Impact Fees: Charting Your Course

How to Navigate the Process to Ensure Success

IFFP & IFA

Impact Fee Facilities Plan (IFFP)
Identifies the demands placed upon the City's existing facilities by future development and evaluates how these demands will be met by the City.

Outlines the improvements which are intended to be funded by impact fees.

Impact Fee Analysis (IFA)
Proportionately allocates the cost of the new facilities and any excess capacity to new development, while ensuring that all methods of financing are considered.

6 Steps to IFFP

1. Demand
2. Inventory of Existing Facilities
3. Level of Service (LOS)
4. Excess Capacity
5. New Facilities
6. Financing

What are impact fees

- One time fee to new development

- Recoup the cost of impact from development on system improvements

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1. Demand

- Different for each service

- Based on proposed service area

- Should be reasonable

- Evaluate based on building permit data, historic census data, regional planning data, usage data, and other local data

2. Inventory of Existing Facilities

- Inventory existing facilities based on original value, type and useful life

- Calculate system capacity by component (e.g. storage facilities vs. source/supply)

- Delineate system improvements vs. project improvements in existing facilities

3. Level of Service (LOS)

- Identify existing LOS

- Identify proposed LOS

- Proposed LOS cannot exceed existing LOS

- New development can only be charged for the proportionate cost of the new facilities that maintain the LOS

4. Excess Capacity

- Based on existing LOS

- New development can pay for the available capacity

- Where excess capacity is not sufficient, new facilities may be needed

5. New Facilities

- Remove improvements to cure existing deficiencies or raise the level of service

- Outline future capital facilities for new growth

- Differentiate between system improvements and project improvements.

- Identify the capacity of future projects based on demand unit (e.g. # of ERCs served by new water tank)

