new infrastructure?** We calculated an apportionment of new infrastructure costs to future residential and nonresidential land- uses for the District. Then, using this distribution, the impact fees were determined.

Addressing these seven questions, in order, provides the most effective and logical way to calculate impact fees for the District**.** In addition, these seven steps satisfy and follow the regulations set forth earlier in this section.

"GRUM" Analysis

Not all capital costs are associated with growth. Some capital costs are for repair and replacement of facilities e.g., standard periodic investment in existing facilities such as roofing. These costs *are not* impact fee eligible. Some capital costs are for betterment of facilities, or implementation of new services (e.g., development of an expanded training facility). These costs *are generally not entirely* impact fee eligible. Some costs are for expansion of facilities to accommodate new development at the current level of service (e.g., purchase of new fire station to accommodate expanding population). These costs *are* impact fee eligible.

Because there are different reasons why a District invests in capital projects, the study team conducted a "GRUM" analysis on all projects listed in the CIP:

- **Growth.** The “G” in GRUM stands for growth. To determine if a project is solely related to growth, we ask “Is this project designed to maintain the current level of service as growth occurs?” and “Would the District still need this capital project if it weren’t growing at all?” “G” projects are only necessary to maintain the District’s current level of service as growth occurs. It is thus appropriate to include 100 percent of their cost in the impact fee calculations.

- **Repair & Replacement.** The “R” in GRUM stands for repair and replacement. We ask, “Is this project related only to fixing existing infrastructure?” and “Would the District still need it if it weren’t growing at all?” “R” projects have nothing to do with growth. It is thus not appropriate to include any of their cost in the impact fee calculations.

- **Upgrade.** The “U” in GRUM stands for upgrade. We ask, “Would this project improve the District’s current level of service?” and “Would the District still do it even if it weren’t growing at all?” “U” projects have nothing to do with growth. It is thus not appropriate to include any of their cost in the impact fee calculations.

- **Mixed.** The “M” in GRUM stands for mixed. It is reserved for capital projects that have some combination of G, R and U. “M” projects by their very definition are partially necessitated by growth, but also include an element of repair, replacement and/or upgrade. In this instance, a cost amount between 0 and 100 percent should be included in the fee calculations. Although the need for these projects is triggered by new development, they will also benefit existing residents.

Projects that are 100 percent growth-related were determined by our study to be necessitated solely by growth. Alternatively, some projects can be determined to be “mixed,” with some aspects of growth and others aspects of repair and replacement. In these situations, only a portion of the total cost of each project is included in the final impact fee calculation.

Exhibits found in Section III of this report detail all capital improvements planned for purchase over the next ten years by the District.

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[1] *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 fire, emergency medical and rescue facilities. *See* Sections 67-8203(3), (24) and (28), Idaho Code.

[2] *See* Section 67-8202, Idaho Code.

[3] As explained further in this study, 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. *See Banbury Development Corp. v. South Jordan*, 631 P.2d 899 (1981); *Dollan v. District of Tigard*, 512 U.S. 374 (1994).

[4] *See* Sections 67-8202(4) and 67-8203(29), Idaho Code.

[5] *See* Section 67-8210(4), Idaho Code.

[6] *See* Sections 67-8204(1) and 67-8207, Idaho Code.

[7] *See* Section 67-8210(1), Idaho Code

[8] *See* Section 67-8205, Idaho Code.

[9] *See* Section 67-8206(2), Idaho Code.

[10] *See* Section 67-8208, Idaho Code.

[11] *See* Section 67-8207, Idaho Code.

[12] *See* Sections 67-8209 and 67-8210, Idaho Code.

[13] *See* Section 67-8208, Idaho Code.

[14] *See* Sections 67-8204 and 67-8206, Idaho Code.

[15] As a comparison and benchmark for the impact fees calculated under the Capital Improvement Plan approach, Galena Consulting also calculated the District's current level of service by quantifying the District's current investment in capital improvements, 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.

[17] *See* Section 67-8208, Idaho Code.

[19] *See* Section 67-8203(23), Idaho Code.

[20] *See* Section 67-8207, Idaho Code.

[21] 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 attributable to new development (in order 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.

[22] *See* Section 67-8203(27), Idaho Code.

[23] *See* Section 67-8203(27), Idaho Code.

[24] The construction of detached garages alongside residential units does not typically trigger the payment of additional impact fees unless that structure will be the site of a home-based business with significant outside employment.

[25] *See* Section 67-8208(1)(e), Idaho Code.

[26] *See* Section 67-8208(1)(h).

[27] This assumes the planned levels of service do not exceed the current levels of service.

[28] 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.

[29] This assumes that the planned level of service does not exceed the current level of service.

[30] This assumes the planned level of service does not exceed the current level of service.

Section II.
Land Uses

As noted in Section I, it is necessary to allocate capital improvement plan (CIP) costs to both residential and nonresidential development when calculating impact fees. The study team performed this allocation based on the number of projected new households and nonresidential square footage projected to be added from 2017 through 2027 for the District. These projections were based on the most recent growth estimates from COMPASS, data provided by the City of Garden City, regional real estate market reports, interviews with developers and recommendations from District Staff and the Impact Fee Advisory Committee.

Demographic and land-use projections are some of the most variable and potentially debatable components of an impact fee study, and in all likelihood the projections used in our study will not prove to be 100 percent correct. The purpose of the Advisory Committee's annual review is to account for these inconsistencies. As each CIP is tied to the District's land use growth, the CIP and resulting fees can be revised based on actual growth as it occurs.

The District serves the population of the City of Garden City, as well as portions of unincorporated Ada County. The following Exhibit II-1 presents the current and estimated future population for the District.

Exhibit II-1.
Current and Future Population within the boundaries of NACFR

	2017	2027	Net Increase	Percent Increase
Population	16,380	23,000	6,620	40%

The District currently has approximately 16,380 persons residing within its service boundary. Of that, approximately 12,000 are within the Garden City limits. Current and future population estimates were derived by isolating the population within each Transportation Analysis Zone (TAZ) within the District's boundaries according to current COMPASS data. This data was compared to current population estimates from the City of Garden City, which is within the Fire District boundaries, as well as past permit activity and the number of permits projected for future residential and non-residential construction.

Over the next ten years, COMPASS models indicate the District to grow by approximately 6,620 people, or at an annual growth rate of four percent. Based on this population, the following Exhibit II-2 presents the current and future number of residential units and nonresidential square feet for the District.

Exhibit II-2.
Current and Future Land Uses, NACFR

	2017	2026	Net Growth	Net Increase in Square Feet	Percent of Total Growth
Population	16,380	23,000	6,620		
Residential (in units)	6,658	9,350	2,692	5,383,323	87%
Nonresidential (in square feet)	1,997,380	2,804,878	807,498	807,498	13%
Total				6,190,821	100%

As shown above, NACFR is expected to grow by approximately 2,692 residential units and 807,498 nonresidential square feet over the next ten years. Eighty-seven percent of this growth is attributable to residential land uses, while the remaining thirteen percent is attributable to nonresidential growth. These growth projections will be used in the following sections to calculate the appropriate impact fees for the District.

Section III.
Impact Fee Calculation

In this section, we calculate impact fees for NACFR according to the seven -question method outlined in Section I of this report.

1. **Who is currently served by NACFR?**

As shown in Exhibit II-2, the District currently serves 6,658 residential units and approximately 1,997,380 square feet of nonresidential land use.

2. **What is the current level of service provided by NACFR?**

NACFR provides a level of service of an 85 percent fractile response time of 4 minutes. As the population of the District grows, additional infrastructure and equipment will be needed to sustain this level of service. Based on conversations with District staff, it is our understanding that the planned level of service is equal to the current level of service.

3. **What current assets allow NACFR to provide this level of service?**

The following Exhibit III-1 displays the current assets of NACFR.

Exhibit III-1.
Current Assets – NACFR

Type of Capital Asset	Square Footage		Replacement Value
Facilities			
Station #16 - Glenwood	7000	$	2,800,000
Station #18 - Chinden	10500	$	4,200,000
Station #20 - Hidden Springs	5374	$	2,149,600
Apparatus/Vehicles			
2017 Pierce Engine		$	650,000
2 2006 GMC Brush Trucks		$	600,000
2003 Water Tender		$	300,000
2008 Kawasaki Mule		$	25,000
Total Assets		$	10,724,600
Plus Cost of Fee-Related Research			
Impact Fee Study		$	4,000
Grand Total		**$**	**10,728,600**

As shown above, the District currently owns approximately $10.7 million of eligible current assets. These assets are used to provide the District's current level of service.

4. **What is the current investment per residential unit and nonresidential square foot?**

NACFR has already invested $1,439 per existing residential unit and $0.58 per existing nonresidential square foot in the capital necessary to provide the current level of service. This figure is derived by allocating the value of the District's current assets between the current number of residential units and nonresidential square feet.

We will compare our final impact fee calculations with these figures to determine if the two results will be similar; this represents a "check" to see if future District residents will be paying for infrastructure at a level commensurate with what existing District residents have invested in infrastructure.

5. **What future growth is expected in NACFR?**

As shown in Exhibit II-2, NACFR is expected to grow by 2,692 residential units and 807,498 square feet of nonresidential land use over the next ten years.

6. **What new infrastructure is required to serve future growth?**

The following Exhibit III-2 displays the capital improvements planned for purchase by NACFR over the next ten years.

Exhibit III-2.
NACFR CIP 2018 to 2027

Type of Capital Infrastructure	CIP Value	*times*	Growth Portion	*equals*	Amount to Include in Fees	Amount from Other Sources
Facilities						
Adding physical capacity for bays/dorms to existing station	$ 700,000		100%		$ 700,000	$ -
Vehicles						
Engine for Station #18	$ 650,000		100%		$ 650,000	$ -
Engine for growth in NW	$ 650,000		100%		$ 650,000	$ -
Total Infrastructure	$ 2,000,000				$ 2,000,000	**$ -**
Plus Cost of Fee-Related Research						
Impact Fee Study	$ 4,000		100%		$ 4,000	$ -
Grand Total	**$ 2,004,000**				**$ 2,004,000**	**$ -**

The District has included *adding capacity to an existing or partnered station* in their CIP rather than planning for the construction of an additional station. Depending on actual growth patterns and call for service data, this additional capacity will be created by adding a bay and/or dorms to an existing station to allow the District to house an additional engine, and by adding another additional engine to Station #18. Increasing the number of responding units will enable the District to continue providing the current level of service as calls for service increase due to growth in the northwest portion of the District.

