
FINAL REPORT

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**City of Eagle Police Department
Impact Fee Study and
Capital Improvement Plan**

Prepared By

Galena Consulting
Anne Wescott
1214 South Johnson
Boise, ID 83705



Section I.

Introduction

This report regarding impact fees for the Eagle Police Department 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 Police Department hired Galena Consulting to calculate impact fees.

This document presents impact fees based on the Department's demographic data and infrastructure costs before credit adjustment; calculates the Department'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 Department'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 City of Eagle to implement the Capital Improvement Plan methodology to calculate impact fees. The City can implement fees of any amount not to exceed the fees as calculated by the CIP approach. This methodology requires the City 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 Department 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 Department to growth-related system improvements; and
- All other available sources of funding such system improvements.²⁰

Through data analysis and interviews with the Department, 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 2020 to 2030. 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 unit²² 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 Department’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 Department includes some facilities that are only partially necessitated by growth (e.g., facility expansion). The study team met with the Department 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 Eagle Police Department?** 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 Eagle Police Department?** Since an important purpose of impact fees is to help the Department *achieve* its planned level of service²⁹, it is necessary to know the levels of service it is currently providing to the community.
3. **What current assets allow the Eagle Police Department to provide this level of service?** This provides a current inventory of assets used by the Department, such as facilities, land and equipment. In addition, each asset's replacement value was calculated and summed to determine the total value of the Department's current assets.
4. **What is the current investment per residential and nonresidential land use?** In other words, how much of the Department's current assets' total value is needed to serve current residential households and nonresidential square feet?
5. **What future growth is expected in the City of Eagle?** How many new residential households and nonresidential square footage will the Department serve over the CIP period?
6. **What new infrastructure is required to serve future growth?** For example, how much station square footage will be needed by the Eagle Police Department within the next ten years to accommodate the number of officers necessary to achieve the planned level of service of the Department?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 Department. 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 Department. In addition, these seven steps satisfy and follow the regulations set forth earlier in this section.

"GRUM" Analysis

In the Department, 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 police station to accommodate expanding population). These costs *are* impact fee eligible.

Because there are different reasons why the Department 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 Department still need this capital project if it weren’t growing at all?” “G” projects are only necessary to maintain the Department’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 Department 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 Department’s current level of service?” and “Would the Department 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 Department 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 III of this report.

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. Department 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 Department's current level of service by quantifying the Department'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 2020 through 2030 for the Department. 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 Department 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 Department’s land use growth, the CIP and resulting fees can be revised based on actual growth as it occurs.

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

**Exhibit II-1.
Current and Future Population – City of Eagle**

	2020	2030	Net Increase	Percent Increase
Population	32,560	46,007	13,447	41%

Over the next ten years, COMPASS models indicate the Department to grow by approximately 13,447 people, or at an annual growth rate of 4.1 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 Department.

**Exhibit II-2.
Current and Future Land Uses, Eagle Police Department**

	2020	2030	Net Growth	Net Increase in Square Feet	Percent of Total Growth
Population	32,560	46,007	13,447		
Residential (in units)	11,228	15,865	4,637	11,592,483	88%
Nonresidential (in square feet)	2,020,966	3,569,530	1,548,565	1,548,565	12%
Total				13,141,048	100%

As shown above, the Eagle Police Department is expected to grow by approximately 4,637 residential units and 1.5 million nonresidential square feet over the next ten years. Eighty-eight percent of this growth is attributable to residential land uses, while the remaining twelve percent is attributable to nonresidential growth. These growth projections will be used in the following sections to calculate the appropriate impact fees for the Department.

Section III.

Impact Fee Calculation

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

1. Who is currently served by the Eagle Police Department?

As shown in Exhibit II-2, the Department currently serves 11,228 residential units and approximately 2.0 million square feet of nonresidential land use.

2. What is the current level of service provided by the Eagle Police Department?

The Eagle Police Department provides a level of service of .71 officers per 1,000 population. As the population of the Department grows, additional infrastructure and equipment will be needed to sustain this level of service.

3. What current assets allow the Eagle Police Department to provide this level of service?

The following Exhibit III-1 displays the current assets of the Eagle Police Department.

Exhibit III-1. Current Assets – Eagle Police Department

Type of Capital Asset	Square Footage	Replacement Value
Facilities		
Administration Space	1,189	\$ 475,600
Police Station Space	3,140	\$ 1,256,000
Apparatus/Vehicles		
Tahoe		\$ 55,000
2 radar trailers		\$ 27,521
Equipment		
Weaponry for 23 sworn FTEs		\$ 20,700
Total Assets		\$ 1,834,821
Plus Cost of Fee-Related Research		
Impact Fee Study		\$ 8,000
Grand Total		\$ 1,842,821

As shown above, the Department currently owns approximately \$1.8 million of eligible current assets. These assets are used to provide the Department's current level of service. It should be note that the current administration and station space is leased through an agreement with the Eagle Fire District.

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

The Eagle Police Department has already invested \$153 per residential unit and \$0.06 per non-residential square foot in the capital necessary to provide the current level of service. This figure is derived by allocating the value of the Department’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 City residents will be paying for infrastructure at a level commensurate with what existing City residents have invested in infrastructure.

5. What future growth is expected in the City of Eagle?

As shown in Exhibit II-2, the City of Eagle is expected to grow by approximately 4,637 residential units and 1.5 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 Police Department over the next ten years.

