Paying for Growth:
Impact Fees in Idaho

Idaho Association of Counties
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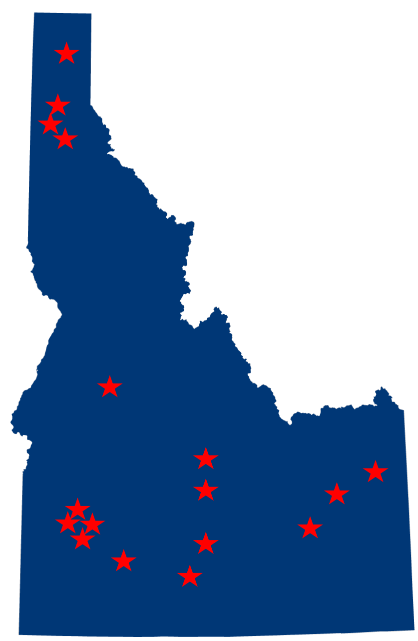
- Impact fees/infrastructure financing strategies
- Fiscal/economic impact analyses
- Capital improvement planning
- Infrastructure finance/revenue enhancement
- Real estate and market feasibility



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Background

- Impact fees have been used in Idaho for over 25 years
- Significant growth throughout Idaho is creating a new wave of pushback from existing property tax payers
- HB 389 in 2021 further reduced the ability of counties to generate tax revenue to support growth
- Demands for growth to "pay its own way" are leading to new interest in the use of impact fees for County infrastructure

Impact Fee Fundamentals

- One-time payment for growth-related infrastructure, usually collected at the time buildings permits are issued
  - Complexity with fire/EMS district impact fees
- Not a tax, similar to a contractual arrangement to build infrastructure with fee revenue, with three requirements
  - Need (system improvements, not project-level improvements)
  - Benefit
    - Short range expenditures
    - Geographic service areas and/or benefit districts
  - Proportionate

Eligible Costs

- Facilities/improvements required to serve new development – Yes
- Excess capacity in existing facilities – Yes
- Improvements required to correct existing deficiencies – No
  - Unless there is a funding plan
- Maintenance and repairs – No
- Operating costs – No

Impact Fees in Idaho

- Impact fee revenue must be maintained in an interest bearing account
- Monies must be spent within 8 years from collection
- Community must publish an Annual Monitoring Report and have Advisory Committee
- Comprehensive review and update every 5 years
- All maximum allowable fee changes require an updated study
- Eligible for the following public facilities with useful life of 10 years or more:
  - Water, wastewater, stormwater
  - Transportation
  - Parks & Recreation
  - Public safety: law enforcement, fire, EMS

Advisory Committee

- A Development Impact Fee Advisory Committee (DIFAC) has to be established for each entity that will adopt/collect fees
- Committee is at least 5 members
  - Must be residents of the county
  - At least 2 must be developers, realtors, builders; at least 2 must not be active in those fields
  - No elected officials; can use the Planning & Zoning Commission if they meet the other requirements.
- Assist in the assumptions regarding growth, levels of service, future demand, costs, capital plans, etc.
- Meet annually to review revenue and expenditure report

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Why Impact Fees?

- Infrastructure capacity is essential to accommodate new development
- New growth pays its equitable share
- Encourages disciplined capital improvement planning
  - Earmarks money for capital improvements
- Promotes comprehensive planning and growth management
  - Helps ensure adequate public facilities
- Compared to negotiated agreements, streamlines approval process with known costs (predictability)
- Anti-growth pressure can be eased

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Myths and Misconceptions

- × Impact fees cover the entire cost of new facilities, negating the need for higher taxes
  - A "properly" designed fee may come close
  - Credits
  - How about the O&M costs?
- × Impact fees should be based on planning standards, without concern for deficiencies
- × Nonresidential fees can be "adjusted" for economic reasons
- × All developers/builders hate impact fees

Common Impact Fee Methods

- Cost Recovery (past)
  - Oversized and unique facilities
  - Funds typically used for debt service
- Incremental Expansion (present)
  - Formula-based approach documents level of service with both quantitative and qualitative measures
- Plan-Based (future)
  - Common for utilities but can also be used for other public facilities with non-impact fee funding

Evaluate Need for Credits

- Site specific
  - Developer constructs a capital facility included in fee calculations
- Debt service
  - Avoid double payment due to existing or future bonds
- Dedicated revenues
  - e.g., property tax, local option sales tax, gas tax

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Impact Fee Study Process

- Determine existing development base and projected future growth
- Determine existing levels of service and capital needs due to new growth
- Determine appropriate indicators of demand
- Evaluate methodological alternatives
- Evaluate need for credits
- Calculate fees
- Review and input from Advisory Committee/other stakeholder groups
- Adoption process

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Adoption Process

- **Ordinance** is developed
- **Intergovernmental Agreement** is developed and reviewed by cities/county – necessary for County fees to be collected in the cities
- Two public hearings must be held by each adopting city/county

1. Public Hearing #1 – Planning and Zoning Commission regarding amending Comprehensive Plan
2. Public Hearing #2 – County Commission regarding adoption of fees

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Are Impact Fees a Good Tool for Your County?

- Is it the right time?
  - Is the population expected to grow within your county?
  - Will growth put a strain on your ability to provide the current service level?
- Do you need another funding tool?
  - Is your tax levy revenue sufficient to pay for capital improvements needed to support growth?
  - Is funding available to operate and maintain new infrastructure?
- Do you have the right support?
  - Do your commissioners understand impact fees and will they support their use as a funding tool?
  - Will your county be able to get the cities within its boundaries to agree to collect on its behalf?

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How Do I Get Started?

- Determine if impact fees are right for your county at this time
- Educate your Commission and the cities you serve on the purpose of impact fees – TischlerBiseGalena will provide a workshop for your elected officials at no charge
- Obtain “buy in” from elected officials to collect impact fees on your behalf
- Retain a consultant to conduct an impact fee analysis in compliance with the requirements set forth in the state statute
- Determine who will provide legal counsel for the adoption of fees; retain specialized counsel if desired

Thank you

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