6. Financing

- Past, present and future

- Alternative revenue resources

- Debt financing

Bring it All Together: Proportionate Share Analysis

- Reaffirm IFFP Assumptions

- Nexus between IFFP and Impact Fee

- Schedule for Impact Fee

- Determine Impact Fee Formula
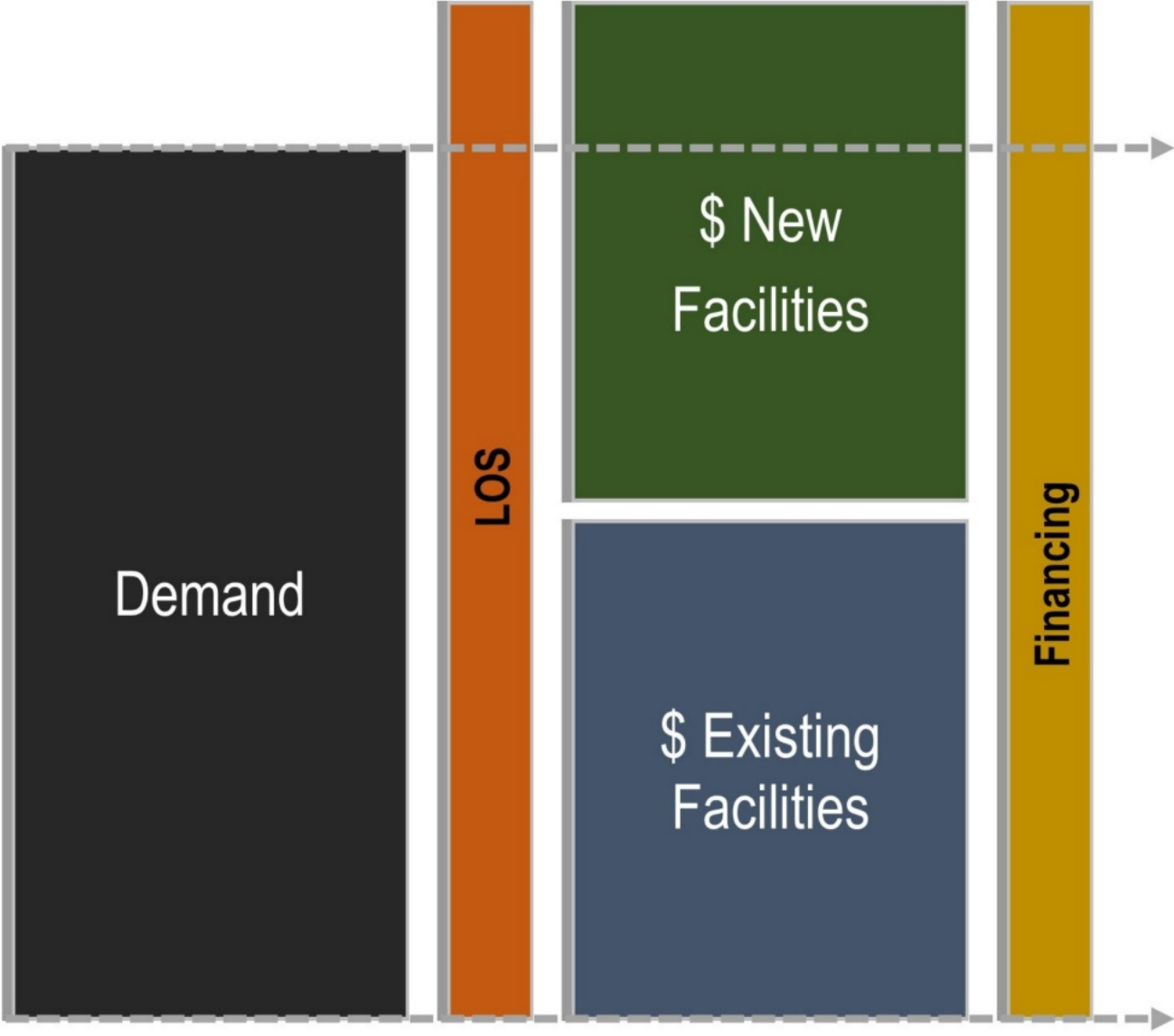
Demand | LOS | $ New Facilities | $ Existing Facilities | Financing | Calculation of Impact Fee

Noticing Requirements

Pre-Notice

Public Hearing Notice

90 Day Wait Period

Impact Fee Slippery Slopes

- **Aggressive demand analysis**

- **Inflated LOS**

- **Aggressive CIP**

- **Too much financing?**

- **Fail to Update**

How to Check Your Work

- **Cash Flow Analysis**

- **Development _Proforma_**

- **Stakeholder Input**

- **Create project transcript**

Expenditure of Impact Fees

Impact Fee Revenue Buckets

- **Buy-In**

- **New Facilities**

- **Apparatus**

- **Planning, Engineering and Other Costs**

Reporting

- Separate interest bearing ledger account for each type of public facility

- Deposit a receipt for an impact fee in the appropriate ledger account

- Retain the interest earned on each fund or ledger account in the fund or ledger account

Reporting

- For each fund, report on:

  - The source and amount of all money collected, earned, and received

  - Each expenditure

Reporting

- For each fund, report on:

  - The year in which the impact fee funds were received;

  - The project from which the impact fee funds were collected;

  - The project for which the impact fee funds are budgeted; and

  - The projected schedule for expenditure

Reporting

- Use a format developed by the state auditor

  https://auditor.utah.gov/local-government-2/publications/forms-for-local-governments/

- Must be certified by chief financial officer

- Must be transmitted to the state auditor within 180 days after the day on which the fiscal year ends

Current Events

Impact Fee Potential Changes

1. Increase reporting requirements.

2. Reduce/Eliminate impact fees related to affordable housing.

3. Remove restrictions related to fire apparatus.

Conclusion

- Impact fees can be an effective tool to fund growth-related improvements

- Impact fees should be reasonable and equitable

- Studies should be updated regularly to ensure compliance and accuracy

Questions?