
FINAL REPORT – November 5, 2021

**Spirit Lake Fire Protection District
Impact Fee Study and
Capital Improvement Plan**

Prepared By

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Section I.

Introduction

This report regarding impact fees for the Spirit Lake 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 Spirit Lake 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 2021 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 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 service²⁹, 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 Spirit Lake Fire Protection 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.

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

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 Bonner County, Kootenai County, the City of Spirit Lake; regional real estate market reports Census data; Idaho Department of Labor reports 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 Spirit Lake, and a portion of unincorporated Bonner and Kootenai 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 Spirit Lake Fire Protection District**

	2021	2031	Net Growth	10 year Growth Rate
Population				
Spirit Lake	2,467	3,454	987	40.0%
Bonner County	5,280	7,392	2,112	40.0%
Kootenai County	2,096	2,934	838	40.0%
	<u>9,844</u>	<u>13,781</u>	<u>3,937</u>	40.0%

The District currently has approximately 9,844 persons residing within its service boundary. Current and future population estimates were derived by comparing 2010-2020 Census data to current population estimates from Bonner County and Kootenai County, the City of Spirit Lake, as well as parcel data from the Bonner County and Kootenai County Assessor, recent permit activity and the number of permits recently approved for future residential and non-residential construction. More residential projects are being approved within the District than before, including multi-family developments, increasing the capacity for population growth in the future. Non-residential growth was calculated using a formula of number of square feet per residential unit based on regional trends.

Over the next ten years, it is estimated the District will grow by approximately 3,937 people, or at a 10-year growth rate of 40 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, Spirit Lake Fire Protection District

	2021	2031	Net Growth	Net Growth in Square Feet	Percent of Growth in SF
Population	9,844	13,781	3,937		
Residential (in units)	4,336	6,071	1,735	3,469,078	93%
Nonresidential (in square feet)	650,452	910,633	260,181	260,181	7%
			Total Square Footage Growth =	3,729,259	100%

As shown above, the Spirit Lake Fire Protection District is expected to grow by approximately 1,735 residential units and two-hundred and sixty thousand nonresidential square feet over the next ten years. Ninety-three percent of this growth is attributable to residential land uses, while the remaining seven 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 Spirit Lake Fire Protection District according to the seven -question method outlined in Section I of this report.

1. Who is currently served by the Spirit Lake Fire Protection District?

As shown in Exhibit II-2, the District currently serves 4,336 residential units and approximately six-hundred and fifty thousand square feet of nonresidential land use.

2. What is the current level of service provided by the Spirit Lake Fire Protection District?

The Spirit Lake Fire Protection District provides a level of service of a 90 percent fractile response time of five to eight minutes. Response times are faster within the cities of Spirit Lake and Blanchard, and can be longer for other parts of the unincorporated counties. 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 Spirit Lake Fire Protection District to provide this level of service?

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

Exhibit III-1. Current Assets – Spirit Lake Fire Protection District

Type of Capital Infrastructure	Square Feet	Acres	Replacement Value
Facilities			
Station #1 - Spirit Lake	8,400	1	\$ 3,410,000
Station #2 - Blanchard	2,500	2	\$ 1,100,000
Station #3 - Hoodoo Valley	2,400	1	\$ 960,000
Apparatus/Vehicles			
3 Engines			\$ 1,800,000
3 Tenders			\$ 450,000
3 Brush Trucks			\$ 450,000
1 Fire Boat			\$ 125,000
Support Vehicles			\$ 190,000
Equipment			
Pump			\$ 5,800
Rescue Tools			\$ 75,000
Generator			\$ 18,500
Emergency Equipment			\$ 120,000
Compressor			\$ 50,000
SCBAs			\$ 114,000
	13,300		\$ 8,868,300
Plus Impact Fee Study			\$ 8,000
TOTAL CURRENT INVESTMENT			\$ 8,876,300

As shown above, the District currently owns approximately \$8.88 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 Spirit Lake Fire Protection District has already invested \$1,904 per existing residential unit and \$0.95 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 among 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 Spirit Lake Fire Protection District?

As shown in Exhibit II-2, the Spirit Lake Fire Protection District is expected to grow by approximately 1,735 residential units and two-hundred and sixty thousand 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 Spirit Lake Fire Protection District over the next ten years.