As shown above, the District plans to purchase approximately $2.0 million in capital improvements over the next ten years, all of which is entirely attributable to growth and therefore impact fee eligible. These new assets will allow the District to achieve its planned level of service in the future.

Assuming current housing and development trends continue at projected rates, the estimated date for the commencement of the construction of additional station capacity is 2026. One additional engine is anticipated to be purchased in 2024, and the second additional engine is anticipated to be purchased in 2027.

The District has no existing deficiencies to be cured in the next ten years, and as such no non growth-related capital improvements are listed on the CIP. Accordingly, no property tax revenue is being obligated. However, should any existing deficiencies develop, the District would identify property tax revenue as the funding source.

7. **What impact fee is required to pay for the new capital improvements?**

The following Exhibit III-3 takes the projected future growth from Exhibits II-2 and the growth-related CIP from Exhibit III-2 to calculate impact fees for NACFR.

Exhibit III-3.
DRAFT Impact Fee Calculation, NACFR

Amount to Include in Impact Fee Calculation		$2,004,000
Percentage of Future Growth		
Residential		87%
Non Residential		13%
Amount Attributable to Future Growth		
Residential	$	1,742,609
Non Residential	$	261,391
Future Growth 2017-2026		
Residential (per unit)		2,692
Non Residential (per square foot)		807,498
Impact Fee		
Residential (per unit)	$	647
Non Residential (per square foot)	$	0.32

As shown above, we have calculated impact fees for NACFR at $647 per residential unit and $0.32 per nonresidential square foot. In comparison, as indicated in question #4 above, property taxpayers within the District have already invested $1,449 per residential unit and $0.58 per nonresidential square foot in the capital inventory necessary to provide today's level of service. The difference between the current investment and the impact fee per unit indicates current taxpayers have already built in some capacity for future development.

The District cannot assess fees greater than the amounts shown above. The District may assess fees lower than these amounts, but would then experience a decline in service levels unless the District used other revenues to make up the difference.

Section IV.
Fee Analysis and Administrative Recommendations

A comparison of the calculated Fire impact fee to similar fees to that being assessed by the Kuna Rural Fire District, City of Meridian, City of Nampa, City of Caldwell and City of Boise, as well as being considered by the North Ada County Fire and Rescue District, the Star Fire District and the Middleton Fire District is provided in Exhibit IV-1:

Exhibit IV-1.
DRAFT Impact Fee Comparison – Fire Fees

FOR DISCUSSION PURPOSES ONLY

	NACFR DRAFT	Eagle Fire DRAFT	Kuna Fire Adopted	Star Fire DRAFT	Middleton DRAFT	City of Meridian	City of Boise
Fire							
per Residential Unit	$ 647	$ 677	$ 701	$ 794	$ 819	$ 681	$ 526
per Non-Residential sf	$ 0.32	$ 0.29	$ 0.35	$ 0.38	$ 0.41	$ 0.35	$ 0.27

The calculated impact fee for NACFR is very close in range to the Eagle Fire District, which is contiguous to NACFR, and the City of Meridian's fee. It is lower than the calculated fees for the Kuna Rural Fire District, Star Fire District and Middleton Fire District. The calculated impact fee is higher than the average fire impact fee currently being charged by the City of Boise. This is generally because Boise Fire has created some capacity in their system of stations with which to provide service to new growth.

Parks impact fees are not assessed within the NACFR boundaries. Each of the comparison districts/cities also assesses parks impact fees. A comparison of the calculated Fire impact fee for NACFR and the combined fire and parks fees of these other jurisdictions is provided in Exhibit IV-2:

Exhibit IV-2.
DRAFT Impact Fee Comparison – Fire and Parks

FOR DISCUSSION PURPOSES ONLY

	NACFR DRAFT	Eagle Fire DRAFT	Kuna Fire Adopted	Star Fire DRAFT	Middleton DRAFT	City of Meridian	City of Boise
Fire							
per Residential Unit	$ 647	$ 677	$ 701	$ 794	$ 819	$ 681	$ 526
per Non-Residential sf	$ 0.32	$ 0.29	$ 0.35	$ 0.38	$ 0.41	$ 0.35	$ 0.27
Parks							
per residential unit	$ -	$ 1,333	$ 983	$ 2,050	$ 2,010	$ 1,081	$ 1,390
TOTAL							
per Residential Unit	$ 647	$ 2,010	$ 1,684	$ 2,844	$ 2,829	$ 1,762	$ 1,916
per Non-Residential sf	$ 0.32	$ 0.29	$ 0.35	$ 0.38	$ 0.41	$ 0.35	^ $ 0.27
	also ACHD fees	also ACHD fees	also ACHD fees	also ACHD fees		also Police and ACHD fees	also Police and ACHD fees

Because parks impact fees are not collected within the NACFR boundaries, the combined fire and parks fee for NACFR is significantly lower than in each of the comparison jurisdictions. The cities of Meridian, Nampa, Caldwell and Boise also collect Police fees. All of the cities within Ada County collect streets impact fees for the Ada County Highway District. The actual total impact fee a development will pay around the valley depends on the jurisdiction and the size of the development.

Some communities express concern that impact fees will stifle growth. Empirical data indicates impact fees are not a primary reason for a decision to build or not build in a particular area. Factors including the price of land and construction, market demand, the availability of skilled workers, access to major transportation modes, amenities for quality of life, etc. all weigh more heavily in decisions to construct new homes or businesses, as well for business relocation. Ultimately the impact fee, which is paid at the time of building permit, is passed along to the buyer in the purchase price or wrapped into a lease rate. Therefore, in a market with a high demand for development, an impact fee higher than other jurisdictions is unlikely to slow growth.

An impact fee program will enable the District to plan for growth without decreasing its service levels (response time), which can decrease buyer satisfaction and cause property insurance premiums to increase. It will also allow the District to collect a proportionate share of the cost of capital improvements from growth instead of funding all future capital through property taxes assessed to existing residents and businesses.

As the District Commission evaluates whether or not to adopt the Capital Improvement Plan and impact fee presented in this report, we also offer the following information regarding District participation in funding, and implementation recommendations for your consideration.

Implementation Recommendations

The following implementation recommendations should be considered:

Intergovernmental Agreements. NACFR is enabled under Idaho Code as a governmental entity to adopt impact fees. However, because impact fees are paid upon building permit, and the District does not participate in this process, it needs another governmental entity to collect these fees on its behalf. Idaho Code 67-8204(a) authorizes the District to enter into an intergovernmental agreement with a city or county which can collect fire fees on their behalf. In the case of this District, which includes one municipality and one county, two intergovernmental agreements for the collection of NACFR impact fees would have to be developed and adopted by the corresponding bodies.

Fire impact fees would be assessed on new developments by the appropriate building department and then distributed to the District on an agreed-upon schedule. It is customary for the District to pay a small administrative fee to the collecting entity for this service.

Although Ada County collects parks impact fees for the City of Boise and streets fees for the Ada County Highway District, it does not currently collect fire fees for any jurisdiction within its boundaries. No cities in Ada County currently collect fire impact fees for any fire district.

Pursuant to an ongoing effort to educate elected officials on the impacts of growth to various jurisdictions, fire chiefs around the valley have determined that the Ada County Commission and various municipalities may be prepared to consider collecting on the behalf of growth-related fire capital needs.

Capital Improvements Plan. Should the Advisory Committee recommend this study to the District Commission and should the Commission adopt the study, the District should also formally adopt this Capital Improvement Plan. While not subject to the procedures of the Local Land Use Planning Act (LLUPA), the adoption of the Capital Improvement Plan would comply with the Act's requirements of other governmental entities to adopt capital improvement plans into a Comprehensive Plan as part of the adoption of impact fees.

Impact Fee Ordinance. Following adoption of the Capital Improvement Plan, the Commission should review the proposed Impact Fee Ordinance for adoption via resolution as reviewed and recommended by the Advisory Committee and legal counsel.

Advisory Committee. The Advisory Committee is in a unique position to work with and advise Commission and District staff 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 zones under the assumption that some areas utilize more or less current and future capital improvements. The study team, however, does not recommend the District assess different fees by dividing the areas into zones. The capital improvements identified in this report inherently serve a system-wide function.

Specialized assessments. If permit applicants are concerned they would be paying more than their fair share of future infrastructure purchases, the applicant can request an individualized assessment to ensure they will only be paying their proportional share. The applicant would be required to prepare and pay for all costs related to such an assessment.

Donations. If the District receives donations for capital improvements listed on the CIP, they 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 District'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. This means that the District will either credit the donor or reimburse the donor for that portion of the impact fee.

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.[37] This prevents "double dipping" by the District.

The presumption would be that builders/developers owe the entirety of the impact fee amount until they make the District aware of the construction or contribution. If credit or reimbursement is due, the governmental entity must enter into an agreement with the fee payer that specifies the amount of the credit or the amount, time and form of reimbursement.[38]

Impact fee accounting. The District should maintain Impact Fee Funds 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 of the same category. General Funds should be reserved solely for the receipt of tax revenues, grants, user fees and associated interest earnings, and ongoing operational expenses including the repair and replacement of existing capital improvements not related to growth.

Spending policy. The District should establish and adhere to a policy governing their expenditure of monies from the Impact Fee Fund. The Fund should be prohibited from paying for any 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 or other sources of revenue listed in Idaho Code 67-8207(I)(iv), (2)(h) and Impact Fee Fund should be allowed on a pro rata basis.

Update procedures. The District is expected to grow rapidly over the 10-year span of the CIPs. Therefore, the fees calculated in this study should be updated annually as the District invests in additional infrastructure beyond what is listed in this report, and/or as the District'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. As described in Idaho Code 67-8205(3)(c)(d)(e), the Advisory Committee will play an important role in these updates and reviews.

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[37] *See* Section 67-8209(3), Idaho Code.

[38] *See* Section 67-8209(4), Idaho Code

FINAL REPORT – November 30, 2021

Kuna Rural Fire District Impact Fee Study and Capital Improvement Plan

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Section I. Introduction

This report regarding impact fees for the Kuna Rural Fire District is organized into the following sections:

- An overview of the report's background and objectives;
- A definition of impact fees and a discussion of their appropriate use;
- An overview of land use and demographics;
- A step-by-step calculation of impact fees under the Capital Improvement Plan (CIP) approach;
- A list of implementation recommendations; and
- A brief summary of conclusions.