**Exhibit III-2.
Eagle Police Department CIP 2020 to 2029**

Type of Capital Infrastructure	Square Feet	CIP Value	Growth Portion	Amount to Include in Fees	Amount from Other Sources
Facilities					
Station/Administration Space					
Current 23 officers	4,329	\$ 1,298,700	0%	\$ -	\$ 1,298,700
Growth-Related 10 officers	1,882	\$ 564,652	100%	\$ 564,652	\$ -
Equipment					
Weaponry for 10 growth-related officers		\$ 9,000	100%	\$ 9,000	\$ -
Total Infrastructure		\$ 1,872,352		\$ 573,652	\$ 1,298,700
Plus Cost of Fee-Related Research					
Impact Fee Study		\$ 8,000	100%	\$ 8,000	\$ -
Grand Total		\$ 1,880,352		\$ 581,652	\$ 1,298,700

As shown above, the Department plans to purchase approximately \$1.88 million in capital improvements over the next ten years, \$581,652 of which is impact fee eligible.

In order to continue the current level of service over the next 10 years, the City will need to hire 10 additional officers and related staff to meet the current service level of .71 officers per 1,000. Based on the current ratio of station square footage per officer, housing these growth-related officers will require approximately 1,882 additional square feet. At an estimated cost of \$300 per square foot, this facility would cost \$564,652. Weaponry for these officers is estimated to cost \$9,000.

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 Police Department.

**Exhibit III-3.
DRAFT Impact Fee Calculation, Eagle Police Department**

Amount to Include in Impact Fee Calculation	\$581,652
Percentage of Future Growth	
Residential	88%
Non Residential	12%
Amount Attributable to Future Growth	
Residential	\$ 513,109
Non Residential	\$ 68,543
Future Growth 2020-2030	
Residential (per unit)	4,637
Non Residential (per square foot)	1,548,565
Impact Fee	
Residential (per unit)	\$ 111
Non Residential (per square foot)	\$ 0.04

As shown above, we have calculated impact fees for the Eagle Police Department at \$111 per residential unit and \$0.04 per nonresidential square foot. In comparison, as indicated in question #4 above, property taxpayers within the City have already invested \$153 per residential unit and \$0.06 per nonresidential square foot in the capital inventory necessary to provide today's level of service.

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

Because not all the capital improvements listed in the CIP are 100 percent growth-related, the Department would assume the responsibility of paying for those 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).

It should be noted that the participation amount associated with purely non-growth improvements is discretionary. The Department can choose not to fund these capital improvements, which include the replacement of existing administration and substation space.

Section IV.

Fee Analysis and Administrative Recommendations

A comparison of the calculated Police impact fee to Police impact fees being assessed by Kuna, Meridian, Boise, Caldwell, Nampa, Star and Middleton is provided in Exhibit IV-1:

Exhibit IV-1. DRAFT Impact Fee Comparison - Police

	City of Eagle	City of Kuna	City of Meridian	City of Boise	City of Caldwell	City of Nampa	City of Star	City of Middleton
Police	DRAFT							
per Residential Unit	\$ 111	\$ 90	\$ 122	\$ 216.00	\$ 120	\$ 359	\$ -	\$ -
per Non-Residential sf	\$ 0.04	\$ 0.04	\$0.05-\$0.24	\$0.04-\$0.31	\$ 0.06	\$ 0.21	\$ -	\$ -

Each of the comparison cities also assesses fire and parks impact fees. A comparison of the City of Eagle's fire and parks fees to fire and parks fees of these other jurisdictions is provided in Exhibit IV-2.

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

	City of Eagle	City of Kuna	City of Meridian	City of Boise	City of Caldwell	City of Nampa	City of Star	City of Middleton
Fire								
per Residential Unit	\$ 897	\$ 701	\$ 559	\$ 461.00	\$ 724	\$ 560	\$ 809	\$ 849
per Non-Residential sf	\$ 0.36	\$ 0.35	\$ 0.53	\$0.04-\$0.34	\$ 0.13	\$ 0.28	\$ 0.38	\$ 0.42
Parks								
per residential unit	\$ 1,446	\$ 983	\$ 1,691 average	\$539-\$1557 average	\$ 1,012	\$ 1,699	\$ 2,050	\$ 1,963

Exhibit IV-3 provides the total impact fees currently assessed by these jurisdictions for police, fire and parks. It does not include any streets impact fees.

Exhibit IV-3. DRAFT Impact Fee Comparison – Total Police, Fire and Parks Fees

	City of Eagle	City of Kuna	City of Meridian	City of Boise	City of Caldwell	City of Nampa	City of Star	City of Middleton
TOTAL								
per Residential Unit	\$ 2,454	\$ 1,774	\$ 2,372	\$1,216-\$2,234	\$ 1,856	\$ 2,618	\$ 2,859	\$ 2,812
per Non-Residential sf	\$ 0.40	\$ 0.39	\$0.57-\$0.77	\$0.08-\$0.65	\$ 0.19	\$ 0.49	\$ 0.38	\$ 0.42

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 Department to plan for growth without decreasing its service levels which can decrease buyer satisfaction. It will also allow the Department 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.

Implementation Recommendations

The following implementation recommendations should be considered:

Capital Improvements Plan. The City should formally adopt this Capital Improvement Plan subject to the procedures of the Local Land Use Planning Act (LLUPA).

Impact Fee Ordinance. Following adoption of the Capital Improvement Plan, the City 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 City and Department 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 Department 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 are 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 Department 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 Department'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 Department 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 Department.

The presumption would be that builders/developers owe the entirety of the impact fee amount until they make the Department 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 Department 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 Department 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 Department 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 Department invests in additional infrastructure beyond what is listed in this report, and/or as the Department'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.

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

³⁸ See Section 67-8209(4), Idaho Code