**Exhibit III-2.
Spirit Lake Fire Protection District CIP 2021 to 2031**

Type of Capital Infrastructure	Square Feet	CIP Value	Growth Portion	Amount to Include in Fees	Amount from Other Sources
Facilities					
Replace and Expand Station #2 Station for growth	10,000	\$ 4,200,000	50%	\$ 2,100,000	\$ 2,100,000
Apparatus/Vehicles					
1 Engine for Growth		\$ 600,000	100%	\$ 600,000	\$ -
1 Tender for Growth		\$ 250,000	100%	\$ 250,000	\$ -
1 Brush Truck for Growth		\$ 150,000	100%	\$ 150,000	\$ -
1 Command Vehicle for Growth		\$ 45,000	100%	\$ 45,000	\$ -
Replace Tender		\$ 250,000	0%	\$ -	\$ 250,000
Replace 2 Brush Trucks		\$ 300,000	0%	\$ -	\$ 300,000
Equipment					
1 Thermal Imager		\$ 15,000	100%	\$ 15,000	\$ -
6 SCBAs for Growth		\$ 48,000	100%	\$ 48,000	\$ -
Replace SCBA		\$ 114,000	0%	\$ -	\$ 114,000
SUBTOTAL		\$ 5,972,000		\$ 3,208,000	\$ 2,764,000
Plus Cost of Capital-Related Research					
Impact Fee Study		\$ 8,000	100%	\$ 8,000	\$ -
TOTAL		\$ 5,980,000		\$ 3,216,000	\$ 2,764,000

As shown above, the District plans to purchase approximately \$5.9 million in capital improvements over the next ten years, approximately \$3.2 million of which is impact fee eligible. These new assets will allow the District needs to continue its current level of service as the community grows.

The primary impact fee eligible expenditures are the replacement and expansion of Station #2, and the purchase of additional vehicles. 50%, or \$2,100,000 of the cost of the station expansion is necessitated by growth. Station #2 will be rebuilt to code and expanded to provide room for additional vehicles which are necessary to respond to an increasing number of developments. Because the expansion also includes replacement of current facilities, it is partially needed to serve existing development, the other 50% of the cost of this improvement will need to be funded by other revenue sources, including property taxes. 100%, or \$1.016 million of all additional vehicles and apparatus needed for growth are impact fee eligible.

The remaining \$2,764,000 (\$5,980,000 minus \$3,216,000 in partially growth-related improvements) 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 or grants 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 Spirit Lake Fire Protection District.

**Exhibit III-3.
Impact Fee Calculation, Spirit Lake Fire Protection District**

Impact Fee Calculation	
Amount to Include in Fee Calculation	\$3,216,000
Distribution of Future Land Use Growth	
Residential	93%
Nonresidential	7%
Future Assets by Land Use	
Residential	\$ 2,991,628
Nonresidential	\$ 224,372
Future Land Use Growth	
Residential	1,735
Nonresidential	260,181
Impact Fee per Unit	
Residential per dwelling unit	\$ 1,725
Nonresidential per square foot	\$ 0.86

As shown above, we have calculated impact fees for the Spirit Lake Fire Protection District at \$1,725 per residential unit and \$0.86 per nonresidential square foot. In comparison, as indicated in question #4 above, property taxpayers within the District have already invested \$1,904 per residential unit and \$0.95 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.

Section IV.

Fee Analysis and Administrative Recommendations

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 Spirit Lake 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 one municipality 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.

In the case that any one of these jurisdictions chooses not to collect the fees on the Fire District's behalf, inequities will result. Developers will have to pay an impact fee in one part of the District but not another, and the growth in the non-participating jurisdictions will essentially be subsidized by the growth in the participating region. Should this occur, it is recommended that the fee calculation be revised to more accurately reflect demand from the participating jurisdictions. Alternatively, jurisdictions not wishing to collect impact fees on behalf of the District may be encouraged to include the payment of the fee amount in their development agreements to be paid directly to the District.

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.

Each participating jurisdiction will need to also adopt the Capital Improvement Plan into their Comprehensive Plan via amendment.

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. Each participating jurisdiction will also need to adopt the impact fee ordinance.

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.

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

³⁸ See Section 67-8209(4), Idaho Code