Background and Objectives

The Kuna Rural Fire District hired Galena Consulting to calculate impact fees.

This document presents impact fees based on the District's demographic data and infrastructure costs before credit adjustment; calculates the District's monetary participation; examines the likely cash flow produced by the recommended fee amount; and outlines specific fee implementation recommendations. Credits can be granted on a case-by-case basis; these credits are assessed when each individual building permit is pulled.

Definition of Impact Fees

Impact fees are one-time assessments established by local governments to assist with the provision of Capital Improvements necessitated by 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). 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."[1]

Purpose of impact fees. The Impact Fee Act includes 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."[2]

Idaho fee restrictions and requirements. The Impact Fee Act places numerous restrictions on the calculation and use of impact fees, all of which help ensure that local governments adopt impact fees that are consistent with federal law.[3] Some of those restrictions include:

- Impact fees shall not be used for any purpose other than to defray system improvement costs incurred to provide additional public facilities to serve new growth;[4]

- Impact fees must be expended within 8 years from the date they are collected. Fees may be held in certain circumstances beyond the 8-year time limit if the governmental entity can provide reasonable cause;[5]

- Impact fees must not exceed the proportionate share of the cost of capital improvements needed to serve new growth and development;[6]

- Impact fees must be maintained in one or more interest-bearing accounts within the capital projects fund.[7]

In addition, the Impact Fee Act requires the following:

- Establishment of and consultation with a development impact fee advisory committee (Advisory Committee);[8]

- Identification of all existing public facilities;

- Determination of a standardized measure (or service unit) of consumption of public facilities;

- Identification of the current level of service that existing public facilities provide;

- Identification of the deficiencies in the existing public facilities;

- Forecast of residential and nonresidential growth;[9]

- Identification of the growth-related portion of the District's Capital Improvement Plan;[10]

- Analysis of cash flow stemming from impact fees and other capital improvement funding sources;[11]

- Implementation of recommendations such as impact fee credits, how impact fee revenues should be accounted for, and how the impact fees should be updated over time;[12]

- Preparation and adoption of a Capital Improvement Plan pursuant to state law and public hearings regarding the same;[13] and

- Preparation and adoption of a resolution authorizing impact fees pursuant to state law and public hearings regarding the same.[14]

How should fees be calculated? State law requires the District to implement the Capital Improvement Plan methodology to calculate impact fees. The District can implement fees of any amount not to exceed the fees as calculated by the CIP approach. This methodology requires the District to describe its service areas, forecast the land uses, densities and population that are expected to occur in those service areas over the 10-year CIP time horizon, and identify the capital improvements that will be needed to serve the forecasted growth at the planned levels of service, assuming the planned levels of service do not exceed the current levels of service.[15] Only those items identified as growth-related on the CIP are eligible to be funded by impact fees.

The governmental entity intending to adopt an impact fee must first prepare a capital improvements plan.[17] 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 principal 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."[19] Practically, this concept requires the District 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 development being charged the impact fee; do not exceed the cost of such improvements; and are "earmarked" to fund growth-related capital improvements 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 should 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 the District to growth-related system improvements; and
- All other available sources of funding such system improvements.[20]

Through data analysis and interviews with the District and Galena Consulting identified the share of each capital improvement 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 the appropriate growth projections from 2021 to 2031. This is consistent with the Impact Fee Act.[21] 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.

Other fee calculation considerations. The basic CIP methodology used in the fee calculations is presented above. However, implementing this methodology requires a number of decisions. The considerations accounted for in the fee calculations include the following:

- Allocation of costs is made using a service unit which is "a standard measure of consumption, use, generation or discharge attributable to an individual unit[22] of development calculated in accordance with generally accepted engineering or planning standards for a particular category of capital improvement."[23] The service units chosen by the study team for every fee calculation in this study are linked directly to residential dwelling units and nonresidential development square feet.[24]

- A second consideration involves refinement of cost allocations to different land uses. According to Idaho Code, the CIP must include a "conversion table establishing the ratio of a service unit to various types of land uses, including residential, commercial, agricultural and industrial."[25] In this analysis, the study team has chosen to use the highest level of detail supportable by available data and, as a result, in this study, the fee is allocated between aggregated residential (i.e., all forms of residential housing) and nonresidential development by land use type (retail, office and industrial).

Current Assets and Capital Improvement Plans

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."[26] The impact fee study team recommends a 10-year time period based on the District's best available capital planning data.

The types of costs eligible for inclusion in this calculation include any land purchases, construction of new facilities and expansion of existing facilities to serve growth over the next 10 years at planned and/or adopted service levels.[27] Equipment and vehicles with a useful life of 10 years or more are also impact fee eligible under the Impact Fee Act.[28] The total cost of improvements over the 10 years is referred to as the "CIP Value" throughout this report. The cost of this impact fee study is also impact fee eligible for all impact fee categories.

The forward-looking 10-year CIP for the District includes some facilities that are only partially necessitated by growth (e.g., facility expansion). The study team met with the District to determine a defensible metric for including a portion of these facilities in the impact fee calculations. A general methodology used to determine this metric is discussed below. In some cases, a more specific metric was used to identify the growth-related portion of such improvements. In these cases, notations were made in the applicable section.

Fee Calculation

In accordance with the CIP approach described above, we calculated the impact fee for the District by answering the following seven questions:

1. **Who is currently served by the District?** This includes the number of residents as well as residential and nonresidential land uses.

2. **What is the current level of service provided by the District?** Since an important purpose of impact fees is to help the District *achieve* its planned level of service[29], it is necessary to know the levels of service it is currently providing to the community.

3. **What current assets allow the District to provide this level of service?** This provides a current inventory of assets used by the District, such as facilities, land and equipment. In addition, each asset's replacement value was calculated and summed to determine the total value of the District's current assets.

4. **What is the current investment per residential and nonresidential land use?** In other words, how much of the District's current assets' total value is needed to serve current residential households and nonresidential square feet?

5. **What future growth is expected in the District?** How many new residential households and nonresidential square footage will the District serve over the CIP period?

6. **What new infrastructure is required to serve future growth?** For example, how many stations will be needed by the Kuna Rural Fire District within the next ten years to achieve the planned level of service of the District?[30]

7. **What impact fee is required to pay for the new infrastructure?** We calculated an apportionment of new infrastructure costs to future residential and nonresidential land- uses for the District. Then, using this distribution, the impact fees were determined.

Addressing these seven questions, in order, provides the most effective and logical way to calculate impact fees for the District**.** In addition, these seven steps satisfy and follow the regulations set forth earlier in this section.

"GRUM" Analysis

In the District, not all capital costs are associated with growth. Some capital costs are for repair and replacement of facilities e.g., standard periodic investment in existing facilities such as roofing. These costs *are not* impact fee eligible. Some capital costs are for betterment of facilities, or implementation of new services (e.g., development of an expanded training facility). These costs *are generally not entirely* impact fee eligible. Some costs are for expansion of facilities to accommodate new development at the current level of service (e.g., purchase of new fire station to accommodate expanding population). These costs *are* impact fee eligible.

Because there are different reasons why the District invests in capital projects, the study team conducted a "GRUM" analysis on all projects listed in each CIP:

- **Growth.** The “G” in GRUM stands for growth. To determine if a project is solely related to growth, we ask “Is this project designed to maintain the current level of service as growth occurs?” and “Would the District still need this capital project if it weren’t growing at all?” “G” projects are only necessary to maintain the District’s current level of service as growth occurs. It is thus appropriate to include 100 percent of their cost in the impact fee calculations.

- **Repair & Replacement.** The “R” in GRUM stands for repair and replacement. We ask, “Is this project related only to fixing existing infrastructure?” and “Would the District still need it if it weren’t growing at all?” “R” projects have nothing to do with growth. It is thus not appropriate to include any of their cost in the impact fee calculations.

- **Upgrade.** The “U” in GRUM stands for upgrade. We ask, “Would this project improve the District’s current level of service?” and “Would the District still do it even if it weren’t growing at all?” “U” projects have nothing to do with growth. It is thus not appropriate to include any of their cost in the impact fee calculations.

- **Mixed.** The “M” in GRUM stands for mixed. It is reserved for capital projects that have some combination of G, R and U. “M” projects by their very definition are partially necessitated by growth, but also include an element of repair, replacement and/or upgrade. In this instance, a cost amount between 0 and 100 percent should be included in the fee calculations. Although the need for these projects is triggered by new development, they will also benefit existing residents.

Projects that are 100 percent growth-related were determined by our study to be necessitated solely by growth. Alternatively, some projects are determined to be “mixed,” with some aspects of growth and others aspects of repair and replacement. In these situations, only a portion of the total cost of each project is included in the final impact fee calculation.

It should be understood that growth is expected to pay only the portion of the cost of capital improvements that are growth-related. The District will need to plan to fund the pro rata 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. These values will be calculated and discussed in Section IV of this report.

Exhibits found in Section III of this report detail all capital improvements planned for purchase over the next ten years by the District.

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[1] *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 fire, emergency medical and rescue facilities. *See* Sections 67-8203(3), (24) and (28), Idaho Code.

[2] *See* Section 67-8202, Idaho Code.

[3] As explained further in this study, 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. *See Banbury Development Corp. v. South Jordan*, 631 P.2d 899 (1981); *Dollan v. District of Tigard*, 512 U.S. 374 (1994).

[4]

See Sections 67-8202(4) and 67-8203(29), Idaho Code.

[5] *See* Section 67-8210(4), Idaho Code.

[6] *See* Sections 67-8204(1) and 67-8207, Idaho Code.

[7] *See* Section 67-8210(1), Idaho Code

[8] *See* Section 67-8205, Idaho Code.

[9] *See* Section 67-8206(2), Idaho Code.

[10] *See* Section 67-8208, Idaho Code.

[11] *See* Section 67-8207, Idaho Code.

[12] *See* Sections 67-8209 and 67-8210, Idaho Code.

[13] *See* Section 67-8208, Idaho Code.

[14] *See* Sections 67-8204 and 67-8206, Idaho Code.

[15] As a comparison and benchmark for the impact fees calculated under the Capital Improvement Plan approach, Galena Consulting also calculated the District's current level of service by quantifying the District's current investment in capital improvements, 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.

[17] *See* Section 67-8208, Idaho Code.

[19] *See* Section 67-8203(23), Idaho Code.

[20] *See* Section 67-8207, Idaho Code.

[21] 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 attributable to new development (in order 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.

[22] *See* Section 67-8203(27), Idaho Code.

[23] *See* Section 67-8203(27), Idaho Code.

[24] The construction of detached garages alongside residential units does not typically trigger the payment of additional impact fees unless that structure will be the site of a home-based business with significant outside employment.

[25] *See* Section 67-8208(1)(e), Idaho Code.

[26] *See* Section 67-8208(1)(h).

[27] This assumes the planned levels of service do not exceed the current levels of service.

[28] 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.

[29] This assumes that the planned level of service does not exceed the current level of service.

[30] This assumes the planned level of service does not exceed the current level of service.

Section II.
Land Uses

As noted in Section I, it is necessary to allocate capital improvement plan (CIP) costs to both residential and nonresidential development when calculating impact fees. The study team performed this allocation based on the number of projected new households and nonresidential square footage projected to be added from 2021 through 2031 for the District. These projections were based on the most recent growth estimates from COMPASS, building permit history from the City of Kuna, regional real estate market reports, interviews with developers and recommendations from District Staff and the Impact Fee Advisory Committee.

Demographic and land-use projections are some of the most variable and potentially debatable components of an impact fee study, and in all likelihood the projections used in our study will not prove to be 100 percent correct. The purpose of the Advisory Committee's annual review is to account for these inconsistencies. As each CIP is tied to the District's land use growth, the CIP and resulting fees can be revised based on actual growth as it occurs.

The District serves the population of the City of Kuna, as well as portions of unincorporated Ada and Canyon Counties.

The following Exhibit II-1 presents the current and estimated future population for the District.

Exhibit II-1.
Current and Future Population within the boundaries of the Kuna Rural Fire District

	2021	2031	Net Increase	Percent Increase
Population	33,390	58,235	24,845	74%

The District currently has approximately 33,390 persons residing within its service boundary. Current and future population estimates were derived by isolating the population within each Transportation Analysis Zone (TAZ) within the District's boundaries according to current COMPASS and Census data. This data was compared to current population estimates from the City of Kuna, which is within the Fire District boundaries.

Over the next ten years, COMPASS models indicate the District to grow by approximately 24,845 people, or at an average annual growth rate of 7.4 percent.

Based on this population, the following Exhibit II-2 presents the current and future number of residential units and nonresidential square feet for the District.

Exhibit II-2.
Current and Future Land Uses, Kuna Rural Fire District

	2021	2031	Net Growth	Net Increase in Square Feet	Percent of Total Growth
Population	33,390	58,235	24,845		
Residential (in units)	10,434	18,199	7,764	19,410,546	93.38%
Nonresidential (in square feet)	444,079	1,819,859	1,375,780	1,375,780	6.62%
Retail	277,188	727,944	450,756	450,756	2.17%
Office	96,661	727,944	631,283	631,283	3.04%
Industrial	70,230	363,972	293,742	293,742	1.41%
Total				20,786,326	100%

As shown above, the Kuna Rural Fire District is expected to grow by approximately 7,764 residential units and 1.37 million nonresidential square feet over the next ten years. 93.38% of the total increase in square feet is attributable to residential land uses, while the remaining 6.62% is attributable to nonresidential growth. Of the non-residential growth, 3.04% is attributable to growth in office uses, 2.17% is attributable to growth in retail development and the remaining 1.4% is attributable to industrial development. These growth projections will be used in the following sections to calculate the appropriate impact fees for the District.

Non-residential development (office, retail and industrial) can be difficult to predict. Generally, “retail follows rooftops” but it is unclear how quickly this development will occur over the next ten years. Kuna is primarily a residential community and has only 42 square feet of non-residential development per current household, compared to 232 square feet per household in the City of Eagle. In this study we have estimated the total number of square feet per household increasing from 42 to 100 square feet over 10 years of residential development. Based on the absorption of non-residential land uses in other similar cities in Ada County, the majority of this development will be retail and office uses.

Section III.
Impact Fee Calculation

In this section, we calculate impact fees for the Kuna Rural Fire District according to the seven - question method outlined in Section I of this report.

1. **Who is currently served by the Kuna Rural Fire District?**

As shown in Exhibit II-2, the District currently serves 10,434 residential units and approximately 444,079 square feet of nonresidential land use.

2. **What is the current level of service provided by the Kuna Rural Fire District?**

The Kuna Rural Fire District provides a level of service of a 90 percent fractile response time of between 4 minutes (in the urban area) to 6 minutes (in the rural portions of the District). As the population of the District grows, additional infrastructure and equipment will be needed to sustain this level of service.

3. **What current assets allow the Kuna Rural Fire District to provide this level of service?**

The following Exhibit III-1 displays the current assets of the Kuna Rural Fire District.

Exhibit III-1.
Current Assets – Kuna Rural Fire District

Type of Capital Asset	Replacement Value
Facilities	
Station #1	$ 6,500,000
Station #2 Land	$ 500,000
Apparatus/Vehicles	
2015 Pierce Engine	$ 800,000
1993 Pierce Engine	$ 800,000
Water Tender	$ 300,000
2001 Brush Truck	$ 400,000
2003 Brush Truck	$ 400,000
2011 Ford 150	$ 45,000
2012 Ford Explorer	$ 45,000
2018 GMC 1500 Pickup	$ 60,000
Equipment	
22 SCBAs	$ 255,000
SCBA Compressor and Charging Station	$ 80,000
Thermal Imager	$ 7,500
Extrication Equipment	$ 86,541
Cardiac Monitors and AEDs	$ 106,119
Radios	$ 145,000
6 MDTs	$ 30,720
Total Assets	$ 10,560,880
Plus Cost of Fee-Related Research	
Impact Fee Study	$ 8,000
Plus Current Fund Balance	$ 2,139,480
Grand Total	**$ 12,708,360**

As shown above, the District currently owns approximately $12.7 million of eligible current assets. These assets are used to provide the District's current level of service.

4. **What is the current investment per residential unit and nonresidential square foot?**

The Kuna Rural Fire District has already invested $991 per residential unit and $.99 per non-residential square foot into the capital necessary to provide the current level of service. This figure is derived by allocating the value of the District's current assets between the current number of residential units and nonresidential square feet.

We will compare our final impact fee calculations with these figures to determine if the two results will be similar; this represents a "check" to see if future District residents will be paying for infrastructure at a level commensurate with what existing District residents have invested in infrastructure. Geographical spread of new development may require an impact fee higher than the current investment per unit because increased response distances warrant more stations than currently exist per unit.

5. **What future growth is expected in the Kuna Rural Fire District?**

As shown in Exhibit II-2, the Kuna Rural Fire District is expected to grow by approximately 7,764 residential units and 1.4 million square feet of nonresidential land use over the next ten years.

6. **What new infrastructure is required to serve future growth?**

The following Exhibit III-2 displays the capital improvements planned for purchase by the Kuna Rural Fire District over the next ten years.

Exhibit III-2.
Kuna Rural Fire District CIP 2021 to 2030

Type of Capital Infrastructure	CIP Value	*times*	Growth Portion	*equals*	Amount to Include in Fees	Amount from Other Sources
Facilities						
Remodel and Expand Station #1	$ 2,000,000		50%		$ 1,000,000	$ 1,000,000
Logistics Building	$ 80,000		50%		$ 40,000	$ 40,000
Station #2 for Growth - have land	$ 6,000,000		100%		$ 6,000,000	$ -
Station #3 for Growth - includes land acquisition	$ 6,525,000		100%		$ 6,525,000	$ -
Vehicles						
Ladder Truck	$ 1,000,000		100%		$ 1,000,000	$ -
Engine for Station #2	$ 800,000		100%		$ 800,000	$ -
Engine for Station #3	$ 800,000		100%		$ 800,000	$ -
Command Vehicle for Growth	$ 70,000		100%		$ 70,000	$ -
Brush Truck for Growth	$ 340,000		100%		$ 340,000	$ -
Utility Side-By-Side Rescue for Growth	$ 55,000		100%		$ 55,000	$ -
Squad Vehicle	$ 250,000		100%		$ 250,000	$ -
Replace 2 Command Vehicles	$ 110,000		0%		$ -	$ 110,000
Replace 1 Engine	$ 300,000		0%		$ -	$ 300,000
Replace 2 Brush Trucks	$ 800,000		0%		$ -	$ 800,000
Equipment						
SCBAs - for new staffing	$ 72,000		100%		$ 72,000	$ -
SCBAs - scheduled replacement	$ 184,300		0%		$ -	$ 184,300
Air Filling Compressor Replacement	$ 80,000		0%		$ -	$ 80,000
Cardiac Monitors for Growth	$ 30,000		100%		$ 30,000	$ -
Cardiac Monitors - scheduled replacement	$ 138,000		0%		$ -	$ 138,000
Radios for Growth	$ 50,000		100%		$ 50,000	$ -
Radio Replacement	$ 145,000		0%		$ -	$ 145,000
Replacement of Turnouts/Wildland Gear	$ 230,846		0%		$ -	$ 230,846
Total Infrastructure	$20,060,146				$ 17,032,000	**$ 3,028,146**
Plus Cost of Fee-Related Research						
Impact Fee Study	$ 10,000		100%		$ 10,000	
Minus Current Fund Balance	$ 2,139,480				$ 2,139,480	
Grand Total	**$17,930,666**				**$ 14,902,520**	

As shown above, the District plans to purchase approximately $20 million in capital improvements over the next ten years, $17 million of which is impact fee eligible. Of this $17 million, over $2 million is currently in fund balance which brings the amount to be funded from growth in the next ten years to approximately $15 million.

These new assets will allow the District to continue its current level of service in the future. Assuming current housing and development trends continue at projected rates the purchase of the ladder truck, the expansion of Station #1 and the construction of the Logistics facility are estimated to occur in 2025. Construction of Station #2 and purchase of an additional engine is planned for 2026. Construction of Station #3 and purchase of an additional engine is planned for 2030. The acquisition of other pieces of apparatus will depend on cash flow from impact fee revenues.

The remaining $3 million is the price for the District to replace existing apparatus, vehicles and other equipment; and for the non-growth-related portion of the expansion of Station #1 and the Logistics facility. Replacement of existing capital and non-growth-related capital are not eligible for inclusion in the impact fee calculations. The District will therefore have to use other sources of revenue including all of those listed in Idaho Code 67- 8207(iv)(2)(h). The District has identified property tax revenue as the source for funding non-growth-related capital improvements. This revenue will fund the non-growth-related portion of the expansion of Station #1 and the Logistics facility in 2025. The District will replace its non-growth-related apparatus and equipment as they reach their industry life span throughout the 10-year period.

7. **What impact fee is required to pay for the new capital improvements?**

The demand for fire and emergency medical services from the projected amount of growth is best determined using calls for service data. The land use with the highest percentage of calls for service per land use units should bear a larger "share" of the cost of the capital infrastructure needed to support growth. As shown in Exhibit III-3, below, each land use type creates a different level of demand for service, which must be converted into units that can be compared to one residential dwelling unit.

Exhibit III-3.
Equivalent Dwelling Units (EDUs), Kuna Rural Fire District

Land Use	Unit of Measure	Existing Units	Average Annual CFS	Structure Calls/ Unit	Fire EDUs/ Unit	2021 Total EDUs		2031 Units	Fire EDUs/ Unit	2031 Total EDUs		Fire Net EDU Increase
Total Residential Units	Dwelling Unit	10,434	1,151	0.11	1.00	10,434	81%	18,199	1.00	18,199	66%	7,764
Non-Residential												
Industrial	1,000 sq. ft.	70	30	0.43	3.87	272	2%	364	3.87	1,409	5%	1,138
Retail	1,000 sq. ft.	277	176	0.63	5.74	1,591	12%	728	5.74	4,178	15%	2,587
Office	1,000 sq. ft.	97	59	0.61	5.49	530	4%	728	5.49	3,994	14%	3,464
		444	264			2,393	19%	1,820		9,582	34%	7,188

Source: 2019-2021 Calls for Service for Structure Fires, Kuna Rural Fire
Note: The District does not currently have the data necessary to split out single vs. multi-family residential units, or to assess the proportional demand for medical calls.

Residential dwelling units and Industrial, Retail and Office development per 1,000 square feet were divided by the 2020 number of calls for service to determine the proportional calls per unit (dwelling or 1,000 square feet of non-residential use). To be able to determine the proportional split between a dwelling unit and a non-residential square foot, the Industrial, Retail and Office/Institutional land uses were converted to equivalent dwelling units (EDUs) and multiplied by the number of units of each land use in 2021. This determined that 81% of the demand for fire services comes from residential uses, while 19% comes from non-residential uses. Moreover, this data also demonstrates that residential and office/institutional land uses create the largest demand for fire services among non-residential uses.

This process was repeated for the projected number of dwelling units and Industrial, Retail and Office/Institutional square feet in 2031 to determine the net EDU increase over the next ten years. This information will be used in the calculation of the impact fee.

The following Exhibit III-4 takes the projected future growth from Exhibits II-2 and the growth-related CIP from Exhibit III-2 to calculate impact fees for the Kuna Rural Fire District.

Exhibit III-4.
DRAFT Impact Fee Calculation, Kuna Rural Fire District

Impact Fee Calculation		
Amount to Include in Fee Calculation	$	14,902,520
Distribution of Future Calls for Service		
Residential		93%
Nonresidential		7%
Future Assets by Land Use		
Residential	$	13,916,170
Nonresidential	$	986,350
Future Growth		
Residential unit increase		7,764
Industrial EDU Increase		1,138
Retail EDU Increase		2,587
Office EDU Increase		3,464
Impact Fee per Unit		
Residential (per dwelling)	$	1,792
Industrial (per 1,000 sf)	$	531
Retail (per 1,000 sf)	$	788
Office (per 1,000 sf)	$	753

As shown above, we have calculated impact fees for the Kuna Rural Fire District at $1,792 per residential unit, $531 per 1,000 square feet for Industrial development, $788 per 1,000 square feet for retail development, and $753 per 1,000 square feet per office and institutional development.

In comparison, as indicated in question #4 above, property taxpayers within the District have already invested $991 per residential unit and $0.99 per 1,000 nonresidential square feet in the capital inventory necessary to provide today's level of service. The calculated impact fee is higher than the current investment as non-contiguous growth within the District will require two additional stations to continue the current level of service (measured in response time) as the District increases in population by 75%. If growth in the District was estimated to be more densely located in one geographic area, it is likely that only one new station would be needed in the next ten years.

The District cannot assess fees greater than the amounts shown above. The District may assess fees lower than these amounts, but would then experience a decline in service levels unless the District used other revenues to make up the difference.

Because not all the capital improvements listed in the CIP are 100 percent growth-related, the District would assume the responsibility of paying for those portions of the capital improvements that are not attributable to new growth. These payments would come from other sources of revenue including all of those listed in Idaho Code 67-8207(iv)(2)(h). The District has identified property tax revenue as the source for funding non-growth-related capital improvements.

To arrive at this participation amount, the expected impact fee revenue needs to be subtracted from the total CIP value. Exhibit III-5 divides the District's participation amount into two categories: the portion of purely non-growth-related improvements, and the portion of growth-related improvements that are attributable to repair, replacement, or upgrade, but are not impact fee eligible.

It should be noted that the participation amount associated with purely non-growth improvements is discretionary. The District can choose not to fund these capital improvements (although this could result in a decrease in the level of service if the deferred repairs or replacements were urgent). However, the non-growth-related portion of improvements that are impact fee eligible *must* be funded in order to maintain the integrity of the impact fee program.

Exhibit III-5.
Kuna Rural Fire District Participation Summary, 2021-2030

	Required	Discretionary	Total
Fire	$ 1,040,000	$ 1,988,146	$ 3,028,146

The total amount the District would be *required* to contribute over 10 years, should the District adopt fees at the calculated amount, is $1,040,000 for the non-growth portion of the expansion to Station #1 and the non-growth portion of the Logistics building.

The District could also choose to fund the discretionary infrastructure of $1.98 million for apparatus and equipment replacement. While District has the option to fund these capital improvements over the 10-year period, these payments are not required.

The District has identified property tax revenue as the source for funding non-growth-related capital improvements.

Section IV.
Fee Analysis and Administrative Recommendations

A comparison of the calculated Fire impact fee to similar fees to that being assessed by fire departments and fire districts within Southwest Idaho is shown in Exhibit IV-1:

Exhibit IV-1.
DRAFT Impact Fee Comparison - Fire

	City of Kuna/ Kuna Fire District **DRAFT**	City of Nampa/ Nampa Fire District **DRAFT**	City of Boise **DRAFT**	City of Meridian adopted 2019	City of Caldwell/ Caldwell Fire District adopted 2020	City of Eagle/ Eagle Fire District adopted 2020	City of Star/ Star Fire District adopted 2019	City of Middleton/ Middleton Fire District adopted 2019	Twin Falls/ Twin Falls Fire District adopted 2021	City of Emmett adopted 2021	Gem County/ Gem Fire District adopted 2021	City of Mountain Home **DRAFT**
Fire/Fire District												
per Residential Unit	$ 1,792	$ 1,567	$ 2,119	$ 693	$ 649	$ 897	$ 829	$ 849	$ 657	$ 1,555	$ 1,407	$ 1,338
per Non-Residential sf		$ 0.63			$ 0.32	$ 0.36	$ 0.39	$ 0.42	$ 0.33	$ 0.83	$ 0.56	$ 0.74
Retail	$ 0.79		$ 1.76	$ 0.64								
Office	$ 0.75		$ 0.70	$ 0.41								
Industrial	$ 0.53		$ 0.96	$ 0.41								

As cities and fire districts are updating their fire impact fees in 2021, these fees are increasing due to the dramatic increase in construction costs over the past 5 years. The cities of Meridian and Caldwell and the Eagle, Star and Middleton Fire Districts will likely be updating their fire impact fees within the next 1-2 years to account for these cost increases. As their current fees are in line with Kuna's previous fees, it is anticipated that their impact fees will likely double when updated as well.

Some communities express concern that impact fees will stifle growth. Empirical data indicates this is not the case. Factors including the price of land and construction, market demand, the availability of skilled workers, access to major transportation modes, amenities for quality of life, etc. all weigh more heavily in decisions to construct new homes or businesses, as well for business relocation. Ultimately the impact fee, which is paid at the time of building permit, is passed along to the buyer in the purchase price or wrapped into a lease rate. Therefore, in a market with a high demand for development, an impact fee higher than other jurisdictions is unlikely to slow growth.

On the positive side, an impact fee program will enable the District to plan for growth without decreasing its service levels (response time), which can decrease buyer satisfaction and cause property insurance premiums to increase. It will also allow the District to collect a proportionate share of the cost of capital improvements from growth instead of funding all future capital through property taxes assessed to existing residents and businesses.

At the recommendation of the Development Impact Fee Advisory Committee, the Commission may wish to incorporate into its enacting resolution means for a development to seek an exemption from impact fees when it can be proven that this development will contribute significant benefits to the taxpayers of the District, such as the development of affordable housing. This issue is discussed in more detail in the following section.

Implementation Recommendations

The following implementation recommendations should be considered:

Intergovernmental Agreements. The Kuna Rural Fire District is enabled under Idaho Code as a governmental entity to adopt impact fees. However, because impact fees are paid upon building permit, and the District does not participate in this process, and because fire districts do not have the authority to adopt fees via ordinance, the Kuna Rural Fire District must rely on Ada and Canyon Counties, and the City of Kuna to collect these fees on its behalf. Idaho Code 67-8204(a) authorizes the District to enter into an intergovernmental agreement with a city or county which can collect fire fees and distribute the revenue to the District.

In 2019, the City of Kuna and Ada County entered into intergovernmental agreements with the Kuna Rural Fire District to collect impact fees on their behalf. In 2020, Canyon County entered a similar agreement.

Capital Improvements Plan. The District should formally adopt this Capital Improvement Plan. While not subject to the procedures of the Local Land Use Planning Act (LLUPA), the adoption of the Capital Improvement Plan would comply with the Act's requirements of other governmental entities to adopt capital improvement plans into a Comprehensive Plan as part of the adoption of impact fees. Any city or county adopting and collecting fire impact fees for the Kuna Rural Fire District must formally adopt the Capital Improvement Plan as an amendment to their current Comprehensive Plan concurrent to a public hearing.

Impact Fee Ordinance. Following adoption of the Capital Improvement Plan, each city and county collecting fees on the District's behalf must adopt the impact fees by ordinance after a public hearing on said fees.

Advisory Committee. The Advisory Committee is in a unique position to work with and advise Commission and District staff 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 zones under the assumption that some areas utilize more or less current and future capital improvements. The study team, however, does not recommend the District assess different fees by dividing the areas into zones. The capital improvements identified in this report inherently serve a system-wide function.

Specialized assessments. If permit applicants are concerned they would be paying more than their fair share of future infrastructure purchases, the applicant can request an individualized assessment to ensure they will only be paying their proportional share. The applicant would be required to prepare and pay for all costs related to such an assessment.

Donations. If the District receives donations for capital improvements listed on the CIP, they 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 District'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. This means that the District will either credit the donor or reimburse the donor for that portion of the impact fee.

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.[37] This prevents "double dipping" by the District.

The presumption would be that builders/developers owe the entirety of the impact fee amount until they make the District aware of the construction or contribution. If credit or reimbursement is due, the governmental entity must enter into an agreement with the fee payer that specifies the amount of the credit or the amount, time and form of reimbursement.[38]

Impact fee accounting. The District should maintain Impact Fee Funds 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 of the same category. General Funds should be reserved solely for the receipt of tax revenues, grants, user fees and associated interest earnings, and ongoing operational expenses including the repair and replacement of existing capital improvements not related to growth. Specific accounting protocol should be included in the District's Policy Code.

Spending policy. The District should establish and adhere to a policy governing their expenditure of monies from the Impact Fee Fund. The Fund should be prohibited from paying for any 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 or other sources of revenue listed in Idaho Code 67-8207(I)(iv), (2)(h) and Impact Fee Fund should be allowed on a pro rata basis.

Update procedures. The District is expected to grow rapidly over the 10-year span of the CIPs. Therefore, the fees calculated in this study should be updated annually as the District invests in additional infrastructure beyond what is listed in this report, and/or as the District'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. As described in Idaho Code 67-8205(3)(c)(d)(e), the Advisory Committee will play an important role in these updates and reviews.

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[37] *See* Section 67-8209(3), Idaho Code.

[38] *See* Section 67-8209(4), Idaho Code

FINAL REPORT

June 30, 2018

Star Fire Protection District Idaho Impact Fee Study and Capital Improvement Plan

Prepared for

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Section I. Introduction

This report regarding impact fees for the Star Fire Protection District is organized into the following sections:

- An overview of the report's background and objectives;
- A definition of impact fees and a discussion of their appropriate use;
- An overview of land use and demographics;
- A step-by-step calculation of impact fees under the Capital Improvement Plan (CIP) approach;
- A list of implementation recommendations; and
- A brief summary of conclusions.

Background and Objectives

The Star Fire Protection District hired Galena Consulting to calculate impact fees.

This document presents impact fees based on the District's demographic data and infrastructure costs before credit adjustment; calculates the District's monetary participation; examines the likely cash flow produced by the recommended fee amount; and outlines specific fee implementation recommendations. Credits can be granted on a case-by-case basis; these credits are assessed when each individual building permit is pulled.

Definition of Impact Fees

Impact fees are one-time assessments established by local governments to assist with the provision of Capital Improvements necessitated by 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). 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."[1]

Purpose of impact fees. The Impact Fee Act includes 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."[2]

Idaho fee restrictions and requirements. The Impact Fee Act places numerous restrictions on the calculation and use of impact fees, all of which help ensure that local governments adopt impact fees that are consistent with federal law.[3] Some of those restrictions include:

- Impact fees shall not be used for any purpose other than to defray system improvement costs incurred to provide additional public facilities to serve new growth;[4]

- Impact fees must be expended within 8 years from the date they are collected. Fees may be held in certain circumstances beyond the 8-year time limit if the governmental entity can provide reasonable cause;[5]

- Impact fees must not exceed the proportionate share of the cost of capital improvements needed to serve new growth and development;[6]

- Impact fees must be maintained in one or more interest-bearing accounts within the capital projects fund.[7]

In addition, the Impact Fee Act requires the following:

- Establishment of and consultation with a development impact fee advisory committee (Advisory Committee);[8]

- Identification of all existing public facilities;

- Determination of a standardized measure (or service unit) of consumption of public facilities;

- Identification of the current level of service that existing public facilities provide;

- Identification of the deficiencies in the existing public facilities;

- Forecast of residential and nonresidential growth;[9]

- Identification of the growth-related portion of the District's Capital Improvement Plan;[10]

- Analysis of cash flow stemming from impact fees and other capital improvement funding sources;[11]

- Implementation of recommendations such as impact fee credits, how impact fee revenues should be accounted for, and how the impact fees should be updated over time;[12]

- Preparation and adoption of a Capital Improvement Plan pursuant to state law and public hearings regarding the same;[13] and

- Preparation and adoption of a resolution authorizing impact fees pursuant to state law and public hearings regarding the same.[14]

How should fees be calculated? State law requires the District to implement the Capital Improvement Plan methodology to calculate impact fees. The District can implement fees of any amount not to exceed the fees as calculated by the CIP approach. This methodology requires the District to describe its service areas, forecast the land uses, densities and population that are expected to occur in those service areas over the 10-year CIP time horizon, and identify the capital improvements that will be needed to serve the forecasted growth at the planned levels of service, assuming the planned levels of service do not exceed the current levels of service.[15] Only those items identified as growth-related on the CIP are eligible to be funded by impact fees.

The governmental entity intending to adopt an impact fee must first prepare a capital improvements plan.[17] 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 principal 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."[19] Practically, this concept requires the District 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 development being charged the impact fee; do not exceed the cost of such improvements; and are "earmarked" to fund growth-related capital improvements 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 should 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 the District to growth-related system improvements; and
- All other available sources of funding such system improvements.[20]

Through data analysis and interviews with the District and Galena Consulting identified the share of each capital improvement 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 the appropriate growth projections from 2017 to 2026. This is consistent with the Impact Fee Act.[21] 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.

Other fee calculation considerations. The basic CIP methodology used in the fee calculations is presented above. However, implementing this methodology requires a number of decisions. The considerations accounted for in the fee calculations include the following:

- Allocation of costs is made using a service unit which is "a standard measure of consumption, use, generation or discharge attributable to an individual unit[22] of development calculated in accordance with generally accepted engineering or planning standards for a particular category of capital improvement."[23] The service units chosen by the study team for every fee calculation in this study are linked directly to residential dwelling units and nonresidential development square feet.[24]

- A second consideration involves refinement of cost allocations to different land uses. According to Idaho Code, the CIP must include a "conversion table establishing the ratio of a service unit to various types of land uses, including residential, commercial, agricultural and industrial."[25] In this analysis, the study team has chosen to use the highest level of detail supportable by available data and, as a result, in this study, the fee is allocated between aggregated residential (i.e., all forms of residential housing) and nonresidential development (all nonresidential uses including retail, office, agricultural and industrial).

Current Assets and Capital Improvement Plans

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."[26] The impact fee study team recommends a 10-year time period based on the District's best available capital planning data.

The types of costs eligible for inclusion in this calculation include any land purchases, construction of new facilities and expansion of existing facilities to serve growth over the next 10 years at planned and/or adopted service levels.[27] Equipment and vehicles with a useful life of 10 years or more are also impact fee eligible under the Impact Fee Act.[28] The total cost of improvements over the 10 years is referred to as the "CIP Value" throughout this report. The cost of this impact fee study is also impact fee eligible for all impact fee categories.

The forward-looking 10-year CIP for the District includes some facilities that are only partially necessitated by growth (e.g., facility expansion). The study team met with the District to determine a defensible metric for including a portion of these facilities in the impact fee calculations. A general methodology used to determine this metric is discussed below. In some cases, a more specific metric was used to identify the growth-related portion of such improvements. In these cases, notations were made in the applicable section.

Fee Calculation

In accordance with the CIP approach described above, we calculated fees for each department by answering the following seven questions:

1. **Who is currently served by the District?** This includes the number of residents as well as residential and nonresidential land uses.

2. **What is the current level of service provided by the District?** Since an important purpose of impact fees is to help the District *achieve* its planned level of service[29], it is necessary to know the levels of service it is currently providing to the community.

3. **What current assets allow the District to provide this level of service?** This provides a current inventory of assets used by the District, such as facilities, land and equipment. In addition, each asset's replacement value was calculated and summed to determine the total value of the District's current assets.

4. **What is the current investment per residential and nonresidential land use?** In other words, how much of the District's current assets' total value is needed to serve current residential households and nonresidential square feet?

5. **What future growth is expected in the District?** How many new residential households and nonresidential square footage will the District serve over the CIP period?

6. **What new infrastructure is required to serve future growth?** For example, how many stations will be needed by the Star Fire Protection District Fire Department within the next ten years to achieve the planned level of service of the District?[30]

7. **What impact fee is required to pay for the new infrastructure?** We calculated an apportionment of new infrastructure costs to future residential and nonresidential land- uses for the District. Then, using this distribution, the impact fees were determined.

Addressing these seven questions, in order, provides the most effective and logical way to calculate impact fees for the District**.** In addition, these seven steps satisfy and follow the regulations set forth earlier in this section.

"GRUM" Analysis

In the District, not all capital costs are associated with growth. Some capital costs are for repair and replacement of facilities e.g., standard periodic investment in existing facilities such as roofing. These costs *are not* impact fee eligible. Some capital costs are for betterment of facilities, or implementation of new services (e.g., development of an expanded training facility). These costs *are generally not entirely* impact fee eligible. Some costs are for expansion of facilities to accommodate new development at the current level of service (e.g., purchase of new fire station to accommodate expanding population). These costs *are* impact fee eligible.

Because there are different reasons why the District invests in capital projects, the study team conducted a "GRUM" analysis on all projects listed in each CIP:

- **Growth.** The "G" in GRUM stands for growth. To determine if a project is solely related to growth, we ask "Is this project designed to maintain the current level of service as growth occurs?" and "Would the District still need this capital project if it weren't growing at all?" "G" projects are only necessary to maintain the District's current level of service as growth occurs. It is thus appropriate to include 100 percent of their cost in the impact fee calculations.

- **Repair & Replacement.** The "R" in GRUM stands for repair and replacement. We ask, "Is this project related only to fixing existing infrastructure?" and "Would the District still need it if it weren't growing at all?" "R" projects have nothing to do with growth. It is thus not appropriate to include any of their cost in the impact fee calculations.

- **Upgrade.** The "U" in GRUM stands for upgrade. We ask, "Would this project improve the District's current level of service?" and "Would the District still do it even if it weren't growing at all?" "U" projects have nothing to do with growth. It is thus not appropriate to include any of their cost in the impact fee calculations.

- **Mixed.** The "M" in GRUM stands for mixed. It is reserved for capital projects that have some combination of G, R and U. "M" projects by their very definition are partially necessitated by growth, but also include an element of repair, replacement and/or upgrade. In this instance, a cost amount between 0 and 100 percent should be included in the fee calculations. Although the need for these projects is triggered by new development, they will also benefit existing residents.

Projects that are 100 percent growth-related were determined by our study to be necessitated solely by growth. Alternatively, some projects can determined to be "mixed," with some aspects of growth and others aspects of repair and replacement. In these situations, only a portion of the total cost of each project is included in the final impact fee calculation.

It should be understood that growth is expected to pay only the portion of the cost of capital improvements that are growth-related. The District will need to plan to fund the pro rata 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. These values will be calculated and discussed in Section VI of this report.

Exhibits found in Section III of this report detail all capital improvements planned for purchase over the next ten years by the District.

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[1] *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 fire, emergency medical and rescue facilities. *See* Sections 67-8203(3), (24) and (28), Idaho Code.

[2] *See* Section 67-8202, Idaho Code.

[3] As explained further in this study, 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. *See Banbury*

[4] *Development Corp. v. South Jordan*, 631 P.2d 899 (1981); *Dollan v. District of Tigard*, 512 U.S. 374 (1994).

See Sections 67-8202(4) and 67-8203(29), Idaho Code.

[5] *See* Section 67-8210(4), Idaho Code.

[6] *See* Sections 67-8204(1) and 67-8207, Idaho Code.

[7] *See* Section 67-8210(1), Idaho Code

[8] *See* Section 67-8205, Idaho Code.

[9] *See* Section 67-8206(2), Idaho Code.

[10] *See* Section 67-8208, Idaho Code.

[11] *See* Section 67-8207, Idaho Code.

[12] *See* Sections 67-8209 and 67-8210, Idaho Code.

[13] *See* Section 67-8208, Idaho Code.

[14] *See* Sections 67-8204 and 67-8206, Idaho Code.

[15] As a comparison and benchmark for the impact fees calculated under the Capital Improvement Plan approach, Galena Consulting also calculated the District's current level of service by quantifying the District's current investment in capital improvements, 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.

[17] *See* Section 67-8208, Idaho Code.

[19] *See* Section 67-8203(23), Idaho Code.

[20] *See* Section 67-8207, Idaho Code.

[21] 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 attributable to new development (in order 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.

[22] *See* Section 67-8203(27), Idaho Code.

[23] *See* Section 67-8203(27), Idaho Code.

[24] The construction of detached garages alongside residential units does not typically trigger the payment of additional impact fees unless that structure will be the site of a home-based business with significant outside employment.

[25] *See* Section 67-8208(1)(e), Idaho Code.

[26] *See* Section 67-8208(1)(h).

[27] This assumes the planned levels of service do not exceed the current levels of service.

[28] 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.

[29] This assumes that the planned level of service does not exceed the current level of service.

[30] This assumes the planned level of service does not exceed the current level of service.

Section II.
Land Uses

As noted in Section I, it is necessary to allocate capital improvement plan (CIP) costs to both residential and nonresidential development when calculating impact fees. The study team performed this allocation based on the number of projected new households and nonresidential square footage projected to be added from 2017 through 2026 for the District. These projections were based on the most recent growth estimates from COMPASS, regional real estate market reports, interviews with developers and recommendations from District Staff and the Impact Fee Advisory Committee.

Demographic and land-use projections are some of the most variable and potentially debatable components of an impact fee study, and in all likelihood the projections used in our study will not prove to be 100 percent correct. The purpose of the Advisory Committee's annual review is to account for these inconsistencies. As each CIP is tied to the District's land use growth, the CIP and resulting fees can be revised based on actual growth as it occurs.

The District serves the population of two incorporated cities (Star and a portion of Middleton), as well as portions of unincorporated Ada and Canyon Counties. As the following map indicates, the District's service area borders the Eagle Fire District to the east; City of Meridian Fire Department to the southeast; Caldwell and Nampa Fire Districts to the southwest; and the Middleton Fire District to the west.

The following Exhibit II-1 presents the current and estimated future population for the District.

Exhibit II-1.
Current and Future Population within the boundaries of the Star Fire Protection District

	2017	2026	Net Increase	Percent Increase
Population	12,280	26,000	13,721	112%

The District currently has approximately 12,280 persons residing within its service boundary. As indicated above, the service boundary of the District is larger than the City of Star, and larger than the Star Area of Impact.

Current and future population estimates were derived by isolating the population within each Transportation Analysis Zone (TAZ) within the District boundaries according to current COMPASS data. This data was augmented by more recent building permit and annexation approval data. Over the next ten years, these models indicate the District will grow by approximately 13,721 persons, or at an annual growth rate of 11 percent.

Based on this population, the following Exhibit II-2 presents the current and future number of residential units and nonresidential square feet for the District.

Exhibit II-2.
Current and Future Land Uses, Star Fire Protection District

	2017	2027	Net Growth	Net Increase in Square Feet	Percent of Total Growth
Population	12,280	26,000	13,721		
Residential (in units)	4,099	8,666.67	4,567	9,637,073	90%
Nonresidential (in square feet)	204,967	1,300,000	1,095,033	1,095,033	10%
Total				10,732,107	100%

As shown above, the Star Fire Protection District is expected to grow by approximately 4,567 residential units and 1,095,033 nonresidential square feet over the next ten years. Ninety percent of this growth is attributable to residential land uses, while the remaining ten percent is attributable to nonresidential growth. These growth projections will be used in the following sections to calculate the appropriate impact fees for the District.

While there has been an average of 200 new homes built in Star each year for the past five years, plat activity and a survey of local developers indicate the residential market will continue to increase dramatically in this area. In 2018 COMPASS data projected over 400 new homes would be built within the District each year over the next ten years which is consistent with the population estimates for the area, as well as facilities plans for the West Ada School District. Recent annexations into the City of Star indicate even more residential building will occur in the next ten years.

Non-residential development (office, retail and industrial) is harder to predict. Generally, "retail follows rooftops" but it is unclear how quickly this development will occur over the next ten years. Other areas in the Treasure Valley have approximately 300 square feet of non-residential development per residential household. For the purpose of this study, given the evolving growth patterns in the District's service area, we estimated only 50 square feet of non-residential development per current household, and projected 150 square feet of non-residential development per household by 2027. This estimate does not seem unrealistic given the known non-residential development planned for the area (Bi-Mart, a grocery store, a high school, two new middle schools and 2 new elementary schools) and a conservatively projected amount of other retail and office uses (i.e., fast food, medical/dental offices, insurance offices, etc.).

Section III.
Impact Fee Calculation

In this section, we calculate impact fees for the Star Fire Protection District according to the seven - question method outlined in Section I of this report.

1. **Who is currently served by the Star Fire Protection District?**

As shown in Exhibit II-2, the District currently serves 4,099 residential units and approximately 205,000 square feet of nonresidential land use.

2. **What is the current level of service provided by the Star Fire Protection District?**

The Star Fire Protection District provides a level of service of a 90 percent fractile response time of 6 minutes and 41 seconds for fire response and 4 minutes and 1 second for emergency medical response. As the population of the District grows, additional infrastructure and equipment will be needed to sustain this level of service. Based on conversations with District staff, it is our understanding that the planned level of service is equal to the current level of service.

3. **What current assets allow the Star Fire Protection District to provide this level of service?**

The following Exhibit III-1 displays the current assets of the Star Fire Protection District.

Exhibit III-1.
Current Assets – Star Fire Protection District

Type of Capital Asset		Replacement Value
Facilities		
Station #1	$	1,790,000
Station #2	$	2,085,000
Apparatus/Vehicles		
1992 E52 Dash Fire Engine	$	506,000
2002 Ford Explorer	$	30,000
Comm 551 Ford F150 Command Vehicle	$	35,000
Brush 51 - 2010 Dodge RAM 5500	$	75,000
E51 Rosenbauer Engine SN 4568	$	506,000
Maint 51 2002 Ford F550 Truck	$	50,000
WT51 2011 Rosenbauer Water Tender	$	375,000
2017 Chev 1500 Comm Vehicle	$	32,709
Equipment		
Caterpillar Generator D60P4	$	50,000
TNT Extrication Equipment	$	18,000
Generator (Station 2)	$	50,000
700 Meg Hand Held Radios (14)	$	91,000
Extractor - Unimax	$	7,129
Thermal Imager - Bullard	$	8,396
SCBA's (12 @ $6,500/each)	$	78,000
Phone System	$	24,033
Bizhub C280 Printer/ Copier	$	5,000
Total Assets	$	5,816,267
Plus Cost of Fee-Related Research		
Impact Fee Study	$	4,000
Grand Total	**$**	**5,820,267**

As shown above, the District currently owns approximately $5.8 million of eligible current assets. These assets are used to provide the District's current level of service.

4. **What is the current investment per residential unit and nonresidential square foot?**

The Star Fire Protection District has already invested $1,322 per residential unit and $1.95 per nonresidential square foot in the capital necessary to provide the current level of service. This figure is derived by allocating the value of the District's current assets between the current number of residential units and nonresidential square feet.

We will compare our final impact fee calculations with these figures to determine if the two results will be similar; this represents a "check" to see if future District residents will be paying for infrastructure at a level commensurate with what existing District residents have invested in infrastructure.

5. **What future growth is expected in the Star Fire Protection District?**

As shown in Exhibit II-2, the Star Fire Protection District is expected to grow by approximately 4,567 residential units and 1,095,033 square feet of nonresidential land use over the next ten years.

6. **What new infrastructure is required to serve future growth?**

The following Exhibit III-2 displays the capital improvements planned for purchase by the Star Fire Protection District over the next ten years.

Exhibit III-2.
Star Fire Protection District CIP 2018 to 2027

Type of Capital Infrastructure	CIP Value	*times*	Growth Portion	*times*	Demand 2018-2027	Amount to Include in Fees	Amount from Other Sources
Facilities							
Star Fire District Station #3	$4,000,000		100%		80%	$3,200,000	$800,000
Expansion of Station #1 - additional bay and training area	$1,000,000		50%		80%	$400,000	$600,000
Vehicles							
1 additional engine for Station #3	$600,000		100%		80%	$480,000	$120,000
1 replacement engine	$600,000		0%		0%	$0	$600,000
1 replacement Type 3 brush truck	$130,000		0%		0%	$0	$130,000
Equipment							
6 complete SCBA units for Station #3	$39,000		100%		80%	$31,200	$7,800
Total Infrastructure	$6,369,000					$4,111,200	**$2,257,800**
Plus Cost of Fee-Related Research							
Impact Fee Study	$6,000		100%		100%	$6,000	
Grand Total	**$6,375,000**		**$5,145,000**			**$4,117,200**	

As shown above, the District plans to purchase approximately $6.4 million in capital improvements over the next ten years, $5.1 million of which is necessitated by new growth. Of this $5.1 million, 80% or $4.1 million can be attributed to growth that occurs in the next ten years, with the remaining 20% to be collected from growth after 2027. These new assets will allow the District to achieve its planned level of service in the future.

Assuming current housing and development trends continue at projected rates, the estimated date for the commencement of the construction of Station #3 and purchase of related apparatus and equipment identified above is 2026. The expansion of Station #1 is estimated to occur in 2021.

The remaining approximately $1.3 million is the price for the District to replace existing apparatus, vehicles and other equipment. Replacement of existing capital is not eligible for inclusion in the impact fee calculations. The District will therefore have to use other sources of revenue including all of those listed in Idaho Code 67- 8207(iv)(2)(h). The District has identified property tax revenue as the source for funding non growth-related capital improvements. This revenue will fund the non growth-related portion of the expansion of Station #1 in 2021. The District will replace its non growth-related apparatus and equipment as they reach their industry life span throughout the 10-year period.

7. **What impact fee is required to pay for the new capital improvements?**

The following Exhibit III-3 takes the projected future growth from Exhibits II-2 and the growth-related CIP from Exhibit III-2 to calculate impact fees for the Star Fire Protection District.

Exhibit III-3.
DRAFT Impact Fee Calculation, Star Fire Protection District

Amount to Include in Impact Fee Calculation	$4,117,200
Percentage of Future Growth	
Residential	90%
Non Residential	10%
Amount Attributable to Future Growth	
Residential	$ 3,697,108
Non Residential	$ 420,092
Future Growth 2017-2026	
Residential (per unit)	4,567
Non Residential (per square foot)	1,095,033
Impact Fee	
Residential (per unit)	$ 809
Non Residential (per square foot)	$ 0.38

As shown above, we have calculated impact fees for the Star Fire Protection District at $809 per residential unit and $0.38 per nonresidential square foot. In comparison, as indicated in question #4 above, property taxpayers within the District have already invested $1,322 per residential unit and $1.95 per nonresidential square foot in the capital inventory necessary to provide today's level of service. The difference between the current investment and the impact fee per unit indicates current taxpayers have already built in some "capacity" for future development.

The District cannot assess fees greater than the amounts shown above. The District may assess fees lower than these amounts, but would then experience a decline in service levels unless the District used other revenues to make up the difference.

Because not all the capital improvements listed in the CIP are 100 percent growth-related, the District would assume the responsibility of paying for those portions of the capital improvements that are not attributable to new growth. These payments would come from other sources of revenue including all of those listed in Idaho Code 67-8207(iv)(2)(h). The District has identified property tax revenue as the source for funding non growth-related capital improvements.

To arrive at this participation amount, the expected impact fee revenue needs to be subtracted from the total CIP value. Exhibit IV-3 divides the District's participation amount into two categories: the portion of purely non-growth-related improvements, and the portion of growth-related improvements that are attributable to repair, replacement, or upgrade, but are not impact fee eligible.

It should be noted that the participation amount associated with purely non-growth improvements is discretionary. The District can choose not to fund these capital improvements (although this could result in a decrease in the level of service if the deferred repairs or replacements were urgent). However, the non-growth-related portion of improvements that are impact fee eligible *must* be funded in order to maintain the integrity of the impact fee program.

Exhibit III-4.
Star Fire Protection District Participation Summary, 2018-2027

	Required	Discretionary	Total
Fire	$ 500,000	$ 730,000	$ 1,230,000

The total amount the District would be *required* to contribute over 10 years, should the District adopt fees at the calculated amount, is $500,000 for the non-growth portion of the expansion to Station #1. The District could also choose to fund the discretionary infrastructure of $730,000 for apparatus replacement. While District has the option to fund these capital improvements over the 10-year period, these payments are not required.

The District has identified property tax revenue as the source for funding non growth-related capital improvements.

Section IV.
Fee Analysis and Administrative Recommendations

The calculated impact fee based on the draft capital improvement plan is higher than the fee currently being assessed by neighboring communities. A comparison of the calculated Fire impact fee to similar fees to that being assessed by other fire departments and districts is provided in Exhibit IV-1:

Exhibit IV-1.
DRAFT Impact Fee Comparison - Fire

FOR DISCUSSION PURPOSES ONLY

	Star Fire DRAFT	Eagle Fire DRAFT	Middleton DRAFT	Kuna Fire Adopted	NACFR DRAFT	City of Meridian	City of Caldwell	City of Boise	City of Nampa
Fire									
per Residential Unit	$ 809	$ 677	$ 819	$ 701	$ 647	$ 681	$ 517	$ 526	$ 185
per Non-Residential sf	$ 0.38	$ 0.29	$ 0.41	$ 0.35	$ 0.32	$ 0.35	$ 0.10	$ 0.27	$ 0.12

The calculated impact fee for the Star Fire Protection District is on the higher end of the range for fire impact fees, but consistent with the Middleton Rural Fire District, its adjoining district. The calculated fee for the Eagle Fire District and Kuna Rural Fire district is somewhat lower than that calculated for the Star Fire Protection District because they are able to spread similar total CIP costs among a greater number of projected residential and non-residential growth. The North Ada County Fire and Rescue will not be building a new station in the next ten years, so their capital costs and therefore calculated fees are lower. Municipal fire impact fees tend to be lower than district fire impact fees because they have greater density and have more capacity already built into their infrastructure system than rural districts. The City of Nampa is updating its fire impact fee and it is anticipated to be commensurate with the City of Meridian.

Some communities express concern that impact fees will stifle growth. Empirical data indicates this is not the case. Factors including the price of land and construction, market demand, the availability of skilled workers, access to major transportation modes, amenities for quality of life, etc. all weigh more heavily in decisions to construct new homes or businesses, as well for business relocation. Ultimately the impact fee, which is paid at the time of building permit, is passed along to the buyer in the purchase price or wrapped into a lease rate. Therefore, in a market with a high demand for development, an impact fee higher than other jurisdictions is unlikely to slow growth.

On the positive side, an impact fee program will enable the District to plan for growth without decreasing its service levels (response time), which can decrease buyer satisfaction and cause property insurance premiums to increase. It will also allow the District to collect a proportionate share of the cost of capital improvements from growth instead of funding all future capital through property taxes assessed to existing residents and businesses.

As the District Commission evaluates whether or not to adopt the Capital Improvement Plan and impact fee presented in this report, we also offer the following information regarding District participation in funding, and implementation recommendations for your consideration.

Implementation Recommendations

The following implementation recommendations should be considered:

Intergovernmental Agreements. The Star Fire Protection District is enabled under Idaho Code as a governmental entity to adopt impact fees. However, because impact fees are paid upon building permit, and the District does not participate in this process, it needs another governmental entity to collect these fees on its behalf. Idaho Code 67-8204(a) authorizes the District to enter into an intergovernmental agreement with a city or county which can collect fire fees on their behalf. In the case of this District, which includes Kuna and two counties, three intergovernmental agreements for the collection of Fire District impact fees would have to be developed and adopted by the corresponding bodies.

Fire impact fees would be assessed on new developments by the appropriate building department and then distributed to the District on an agreed-upon schedule. It is customary for the District to pay a small administrative fee to the collecting entity for this service.

Capital Improvements Plan. Should the Advisory Committee recommend this study to the District Commission and should the Commission adopt the study, the District should also formally adopt this Capital Improvement Plan. While not subject to the procedures of the Local Land Use Planning Act (LLUPA), the adoption of the Capital Improvement Plan would comply with the Act's requirements of other governmental entities to adopt capital improvement plans into a Comprehensive Plan as part of the adoption of impact fees.

Impact Fee Ordinance. Following adoption of the Capital Improvement Plan, the Commission should review the proposed Impact Fee Ordinance for adoption via resolution as reviewed and recommended by the Advisory Committee and legal counsel.

Advisory Committee. The Advisory Committee is in a unique position to work with and advise Commission and District staff 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 zones under the assumption that some areas utilize more or less current and future capital improvements. The study team, however, does not recommend the District assess different fees by dividing the areas into zones. The capital improvements identified in this report inherently serve a system-wide function.

Specialized assessments. If permit applicants are concerned they would be paying more than their fair share of future infrastructure purchases, the applicant can request an individualized assessment to ensure they will only be paying their proportional share. The applicant would be required to prepare and pay for all costs related to such an assessment.

Donations. If the District receives donations for capital improvements listed on the CIP, they 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 District'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. This means that the District will either credit the donor or reimburse the donor for that portion of the impact fee.

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.[37] This prevents "double dipping" by the District.

The presumption would be that builders/developers owe the entirety of the impact fee amount until they make the District aware of the construction or contribution. If credit or reimbursement is due, the governmental entity must enter into an agreement with the fee payer that specifies the amount of the credit or the amount, time and form of reimbursement.[38]

Impact fee accounting. The District should maintain Impact Fee Funds 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 of the same category. General Funds should be reserved solely for the receipt of tax revenues, grants, user fees and associated interest earnings, and ongoing operational expenses including the repair and replacement of existing capital improvements not related to growth.

Spending policy. The District should establish and adhere to a policy governing their expenditure of monies from the Impact Fee Fund. The Fund should be prohibited from paying for any 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 or other sources of revenue listed in Idaho Code 67-8207(I)(iv), (2)(h) and Impact Fee Fund should be allowed on a pro rata basis.

Update procedures. The District is expected to grow rapidly over the 10-year span of the CIPs. Therefore, the fees calculated in this study should be updated annually as the District invests in additional infrastructure beyond what is listed in this report, and/or as the District'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. As described in Idaho Code 67-8205(3)(c)(d)(e), the Advisory Committee will play an important role in these updates and reviews.

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37 *See* Section 67-8209(3), Idaho Code.

38 *See* Section 67-8209(4), Idaho Code